

Ahead of Bernanke's semiannual testimony (today 15.00 GMT), equity markets has to cope with three major drawbacks yesterday, despite Home Depot, Target and Macy's earnings that beat analysts' estimates. The moderated annual rate of decline of house prices from -4.5% to -2.4% (S&P/CaseShiller index) was also good news, but not enough to prevent equity indexes from falling.

1-The Conference Board Consumer Confidence Index, which had increased in January, declined sharply in February. The Index now stands at 46.0 (1985=100), down from 56.5 in January. The Present Situation Index decreased to 19.4 from 25.2. The Expectations Index declined to 63.8 from 77.3 last month. Consumer Confidence, which had been improving over the past few months, declined sharply in February. Concerns about current business conditions and the job market pushed the Present Situation Index down to its lowest level in 27 years (Feb. 1983, 17.5). Consumers' short-term outlook also took a turn for the worse, with fewer consumers anticipating an improvement in business conditions and the job market over the next six months. Consumers also remain extremely pessimistic about their income prospects. This combination of earnings and job anxieties is likely to continue to curb spending. Consumers' assessment of current-day conditions soured in February. Those claiming conditions are "good" decreased to 6.2% from 8.5%, while those claiming business conditions are "bad" increased to 46.3% from 44.7%. Consumers' assessment of the labor market was also more pessimistic. Those saying jobs are "hard to get" rose to 47.7 % from 46.5 %, while those saying jobs are "plentiful" decreased to 3.6% from 4.4%. Consumers' short-term outlook, which had been improving, lost considerable ground in February. The percentage of consumers anticipating an improvement in business conditions over the next six months decreased to 16.7% from 20.7%, while those anticipating conditions will worsen increased to 15.3 %from 12.7%. Regarding the outlook for the labor market, the percentage of consumers expecting fewer jobs increased to 24.6% from 18.9%. Those anticipating more jobs will become available in the months ahead declined to 13.4% from 15.8%. The proportion of consumers anticipating an increase in their incomes declined to 9.5% from 11.0%. Possibly the heavy snowstorms that hit many parts of the country were somehow a reason why the index slumped. That would explain why this survey collected slightly later in the month was affected more. The drop back in stock markets earlier this year probably didn't help either. Whatever the reason, more than six months after the recovery started, consumer confidence is still close to a record low.

2-February's fall in the German IFO business climate index adds to the recent run of weaker evidence on the euro-zone economy. The decline, from 95.8 to 95.2, was the first in almost a year and comes after falls in German ZEW investor sentiment and no change in the euro-zone PMI. With the Germany-specific PMI still rising, the consensus had been for a further increase in the IFO too. But today's decline left the index back below its long-run average. Business expectations have continued to increase but, worryingly, perceptions of current conditions fell this month from what was already a very low level. By sector, manufacturing sentiment was little changed. But a particularly sharp drop in the retail index suggests that the much-needed domestic recovery is still not happening. The hope is that activity has been damaged by the bad weather rather than any more fundamental issues. For now, one can still expect a strong competitive position to mean that Germany expands by a solid 2% this year.

3-Fitch Ratings, citing concerns about Greek banks' funding costs and profitability, downgraded the country's four major banks to triple-B, or two notches above "junk" status. Fitch characterized its outlook for Greek banks as "negative." The main worry is that Greece's efforts to lower its deficit through austerity measures will quickly spread deep into the Greek economy, lowering demand for loans and cutting into bank profits. In addition, as long as investors are worried about Greece's ability to issue new debt and pay off maturing bonds, Greek banks will have to pay more to fund themselves. The cost of funding for the four banks in question—National Bank of Greece, Alpha Bank, Efg Eurobank Ergasias and Piraeus Bank—has gone up in recent weeks, according to a Morgan Stanley funding. The price of insurance to protect against a default by Greek banks has also has increased, according to data firm Markit Group .A significant sign of increased funding costs is the repo market, where firms post securities as collateral in return for short-term loans. The repo market is one of the main ways banks ensure they have enough liquidity to meet their obligations. In the past month, Greek banks have had to pay about 0.4 percentage point more for loans than other European banks, a notable premium.

