

Nice finish from the US session welcoming an in line Pending home sales data, a non event Volcker speech as there are no further details about the new risk approach from the banks, while the oil prices boost provided some nice support to energy names up 1.4%

The tree is the ECB which should provide some view regarding Greece and its Greek Stability and Growth Pact today, while the major date to remember should be the 15/16 February when Greece will present its budget in order to get the Eurogroup and the Ecofin approvals and make its debt still fine to be financed by the ECB.

The forest is what is important as a focus for this week and this year : Employment. Indeed, a better employment sector, when looking at the very encouraging data from January which came out so far (Michigan Index upside revision, Consumer Confidence, ISM Manufacturing and mostly the Job component from the manufacturing sector). When looking at the economic speed, coming fast and furious from a 5.7% growth in Q4 2009, probably heading into a 5% in Q1 2010, there are a lot of chances that the Fed unwinding would happen fine, and any employment improvement would just be a very big proof of it which obviously investors would cheer big time this year. Greece, in such a context is not what should prevent you from taking opportunity from the latest discount offered by the equity indices. Don't get us wrong, it is important, but nothing like the risk which hurt the economy not even one year ago, now back on its rail in a successful way while Chinese officials are monitoring their overheat very cleverly.

In the meantime, emerging markets should be adding to 2010 growth. January's manufacturing PMIs signal that Asia's recovery is gathering speed. In South Korea, the headline PMI picked up to an impressive 55.6, but the biggest increase came from Taiwan, where the PMI rose by over three points to 61.7. India's PMI increased too. However, the most interesting development came in the price components. In most of the countries surveyed, input costs were up strongly while output prices also rose. While Chinese's growth should be slowing, but let's bet clear, on purpose in order to avoid an overheating. It should keep cruising on a double digit pace in 2010

Technically things are looking are good, take a look at a few gap levels to be closed on the Eurostoxx 2860/2863 cash index, fitting with the 3859/3862 on the CAC cash and 5740/5742 on the Dax one.

Although the Greek problem is not what we should focus on, today's view from the ECB could obviously be a booster or a brake to the upside trend which resumed. However, the ADP Employment changes and the ISM non manufacturing job component should be much more important as to drive inside flows on the equity business ahead of the Friday's employment report. Remember influent big brokers will send new forecast if both surveys were to show some upside surprises such as the ISM manufacturing did on Monday

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	77,2	1,3970	90,49	3,65	3,20	0,50	1,45	1,00	1,93	0,84	1,24	1,79	0,81	0,92	1,30	0,87	1,09	US
Perf 1d %	3,29	0,04	-0,17	0,78 bp	0,9 bp	0,06	0,92	0,55	0,92	0,30	1,03	1,18	0,20	0,55	0,72	0,34	0,62	Europe

ECONOMIC DATA with impact

Mortgage Applications (12h UK time) / the higher the better / previous was -10.9% / **minor** as focus employment

ADP employment changes (13h15 UK time) expected -30K from previous -84K / the highest the better / **important** as already on Monday the job component from the ISM Manufacturing rose to 53 level, meaning the manufacturing sector is creating jobs, which in addition to the private sector would bring some very nice possible upside surprise to the Non Farm payrolls on Friday

ISM Non manufacturing (15h UK time) expected 51 from previous 50.1 / **important** will be the job component once more

POSITIVE IMPACTS

FORTUM : Q4 sales €1.56bn (1.50bn exp) / **Ebit €570m** (546m exp) / **Dividend €1.00** (0.93 exp) / Russia progress on track

VINCI : Q4 revenue €8.46bn (8.4bn exp) / Contracting revenue in line / Concession a touch below / **Order backlog €24bn** (+4%) / No outlook for 2010 / FY results expected on March 3

ROCHE : FY sales SFR 49.1bn (49.18bn exp) / **FY net profit SFR 8.5bn** (8.79bn exp) **but dividend of SFR6.00** (5.68 exp) / **Confirmed** target double-digit core EPS growth in 2010 / **Sees** FY sales for drugs and group expected to grow mid single digit range

