

U.S. stocks are boiling to resume their upside trend, but investors maintain fixation on events overseas and fluctuations in the currency markets amid the usual U.S. earnings reports and economic data. "We're dealing with the Rodney Dangerfield bull market, it doesn't get any respect, since everybody is sidetracked looking at currencies while ignoring the fundamentals, which keep quietly improving," said a chief market strategist. In Europe, "People are expecting some word from the European community, for some solid evidence that they'll provide some help, not just guidance. If it becomes an open-ended statement without any real direction or commitment then the market gets a little nervous," said another one. "If we can get a step closer to resolution in Europe, not only on Greece but on potential help for other countries, then the market should begin to rally, as it would remove another short-term question mark that has been overhanging the market". The concerns about debt problems in Greece, along with Portugal and Spain, had investors pulling out of riskier assets such as equities and commodities and flocking to investments viewed as safe, such as the dollar and Treasuries. In the meantime, 379 companies in the S&P 500 have reported so far, 73% did beat the expectations of analysts.

As to the coming months, they start to look more than promising. Indeed, not only the ISM Manufacturing showed the sector rebound was strong, but the already declining unemployment rate at a time when Obama is passing a bill to create jobs inside the small and mid size businesses might surprise even more most strategists about the coming employment reports. We do agree with this other strategist : amid near-universal pessimism about the economy and its avatar, the stock market, maintains that the U.S. is on the cusp of a robust economic recovery that stands a better-than-even chance of yielding a new secular bull market in stocks. About the surrounding fear from investors, you can't go through a period like the past two years and expect people to feel good about things -- not after they were conditioned to believe that we were on the verge of repeating the Great Depression. but hopefully, policy responses in terms of fiscal and monetary stimulus have been unprecedented because officials, too, became panicked. Ever since Lehman went down [in October 2008], we've seen 10% annualized monetary growth. The federal budget deficit has gone from a \$350 billion annual rate to over \$1.5 trillion. Short-term interest rates have been taken to effectively zero. Long-term rates are near post war lows. The dollar has fallen significantly and the price of oil cut in half. These changes, collectively, while they may spur inflation a couple of years out, have had a more-than-favorable impact, short term. Corporations these days are sized as if depression could ensue any day. They've purged payrolls, lopped off underperforming operations, cut costs, slashed inventories, held back on capital spending and boosted productivity. "You're going to see big jumps in the coming months in all the items they have purged, including hiring. Companies have the greatest profit leverage that they've had in decades. Right now, the level of cash flow relative to capital spending on corporate balance sheets is at a 50-year high. As sales increase, profits figure to soar".

About confidence, "Household-debt levels remain a problem. But the issue has been over dramatized. During the bust, the biggest problem wasn't so much the people who lost their jobs as [that] unemployment surged from 5% to 10%; it was the other 90% of the folks who had a job but were scared out of their wits. They just quit spending. Now, however, their paralysis is abating. US had a much stronger holiday shopping season than anyone expected. Real personal consumption in the last 12 months has risen almost 2% year-over-year. Take a look at the fixed-costs portion of household ledgers, which include not just debt service but also energy costs. The two items combined topped out at about 25% of disposable income in the first quarter of 2008. But they've come down since to around 22% of income, as energy costs have dropped and financing costs have eased some. The combined total, in fact, is lower than at any time during the 1980s. So many consumers are now in a position to return to the mall. By spring, It's likely that households will have seen a couple of months of positive job creation. The S&P/Case Shiller index of housing prices will likely have generally continued its multi month string of rising prices. Bank credit will likely be more plentiful and core inflation and interest rates will remain low. All these factors will combine to boost sagging consumer spirits.

About the second part of the year, to date, the first two quarters of the recovery -- the third and fourth quarter of 2009 -- have been on a par with the two of the strongest recoveries in the last 50 years : 1975 and 1982. So out of the gate, we'd have to say that real gross-domestic-product growth this time around seems to have a lot of promise. Some commentators are ignoring extremely positive factors in the current recovery. Take inventories, for example. We may well have a prolonged positive impact from inventory rebuilding that will be comparable to 1982, when inventories boosted GDP for some five straight quarters of that recovery. This time around we've only stopped liquidating inventories at such a rapid rate as in early 2009, so the rebuild lies ahead. This wild-card factor alone could help push GDP growth up to 5% from 3% to 4%. Look at the beleaguered housing and auto industries. Today, they account for about 3% of GDP, but their woes have subtracted anywhere from one to two percentage points off of GDP growth for much of the past three years. If the two industries merely stop sliding and level off that would add one percentage point to real GDP growth every quarter. Likewise, the improvement in the U.S. trade balance. Even if the trade balance remains negative, the fact that exports continue to rise relative to imports figures to have an outsized impact on GDP growth. Net exports have been a chronic negative for real GDP growth for the better part of two decades.

