

Bernanke will take the inside from the Greek focus for today as initially planned. Indeed, the Fed chairman is to present some exit strategies today through his testimony, which means some rate hike in the pipe before the end of the year. On one hand this is good news as it is the material proof that the recovery is no longer in doubt, and the economic growth is gaining traction, on the other hand it might be the beginning of a well balanced economy which should not profit anymore from the quantitative easy policy as a boost. Having said that, let's remind this is precisely the reason the equity indices are so far off their top levels (5500 for the Eurostoxx in March 2000 and 4550 more recently in July 2007), which means a normalization of the financial landscape and the Great Depression avoided should deserve a premium which investors will celebrate.

As always since the confidence crisis from Obama two weeks ago, the sovereign debt will be the focus just behind. Fitch sent some cold saying the UK is among the most vulnerable triple A rating 5 mn before the European close which brought another poor session here. Not worth saying earnings were rather good so far, the US offers some encouraging growth prospect, which is very important given its weight in term of GDP (\$14tn) with China n°2 (3bn) fighting with Germany. China's growth being cooled down in order to avoid some over heating which could have led to a bubble and the risk that comes when it blows.

The announcement just after the close that the Euro Zone governments have decided in principle to help Greece, according to "a senior German ruling coalition" source was no news (although another German official called the comment unfounded a few minutes later when it was specified that Germany would be the most involve). Whoever listened to officials worldwide last weekend in Canada understood that the Greek problem became worldwide, which is good news in order to better take actions to avoid a spill over effect of a possible default. At least the announcement had the deserved impact we were surprise not to get on Monday.

Indeed it is not a surprise that a bail out will be managed, but it is nice to hear about it so that financial markets find more stability and stop focusing on a sub prime revival, which would have impacted not only Europe but the all world, through the banks involved in Greece and the domino effect behind (German banks and insurers on the front line), potentially four times more than Lehman's bankruptcy. The most important for the EU is to make sure Greece is doing the effort to get itself set up to comply with the European rules, which will be done according to the news flow we did attend yesterday.

Just need to know more about tomorrow and the EU meeting to tell about the bail out possibilities, which was to be the main event this week from the start. The restrictions that will apply to Greece will no doubt put the Greek economy into recession for a while, but besides the human effect (we like Greek people here and the country, who would not), who cares on an international view in term of economical impact. The impact of a lagging economy such as the Greek one in the next decade is nothing on a Eurozone scale, while a default would be potentially big of consequences. The solution to be found to a possible default which could occur from Greece later in the year will be though important, as it could be applied to other countries which did comply with the EU rules, but with so much cut wages and raised taxes that are no longer growing, or not enough to pay the debt interests which would lead to default anyway. And this is precisely why now that the G7 clearly appeared to take the Greek problem as a serious international matter, a solution up-front had to be found, making the announcements from yesterday after the close no major news. Even with a strict budget accepted by the EU, the EU has to work on a bail out plan in case of a defaults which will be very possible later this year, as well as in the coming years from another weak growing country belonging to the Eurozone. As a reminder, the IMF did bail out the UK in 1976 with a £3.9 bn as a rescue.

The huge volume traded on Friday will better explain the possible over reaction and its lasting effect. The market had become unpredictable, and these CDS focus made life unbearable in equity business. Once again, how can you speak about a single stocks specificity when you speak about countries and their debt default possibilities. We've always been very bullish thanks to the underlying fundamentals improvement, including the Employment report from the US last Friday which we liked for reasons developed on Monday's morning mail, but we admitted that any recommendation on such a wild environment has become useless and very unprofessional in term of risk reward the last few days. However to better understand the possible run we might attend if the EU is convincing in its bail out plan back up tomorrow, 19bn euros traded on the eurostoxx on Friday is the second biggest session ever, just behind the 20bn traded the day of the MSCI reshuffle to fit the free float rule, same day as the triple witches quarterly option expiries after the Lehman events...

