

It took a couple of weeks to start cleaning the 2010 troubles that were in sight : Bernanke hostage freed, Q4 GDP strong enough to offer a safe gradual unwinding from the Fed quantitative easy policy, Greek probably sorted out anytime, 12% discount on equity markets in Europe, new cash from a new month starting with a better visibility, would play long big. Tough bet and poor risk reward to play short given such an environment. The next predictable problem could be Iran and then we would have been through all of them in one go. But hard decision to wait for a possible Iran strike short, when the underlying fundamentals are increasing at such a high speed. All the current troubles were on the 2010 agenda, while the very strong Q4 GDP and the growing sales seen through very friendly earnings were not. And should we rather say they were in sight when the market was trading above 3000. The sudden political switch from Obama is already belonging to the past as he heard the financial markets prompt response the following days, and managed to get Bernanke on the job. However, he triggered some fear, enough for hedge funds and formal institutional investors to suffer from redemptions, which better explains the heaviness of the indices on both Thursday and Friday, ignoring the fantastic GDP as well as the nice Chicago PMI which tell about January as well as about the ISM out today.

As such, this week macro events will be the focus, more than the corporate earnings, as we already take for granted according to the statistic that Q4 was strong, and we need to know more about 2010 which January data will tell more this week with the important Employment report to be released on Friday. You know the story, the higher the employment the more chance to make the economy run on its own once they disconnect all the artificial arsenal, or should we say that the earlier the Fed can safely unwind its policy. A self running economy might worry a few investors, except that worries was the focus all year long last year and it did not prevent the market from flying up after its collapse while the visibility was small. But this front running from the equity indices proved to be validated by the basics with a small lagging time, and this time we should read through the Fed quantitative unwinding a possible premium to be paid for welcoming a full success from the Fed and worldwide officials in putting the economy back on track on a safe frame unlike the previous bubbles quickly fixed triggering the drama we just avoided. A rate hike never fit with a bear market according to the past, but just aims at cooling things down, such as very reasonably China and India are working on at the present moment, same as the US.

The ISM Manufacturing today will be very important, not only to tell you about the January pace of the sector, but to read through the job component which will be a leading indicator for the Employment report on Friday. Also, for the same reason we will take a look at the ADP Employment changes on Wednesday and a glance at the Jobless Claims on Thursday. In the meantime, in case the employment improvement was not strong this month, we will also pay attention to some economical indicators such as today's Personal Income and spending, same for the Pending home sales tomorrow and the ISM non manufacturing the following day, as well as the Factory Orders and the ICSC Chain store sales on Thursday. Strong data would mean 2010 is starting on a fast pace, which will lead to some creation very soon then, and make the Fed unwinding a good news as the economy would be running on its own, without any risk of further bubble. The ECB that same day should be non event, and if any might tell more about Greece.

As a reminder, already January is becoming more promising than expected which at this stage is very important. Not only the Consumer Confidence came out better than expected a few days ago, but also on Friday the Chicago PMI was just great, predicting a friendly ISM manufacturing for today

Also the Q4 GDP is telling you that there will be some more strong GDP in the pipe. Yes inventories brought a big contribution to the headline number (3.4%). And so what? Not so long ago inventories liquidation was supposed to take months to evacuate, and we already rebuilt, and there is more to come in the coming quarters which will keep on boosting GDPs. But not only GDPs figures, purely and simply the economy which is gradually gaining traction. The more traction, the more chances to succeed for the Fed and let it run on its own. There is more and more evidence that the economy will enjoy a self sustaining recovery. Business investment expanded by 2.9%, driven by a 13.3% rebound in spending on equipment and software, which more than offset a 15.4% decline in spending on commercial real estate. Consumption growth increased by 2.0%, which is actually quite impressive given the drop back in spending on durable goods after the end of the Cash for Clunkers scheme. Finally exports increased by 18.1%, easily outpacing a 10.5% rise in imports. US GDP might be on for a minimum 3% pace, not bad for a Great Depression priced in equity markets 9 months ago.

The US kept being driven by redemption fitting with the end of a calendar month on Friday, take opportunity for a dropping opening to jump in. There are enough goods news to fancy fresh cash happy to take opportunity for the 12% discount from the tops on this new day of a new month.