As things look much brighter for the US, Japan seems on track for a solid growth too. The publication of Japan's Q4 GDP data yesterday means that six of the seven members of the G7 group of advanced economies have now released preliminary figures for the final quarter of last year. (Canada will report on 1st March.) The US showed the strongest growth at 1.4% q/q (or 5.7% at an annualised rate), but this was followed close behind by Japan at 1.1% (4.6% annualised). What's more, final sales to domestic consumers actually grew slightly more quickly in Japan than they did in the US. Although net exports made the largest single contribution to Japan's GDP growth at 0.5 percentage points (pp), household spending added a healthy 0.4pp. The rebound in consumption has been supported by government stimulus measures, but above all, these measures have succeeded in kick-starting domestic demand, stabilising the labour market and boosting consumer confidence (necessary conditions for a self-sustaining recovery). More stimulus is also coming. Overall, the strength of Japan's recovery may well surprise the markets for a few quarters more as pent-up investment spending kicks in.

So, that leaves us with our European focus, which though should not be a big problem anymore now that we know for sure that a bail out from Greece will happen in case it is needed. How much details investors want to get, is what the market will tell you today. But we believe US players might not wait much longer and are happy with the idea of bail out whatever it is, and should do some shopping back from their long weekend

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	74,5	1,3638	89,81	3,69	3,20	0,25	-0,56	-0,09	-0,09	0,21	-0,44	-0,44	-0,48	0,54	-0,27	0,28	-0,44	US
Perf 1d %	-0,74	0,29	-0,08	0,19 bp	1,2 bp	-1,16	-1,59	-1,06	-0,85	-0,72	-0,78	-1,34	-1,24	-0,21	-1,00	-0,68	-1,18	Europe

ECONOMIC DATA with impact

Any news from the ecofin meeting today in Brussel / low intraday move would help bringing confidence back from investors
German Zew index (10h UK time) expected 43 from 47 / should be another fall which we saw through the poor German data / **minor**
Empire Manufacturing index (13h30 UK time) expected around 18 from 15.9 / should be good following the strong ISM Manufacturing, although locally small business are not participating as much to the recovery yet, which might explain the lagging index short term / **minor**
NAHB (18h UK time) expected 16 from 15 / still very low level, anything better would be welcome ahead of the housing starts tomorrow / the tax credit extension should help again until May anyway / **interesting**

POSITIVE IMPACTS

TELECOM ITALIA : The chairman of Mediobanca and his Intesa Sanpaolo counterpart will meet Today to discuss a **possible tie-up** between Telecom Italia and Telefonica (La Repubblica)

REPSOL is considering selling a 10% stake in Compania Logistica de Hidrocarburos as well as its La Gaviota gas storage facility, as part of the revision of its strategic plan (El Economista) / The sale of the CLH stake would fetch Repsol **more than €350 m**

RBS : JPM is near a deal to pay **\$1.7bn** for the non-U.S. operations of RBS Sempra Commodities (Bloomberg)

CLARIANT : **Q4 sales SFR 1.71bn**, in line / **Ebit SFR 107m** (95m exp) / **No dividend (as exp)** / **Does not foresee** a sustainable recovery of the global economy in 2010

BSKYB : Virgin Media is close to selling several of its wholly owned television channels, including Virgin 1 and Living, to BSYB, (The Guardian) / The channels **could be worth up to £500 m**

VALLOUREC said it would invest \$650m in building a new plant in the US, to meet the needs of the oil and gas industries there.

CAP GEMINI : **STERIA** posted 0.9% organic sales growth in the Q4, thanks to a **good performance in the UK** and an **improvement** in France / **SOPRA posted a better-than-expected** 7.6% current operating margin in 2009, compared with 9.1% in 2008.

NEGATIVE IMPACTS

L'OREAL : **FY sales €17.47bn** (17.66bn exp) / **Q4 org. growth +1.5%** (+3% exp) / **Luxury disappointing** = -4.7% LFL in the Q4 / **Ebit** 2.58bn, in line / **Dividend €1.50** (+4.2%), in line / **Aims for sales and profits growth** in 2010

GIVAUDAN : **FY sales SFR3.96bn**, in line / **Ebitda SFR820** (832m exp) / **Dividend SFR20.60** (19.43 exp) / **Confirmed 2010 targets**

TOTAL : Workers at Total's French refineries will **strike for 48 hours from Feb. 17** to support colleagues at the troubled Dunkirk refinery, which is likely to be closed

