



**Equity business is coming back to its original focus : dividends.** Corporate are getting funds from the listing process, going public, and investors are being rewarded thanks to dividends, very basic but important to be reminded. As such forecasts from a macro point of view are important in term of top bottom readings, and this is precisely these forecasts which are bound to improve if the US are successful in reaching a job creation process. 2010 year is well on track, and at that speed we will soon start to enjoy making prediction for 2011, with a more rosy way than neither bull nor bear players would have imagine. Growth is happening. With it, firms are back on growing business which we can see thanks to the earnings releases which provided some growing revenue figures. The ending from US and worldwide officials of the stimuli (China including) is the focus this year, and seems to be no longer a risk when looking at how fast the job creation process might take place, thanks to a rocketing GDP pace. This landscape improvement will be cheered by fundamental investors, even more as we get a better visibility than earlier in the year, and some better prices levels.

**On the big caps lately, whatever the data, Nokia, Munich Re, Fortum, Roche, Electrolux came out with better dividend** than expected. Doesn't really reflect a credit crisis. Balance sheets have been washed, and the visibility on dividends is improving in line with the macro fundamentals. And this is enough to bring investors back in play. With a fast GDP to be expected in the US on Q1, dividend expectation is bound to increase, making stock levels even more affordable. Despite the strong rally in equities, 54% of the market cap of the Eurotox is on a dividend yield over 4%. We agree with the view that in this period of record supply of fixed income and weaker government quality, high dividend yields from corporate are an attractive bet against bonds.

**The productivity out today is a very good sign that we are very close to create jobs in a sustainable way.** With employment continuing to fall in Q4 and hours worked edging only slightly higher, it appears the big gain in GDP was achieved principally through efficiency gains. Calculations suggest that non-farm productivity increased by a very strong 6.5% at an annualised pace, down only slightly from the enormous 8.1% increase in Q3. Altogether, productivity probably increased by 5.5% last year, which would be the biggest 12 month gain since the last economic recovery almost a decade ago. It is just a matter of days before we get some job creation data (Friday ?) which would reduce at last the high unemployment rate. +4k in November, -85k in December, January report will be important as to bring investor confidence back which could trigger some nice and strong inflow in equity business.

**Mortgage Applications up 21% was very welcome yesterday** as it just tells that the Tax credit for first time buyer seems to be well on track. Same for the ADP employment changes which came out better than expected but unfortunately still destroying jobs, and the ISM non manufacturing job component which climbed slightly from 43.6 to 44.6. Not as spectacular as the one of the ISM manufacturing out last Monday at 53, but looking promising for Friday's employment report which though will remain a bet until the last minute. Anything above 50 is picturing a job creation.

**Fast and furious could well be the market reaction on the upside seen the increasing short open interest positions focusing** on the CDS widening. You can't play three times the same story. Through the Greek troubles and the Greek CDS widening, it was all the PIGS countries CDS the market was looking at. The Greek date for the budget presentation is the 15/17 February, and there is no rush for both Euro zone countries to do anything as the euro slide is more than welcome for now. Yesterday, The European Commission described the plan (submitted back in mid-January) to reduce its budget deficit from 12.7% of GDP to 2.8% by 2012, as ambitious, but achievable. Note too that Greece has since announced additional measures, including a fuel tax and wage freeze for all public sector workers (previously only higher-paid workers' wages were to remain unchanged).

**Nice short covering in sight, based on another strong Cisco earnings release, a focus on the employment which will be out in the US tomorrow before the opening of the cash indices,** and some US indices ready to go up after its little consolidation yesterday.

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	76,7	1,3877	90,98	3,69	3,22	-0,87	-0,83	-1,33	-1,03	0,36	-0,80	-0,44	-0,77	-0,29	-0,55	0,04	-0,26	US
Perf 1d %	-0,65	-0,12	0,12	-1,35 bp	2,8 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

**Bank of England (12h UK time) meeting / no rate change expected / might be interesting** as the UK is facing a tough situation where inflation is growing, but the economy freshly came out from the recession only just / on balance, the MPC might pause the programme of quantitative easing today. But if the rise in inflation is temporary and the economic recovery continues to disappoint, the Committee may yet have to give the economy more support

**ECB meeting (12h45 UK time) / no rate change expected / non event / no significant change** to existing plans gradually to phase out unconventional policy support / the Bank will return to a system of auctioning off limited funds to commercial banks in time. But the benign outlook for inflation supports the view that official interest rates will remain at 1.0% longer than markets expect.