If we can work according to basics apart from sovereign debts, the job bill from the US will be very helpful in creating jobs inside small and mid size businesses. Should have a nice rally once things are clearing out, and tomorrow's EU proposals in term of bail out plan will be important as getting confidence back into the financial markets which became attractive fundamentally

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	73,3	1,3757	89,65	3,63	3,15	3,02	1,93	0,91	0,67	1,17	1,29	1,55	0,91	1,43	1,30	1,17	1,52	US
Perf 1d %	2,17	-0,29	0,33	-1,93 bp	0,7 bp	2,71	2,10	0,78	0,69	1,29	1,49	1,61	1,48	1,46	1,32	1,14	1,58	Europe

ECONOMIC DATA with impact

CDS / Bernanke (15h UK time)

POSITIVE IMPACTS

BHP BILLITON : H1 revenue \$24.58bn (22.6bn exp) driven by higher volumes / Ebit margin 37.9% (34.5% exp) / \$8.4bn cash on hand / Interim div. \$0.42, in line only / Remains cautious about the outlook depending of the pace of monetary tightening + China lending CAP GEMINI : Tata Consultancy plans to hire 30K employees to prepare for an increase in the number of outsourcing contracts (CEO)

TIETOENATOR : Q4 sales €441m (463m e) / Ebit €38.5m (37.7m e) / Div. €0.50 (0.41 e) / Said that IT services mkt has bottomed out **THYSSENKRUPP** : Q1 PTP is expected to be significantly above the consensus / TKA could raise its 2009/10 targets (Platow Brief)

SANOVI : Sales €7.36bn (7.37 est) / Adj net ex-items €1.8bn (1.75bn est) / As exp, raised dividend to 2.40 from 2.20 / Vaccine sales in 2010 to be similar than in 2009 / Expect its transformation to yield more cost saving than planned in 2010

NORDEA : Q4 NII €1.3Bn (1.33bn est)) / Net com. Income €463m (442 est) / Op pft €592m (626m est) / Loan Losses €347m (455m est) / Op expenses €1.22 (1.18 est) / Dividend €0.25 (0.20 est) / Difficult to f'cast when loan losses will start to decline ...

SEBa : Q4 rev. SEK 9.87bn (10bn est) / NII SK 3.7bn (4.3bn est) / Operating SK564m (330m est) / Op expenses SK6.13bn (6.33bn est) / Net SK257m (390m est) / Div. SK 1 (0 est) / Credit losses SK3.2bn (3.4bn est) / Loan losses SK3.16bn (3.63bn est)

HAVAS : Q4 sales €415m (421m exp) but organic. sales -4.4% (-6.4% exp)

FERROVIAL signed a strategic partnership with Dutch Infrastructure Fund, to sell its 49% stake in its concessions in the U.K. for £300m

TELEFONICA will bid €700m for the privatisation of 49% of Colombian telecommunications company ETB (EI Economista)

METLIFE plans to use stock to pay for more than half of the planned \$15bn purchase of AIG's life insurance unit Alico

MICRON TECHNOLOGY said it will pay about \$1.27bn in stock to acquire Numonyx (world's No. 3 maker of flash memory chips), a spinoff from Intel & STM that adds varieties of memory chips to its portfolio / STM sees \$280m gain on the deal

NEGATIVE IMPACTS

TELENOR : Q4 revenue NK 24.19bn (**24.32bn exp**) / Ebitda NK6.7bn (**6.6bn exp**) / Dividend NK2.50 (**1.23 exp**) / **Set its 2010 EBITDA margin goal at 27-28% from 34.8% in 2009, while targeting "low single digit" organic revenue in 2010 compared with a 1% fall in 2009**

ARCELORMITTAL : **Q4 sales \$18.64bn** (18.7bn exp) / **Ebitda \$2.1bn** (2.23bn exp) / **Dividend maintained at \$0.75** / **Sees Q1 2010 EBITDA of \$1.8-2.2 bn** (2.5bn exp) / **Still sees 2010 challenging with progressive, albeit slow, recovery ...**

PEUGEOT : **FY sales €48.42bn** (47.83bn) **but FY operating loss €1.41bn** (-1.1bn exp) with **H2 operating loss** of €84m (flat exp) / **FCF €809m** / **Net debt cut** by €913m to €1.99bn / **Sees H1 2010 positive operating**

FIAT : Italy will focus incentives to boost consumer demand on industry sectors other than cars (Industry Minister)

INTESA SANPAOLO could hold the IPO of its Fideuram asset manager after the 1st half of 2010 (board members)

REC : Q4 revenue NK2.68bn (**2.71bn exp**) / Ebit loss NK1.38bn (**+331m exp**) including impairment charges of NK1.49bn **related to the mono wafer operations, REC ScanModule, and Sovello**

SIEMENS **said it is still seeing scant evidence in industrial activities of a coherent recovery... / Is still weighing the future of its hearing aid unit (CFO in Boersen-Zeitung)**

