

The market fall from last week was exacerbated by a confidence crisis which Obama started when switching to a populist mode with the risk to see Bernanke out while it was taken for granted that his mandate as a Fed Chairman would be extended, and obviously by a very fresh feeling in investors' mind that the Greek problem would turn into a sub prime one. In 2007 it took 6 months before the market accepted to listen to a new and possibly killing trouble which was the sub prime. Killing for 2 reasons : one impacting the housing market when every one from households to banks were leaning on it, two because a possible failure of any banks was reminding the sad LTCM from 98 which drove equity indices to the floor so much that most banks had to share the LTCM assets to cool things down (but Bear Stearns which refused ...), as well as the Saving and Loans crisis from the late 80s which led to the build up of the RTC. The market chose to ignore in H1 2007, and you know the rest of the story...

This time, the \$19bn traded on the Eurostoxx on Friday is an important clue to better understand the lack of response from equity indices if or when a bad news will be release, or to better imagine the upside that is in the pipe once things are clearing out. Indeed it did not take much time to investors to run away, on these two shots they got from Obama and then Greece turmoil which hedge fund made worse obviously. This is jungle, there is a prey and a weakness, let's kill it. The good point about a crisis is that you get stronger once you managed to overcome it. This is why we might soon look at the basics which proves to be improving, in the US, Japan and China anyway, and this is profitable to our big caps making most business abroad. 2010 is a year of normalization, in case of a success of the recovery which seems to be on track, and investors have been trying to look at the next possible bad surprises. Greece was to be one of them, and through Greece the other possible defaults which might occur in Europe later this year or next year if there is not enough growth to pay the debt interest of countries.

As such the meeting today from the European Union is important. Initially there was no plan to deal with the Greek problem in that meeting. But we now know from the G7 last weekend that Greece has become an international focus, which is good news for investors. Indeed, we know for sure that worse case scenario then IMF could come and help although this is not an issue on a legal matter. And Sarkozy will do his best to not let it happen, as Strauss Kahn, head of the IMF made it clear he might return to run for president in the next French election. Trichet's early return from Australia to join the summit is making clear that something is in the pipe. Whether we get an official announcement is not sure, although we suspect there will be some press conference and leaks just after the meeting in order to get the market confidence back on track. At least they will refer to article 122 that says they could do something for a country in exceptional circumstances. Especially once the specific country is complying with the rules, such as Greece is doing currently. There will still be some risk of defaults, even more once Greece is under new fiscal pressures, but the matter is about confidence and capacity to jeopardize a native worldwide growth. The sub prime and its spill over effect are still fresh inside investors' mind, while cruising on a fully new territory as this had never happened in the past. For that, the European Union meeting can be very positive.

It is now becoming ever clear that if Greece abides by the stringent conditions likely to be imposed in a bailout scenario, EU leaders will not let the market take Greece down. This reduces the likelihood of a default even further. There are also implications for contagion risks with the EU likely to offer help to other indebted nations under similar conditions. A strategist noted that if the other 13 Euro zone states took on the entire deficit of Greece, Spain and Portugal the Euro zone fiscal deficit would rise from 6% to 8%, well below the 10% and 11% deficit facing the US and UK respectively

We now trade political issues and no longer economical ones, let's move ahead so we can go back to work on our old earnings and GDPs focus. Juncker, head of the euro group already said there would be a plan set up to bail out Greece today, but details should officially be announced on Monday. Things are cooling down, we might focus back on basics. Bernanke's easy quantitative policy unwinding will be soft, Japan machinery orders released yesterday were strong and predicts some higher GSP on Monday, Chinese trade data out yesterday reflected that the surge in export and imports seen in December was not a one off.

Seems a good timing to risk some shopping, small size given the still wild trading pace. Bernanke still in place, Greece will survive..

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	74,8	1,3785	89,86	3,70	3,20	-0,64	-0,46	0,75	-0,54	-0,27	-0,54	-0,27	-0,56	-0,00	-0,22	-0,14	-0,20	US
Perf 1d %	1,98	0,35	-0,26	1,44 bp	4,6 bp	-0,84	-0,77	0,47	-0,67	-0,40	-0,42	-0,30	-0,60	-0,84	-0,32	-0,41	-0,26	Europe

ECONOMIC DATA with impact

UE meeting in Brussels starting at noon / should get some news in the afternoon / should provide details on Monday

Jobless Claims (13h30 UK time) expected / keep an eye on it as once European possible defaults is cured, US employment will be the focus back again / minor though as very volatile data and did not fit with the Employment report on Friday which was encouraging

