

The market was sick, confidence was gone, as well as fundamental investors when looking at the 19bn euros traded on the Eurostoxx last Friday, 2ed biggest volume ever on the Eurostoxx reminding that the 20bn once traded was on a reshuffle of the MSCI day fitting the same session as a quarterly option expiry... Obama's tough stance a few weeks ago plus the Greek fear of defaults were too much in term of impact on investors confidence, and then obviously on the market. However, the fundamental background kept improving, with beautiful exports-imports from China (which will be close until Feb 19th for New Year), strong machinery orders from Japan which predicts some higher than expected GDP on Monday, an encouraging dropping unemployment rate from the US, even more promising as they still don't create much jobs yet, which means the Obama bill aiming at helping the small-mid size firms will boost the data and help reduce the rate at a faster speed. Today's Retail Sales used to be important as consumers are 70% of the US GDP, but unfortunately we might once more focus on CDS to see whether investors are happy about yesterday's Greece bail out, or if they keep on focusing on the half empty glass such as the possibly UK debt problem which might be next focus for hedge funds as a prey.

The US rebound at least is a good start. Unlike Europe, the US players have been much less focusing on Greece, which they probably hardly know where it is situated so much it is European related and the top for spending holidays as unfortunately (or fortunately) Greece is only contributing for 3% of the whole Eurozone GDP. The economic troubles Greece will suffer from for the next 10 years have no impact not only for the US but also for Europe. US only cares that the default is avoided, which European actors did not take for granted when the announcement of the bail out with the public banks potentially buying the Greek debt was made. This issue was one of possible solution whispered since a few days, and a good one by the way. There seemed to be a misunderstanding that this way of bailing out Greece would have been another risk for banks during the session, but no, this is the opposite and precisely a way of avoiding a Greece collapse which would have been, a risk for banks, exactly like when Bear Stearn was given (sold...) to JP to prevent a systemic crisis. Once again, if the other 13 Euro zone states were to take 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

As to the dollar recovery ignoring the bail out, this is normal and should keep on rising vs euro. Indeed, not only the Greek focus reminded that European growth will be lagging for a while, which means we should be far from raising rates at substantial levels, but on the other side of the Atlantic the US are doing fine, and the Jobless Claims yesterday once more was picturing it. Not that they came out great, but there is an improvement which makes almost certain now that the coming Employment report on March 5th will show some job creations, and the rate might fall even more. The dollar should, and already did, react thanks to the US economic strength and no longer because of a safe heaven profiting from a deleverage due to the European Greek crisis. We are talking about a 5% Q1 GDP in the US ...

The bail out from Greece is a good news. Europe Union is looking solid. But what do we need next to bring investors back ? A new moon ? seriously some analysts switched to bear on January 15th when the moon was changing. I am sorry to be so simple on that one, it might look very sad but it did fit with the beginning of this sharp downside move. We are changing moon on Sunday, and the US market is closed on Monday for President Day which might exacerbate today's volume and activity. We saw people giving up, and taking for granted that this market is only heading down for a while. We perfectly understand but there is a limit to everything. Keeping a short positions awaiting for a UK problem to happen, or Iran to be struck seems a risky bet given the current levels especially after European managed to win this first big battle. It seems that the market might be more happy when it knows about the plan details. Monday should be telling more through the euro-zone finance ministers meeting. But already the bail out agreement is good news and should be cheered.

About the tightening and its capacity to kill the native recovery we think it is wrong. Indeed there will soon be a time when the investors will welcome some smooth tightening such as the one in the pipe about everywhere in order to prevent some overheating or inflation, or simply another bubble. The strength of the recovery has led several central banks in the developing world to start tightening monetary policy, which has probably contributed to recent stock market weakness. However, policy is being tightened from ultra-loose levels and draconian moves, which in the end would weigh heavily on economic growth, should not be needed. Market fears over what damage policy tightening might do should not last for much longer.

About emerging markets, they could benefit from the relative soundness of their public finances, particularly given investors' current fixation with fiscal risks. Government debt levels relative to GDP in the emerging world are generally lower than in the developed world, which may help to explain why the cost of insuring against sovereign default in most of the emerging world has risen very little since October, even though it has risen sharply in much of the developed world. By the way yesterday, so much focusing on Greece issue, participants also shrugged off China's softer-than-expected January consumer inflation reading, which helped Hong Kong's Hang Seng spike 1.9% (Japan's Nikkei was closed). The news wasn't cheered as much in mainland China, where the Shanghai Composite tacked on an unimpressive 0.1%.