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	72.7	1,3877	90,20	3,61	3,20	-2,49	-1,40	-0,65	-0,46	-2,23	-0,50	-1,01	-0,74	-3,42	-0,98	-1,45	-0,53	US
Perf 1d %	-1,36	0,10	-0,05	2,32 bp	-0,5 bp	-0,11	0,60	0,45	-0,04	-1,16	-0,06	0,40	0,12	-1,86	0,14	-0,28	0,36	Europe

ECONOMIC DATA with impact

Personal Income and Spending (13h30 UK time) expected 0.3% & 0.3% from previous 0.4% & 0.5% / **interesting although** far from being the focus this week / but the higher the better for both of them / high income would mean better job sector and high spending would mean consumer are part of the economic recovery and they weight 70% of the GDP in the US

ISM Manufacturing (15h UK time) expected 55.6 from 55.9 / the highest the better / **upside possibility** when looking at the Chicago PMI from last Friday / **important** as it is providing news reading January which belongs to the so feared 2010 year / the most interesting being the job component which could give a flavour of the employment report on Friday

Construction Spending (15h UK time) expected -0.4% from -0.6% / **minor** as old December data

POSITIVE IMPACTS

RYANAIR : Q3 revenue €612m (576m exp) / PT loss €13.9m (-38m exp) / Raised FY net profit guidance = Now sees FY net profit of €275m vs earlier f'cast at "lower end of €200-300m"

NORTHUMBRIAN WATER : Canadian pension fund Ontario Teachers' Pension Plan is considering tabling a **£1.7bn takeover bid** for Northumbrian Water (The Sunday Times)

UNITED UTILITIES : Private equity firm Charterhouse Capital is the frontrunner to **pay £500m** to buy a non-regulated business owned by United Utilities (The Telegraph On Sunday)

XSTRATA is considering building a 100m-tons/year thermal coal operation in Queensland at a potential cost of A\$15bn (The Australian)

HSBC's CEO played down this morning on CNBC press reports saying that it wants to **buy 51% of one of China's big-3 banks** (Industrial & Commercial Bank of China, Bank of China or China Construction Bank) possibly through a deal including an asset swap (The Sunday Tel.) / **Separately**, HSBC is looking to sell its rail leasing arm for **around £1.7 bn** (The Sunday Times)

FRANCE TELECOM plans to raise the rent it charges telecom operators that use its broadband cable network in France by €1 per month (La Tribune)

NOVARTIS : FDA approved Tykerb to treat breast cancer

COLRUYT : 9-month revenues €5.126 bn (5.088bn exp)

KLOECKNER sees indications that **business is stabilizing** + expects to reach Ebitda breakeven in the H2 of 2009 (Euro am Sonntag)

VEDANTA plans to spin off several of its business units into 5 or 6 companies to achieve higher valuations for each of the units through stock listings (The Independent On Sunday)

SABMILLER is considering buying Argentine brewer Isenbeck in a deal that could be **worth up to \$300m** (The Sunday Telegraph)

PREMIER FOODS : CEO David Kappler is **expected to stand down as CEO** at Premier Foods' upcoming AGM (The Sunday Times)

IRISH BANKS : Ireland's government is preparing to provide more aid to mortgage holders struggling to pay their loans (The Sunday Times) = The new measures may include allowing banks to take equity in homes or buy houses and rent them back to residents...

GAZPROM : Q3 sales \$25.3bn (23.5bn exp) / Net profit 5.75bn (4.78bn exp)

NEGATIVE IMPACTS

VIVENDI : A U.S. jury found that Vivendi is liable for **potentially billions of \$ in damages** because it misled investors about its financial condition nearly 10 years ago / **Vivendi will appeal**

PEUGEOT will recall nearly 100,000 cars because they have the same accelerator-related problems currently afflicting Toyota

UBS-CREDIT SUISSE : An informant offered to **sell German authorities bank data of 1,500 possible tax evaders** with accounts in Switzerland (Frankfurter Allgemeine Zeitung)

UCB said its 2009 profit would be affected by restructuring charges of about €70m from its exit from the US primary care mkt in March

VEOLIA : **A tie-up** between Veolia & EDF is **not at the agenda** (French PM)

BRITISH AMERICAN TOBACCO - IMP. TOBACCO : Tobacco companies may have to start **selling cigarette in plain, unbranded** packages under plans being considered by the U.K. government (The Sunday Telegraph)

GLAXOSMITHKLINE will make up to 4,000 additional redundancies, as part of its plans to restructure its workforce and focus increasingly on emerging markets (The Sunday Times)