**Jobless Claims** (13h30 UK time) expected 455k from previous 470k / **interesting** as telling about the employment situation and any update is welcome ahead of the employment report

**US Q4 Productivity** (13h30 UK time) expected 6.5% from previous 8.1% / **interesting** as a high productivity data is showing we are close to job creation situation / focus employment report tomorrow though, but anything friendly for the job sector is welcome

**Factory Orders** (15h UK time) expected

### POSITIVE IMPACTS

**EADS : The 7 nations ordering the A400M transport plane are due to meet again Today and may consider additional payments of €3 bn to offset cost overruns, up from the €2bn proposed previously (FTD)**

**DANSKE BANK : Q4 NII dkk6.77bn** (Dkk6.6bn exp) / **Trading Income dkk1.96bn** (dkk2.88bn exp) / Loan losses dkk4.98bn / says 2010 will be challenging but capital position is stronger than ever

**UNILEVER : Q4 sales €9.66bn** (9.97bn e) / **Q4 org. sales growth 1.8%** (1.5% exp) with positive volume growth of 5% / **PTP €1.21bn** (1.05bn exp) / **Quarterly interim dividend of €0.195** (0.20 exp)

**ZURICH FI. : Q4 Gross Written premiums \$13.4bn** (\$12.6bn exp) / CR 96.6% / **Net profit \$1.05bn** (\$1bn) / **Raises 2009 dividend** to SFR16 from SFR11 / Proposed that Josef Ackermann joins the company's board of directors

**AVIVA trading statement : Q4 Life & Pensions sales £7.9bn** / Long-term savings £8.7bn / starts 2010 in a strong position / focus remains on growing its business

**SOFTWARE AG : Q4 sales €292m** (€287m exp) / **FY EBIT €218m** (€212m exp) / **Sees sales** adjusted for currencies up 25-30% in 2010, in line + **profit after tax up 8-12%**, in line

**PETROPLUS : Q4 clean net loss of \$150m** (-166m exp) / **To propose SFR 0.10** per share dividend / Said that oil refinery margins in the Q4 reached a "low point" / Expects revival in margins

**CICSCO : Q2 revenue \$9.82bn** (9.41bn exp) / **EPS \$0.40** (0.35 exp) / **Sees** Q1 revenue rising 23% to 26% from a year ago (+16.5% exp) / M. Chambers cited a "dramatic across-the-board acceleration" in the busines / **Reiterated** his LT revenue growth target of 12-17%

**VISA : Q1 revenue \$2bn** (**\$1.9bn exp**) / Operating margin 59.9% (**57.4% exp**) / **EPS \$1.02** (**\$0.92 exp**) / **Sees FY revenue growth 11%-15%** / **Sees 2010 FCF>\$2bn** / Reaffirms forecasts for **EPS growth over 20%** through 2011



**TOYOTA : Q3 sales ¥5.29Tln** (5.13Trl exp) / **Operating ¥189bn** (104bn exp) / **Sees FY net profit** of ¥80bn compared with a (very conservative) previous estimate of a ¥ 200bn net loss

**SONY : Q3 sales ¥2.24Tln** (2.1Trl exp) / **Operating ¥146bn** (86bn exp) / **Narrowed its FY net loss forecast to ¥70bn** (in line)

### NEGATIVE IMPACTS

**DBK : Q4 NII €2.72bn** (2.9bn exp) / **Fees & commissions €2.21bn** (2.19bn exp) / **Trading €568m** (1.3bn exp) / **Q4 loan provisions €560m** (651m exp) / **Personnel costs in line** / **PTP €756m** (945m exp) / Tier1 cap ratio 12.6% end-2009 / **Dividend €0.75** from €0.50

**NESTE OIL : Q4 Sales €2.49bn** (€2.77 exp) / **Ebit €9m** (€27.5 m exp) / **Dividend €0.25** (0.30 exp) / **Sees** no recovery in oil market retail

**LAFARGE** : Brazilian cement maker Votorantim Cimentos said Yesterday it reached a deal to **buy the 17.28% stake in Cimpor** held by Lafarge in its Portuguese counterpart Cimpor / **The 2 companies agreed to a stock swap...**

**E.ON - RWE** : Germany's grid regulator may seek to claw back over €2bn from electricity and gas grid operators for overcharging for the use of their networks (FAZ) / Repayment would come through capping future revenue, rather than direct payment...