AXA : Australia's competition watchdog **raised concerns** over National Australia Bank's \$11.6bn bid for AXA Asia Pacific / **Separately, NAB** has set a 6-week deadline to reach agreement with AXA on the takeover of AXA Asia Pacific (Sydney Morning Herald)

VODAFONE denied a report that it is bidding for Kabel Deutschland for €5bn

NOBEL BIOCARE : Q4 sales €155.7m (159m exp) / Ebit €39.3m, in line / Dividend €0.55, unch. & in line / Sees early signs of recovery

SPANISH BANKS : The Bank of Spain is calling for banks to cut the value of property assets on their books by 20% in 2010 (El Mundo)

	RESULTS	DIVIDENDS	EVENTS
Today	<p>EU \ Air France-KLM / Arcelor Mittal / BHP Biliton / EDF Energies Nouvelles / Nexans / Nobel Biocare / Nordea Bank / Peugeot / Reckitt Benckiser / Renewable Energy / Saipem / Sanofi-Aventis / Scor / SSAB / Telenor / Vestas Wind</p> <p>US \ Activision Blizzard</p> <p>Asia \ Baidu</p>		
Thursday	<p>EU \ Alcatel-Lucent / Bilfinger Berger / BT Group / Credit Suisse / Danone / Dassault Systemes / Diageo / DnB Nor / EDF / ENI / KBC / Legrand / Mobistar / Portugal Telecom / Publicis / Renault / Rio Tinto / Sampo / Smith & Nephew / Statoil / Telia Sonera / Thomas Cook / Total / Umicore</p> <p>US \ Goodyear / Marriott / Pepsi Co (BMO) / Philip Morris</p>		Gazprom Day / Infineon AGM / Micron Technology winter analyst conf
Friday	<p>EU \ Aegis / Banca Monte di Paschi / Banco Popolare / Boliden / Enel / Hermes / Illiad / Mediaset / Michelin / Prudential / Public Power / Swiss Life / ThyssenKrupp / Wendel / Yara international</p>	Schlumberger (\$0.21)	
Monday	EU \ Air Liquide / L'Oreal / Man SE / TUI AG /		
Tuesday	<p>EU \ Barclays (BMO) / Clariant / Deutsche Boerse / Gas Natural / Givaudan / intercontinental Hoteles / Premier Food / Yara</p> <p>US \ Kraft Foods / Merck & Co</p>	Microsoft (\$0.13)	

TRADING IDEAS

BUY CAC to play double bottom + gap to be closed on 3673/3685 cash index

BUY EUROSTOXX to play double bottom + gap to be closed on 2699/2704 cash index

BUY INSURANCE sector as a bail out from Greece seems to be prepared tomorrow by the EU / **AXA / ALLIANZ / GENERALI / AEGON**

BUY SOCGEN / DBK / BNP / SOC GEN same as above...

BUY ALCATEL which unfortunately was trapped in this debt focus, as remaining a bet at this stage, just ahead of its earning tomorrow which seems worth playing long (new management in place / dollar name / Cisco nice figures)

BUY LAFARGE / ST GOBAIN / HOLCIM to play construction sector killed on the Greek debt fear, but once solved the strong mortgage applications last week in US should predict some better days for construction

BUY SAP to play island reversal possibility

BUY RENAULT to play island possibility

BUY ALLIANZ (02/25) // SELL ZURICH FI (Ar) // BUY EON (03/10) // SELL RWE (02/25) // BUY BP(Ar) // SELL R DUTCH // BUY VERIZON // SELL AT&T