ARCELORMITTAL (Friday) : India should **double the export tax on iron ore** to ensure that it doesn't run out of supplies of the raw material (Steel Minister)

UK INSURERS : UK property and casualty insurers face a **€15bn increase in capital requirements** under the latest version of the proposed European solvency rules due to come into force in 2012 (FT)

	RESULTS	DIVIDENDS	EVENTS
Today	EU \ Atlas Copco US \ Exxon Mobil / Asia \ Mitsui Chemicals	Santander (€0,12294) / Porsche (€0,05)	Energy Summit at Credit Suisse / Kraft Foods EGM
Tuesday	EU \ BP / Enagas / Gazprom / Novo Nordisk / Vinci sales (AMC) US \ Dow Chemical (11.30 GMT) / Man Power / Sun Micro / US car sales / VeriSign (AMC)		Imperial Tobacco AGM
Wednesday	EU \ Fortum / Mapfre / Roche (BMO) / Sandvik (BMO) / Scania / Standard Life (BMO) / Tandberg US \ Broadcom (AMC) / Black & Decker / Cisco (AMC) / Comcast / Electronic Arts / International Power / Lazard / Pfizer / Philip Morris / Time Warner (BMO) / Visa (AMC) Asia \ Mitsubishi Motors / Sumitomo Chemical / Takeda Pharmaceutical / Toyota Industries	Alcoa (\$0.03) / Boeing (\$0.42) / Intel (\$0,1575) / Pfizer (\$0.18) / Sodexo (€1,27)	American Express financial meeting
Thursday	EU \ Altana / Banco Santander / Danske Bank / Deutsche Bank / GSK / Kellogg (BMO) / LVMH / Munich Re / Neste Oil / Portugal Telecom / Royal Dutch / Stora Enso / Unilever / Zurich Financial US \ Kellogg (13.00 GMT) / Kraft Food / Master Card / Northrop Grumman / Sara Lee		
Friday	EU \ BG Group / British Airways (BMO) / Dior / Hermes / Roche / Skanska / Syngenta / Volvo Asia \ Casio / Mazda Motor / Panasonic		Corning annual investor day / Gazprom Day / Xerox special meeting of investors

TRADING IDEAS

BUY ALCATEL / STM and ACCOR to play dollar names

BUY TOTAL / ARCELORMITTAL / CAP / ALSTOM / GSZ / AIR LIQUIDE / SANOFI killed yesterday

BUY EON / SAP / BAYER / ABB to play double bottom

BUY BASF on reversal head & shoulder possibility

BUY ADECCO on island possibility

BUY DANONE / SELL NESTLE // BUY DTE / SELL FTE // BUY CAP / SELL SAP // BUY DAIMLER / SELL PEUGEOT

BROKER METEOROLOGY

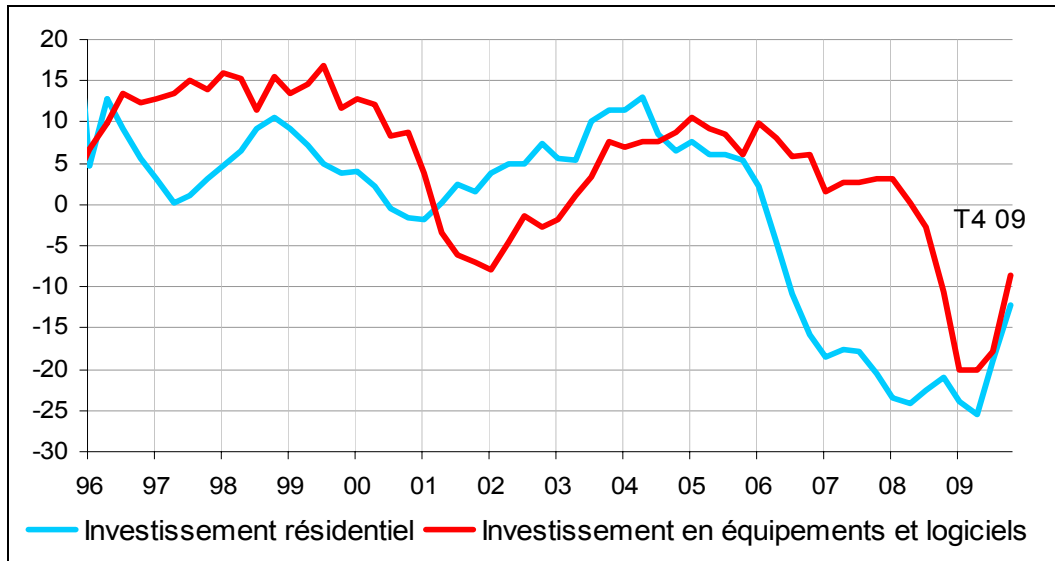
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INFINEON **STARTED AT BUY** **BY RBS**