Yesterday, bond markets were safe havens. Treasury prices extended gains, lowering yields on 10-year notes by the most in two months(3.69% vs. 3.79%), after the government received strong demand from investors at its auction of 2-year notes, especially from a group that includes overseas central banks. Bonds had been higher before the auction after a report showed U.S. consumer confidence dropped much more than expected, increasing the investment appeal of fixed-income assets as investors questioned the ability of the economy to recover. Meanwhile, yields on the current 2-year notes declined 5 basis points to 0.83%. The Treasury Department sold \$44 billion in 2-year notes at a yield of 0.895%, lower than traders expected and an indication of strong investor demand. Bidders offered to buy 3.33 times the amount of debt sold, compared to an average of 3.21 times at the last four monthly auctions of the maturity, which were all for the same amount. It was the second-highest so-called bid-to-cover ratio since at least 2008. Indirect bidders, a group that includes foreign central banks, bought 53.6%, the highest since July 2009. Direct bidders, a group that includes domestic money managers and that has been growing in recent months, purchased 8.2%, compared to an average of 15.3% of recent sales.

This morning, Asian markets were broadly down (06.30 GMT): Nikkei -1.48%, Hong Kong -0.88%, Corée -0.99 %, but Shanghai +0.48% and Shenzhen +1.64%. U.S. index futures were slightly up: DJIA +0.06 %, S&P 500 +0.04 %, Nasdaq 100 +0.10 %. European markets could be slightly up at the opening.

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	79,2	1,3544	90,23	3,70	3,17	-2,33	-1,59	-1,62	-1,12	-1,46	-0,97	-1,30	-0,88	-2,83	-1,21	-1,28	-0,97	US
Perf 1d %	-0,95	0,27	-0,29	2,08 bp	-10,3 bp	-1,70	-1,24	-0,75	-0,93	-1,53	-0,86	-1,08	-0,56	-2,88	-0,91	-1,26	-0,63	Europe

ECONOMIC DATA with impact

Bernanke gives semiannual monetary policy report before the House Financial Services Committee (15.00 GMT)

Reporting today: Dollar Tree, Transocean before the opening.

U.S. Treasury auction: 5-year note, \$42bn.

In the U.S., watch for new home sales for January (15.00 GMT) expected at 355k annualized vs. 342k. By falling to 342k in December, new sales are dangerously close to the 329k record low in January 2009. Tax credit didn't boost new home sales as buyers were attracted to discounted foreclosed homes. /Major

In the euro-zone, German Q4 GDP final data (07.00 GMT) unchanged at 2.4 % could show a small improvement in private consumption and government spending. /Minor

POSITIVE IMPACTS

TELKOM AUSTRIA : Q4 sales €1.18Bn (1.198est) / EBIT €120M (100 est) / EBITDA €399.40M (391 est) / Net €63.6M (49 est) / DPS €0.75 (in line) / Sees 2010 EBITDA €1.60Bn (1.65 est) and Sales at €4.7Bn (4.68 est)

LOGICA : FY Rev €3.702Bn (3.69est) / Op Pft £272M (270 est) / Net £40.1M (69.5est) / FY Div 3.3P / FY rev exp at same level to 09

FRESENIUS MED CARE: Q4 Rev \$3.04Bn (3.02est) / EBIT \$491M (478 est) / Net pft \$247 (242 est) /

FRESENIUS SE: Q4 Sales €3.74Bn (3.45est)/EBITDA €705M (692est) / EBIT €558M (550est) / Net €155M (in line)/DPS 0.75 (0.80 est)

RHODIA Q4 Revenue €1.08bn (€1.06bn exp) / **Recurring EBITDA €200m** (€180m exp) / To propose DPS €0.25 (0 exp) / Aims for €130m cost savings in 2010 / sees 2010 recurring EBITDA at least 35% Higher than 2009

ACCOR : 09 Op pft b4 tax €448M (420est) / **Net Loss €282M** (+85M est) / **DPS €1.05** (0.8est) / To split Hotels to take €1.2 net debt , prepaid services 0.4Bn / Accor services shrs will start trading in early July / Occupancy rates continued to stabilise in Jan. except US economy hotel .