**GAZ DE FRANCE-SUEZ** : EDF might end its ties with GDF Suez in the field of gas and electricity distribution (Les Echos)

**ITALCEMENTI : Q4 revenue €1.16bn**, in line / Confirmed 2009 operating results will be lower than 2008 and said end-2009 debt would be significantly lower

	RESULTS	DIVIDENDS	EVENTS
Today	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 / Skanska / Syngenta / Volvo [Asia] \ Casio / Mazda Motor / Panasonic		Corning 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 ALCATEL** (below 2.6) to play stock recovery with new management in place last year, earnings next week, Cisco + dollar name

**BUY LAFARGE & ST GOBAIN** to play housing sector recovery / the 21% rise in mortgage Applications has been in the shade of CDS but nice housing data to be expected this month from the US

**BUY CREDIT SUISSE** (island possibility) / **UBS / BNP / SOC GEN** not believing in the CDS Armageddon story

**BUY ALSTOM / AIR LIQUIDE / LINDE** to play cyclical which consolidated nicely ahead of an economic recovery and indices upside trend resuming

**BUY STM** to play dollar recovery

**BUY SANOFI** ahead of earnings next week on the 10<sup>th</sup> / dollar name / nice chart / sold most of the Flu vaccine with Glaxo, there will be some left for centuries seen the over doing from the French government ...

**BUY TOTAL** to play dollar name ahead of earnings on 11<sup>th</sup> February

**BUY MITTAL AND CAP** to play reversal head & shoulder possibility

**BUY ABB** to play double bottom

**BUY ADECCO** to play employment report and economic recovery

**BUY SANOFI** (Next Report 02/10) / **SELL NOVARTIS** (Already reported 01/26) // **BUY TOTAL** (02/11) / **SELL TECHNIP** (02/18)

**BUY GENERALI** (02/25) / **SELL AEGON** (02/25)

### BROKER METEOROLOGY

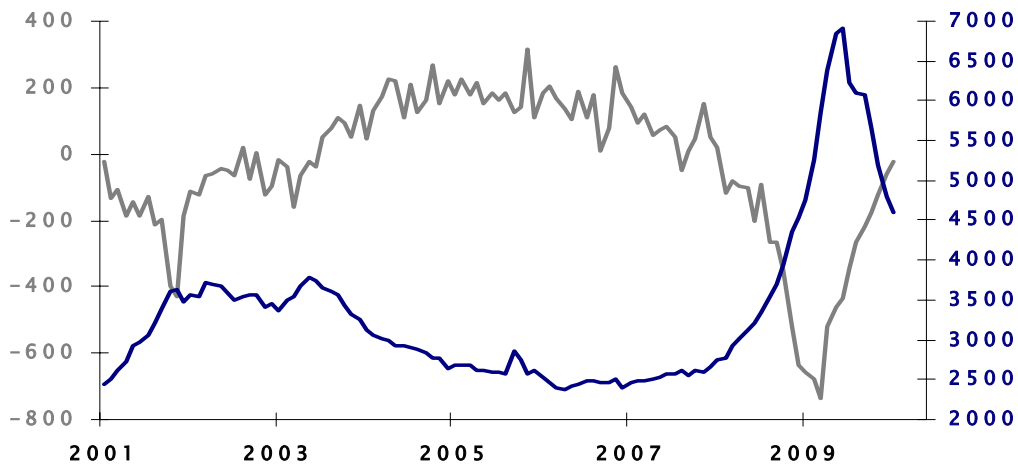
**VOLVO** ..... **RAISED TO BUY FROM NEUTRAL** ..... **BY NOMURA**  
**ANGLO AMERICAN** ..... **RAISED TO BUY FROM HOLD** ..... **BY CITI**  
**RIO TINTO** ..... **RAISED TO NEUTRAL FROM UNDERPERFORM** ..... **BY CSGN**  
**HOLCIM** ..... **RAISED TO BUY FROM NEUTRAL** ..... **BY NOMURA**  
**ENEL** ..... **UPGRADED TO OVERWEIGHT FROM NEUTRAL** ..... **BY JPM**