POSITIVE IMPACTS

ALCATEL : Q4 revenue €3.97bn (4.39bn exp) / Adj. operating €271m (262m exp) / FCF €635m / As partly exp, downward revision for 2010 = Sees adj. operating margin in the low to mid single-digit from 5% before / Kept goal for 2011op. margin of mid to high single-digit

RIO TINTO : FY underlying profit \$6bn (6.30bn exp) / Cash flow from ops \$13.8bn / Aluminum division returned to profitability in H2 / Revives dividend at \$0.45, in line / Believes the commodity price recovery will continue in 2010

MOBISTAR : FY revenue €1.57bn (1.54bn exp) / Ebitda €567m (561m exp) / Ordinary div. of €2.9 + extra div. of €1.65 / Sees 2010 revenue = 2009 (1.54bn exp) & Ebitda between €500-520m (550m exp)

DANONE : Q4 sales €3.68bn, in line / Org. growth 5.5% (+4.1% e) / Div. €1.20, in line / May restart share buyback in 2010 / Sees like-for-like sales growth of at least 5% in 2010 + targets rise in FCF of at least 10%

TOTAL : Q4 adjusted net profit €2.08bn, in line / Q4 oil, gas output +1% yr/yr to 2.38 m boepd (2.37m exp) / Div. €2.28, in line / Replaced 93% of reserves in 2009 / Plans to keep at least 50% payout + keep on selling Sanofi's share / Environment tough

EDF : 2009 Sales €66.34bn (€68.1bn exp) / EBITDA €17.47bn (€17.02bn exp) / Net debt €42.5bn end-Dec / Div €1.15 (In line) / Says aiming for significant 2010 EBITDA growth driven by Organic growth of 3-5% / Sees 2010 rebound in Nuclear generation in France

ROCHE said its experimental diabetes drug met the goals of 5 late-stage trials, underlining its hopes to bring this potential blockbuster drug to the market in a few years...

REPSOL : A consortium of companies, including REP won a project in Venezuela's Carabobo oil auction

VALLOUREC : France "strategic" investment fund FSI crosses 5% ownership threshold in the company

SMITH & NEPHEW : Q4 Rev \$1.07Bn (1.03bn est) / Op pft \$189M (164 est) / Div. 8.93c / Cautious about pace recovery

NEGATIVE IMPACTS

AIR FRANCE : Q3 rev. €5.20bn (5.35bn e) / Operating loss €245m (-194m e) / Sees Q4 operating loss of the same order as last year's

STATOIL : Q4 revenue NK124.4bn (128.8bn exp) / Adj. Operating NK34.4bn (35.10bn exp) / Oil & Gas output 1.85m boepd (1.87m exp) / Dividend NK6.00 (5.52 e) / Set 2010 prod. target of 1.925-1.975 m boed / Aims to increase payout + will consider share buyback

TELIASONERA : Q4 sales SK27.4bn (27.6bn exp) / Ebitda SK9bn (8.8bn exp) / Dividend SK2.25 (2.00 exp) / Sees 2010 sales & Ebitda margin "somewhat higher vs 2009"

LAGARDERE : FY revenue €7.89bn (7.97bn exp) / Still aims to reach the top end of its FY operating profit guidance



RENAULT : 2009 Revenue €33.71bn (€33.5bn exp) / **Operating loss €995m (-665m exp)** / Achieved 2009 target of €1.5bn synergies with Nissan / Targeting additional €1bn in 2010 / FCF €2.09bn / Preparing new medium-term plan, hopes to present it early 2011

CREDIT SUISSE : Q4 Net New assets in Private Banking SFR6.4bn (SFR8bn exp) / Net Profit sfr800m hit by a **SFR500m** charge following a US settlement (sfr1.3bn exp) / Tier1 Ratio stood at 16.3% end-Dec / Says cash Div sfr2 (sfr1.72 exp) / Says strong start to Q1

KBC : Q4 Underlying Revenue €2.13bn (€2.29bn exp) / Underlying Impairment €666m (€549m exp) / Underlying Net profit €218m (€338m exp) / repeats its plans to resume div as of 2011 / Says cautiously more optimistic for 2010

DIAGEO : H1 sales £6.93bn (5.09bn est) / **Op pft £1.63Bn** (1.73 est) / **Div. 14.6p (in line)** / Sees FY low single digit organic pft growth