VALLOUREC : Q4 Sales €1.09bn (€1.02bn exp) / **Net €100m** (€92m exp) / 09Div of €3.5 for 2009(in line) / Effects of crisis continue to weigh / Destocking has ended in most mkt / Sees H1 2010 sales , Ebitda below H2 09 / Ready to seize development opportunities

TOTAL pledged not to close or sell any French refineries other than its Dunkerque plant for 5 years, prompting unions to call for a vote on Wednesday that could end a week-long strike. / **Separately** TOTAL and its partners **will invest \$20bn** in deepwater oil and gas exploration in Nigeria over the next four to five years.

PEARSON : Private equity bidders for Pearson Plc's Interactive Data Corp. unit have started to join forces before the second round of an auction for the media company

EADS : Euro govts have struck an outline deal worth €3.5Bn with Airbus to rescue the delayed A400M military transporter (Rtrs)

CNP FY09 Revenue €32.59bn (€32.3bn exp) / **Net €1bn** (€1.05bn exp) / **ROE 11.6%** (in line) / Solvency1 at 192% / **DPS €3** (€2.85 exp)

IBERDROLA said it sold a 2.7% stake in EDP for €298m at an average price of €3 per share gaining € 68m. IBE still have 6.8% in EDP

NEGATIVE IMPACTS

DSM : Q4 Rev €2.005Bn (2.05 est) / **Total EBIT €142M** (154 est) / **Net Pft excl exceptionals €89M** (104 est) / **DPS €1.2** (in line) / No quantitative outlook for 2010

DIAGEO accused rival Bacardi of "working behind the scenes" to sabotage tax incentives Diageo would receive for moving production of Captain Morgan rum to the U.S. Virgin Islands from Puerto Rico

DAIMLER :The Euro. auto industry does not expect a quick recovery this year & warned sales of commercial vehicles that closely follow the eco cycle would "at best be flat" (Daimler CEO)

BAYER: Italy's antitrust authority said it had opened inquiry into Bayer units Bayer Cropscience AG & Bayer Cropscience Srl to check possible abuse of dominant position on pharmaceutical products for grapevines

GREEK BANKS : Wealthy Greeks, concerned about a possible new bank tax and increased govt scrutiny as the country struggles to get its finances in order, have moved about €8bn out of local banks in the past three months.(DowJones news)

IBERDROLA RENOVABLES : FY EBITDA € 1.3bn (€1.319bn exp) / Div € 0.25 as exp / Net € 371m (€378m exp) / Says operating profit to grow about 20% in 2010 / says to invest \$ 1.5bn in US

ENI & SAIPEM : A Milan prosecutor asked Italy's highest court to suspend biz operations of ENI & SAIPEM with the Nigerian National Petroleum Corp (judicial sources). The request is part of a probe linked to an international investigation into bribes in Nigeria

ABERTIS : ACS has proposed to La Caixa the joint sale of a 15% stake in Abertis, worth about €10Bn (ABC)