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

CHART OF THE DAY

Residential investment (blue) and equipment and software investment in the United-States (red)
Since 1996



Source: BEA, Datastream

After increasing by 2.2 % (annualized) at the third quarter the US GDP skyrocketed at 5.7 % its best performance since the third quarter 2003. The real good news of the GDP data at the fourth quarter is neither due to the household consumption rising by 2 % nor to the positive contribution of external trade rising by 0.1%. No the real good news of the fourth quarter is a 39.3 % increase in private investment, mainly due to a 13.3 % increase of equipment and software investment and to a rise by 5.7 % of residential investment. In other words the virtuous circle of investment- employment- consumption is back in the United-States./JB

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
0.01 GMT	China	PMI manufacturing	January		56,5	56,6
7.45 GMT	France	Producer prices			+ 0,1%,-2,9% YoY	+ 0,2%,-4,5% YoY
7.50 GMT	France	PMI manufacturing (final)	January			54,7
8.55 GMT	Germany	PMI manufacturing (final)	January		53,4	53,4
9.00 GMT	Euro area	PMI manufacturing (final)	January	52,0	52,0	52,0
9.30 GMT	United Kingdom	Mortgage approvals	December		61 700	60 500
9.30 GMT	United Kingdom	PMI manufacturing	January		54,0	54,1
13.30 GMT	United-States	Personal income	December	+0,3%	+0,3%	+0,4%
13.30 GMT	United-States	Personal spending	December	+0,3%	+0,3%	+0,5%
13.30 GMT	United-States	Personal spending core	December		+0,1%,1,5% YoY	0,0%,+1,4% YoY
15.00 GMT	United-States	ISM manufacturing	January	55	55,6	54,9
15.00 GMT	United-States	Construction spending	December		-0,4% MoM	-0,6% MoM

Indexes	Price	% 5 Days	Ytd
DJIA	10067,3	-1,04%	-3,46%
S&P 500	1073,9	-1,62%	-3,70%
Nasdaq	2147,4	-2,62%	-5,37%
CAC 40	3739,5	-2,13%	-5,00%
DAX	5608,8	-1,52%	-5,85%
Eurostoxx 50	2776,8	-2,03%	-6,35%
DJ 600	247,0	-1,15%	-2,73%
FTSE 100	5188,5	-2,15%	-4,15%
Nikkei	10205,0	-3,70%	-3,24%
Shanghai Comp	2948,7	-4,45%	-10,02%
Sensex (India)	16305,5	-4,06%	-6,64%
MICEX (Russia)	1419,4	0,64%	3,61%
Bovespa (Brasil)	65401,8	-1,31%	-4,65%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3890	-1,84%	-3,08%
EUR/JPY	125,32	1,89%	-6,53%
USD/JPY	90,22	0,01%	-3,23%
Oil	Price	% 5 Days	Ytd
Brent \$/b	71,3	-2,37%	-7,64%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1081,0	-1,60%	-1,47%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,09
Overnight	0,03	0,35	0,09
3 Months	0,07	0,28	0,20
10 Years**	3,61	3,20	1,34

*US: Fed Funds; Jap: Overnight; Euro: Refi

** Euro: German Bund rate Source : Bloomberg

ECONOMIC DATA PREVIEW

Watch in **THE UNITED-STATES** the Personal income and personal revenue for December at 13.30 GMT. Personal income are expected to rise by 0.3% in December led by the stabilization of unemployment rate and by the rise in wages. In such conditions personal spending should rise by 0.3% in December. Watch the ISM manufacturing for January expected to slightly rise as the investment is rebounding in the US.