BROKER METEOROLOGY

SWEDBANK..... **RAISED TO HOLD FROM SELL**..... **BY RBS**

EIFFAGE **RAISED TO HOLD FROM SELL**..... **BY CITIGROUP**

SWISS RE **RAISED TO NEUTRAL FROM UNDERPERFORM** **BY BANK OF AMERICA - ML**

CENTRICA **RAISED TO OVERWEIGHT FROM EQUALWEIGHT**..... **BY MORGAN STANLEY**

ENAGAS..... **RAISED TO BUY FROM NEUTRAL** **BY BANK OF AMERICA - ML**

VEOLIA..... **RAISED TO NEUTRAL FROM SELL**..... **BY UBS**

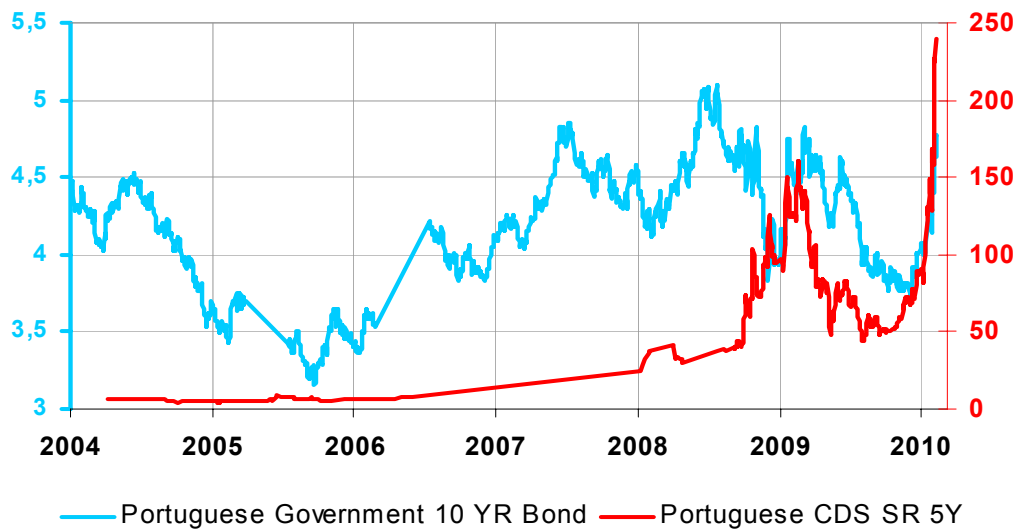
ENEL **RAISED TO EQUALWEIGHT FROM UNDERWEIGHT** **BY MORGAN STANLEY**

ACERGY..... **STARTED AT BUY**..... **BY RBS**

ALPHA LAVAL..... **CUT TO NEUTRAL FROM OVERWEIGHT**..... **BY JP MORGAN**

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

CHART OF THE DAY
Portuguese Gvt 10 YR and CDS
Since 2004



Source: Bloomberg

As Portugal hired banks to help it sell bonds amid concern the nation will be forced to pay more to borrow as it struggles to cut its budget deficit. Portugal plans to issue 10-year notes in euros. The nation has pledged to reduce its budget gap of 9.3 percent of gross domestic product by more than half in three years to meet European Union limits. Portugal's public debt will rise to 91 percent of economic output by 2011, from 77 percent last year, according to European Commission forecasts.

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
23.50 GMT	Japan	Machine orders	December		+8,0%,-10,8% YoY	-11,3%,-20,5% YoY
4.00 GMT	China	Trade balance	January		+\$20.00 bn	+\$18.43 bn
7.45 GMT	France	Current account	December			-\$3,8 bn
7.45 GMT	France	Industrial production	December	+0,1%,-2,4% YoY	+0,5%,-1,6% YoY	+1,1%,-3,8% YoY
7.45 GMT	France	Manufacturing production	December		+0,2%,-0,8% YoY	+1,6%,-2,9% YoY
8.30 GMT	United Kingdom	Industrial production	December		+0,2%,-4,1% YoY	+0,4%,-6,0% YoY
8.30 GMT	United Kingdom	Manufacturing production	December		+0,3%,-3,0% YoY	+0,0%,-5,4% YoY
12.00 GMT	United-States	MBA mortgage applications	February 5th			21,0%
13.30 GMT	United-States	Trade balance	December	-\$ 34,8 bn	-\$ 35,8 bn	-\$ 36,4 bn
19.00 GMT	United-States	Monthly budget statement	January		-\$46,0 bn	-\$63,5 bn

Indexes	Price	% 5 Days	Ytd
DJIA	10058,6	-2,19%	-3,54%
S&P 500	1070,5	-2,90%	-4,00%
Nasdaq	2150,9	-1,75%	-5,21%
CAC 40	3612,8	-5,23%	-8,22%
DAX	5498,3	-3,70%	-7,71%
Eurostoxx 50	2668,4	-5,71%	-10,00%
DJ 600	239,2	-4,58%	-5,79%
FTSE 100	5111,8	-3,12%	-5,56%
Nikkei	9964,0	-4,23%	-5,52%
Shanghai Comp	2970,8	0,48%	-9,35%
Sensex (India)	16035,6	-2,71%	-8,18%
MICEX (Russia)	1338,2	-6,85%	-2,33%
Bovespa (Brasil)	64718,2	-3,64%	-5,64%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3767	-1,08%	-3,98%
EUR/JPY	123,56	2,73%	-8,20%
USD/JPY	89,74	1,64%	-3,88%
Oil	Price	% 5 Days	Ytd
Brent \$/b	71,6	-5,13%	-7,38%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1077,4	-2,98%	-1,84%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,11
Overnight	0,03	0,25	0,11
3 Months	0,10	0,27	0,20
10 Years**	3,63	3,15	1,34