ELECTROLUX : Q4 sales SK28.2bn, in line / **Ebit SK2.02bn** (2.14bn exp) **but dividend SK4.00** (3.10 exp) / **Sees no indications** of a strong recovery but rather **modest improvement** from low level of demand

SOCIETE GENERALE in talks to **buy a stake in Bank of Guangzhou** (China Business News) / Bank of Guangzhou's assets totaled CNY127.4 bn at the end of last year (around €13bn)

EADS : Airbus and buyer nations have intensified efforts to strike a deal this week over the funding of A400M (Reuters) / **Separately**, Airbus expects airlines in the Asia-Pacific will buy 8,000 new aircraft, valued at \$1.2 trn, in the next 20 years

AXA : **As expected**, AMP will not seek to extend its exclusive agreement with Axa on a joint \$11.4bn bid for AXA's Australian unit, opening the door for National Australia Bank to start talks with AXA

TELECOM ITALIA : The Italian Govt is in talks with TIT about its strategic options, including a **possible takeover by TEF** (Bloomberg)

RIO TINTO is **seeking about a 40% rise** in the 2010 LT iron ore supply benchmark price in negotiations with steelmakers in Japan & South Korea (The 21st Century Business Herald)

TESCO's CEO said that the British consumer had come out of recession and is unlikely to suffer a relapse

SAP said it has a strong order pipeline in Asia-Pacific & is seeing some customers growing more confident about their biz prospects

SOLARWORLD said it will focus on organic growth rather than on takeovers (CFO)

SANTANDER : Elavon, the credit card processing arm of U.S. Bancorp said it had formed an alliance with Santander's Mexican subsidiary to expand in Mexico's fast growing card market ...

US JAN. VEHICLES REGISTRATIONS YOY +15% : **DAIMLER** (Mercedes) +57.4% / **VOW** +52% / **FORD** +35.4% / **RENAULT (Nissan)** +25% / **GM** +23.2% / **PORSCHE** +16.7% / **BMW** +16.6%

NEWSCORP : Q2 revenue \$8.68bn (8.31bn exp) / **EPS \$0.25** (0.20 exp) thanks to "Avatar" and improved advertising sales / **Boosted** dividend to **\$0.075** from \$0.05 / The company also **raised its outlook**, saying fiscal 2010 income should climb in the low 20% range

NEGATIVE IMPACTS

SANDVIK : Q4 sales SK18.2bn (18.5bn exp) / **PT loss SK77m** (+559m exp) due to **restructuring & writedown of SK600m** / **Dividend** SK1.00, in line / Silver light is the **Q4 order intake at SK19.8bn** (18bn exp)

FTE-DTE : The U.K. Office of Fair Trading is calling for the proposed merger of Orange and T-Mobile operations in the U.K. to be investigated by the regulatory authorities in Britain rather than merely subjected to scrutiny in Brussels (The Guardian)

BAYER : Drugmaker Boehringer Ingelheim expects to launch Pradaxa, a rival product to Xarelto, at the end of 2010 or early 2011

US JAN. VEHICLES REGISTRATIONS YOY +15% : **TOYOTA** -8.7% / **MITSUBISHI** -4.5% / **FIAT (Chrysler)** -0.4%

TOYOTA said its North American and Japanese dealers had **received several dozen complaints** over what drivers characterised as insufficient braking on the new Prius hybrid when driving over bumpy or frozen roads.

METLIFE : Q4 operating \$0.96 (0.95 exp) / Confirmed it was **in talks to buy AIG's Alico** unit, but no agreement had been reached / It unveiled a detailed outlook in Dec. in which it said cost cuts + improved returns would help it boost FY10 operating to between \$4-4.40.