ECONOMY

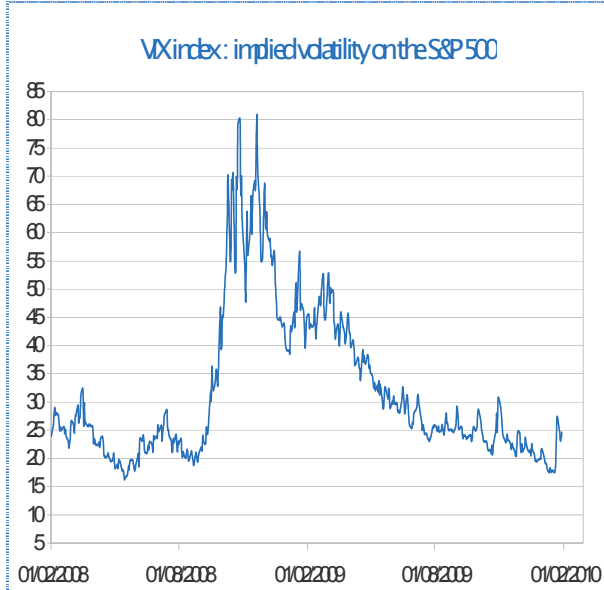
UNITED-STATES : SHARP RISE OF THE US GDP AT THE FOURTH QUARTER

After increasing by 2.2 % (annualized) at the third quarter the US GDP skyrocketed at 5.7 % its best performance since the third quarter 2003. The positive contribution of the stocks is not due to a re stocking but to a reduction of the de stocking. Indeed after reaching -\$160.2 billion at the second quarter (a highest on record), inventories reached -\$139.2 at the third quarter and -\$33.5 billion at the fourth quarter. Meaning that re stocking is still to come and growth will be boosted in the coming months. The real good news of the GDP data at the fourth quarter is neither due to the household consumption rising by 2 % nor to the positive contribution of external trade rising by 0.1%. No the real good news of the fourth quarter is a 39.3 % increase in private investment, mainly due to a 13.3 % increase of equipment and software investment and to a rise by 5.7 % of residential investment. In other words the virtuous circle of investment- employment- consumption is back in the United-States.

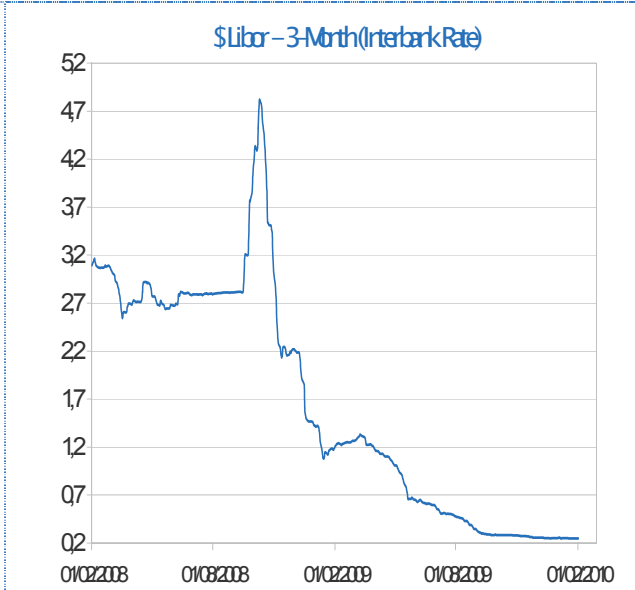
EURO AREA : INFLATION IS TAKING PLACE AND UNEMPLOYMENT IS RISING

After six month of deflation inflation is back since November in the euro area. Consumer price index rose again in December reaching 0.9% YoY and in January at 1.0% YoY. Nevertheless there is nothing to worry about as the return of inflation a logical consequence of the drop in energy prices a year ago. For the future the positive base effect will last and inflation will continue to increase. Inflation will remained under control in 2010 reaching 1.5% (yearly average). Meanwhile unemployment rate increased from 9.9% in November to 10% in December. This rise is logical knowing that there is a gap of 6 to 9 months between the economic recovery which remained weak in the euro area and a significant improvement of the employment./JB