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

** Euro: German Bund rate Source : Bloomberg

ECONOMIC DATA PREVIEW

Watch in **THE UNITED-STATES** the trade balance for December at 13.30 GMT. After narrowing in October, US trade deficit declined to 36.40 billion dollars in November and should narrow in December. Indeed, the stabilization in oil prices in December will boost the energy bill. Consequently the US trade deficit should reach approximately 34.8 billion dollars in December.

Keep an eye in **FRANCE** on Industrial production for December at 7.45 GMT. French industrialists after having been over pessimistic are becoming less negative as shown by the improvement in the “past production” index for December published by INSEE. In fact, the French industrial production should increase by 0.1% in December, and the annual slide should drop to -2.4% YoY. Nevertheless the rebound remains fragile and once the technical recovery is over, French industry and more generally the economy will be out of ammunitions./**JB**

ECONOMY

GERMANY : THE TRADE SURPLUS NARROWED IN DECEMBER

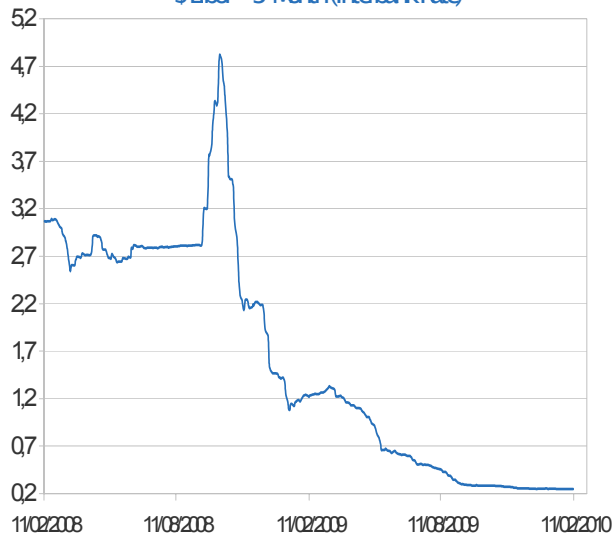
After rising for three consecutive months to reach € 17.2 bn in November German’ trade surplus narrowed in December at € 13.5 bn. Indeed if exports rose by 3% (after declining by 1.1% in November), imports rose by 4.5% as investment and household consumption are rebounding in Germany. Nevertheless as German’s exports are very well specialized by sector and by countries (like machine tool toward China), Germany is not as hit by a strong euro as the others euro area countries like France./**JB**

MX index : implied volatility on the S&P 500



Source : Bloomberg

\$ Libor - 3-Month (Interbank Rate)



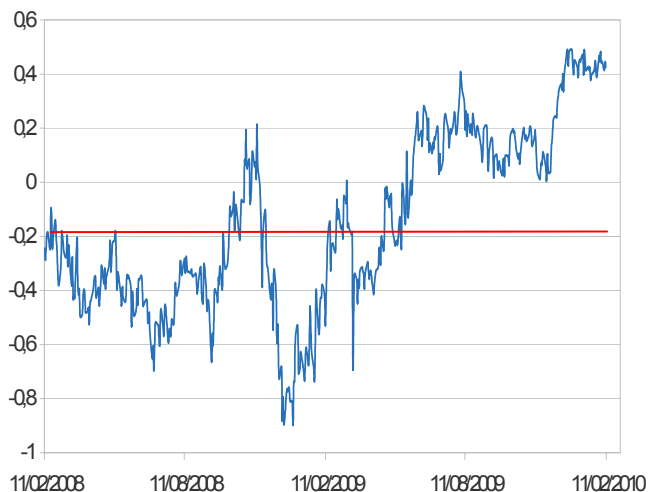
Source : Bloomberg

United States : 10-year Treasury yield



Source : Bloomberg

10-year Treasury spread USA-Euro zone



Source : Bloomberg

Oil : Brent (\$/b)



Source : Bloomberg

Forex : Eurovs Dollar (EUR/USD)



Source : Bloomberg