NISSAN sees European car market volumes "to drop like a stone" in short term

	RESULTS	DIVIDENDS	EVENTS
Today	EU \ Alcon / Bilfinger Berger / BT Group / Dassault Systemes / Diageo / DnB Nor / EDF / ENI / KBC / Legrand / Metropole TV / Mobistar / Portugal Telecom / Publicis / Sampo / Smith & Nephew / Statoil / Thomas Cook / Total / Umicore US \ Goodyear / Marriott / Pepsi Co (BMO) / Philip Morris		Gazprom Day / Infineon AGM (9.00 GMT) / Micron Technology winter analyst conf
Friday	EU \ Aegis / Banca Monte di Paschi / Banco Popolare / Boliden / Enel / Hermes / Iliad / Mediaset / Michelin / Prudential / Public Power / Swiss Life / ThyssenKrupp / Wendel / Yara international	Schlumberger (\$0.21) /	
Monday	EU \ Air Liquide (BMO) / L'Oreal / Man SE / TUI AG /		
Tuesday	EU \ Barclays (BMO) / Clariant / Deutsche Boerse / Gas Natural / Givaudan / intercontinental Hoteles / Premier Food / Yara US \ Kraft Foods / Merck & Co	Microsoft (\$0.13)	
Wednesday	EU \ Aergy / Aker Solution / Atos Origin / BNP Paribas / ING / Legal & General / Norsk Hydro (BMO) / TF1 / Publicis sales / Synthes US \ Applied Material / HP /	Carnival (\$ 0,111111) / Scottish & Southern Energy (GBp 23,33333)	TUI AGM

TRADING IDEAS

BUY ALCATEL as the financial conditions are improving and should keep on doing so given the new management in place / some analysts were expecting a capital increase / should gain investors confidence gradually back which should forgive the lower margin / back to positive earnings

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

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

BUY LAFARGE / ST GOBAIN / HOLCIM to play construction sector killed on the Greek debt fear

BUY SAP to play island reversal possibility & **BUY ALSTOM / UNILEVER** on double bottom

BUY PEUGEOT (Already reported) / **SELL DAIMLER** (02/18) // **BUY LAFARGE** (02/19) / **SELL HOLCIM** (03/03) // **BUY ALLIANZ** (02/25) / **SELL ZURICH FI** (Ar) // **BUY QUALCOMM** / **SELL JUNIPER** // **BUY WYNN RESORT** (02/24) / **SELL STARWOOD HOTELS** (Ar)

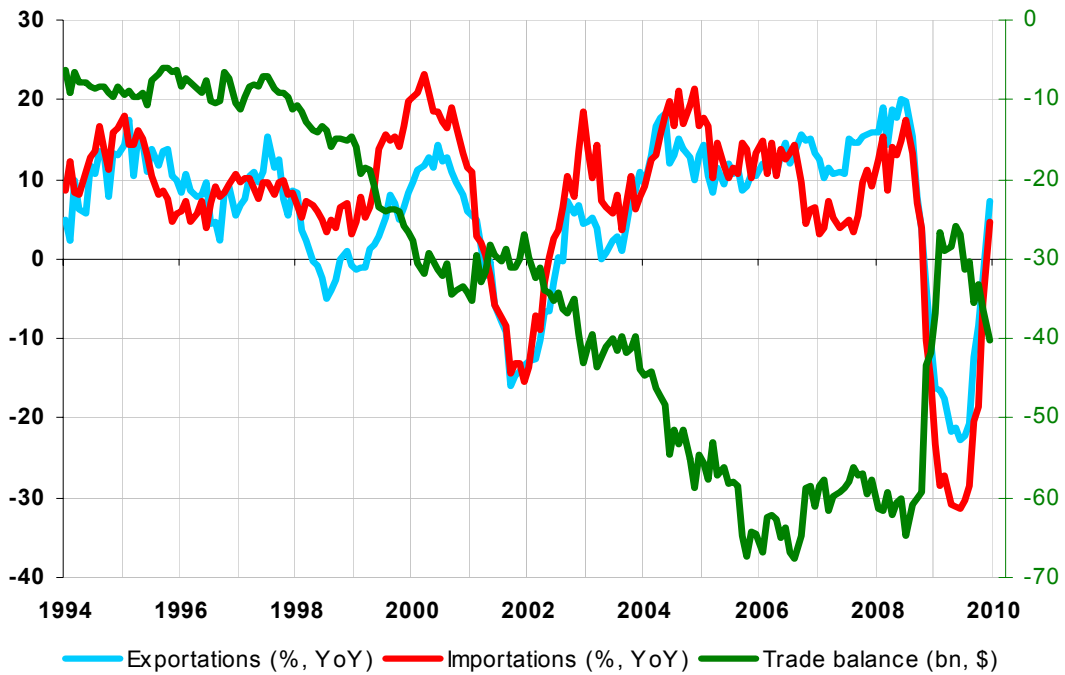
BROKER METEOROLOGY

MARKS & SPENCER..... **ADDED TO CONVICTION BUY LIST**..... **BY GOLDMAN SACHS**
SYNTHE..... **RAISED TO BUY FROM NEUTRAL** **BY UBS**
NOBEL BIOCARE..... **RAISED TO NEUTRAL FROM SELL**..... **BY UBS**
GLAXOSMITHKLINE **RAISED TO NEUTRAL FROM UNDERPERFORM** **BY BANK OF AMERICA - ML**