**SCANIA** ..... **CUT TO REDUCE FROM NEUTRAL** ..... **BY NOMURA**  
**CGG VERITAS** ..... **CUT OT NEUTRAL FROM OVERWEIGHT** ..... **BY JPM**  
**ST GOBAIN** ..... **CUT TO REDUCE FROM BUY** ..... **BY NOMURA**  
**ROCHE** ..... **CUT TO NEUTRAL FROM BUY** ..... **BY UBS**

**PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO**

CHART OF THE DAY

ADP National private report (value/thousand) and US continuing claims Since 2001



— Emploi dans le secteur privé, ADP survey (000's, monthly)  
 — Nombre de chômeurs indemnisés, continuous claims (000's monthly)

Source: ADP

The ADP employment survey measuring the private non farm level change revealed a sharp improvement in January at -22 000 (forecast -30 000) the best score since precisely two years. Indeed after over cutting jobs companies are now closer to economic fundamentals./JB

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
11.00 GMT	Germany	Factory orders	December		+0,2%,9,6% YoY	+2,8%,4,5% YoY
12.00 GMT	United Kingdom	BOE announces rates	February 4th	0,50%	0,50%	0,50%
12.45 GMT	Euro area	ECB announces rates	February 4th	1,00%	1,00%	1,00%
13.30 GMT	United-States	Non farm productivity (preliminary)	4th quarter		6,5%	8,1%
13.30 GMT	United-States	Initial jobless claims	January 30st		455 000	470 000
13.30 GMT	United-States	Continuing claims	January 23th		4 581 000	4 602 000
15.00 GMT	United-States	Factory orders	December	+1,1%	+0,5%	+1,1%

Indexes	Price	% 5 Days	Ytd
DJIA	10270,6	0,39%	-1,51%
S&P 500	1097,3	0,02%	-1,60%
Nasdaq	2190,9	-1,33%	-3,45%
CAC 40	3793,5	0,90%	-3,63%
DAX	5672,1	0,51%	-4,79%
Eurostoxx 50	2804,6	0,68%	-5,41%
DJ 600	249,4	0,91%	-1,77%
FTSE 100	5253,2	0,82%	-2,95%
Nikkei	10356,0	1,49%	-1,81%
Shanghai Comp	3001,6	0,58%	-8,41%
Sensex (India)	16361,1	1,27%	-6,32%
MICEX (Russia)	1431,1	2,86%	4,46%
Bovespa (Brasil)	67108,6	3,13%	-2,16%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3869	-0,71%	-3,20%
EUR/JPY	126,19	-0,67%	-5,78%
USD/JPY	90,99	-1,37%	-2,37%
Oil	Price	% 5 Days	Ytd
Brent \$/b	75,0	4,87%	-2,71%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1105,8	1,85%	0,93%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,11
Overnight	0,03	0,25	0,11
3 Months	0,09	0,28	0,20
10 Years**	3,69	3,22	1,39

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

\*\* Euro: German Bund rate Source : Bloomberg

## ECONOMIC DATA PREVIEW

Watch in **THE UNITED-STATES** the Factory orders for December at 15.00 GMT. Factory orders are expected to rise for a fourth consecutive month reaching +1.1% lead by the recovery in the United-States especially in capital spending. Indeed the last "new orders" ISM manufacturing index reached 65.9 meaning the highest since April 2004.

Keep an eye on the monetary policy meetings of the Bank of England and the European Central Bank respectively at 12.00 GMT and 13.00 GMT both expected to have a status quo on their leading rates.