We planned that 2010 would be a tough year, bullish with some hot moments, but we did not expect that much !!! or we might have gone through most of the troubles within a few weeks time, which might have clear the road for the short term view, as to the long term one you know the story, a short term trade that went wrong, so let's think short term first and only. **Enjoy the ride...**

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	75,1	1,3673	89,74	3,70	3,23	2,28	1,64	0,32	0,76	1,27	0,51	1,46	0,64	2,36	0,97	1,38	1,05	US
Perf 1d %	0,33	-0,15	0,15	-1,14 bp	3,6 bp	1,45	0,73	-0,22	0,10	0,67	0,08	0,44	-0,30	1,78	0,28	0,57	0,44	Europe

ECONOMIC DATA with impact

Retail Sales (13h30 UK time) expected 0.3% from previous -0.3% // ex autos 0.5% from -0.2% // used to be important and might still be if the markets ok to take a look at basics / the story behind such as data being that US consumers are spending money on a decent pace even with a high unemployment rate, which is important given that households represent 70% of the GDP

Michigan Index (14h55 UK time) expected 75 from previous 74.4 / interesting as it's a February focus

Business Inventories (15h UK time) expected 0.2% from previous 0.4% / important in term of impact but the story behind the figure is hard to read / higher inventories rebuilt might need higher GDP to be expected

POSITIVE IMPACTS

THYSSENKRUPP : Q1 revenue €9.4bn (9.95bn exp) but Q1 Ebitda €808m (624m exp) / Order intake €9.3bn (9.23bn exp) / Repeated FY10 revenue & earnings outlook

NOVARTIS : Alcon Q4 sales \$1.72bn (1.6bn exp) / EPS \$1.61 (1.51 exp) / Sees FY10 revenue \$6.88bn, in line / Sees FY EPS \$7.30-7.7 (7.43 exp) / Will propose a dividend of SFR3.95 /

INFINEON : Shareholders elected management's choice for new supervisory board member, Klaus Wucherer, by a broad margin, while the challenger put forth by activists investors, Berchtold, received only 27% of the vote

ENI : Q4 adj. operating €3.7bn (€3.45bn exp) / Net €1.39bn (€1.20bn) / Q4 output 1.886m boepd (1.856m exp) / DPS €1 (in line) / Net debt €23.04bn end-Dec / Sees Hydrocarbon output in 2010 seen no lower than in 2009 / Sees solid results in 2010 despite challenges

LLOYDS : At least 5 buyout firms are interested in LLOYDS' private equity unit (Reuters)

ACS : A JPM fund is close to buying the Spanish port biz of Dragodos / No figures mentioned / Dragodos is a subsidiary of ACS which has been looking at selling port assets to reduce debt, which is close to €10bn / Separately, won part of a \$981.3m contract in Mexico

M6 : FY operating €190.3m (€184m exp) / No outlook statement for 2010 / Proposes **DPS €2.25** (regular €0.85 + exceptional €1.5)

NEGATIVE IMPACTS

TECHNIP announced it will take an **exceptional €245m charge** related to its TSKJ Nigeria venture / **Sees FY revenue €6.46bn**, in line / **Sees operating at €677m** (656m exp) / "Official" results expected **on Feb. 18**

MICHELIN : **FY sales \$14.8bn**, in line / **Operating €450m** (750m exp) / **DPS €1.00** (in line) / **Confirmed target** of positive FCF in 2010

HOCHTIEF : **Leighton** reported better than expected H1 results but **disappointing order book** at A\$38.4bn (40bn exp) / Guidance unch.

CREDIT AGRICOLE : **Moody's lowered** Crédit Agricole hybrid securities ratings / This concludes the review for possible downgrade that began on November 18, 2009

AXA (Minor) : French mutual insurer Groupama could be listed on the stock market this year (Wansquare)

ELISA : **Q4 revenue €365m** (361m exp) / **Ebitda €121m** (124m exp) / **Dividend €0.92** (0.99 exp) / **Sees** 2010 sales, EBITDA flat y/y

	RESULTS	DIVIDENDS	EVENTS
Today	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 \ Acergy / Aker Solution / Atos Origin / BNP Paribas / ING / Legal & General / Norsk Hydro (BMO) / TF1 / Publicis / Synthes US \ Applied Material / HP /	Carnival (\$ 0,111111) / Scottish & Southern Energy (GBp 23,33333)	TUI AGM
Thursday	EU \ ABB / AkzoNobel / Axa / BAE Systems / Cap Gemini / Corio / Daimler / Endesa / Pernod Ricard / PPR / Randstad / Reed Elsevier / Shire / Soc Gen / Solvay / Svenska Handelsbanken / Swiss Re / Swiss com / Technip / Terna / TF1 / Thales / TomTom US \ Dell / Goodyear / Wal Mart (BMO)		

TRADING IDEAS

About the same as the other days, as Greece was to bail out and the name that should profit from it will be the same that have been killed lately