	RESULTS	DIVIDENDS	EVENTS
Today	EU \ Barclays (BMO) / Clariant / Deutsche Boerse / Gas Natural / Givaudan / intercontinental Hoteles / Premier Food / Yara US \ Kraft Foods / Merck & Co	Microsoft (\$0.13)	
Wednesday	EU \ Acery / 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 / Schneider Electric / Shire / Soc Gen / Solvay / Svenska Handelsbanken / Swiss Re / Swiss com / Technip / Terna / TF1 / Thales / TomTom US \ Dell / Goodyear / Wal Mart (BMO)		
Friday	EU \ ADP / Carrefour / Lafarge / Nestle / Rentokil / Shire US \ Anglo American / SeaFrill	Arcelor Mital (\$0,1875) / Johnson & Johnson (\$0.49)	
Monday	EU \ Petroleum Geo-Services / TNT [US] \ Campbell Soup	Applied Materials (\$0.06)	

TRADING IDEAS

BUY LAFARGE killed lately by the deleverage process from cyclical names, and even more on Friday by the MSDW St Gobain downgrade which had some impact on the all sector at a time when there is not much brave buyers left to insist on such a sick market / Lafarge is very US oriented and should strongly profit from the recovery / Cimpor 17% stake valo possible increased on Friday pm / US housing data tonight and tomorrow might bring positive surprises according to latest mortgage applications data / if you are looking for a hedge, **HOLCIM** looks nice with a double top possibility for the Lafarge – Holcim spread

BUY AXA which releases earnings this week and will remind to investors its 5% yields when talking about its 0.7 € minimum dividend

BUY SAP which soared too much on the management switch + double bottom possibility

BUY BNP / SOC GEN / DBK to play Greek problem sorted out

BUY ALSTOM / EON / GDF / IBERDROLA / ENEL killed lately / 15 to 20% consolidation for most of them is ok for now

BUY ARCELORMITTAL / TOTAL / REPSOL / ENI to play oil names as the dollar strength should loose momentum short term due to the Greek focus fading

BUY DANONE / SELL NESTLE to play Nestle island reversal possibility // **BUY RENAULT / SELL BMW** to play Renault's consolidation thanks to its electrical switch news flow coming anytime + French fund looking possibly at raising its stake (owns 17%) would not really let Renault stock price down too much

BUY LAFARGE (02/19) / **SELL HOLCIM** (03/03) // **BUY GSZ** / **SELL EDF** // **BUY PERNOD** (02/18) or **DIAGEO** (Ar) / **SELL AB INBEV** (03/04) // **BUY ALLIANZ** (02/25) // **SELL ZURICH FI** (Ar)