THE TREE HIDING THE FOREST

	RESULTS	DIVIDENDS	EVENTS
Today	EU \ Fortum / Italcementi / 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] \ Honda Motor / 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 / Enel prelim / GSK / Kellogg (BMO) / LVMH / Neste Oil / Portugal Telecom / Royal Dutch / Stora Enso / Unilever (BMO) / Vodafone interim / Yell group / Zurich Financial [US] \ Kellogg (13.00 GMT) / Kraft Food / Master Card / Northrop Grumman / Sara Lee [Asia] \ Lenovo / Sony / Toyota		Accenture AGM / Deutsche Bank analyst meeting
Friday	EU \ BG Group / British Airways (BMO) / Compass Group / Dior / Eiffage / Hermes / Roche / Skanska / Syngenta / Volvo [Asia] \ Casio / Mazda Motor / Panasonic		Coming annual investor day / Gazprom Day / Xerox special meeting of investors
Monday	EU \ Klepierre / Metso / Unibail Rodamco [US] \ Electronic Arts (AMC)		
Tuesday	EU \ Alfa Laval / British Land / Elan / Gas Natural / Tele2 / UBS [US] \ Biogen / Coca Cola Co / NYSE Euronext / Omnicom / Walt Disney		

TRADING IDEAS

BUY DAIMLER / CREDIT SUISSE (island possibility) / **UBS / BNP / SOC GEN / ALSTOM** looking good

BUY DBK ahead of results tomorrow / **BUY DT BOERSE / SIEMENS** to play double bottom

BUY LAFARGE / ST GOBAIN & HOLCIM to play housing sector recovery

BUY ALCATEL / STM to play dollar recovery still & Island reversal possibility on **VIVENDI & ADECCO**

BUY LAFARGE / SELL BOUYGUES // BUY BAYER / SELL AKZO // BUY DANONE / SELL NESTLE // BUY AMEX / SELL VISA

BROKER METEOROLOGY

TELIASONERA **RAISED TO BUY FROM NEUTRAL** **BY BOFA ML**

UBS **RAISED TO OVERWEIGHT FROM NEUTRAL** **BY JPM**

LSE **RAISED TO HOLD FROM SELL** **BY CITI**

BOLIDEN **RAISED TO BUY FROM NEUTRAL** **BY UBS**

MUV2 **REMOVED FROM CONVICTION / LIST / STILL AT BUY** **BY GS**

REC **CUT TO SELL FROM NEUTRAL** **BY GS**

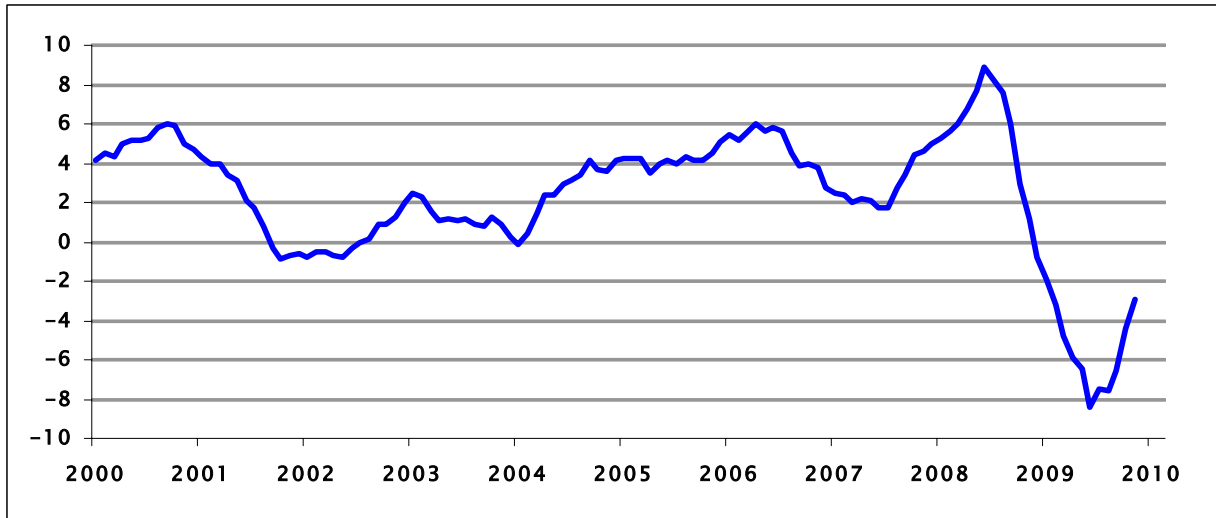
MUV2 **CUT TO REDUCE FROM NEUTRAL** **BY NOMURA**

FINMECCANICA **CUT TO NEUTRAL FROM BUY** **BY UBS**

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CHART OF THE DAY

Producer price index Eurozone Industry Ex construction (YoY)
Since 2000



Source: Eurostat

Producer prices increased for a third consecutive month to reach 0.1% in December. From a year ago producer prices are improving but remained in negative territory at -2.9% YoY. This trend is the logical consequence of the sharp drop of energy prices a year ago./JB