	RESULTS	DIVIDENDS	EVENTS
Today	EU \ Accor / Acciona / Cadbury / CNP Assurances / Commerzbank / Dexia / DSM / Ferrovial / Fresenius SE / Iberdrola / Mediobanca / Rhodia / TSM / Tenaris / Valeo	Land Securities (GBp 7,00) / QUALCOMM (\$0.17)	
Thursday	EU \ ACS / Aegon / Allianz / BASF / British American Tobacco / Centrica / CCGVeritas / Credit Agricole / Club Mediterrane / Deutsche Postbank / Deutsche Telekom / Dexia / Eiffage / France Telecom // Grifols / Henkel / Natixis / OMV / RBS / Red Electrica / Repsol / RWE / Saint Gobain / Safran / Segro // Suez Env / Sulzer / Telecom Italia / Voestalpine US \ Heinz Asia \ OZ Minerals	McDonald's (\$0.55)	JPMorgan Chase investor day
Friday	EU \ Acciona / Acerinox / Bayer / Belgacom / Endesa / Gamesa / Gazprom / Gecina / Lloyds / Parmalat / Petrobras / Sacyr Vallehermoso / Sol Melia / Telefonica US \ Novell	Goldman Sachs (\$0,35)	Novartis AGM
Monday	EU \ HSBC / Pearson / Vivendi US \ AIG /		TMT conf at Morgan Stanley
Tuesday	EU \ Allied Irish Bank/ Bouygues / US \ US car sales		BP Strategy presentation / Qualcomm AGM /

TRADING IDEAS

BUY CAC INDEX & ALCATEL to play Island & reversal Head & Shoulder possibility still

BUY Oil names as TOTAL / ENI / ROYAL DUTCH (gap closed) to play reversal Head & Shoulder on this names + upside trend

BUY ST GOBAIN / BAYER / ALSTOM / EON on reversal Head & Shoulder possibility

BUY LAFARGE on double bottom

BUY PINAULT / SELL LVMH // BUY PHILIPS / SELL ABB // BUY DAIMLER / SELL BMW // BUY METRO / SELL UNILEVER

BROKER METEOROLOGY

NOVO NORDISK **RAISED TO BUY FROM HOLD** **BY JEFFERIES**

THALES..... **RAISED TO NEUTRAL FROM REDUCE**..... **BY NOMURA**

AXA **CUT TO SELL FROM HOLD** **BY NOMURA**

BBVA..... **CUT TO UNDERPERFORM FROM OVERPERFORM** **BY BARCLAYS CAPITAL**

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

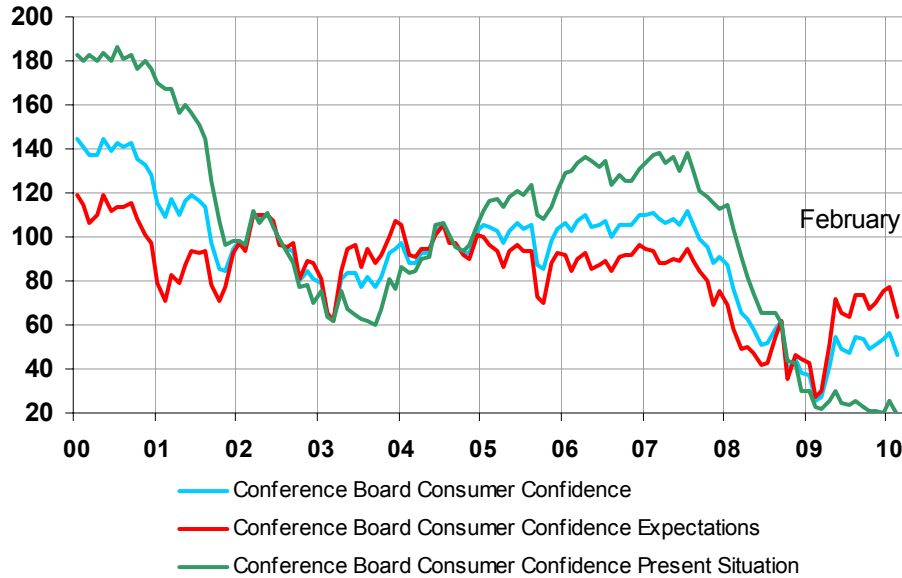
HEIDELBERGCEMENT **CUT TO NEUTRAL FROM BUY** **BY BANK OF AMERICA - ML**

MERCK KGAA **CUT TO HOLD FROM BUY** **BY JEFFERIES**

ADDIDAS..... **REMOVED FROM CONVICTION BUY LIST**..... **BY GOLDMAN SACHS**

CHART OF THE DAY

US Conference Board Consumer confidence Since 2000



Source: Conference board

After rising for three consecutive months to reach 56.5 in January the Conference Board consumer confidence declined sharply by 18.6% to reach 46 the lowest level since April 2009. As the unemployment remains high at 9.7% as well as initial jobless claims (473 000 last week) the US Consumer Confidence will remains fragile at least till spring./JB