BUY INSURANCE such as **AXA / ALLIANZ / GENERALI / AEGON / ING**

BUY DBK / BNP / SOC GEN same as above which should profit from the Greek bail out

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

BUY ALSTOM / EON / IBERDROLA / ACCOR / AIR LIQUIDE

BUY SAP destroy because of a new management / **STM** the most dollar name and for whoever is not disgusted **ALCATEL...**

BUY AIR FRANCE destroyed yesterday on slightly lower figures, but mostly suffering from the lack of market confidence

BUY PERNOD (02/18) / **SELL AB INBEV** (03/04) // **BUY METRO** (FY 03/23) / **SELL DELHAIZE** (03/11) // **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**

BROKER METEOROLOGY

BILFINGER BERGER **RAISED TO BUY FROM HOLD** **BY S&P**

KBC **RAISED TO BUY FROM HOLD** **BY S&P**

ALCATEL – LUCENT **RAISED TO BUY FROM HOLD** **BY RBS**

RENEWABLE ENERGY **RAISED TO HOLD FROM SELL** **MORGAN STANLEY**

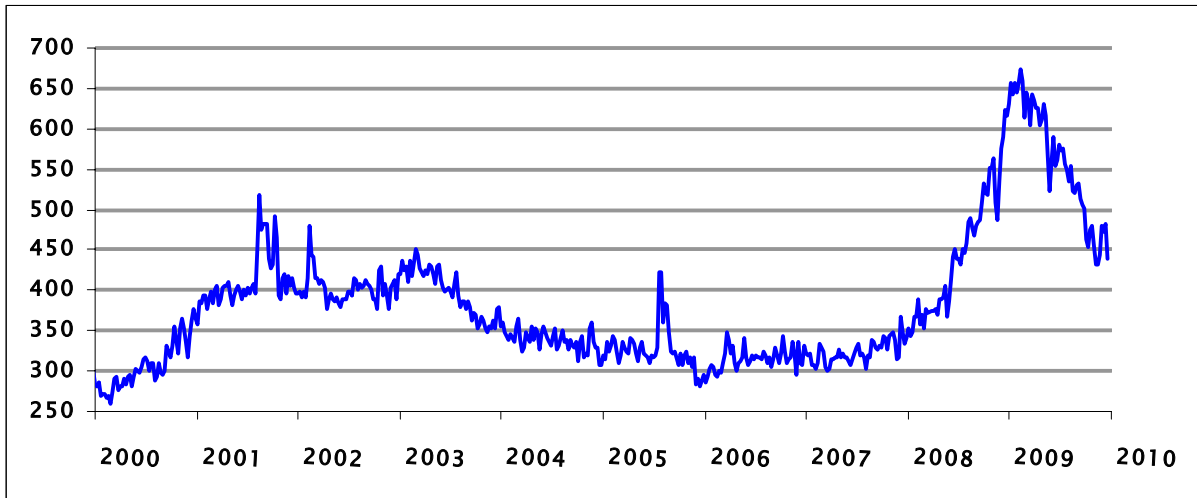
SAINT GOBAIN **CUT TO UNDERPERFORM FROM EQUALWEIGHT** **BY MORGAN STANLEY**

NEXANS **CUT TO NEUTRAL FROM BUY** **BY BANK OF AMERICA - ML**

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

CHART OF THE DAY

US Initial jobless claims (value/thousand)
Since 2000



Source: Department of Labour

After increasing to reach 483 000 the last week of January, initial jobless claims improved to reach 440 000 last week (forecast 465 000). Following the decrease of the unemployment rate in January at 9.7% this data is confirming the improving trend of the US employment market. Indeed the US job machine is destroying less and less jobs and the employment market should significantly improve at spring 2010, meaning around six months after the recovery./JB

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
07.00 GMT	Germany	GDP (advanced)	4th quarter	+0,4%,-2% YoY	+0,2%,-2,2% YoY	+ 0,7%,-4,8% YoY
07.45 GMT	France	GDP (advanced)	4th quarter		+0,5%,-0,3% YoY	+ 0,3%,-2,3% YoY
07.45 GMT	France	Wages (preliminary)	4th quarter		+0,3%	+0,5%
10.00 GMT	Euro area	GDP (advanced)	4th quarter	+0,4%,-1,7% YoY	+0,3%,-1,9% YoY	+0,4%,-4,0% YoY
10.00 GMT	Euro area	Industrial production	December		+0,1%,-1,7% YoY	+1,0%,-7,1% YoY
13.30 GMT	United-States	Retail sales	January	+0,4%	+0,3%	-0,3%
13.30 GMT	United-States	Retail sales less auto	January	+0,4%	+0,5%	-0,2%
14.55 GMT	United-States	University of Michigan (preliminary)	February		75,0	74,4
15.00 GMT	United-States	Business inventories	December		+0,2%	+0,4%