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
8.50 GMT	France	PMI services (final)	January		57,0	57,0
8.55 GMT	Germany	PMI services (final)	January		51,2	51,2
9.00 GMT	Euro area	PMI services (final)	January	52	52,3	52,3
9.00 GMT	Euro area	PMI composite (final)	January		53,6	53,6
9.30 GMT	United Kingdom	Official reserve assets	January			-\$ 1,6 billion
10.00 GMT	Euro area	Retail sales	December		+0,4%,-2,4% YoY	-1,2%,-4,0% YoY
12.00 GMT	United-States	MBA mortgage applications	January 29th			-10,9%
14.15 GMT	United-States	ADP employment change	January		-30 000	-84 000
15.00 GMT	United-States	ISM non-manufacturing	January	52	51,0	50,1

Indexes	Price	% 5 Days	Ytd
DJIA	10296,9	1,01%	-1,26%
S&P 500	1103,3	1,04%	-1,06%
Nasdaq	2190,1	-0,61%	-3,49%
CAC 40	3812,1	0,13%	-3,16%
DAX	5709,7	0,72%	-4,16%
Eurostoxx 50	2830,0	0,23%	-4,55%
DJ 600	250,8	0,61%	-1,22%
FTSE 100	5283,3	0,14%	-2,39%
Nikkei	10404,3	0,45%	-1,35%
Shanghai Comp	3000,9	-2,81%	-8,43%
Sensex (India)	16487,4	-3,67%	-5,60%
MICEX (Russia)	1436,6	3,74%	4,86%
Bovespa (Brasil)	67163,2	2,50%	-2,08%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3967	-0,53%	-2,55%
EUR/JPY	126,37	-0,63%	-5,65%
USD/JPY	90,47	-1,13%	-2,95%
Oil	Price	% 5 Days	Ytd
Brent \$/b	75,8	5,76%	-1,80%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1115,8	2,57%	1,72%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,10
Overnight	0,06	0,25	0,10
3 Months	0,09	0,28	0,20
10 Years**	3,65	3,20	1,37

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

** Euro: German Bund rate Source : Bloomberg

ECONOMIC DATA PREVIEW

Watch in **THE UNITED-STATES** the **ISM non-manufacturing** for January at 15.00 GMT. After being stable at 50.1 in October, the ISM services index declined and remained below 50 since November. However, after over cutting capital spending, US companies are investing again, not only in the manufacturing sector but also in services. Therefore we anticipate a rise in the ISM services index to 52 in January, the highest level since December 2007.

ECONOMY

UNITED-STATES : PENDING HOME SALES ROSE IN DECEMBER.

Pending home sale increased from -16.4% in November to +1.0% in December. This is the ninth increase in ten months confirming that despite the sharp drop in November the housing market is progressively recovering. Meanwhile pending home sales rose by 10.5% YoY (prior +18.9% YoY). Pricing are in a rising trend and the real estate crisis is step by step ending. Indeed the rebound of housing market is taking place showed by the latest housing starts and building permits data.

EURO AREA : NEW RISE OF PRODUCER PRICES IN DECEMBER.

Producer prices increased for a third consecutive month to reach 0.1% in December. From a year ago producer prices are improving but remained in negative territory at -2.9% YoY. This trend is the logical consequence of the sharp drop of energy prices a year ago, creating a positive base effects as energy prices increased in December. Therefore producer prices will continue to increase in the coming month and should get back shortly in positive territory on a year on year basis./**JB**

THE TREE HIDING THE FOREST