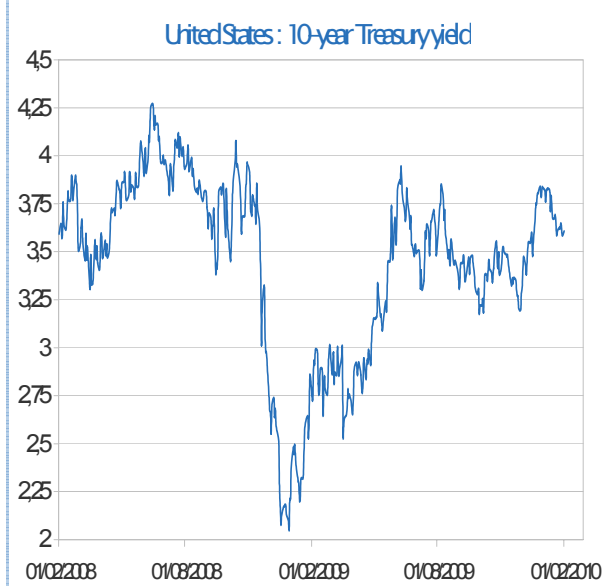
CASH WITHOUT TANGO



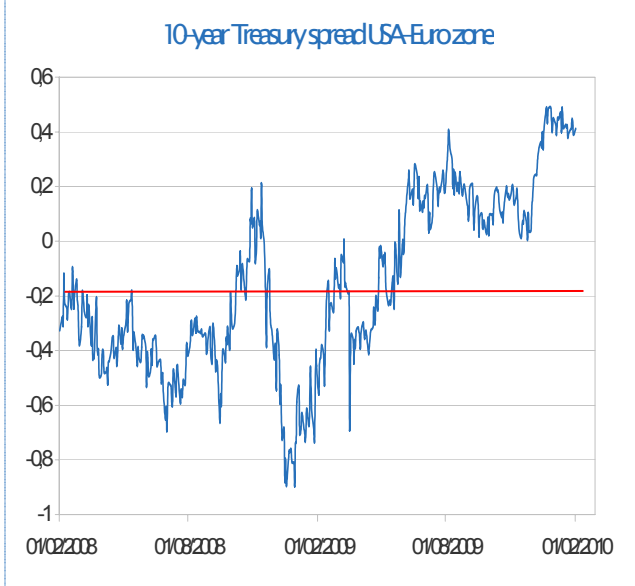
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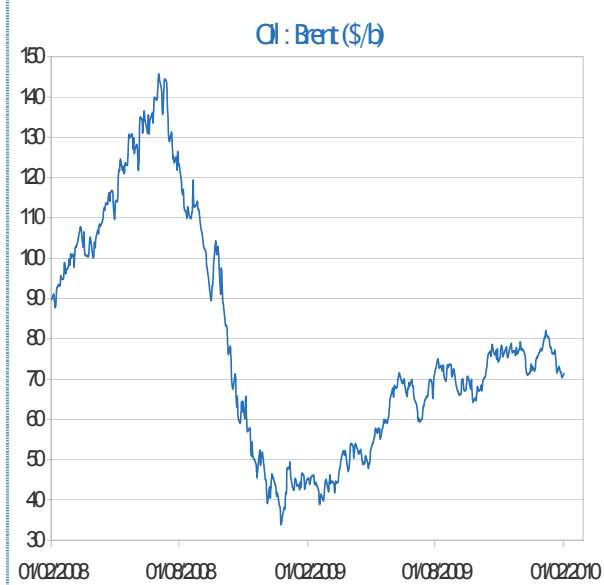
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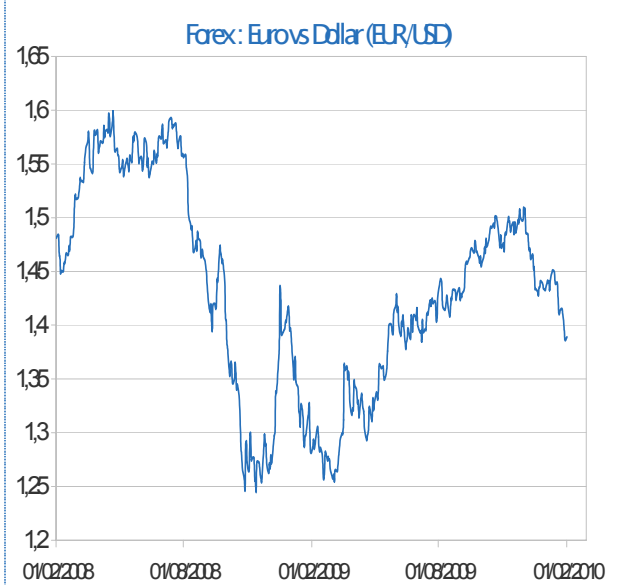
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