BROKER METEOROLOGY

BHP BILLITON..... **UPGRADED TO BUY FROM HOLD****BY ING**

DBK..... **UPGRADED TO OUTPERFORM FROM NEUTRAL**.....**BY CSGN**

ENI..... **ADDED TO OILS FOCUS BUY PORTFOLIO****BY NOMURA**

TECHNIP..... **UPGRADED TO HOLD FROM SELL** **BY CITI**

BANKINTER..... **UPGRADED TO NEUTRAL FROM SELL**..... **BY UBS**

KBC..... **CUT TO UNDERPERFORM FROM NEUTRAL****BY EXANE**

TOTAL..... **CUT TO MKT PERFORM FROM OUTPERFORM** **BY BERNSTEIN**

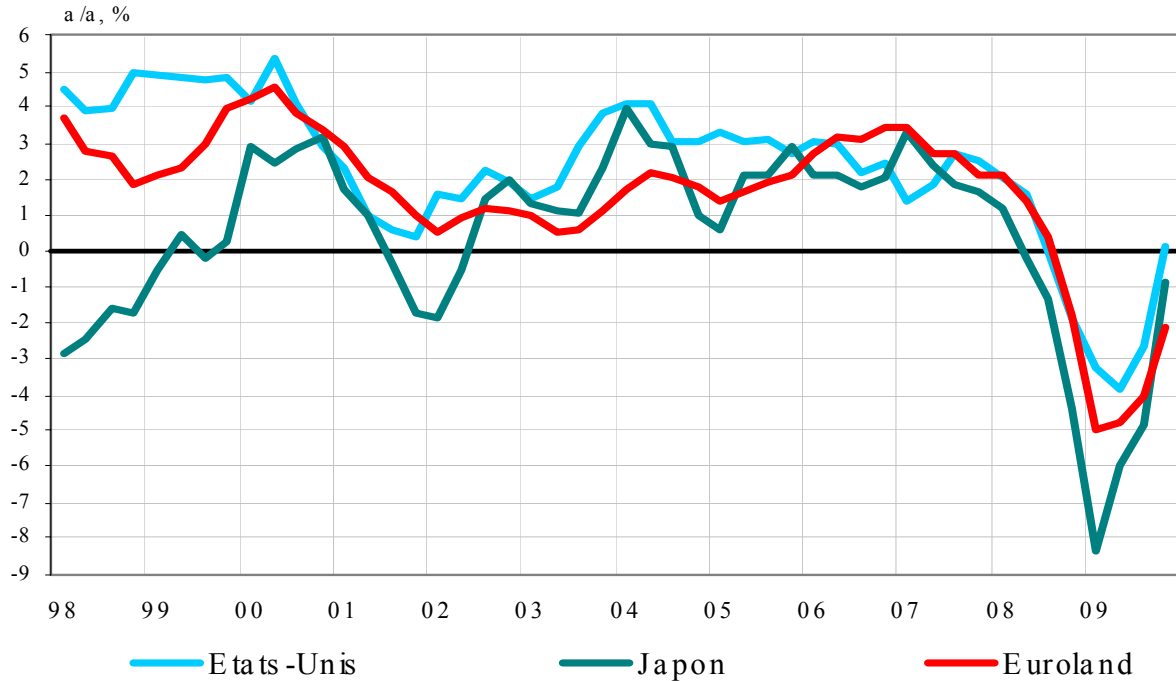
SAIPEM..... **CUT TO SELL FROM HOLD**..... **BY CITI**

AKER SOLUTION **CUT TO HOLD FROM BUY** **BY CITI**

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

CHART OF THE DAY

US, Japan and Euroland GDP (YoY) Since 1998



Source: Datastream

The preliminary release revealed a GDP's growth sharper than forecast at +1.1% (forecast +0.9%) and by 4.6% annualized (forecast 3.5%). Looking at the breakdown, capital investment rose by 1% and household consumption was up by 0.7%. Meanwhile exports increase by 5% over the same period. /JB

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
9.30 GMT	United Kingdom	Consumer price index	January		-0,1%,+3,5% YoY	+0,6%,+2,9% YoY
9.30 GMT	United Kingdom	DCLG house prices	December		+1,2%	+0,6% YoY
10.00 GMT	Germany	ZEW economic sentiment	February	47	41,0	47,2
10.00 GMT	Germany	ZEW current situation	February		-53,0	-56,6
10.00 GMT	Euro area	ZEW economic sentiment	February		41,5	46,4
13.30 GMT	United-States	Empire manufacturing	February		18,00	15,92
18.00 GMT	United-States	NAHB housing market index	February		16	15
22.00 GMT	United-States	ABC consumer confidence	February 14th			-48

Indexes	Price	% 5 Days	Ytd
DJIA	10099,1	1,03%	-3,15%
S&P 500	1075,5	0,97%	-3,55%
Nasdaq	2183,5	2,00%	-3,77%
CAC 40	3609,2	0,05%	-8,31%
DAX	5511,1	0,48%	-7,49%
Eurostoxx 50	2683,8	0,75%	-9,48%
DJ 600	241,9	1,32%	-4,72%
FTSE 100	5167,5	1,70%	-4,53%
Nikkei	10034,3	-0,44%	-4,86%
Shanghai Comp	3018,1	2,68%	-7,90%
Sensex (India)	16069,2	0,79%	-7,99%
MICEX (Russia)	1319,2	-0,22%	-3,71%
Bovespa (Brasil)	65855,0	4,93%	-3,99%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3649	-1,01%	-4,77%
EUR/JPY	122,54	0,73%	-8,96%
USD/JPY	89,78	-0,28%	-3,74%
Oil	Price	% 5 Days	Ytd
Brent \$/b	72,5	0,81%	-6,20%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1109,1	2,89%	1,12%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,10
Overnight	0,03	0,32	0,10
3 Months	0,09	0,30	0,20
10 Years**	3,69	3,20	1,33

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

** Euro: German Bund rate Source : Bloomberg

ECONOMIC DATA PREVIEW

Watch in **GERMANY** the ZEW index for February released at 10.00 GMT. After declining for three consecutive months, the ZEW index decreased again in January to reach 47.2. For February we forecast a stable ZEW index at 47.

Keep an eye in **THE UNITED-STATES** on the NAHB housing market index for February released at 18.00 GMT, expected to slightly improve from 15 to 16 as housing market is progressively recovering as showed by the housing starts and building permits trend./**JB**

ECONOMY

JAPAN : GDP ROSE MORE THAN EXPECTED AT THE FOURHT QUARTER

After declining for four consecutive months and reaching -3.1% at the first quarter 2009, Japan GDP was up by 0.7% at the second quarter and was flat at the third quarter 2009. The preliminary release revealed a GDP's growth sharper than forecast at +1.1% (forecast +0.9%) and by 4.6% annualized (forecast 3.5%). Looking at the breakdown, capital investment rose by 1% and household consumption was up by 0.7%. Meanwhile exports increase by 5% over the same period. Nevertheless the yen remains too high in comparison to economic fundamentals, the country is still facing deflation, budgetary revival plans were not efficient and interest rates are already at their lowest. In such conditions after dropping by 5% in 2009; Japan's GDP should rise by a slight 0.8% in 2010 and China should shortly become the second's world largest economy./**JB**