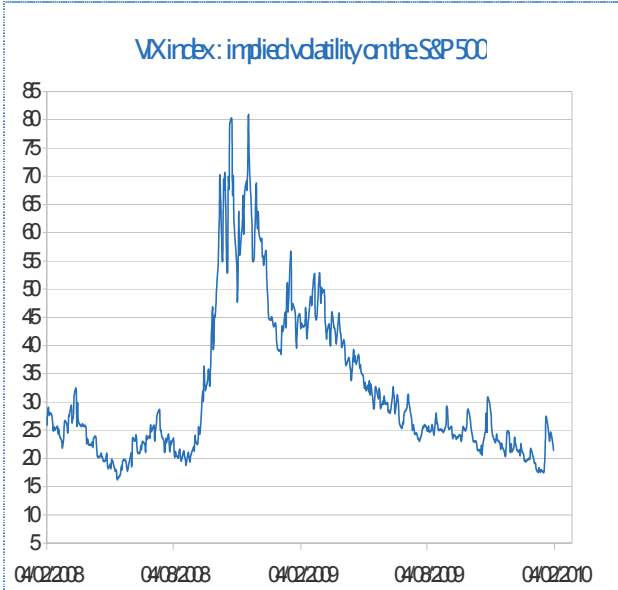
## ECONOMY

### UNITED-STATES : THE ISM NON-MANUFACTURING IMPROVED IN JANUARY

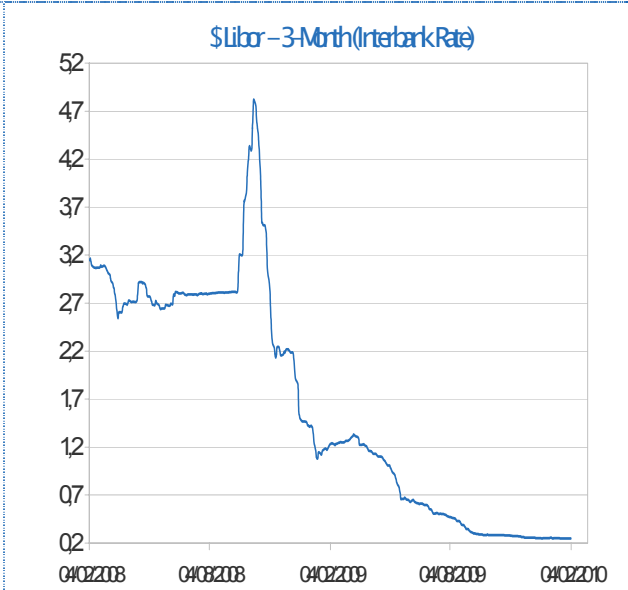
After being stable at 50.1 in October, the ISM services index declined and remained below 50 since November. However, after over cutting capital spending, US companies are investing again, not only in the manufacturing sector but also in services. If all the growth motors are back in the US, investment remained the first one. Therefore the ISM non-manufacturing went over the level of 50 in January reaching 50.5 precisely. Looking at the breakdown "employment" rose from 43.6 to 44.6, "new orders" rose from 52.0 to 54.7, "business activity" decreased from 53.2 to 52.2 and "inventory change" declined from 51.5 to 46.5.

### UNITED-STATES : ADP EMPLOYMENT CHANGE IMPROVED IN JANUARY

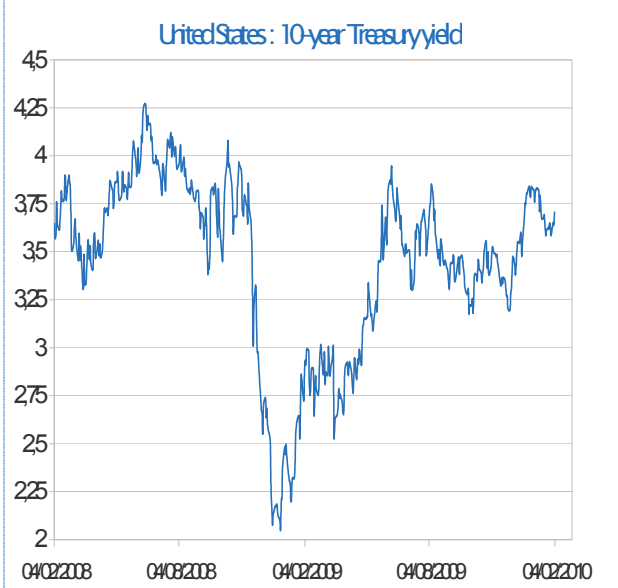
The ADP employment survey measuring the private non farm level change revealed a sharp improvement in January at -22 000 (forecast -30 000) the best score since precisely two years. Indeed after over cutting jobs companies are now closer to economic fundamentals. Employment is progressively recovery with a gap between 6 to 9 months with the economic recovery. This is an encouraging data in perspective to the upcoming employment report Friday. Indeed we forecast job creation to be back precisely at +75 000./**JB**