Indexes	Price	% 5 Days	Ytd
DJIA	10144,2	1,53%	-2,72%
S&P 500	1078,5	1,52%	-3,29%
Nasdaq	2177,4	2,47%	-4,04%
CAC 40	3616,8	-1,97%	-8,12%
DAX	5503,9	-0,53%	-7,61%
Eurostoxx 50	2680,3	-0,98%	-9,60%
DJ 600	241,7	-0,33%	-4,79%
FTSE 100	5161,5	0,66%	-4,64%
Nikkei	10092,2	-4,23%	-4,31%
Shanghai Comp	3015,5	-0,33%	-7,98%
Sensex (India)	16152,6	2,31%	-7,51%
MICEX (Russia)	1329,4	-4,77%	-2,97%
Bovespa (Brasil)	66128,9	3,43%	-3,59%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3674	-0,03%	-4,58%
EUR/JPY	122,80	-0,55%	-8,76%
USD/JPY	89,80	-0,59%	-3,74%
Oil	Price	% 5 Days	Ytd
Brent \$/b	73,2	4,72%	-5,14%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1090,8	2,27%	-0,59%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,11
Overnight	0,02	0,33	0,11
3 Months	0,09	0,29	0,20
10 Years**	3,71	3,23	1,34

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

** Euro: German Bund rate Source : Bloomberg

ECONOMIC DATA PREVIEW

Watch in the **UNITED-STATES** the advanced retail sales for January at 13.30 GMT. For January, led by the rise in real wages and reduction of job destruction, retail sales should increase by 0,4%. Excluding transport, the rise should reach 0,4% as well.

Watch in the **EURO AREA** the advanced release of the GDP for the fourth quarter released at 10.00 GMT. For the fourth quarter, we anticipate a small rise of 0.4% of the euro area GDP, still led by the technical correction. A similar increase should be observed in Germany. Meanwhile France's GDP should rise by 0.3% over the fourth quarter./**JB**

ECONOMY

UNITED-STATES : INITIAL JOBLESS CLAIMS AND CONTINUING CLAIMS

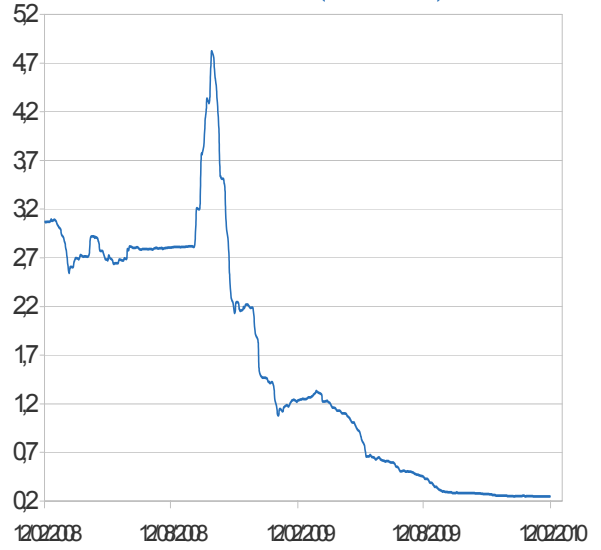
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VX Index: implied volatility on the S&P 500



Source : Bloomberg

\$ Libor - 3-Month (Interbank Rate)



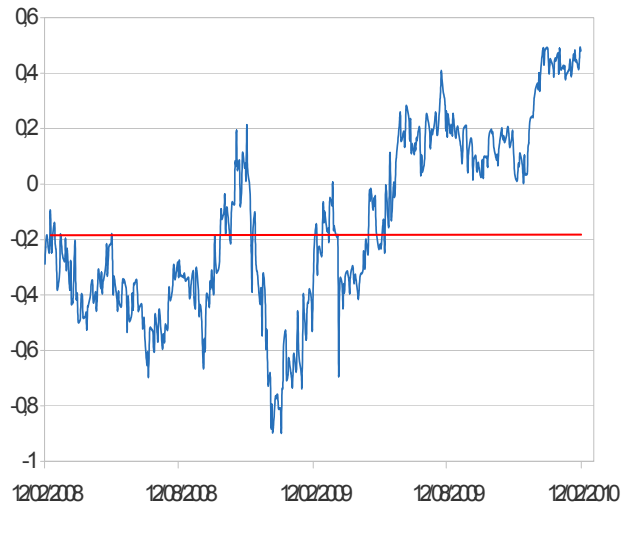
Source : Bloomberg

United States: 10-year Treasury yield



Source : Bloomberg

10-year Treasury spread USA-Euro zone



Source : Bloomberg

Oil: Bert (\$/b)



Source : Bloomberg

Forex: Eurovs Dollar (EUR/USD)



Source : Bloomberg