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

CHART OF THE DAY

US Trade balance (bn,\$)
Since 1994



Source: Datastream

In December the US trade deficit widened to reach 40.18 billion dollars (forecast \$35.5 bn). Looking at the breakdown exports remained consistent and increased by 3.3% lead by a dollar still very competitive and imports rose by 4.8 % confirming the rebound of investment and household consumption.

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
2.00 GMT	China	Consumer price index	January		+2,1% YoY	+1,9% YoY
2.00 GMT	China	Producer price index	January		+ 3,5% YoY	+1,7% YoY
13.30 GMT	United-States	Initial jobless claims	February 6th		465 000	480 000
13.30 GMT	United-States	Continuing claims	January 30th		4 595 000	4 602 000

Indexes	Price	% 5 Days	Ytd
DJIA	10038,4	-2,16%	-3,74%
S&P 500	1068,1	-2,59%	-4,21%
Nasdaq	2147,9	-1,94%	-5,35%
CAC 40	3635,6	-4,16%	-7,64%
DAX	5536,4	-2,39%	-7,07%
Eurostoxx 50	2700,2	-3,70%	-8,93%
DJ 600	240,9	-3,34%	-5,11%
FTSE 100	5132,0	-2,09%	-5,19%
Nikkei	9964,0	-4,23%	-5,52%
Shanghai Comp	2989,0	-0,71%	-8,79%
Sensex (India)	16092,8	-1,83%	-7,86%
MICEX (Russia)	1327,2	-7,26%	-3,12%
Bovespa (Brasil)	65051,4	-3,07%	-5,16%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3782	0,17%	-3,84%
EUR/JPY	123,97	-1,11%	-7,70%
USD/JPY	89,95	-0,94%	-3,53%
Oil	Price	% 5 Days	Ytd
Brent \$/b	72,4	1,59%	-6,26%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1079,9	1,53%	-1,55%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,12
Overnight	0,03	0,33	0,12
3 Months	0,10	0,30	0,20
10 Years**	3,70	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 weekly release of initial jobless claims and continuing claims at 13.30 GMT, both expected to improve as after over laying off, US companies are now matching more closely economic fundamentals./**JB**

ECONOMY

UNITED-STATES : THE DEFICIT WIDENED IN DECEMBER

After narrowing in October, US trade deficit widened to 36.40 billion dollars in November. In December the US trade deficit widened to reach 40.18 billion dollars (forecast \$35.5 bn). Looking at the breakdown exports remained consistent and increased by 3.3% led by a dollar still very competitive and imports rose by 4.8 % confirming the rebound of investment and household consumption. The volume real trade deficit (meaning without the price effect) widened from \$40.8 billion to \$43.72 billion meaning the same trend that the data released in value. It is important to notice that ex- petroleum the trade deficit remained stable from \$28.660 bn in November to \$ 28.589 bn. December trade deficit increase revealed that the preliminary release GDP should be slightly revised down.

FRANCE : INDUSTRIAL PRODUCTION DECLINED IN DECEMBER

After an initial rise of France's industrial production by 1.1% in November, French government and France National Bank were expected a sharp rise of the GDP in the fourth quarter. Unfortunately it will not be the case. Indeed not only November progression has been revised (at 0.6%) but industrial production was down in December declining by 0.1% and by 0.8% for the manufacturing production. As a logical consequence industrial and manufacturing production rose only by 0.1% at the fourth quarter 2009. The contrast is big when looking at the 3% increase of manufacturing consumption at the fourth quarter. It showed that a large portion of the household consumption is structurally absorbed by imports and did not boost the economy and the employment market. Therefore even if the industrial sector account for only 25% of the economy the GDP should rise by a modest 0.2% at the fourth quarter 2009.

CHINA : THE TRADE SURPLUS NARROWED IN JANUARY

China trade surplus narrowed from \$18.43 bn in December to \$14.17 bn in January. If exports remained very consistent at 21% YoY led by a very competitive yuan, imports are skyrocketing by 85.5% YoY leading the shrink of the trade surplus. Indeed domestic demand is sharply increasing in China as showed by the retail sales figures boosting demand for goods abroad. In 2010 as in 2009 China will lead world growth as the GDP should reach 9.7%/./**JB**