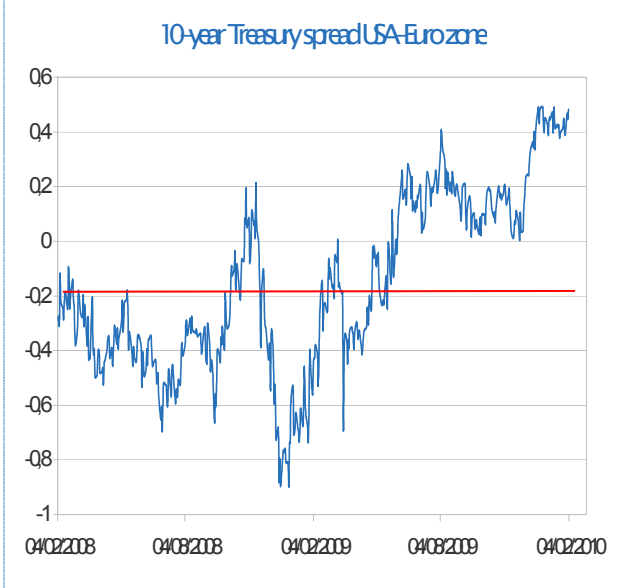
Source : Bloomberg



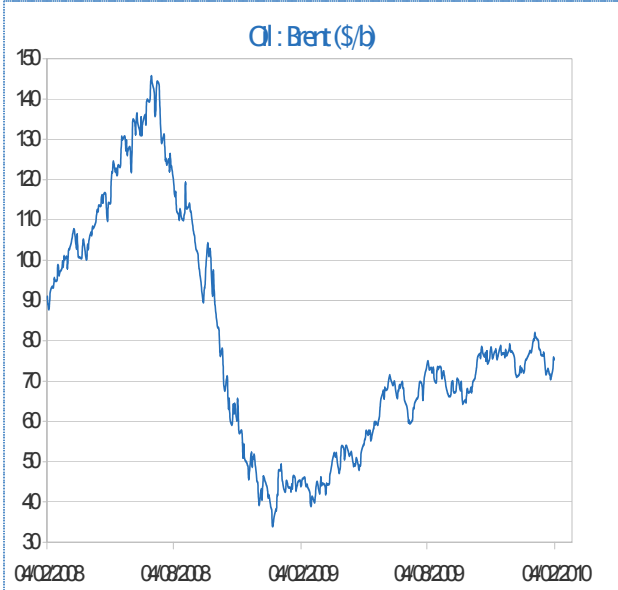
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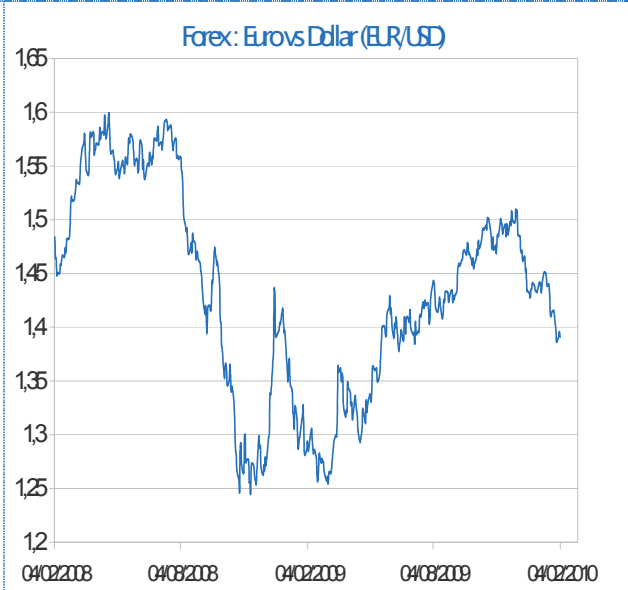
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Source : Bloomberg



Source : Bloomberg



Source : Bloomberg