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
12.00 GMT	United-States	MBA mortgage applications	February 19th			-2,1%
15.00 GMT	United-States	New home sales	January		353 000 (+3,1%)	342 000 (-7,6%)

Indexes	Price	% 5 Days	Ytd
DJIA	10282,4	0,24%	-1,40%
S&P 500	1094,6	0,02%	-1,84%
Nasdaq	2213,4	-0,02%	-2,46%
CAC 40	3707,1	1,06%	-5,82%
DAX	5604,1	0,21%	-5,93%
Eurostoxx 50	2730,6	0,37%	-7,91%
DJ 600	246,7	1,02%	-2,82%
FTSE 100	5315,1	1,51%	-1,81%
Nikkei	10198,8	3,17%	-3,30%
Shanghai Comp	2997,6	1,14%	-8,53%
Sensex (India)	16263,0	0,37%	-6,88%
MICEX (Russia)	1353,8	3,75%	-1,19%
Bovespa (Brasil)	66108,3	0,39%	-3,62%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3531	-0,62%	-5,58%
EUR/JPY	122,04	1,32%	-9,40%
USD/JPY	90,19	0,68%	-3,27%
Oil	Price	% 5 Days	Ytd
Brent \$/b	76,6	1,46%	-0,76%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1105,3	-0,09%	0,81%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,11
Overnight	0,02	0,32	0,11
3 Months	0,11	0,29	0,20
10 Years**	3,71	3,17	1,33

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

** Euro: German Bund rate Source : Bloomberg

ECONOMIC DATA PREVIEW

Watch in **THE UNITED-STATES** the New home sales for January released at 15.00 GMT, expected to reach 351 000 or +2.6%. Indeed the bottom has been reached on the housing market and sales are progressively rebounding. Nevertheless the recovery remains fragile as showed by the decline of building permits decreasing by 4.9% in January.

Watch in **THE EURO AREA** the final release of the GDP for the fourth quarter released at 7.00 GMT, expected to confirmed the preliminary release at +0.0%,-2.4% YoY./**JB**

ECONOMY

UNITED-STATES : THE CONFERENCE BOARD CONSUMER CONFIDENCE INDEX

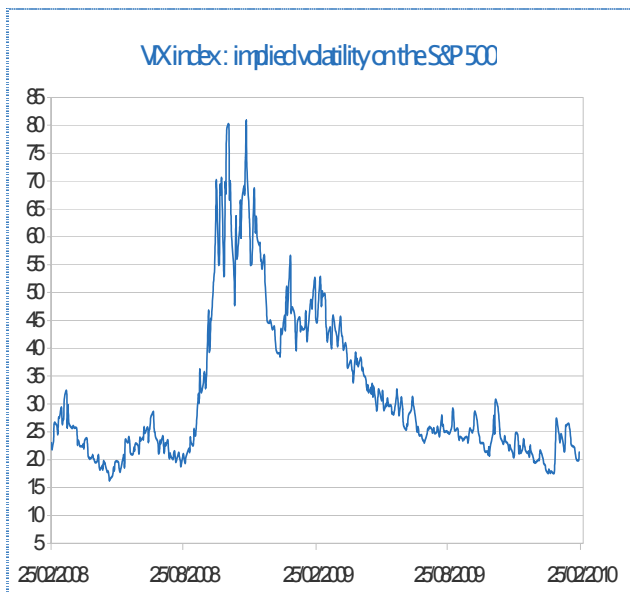
After rising for three consecutive months to reach 56.5 in January the Conference Board consumer confidence declined sharply by 18.6% to reach 46 the lowest level since April 2009. Despite the reduction of job destruction, the rebound of the economy, the unemployment rate remains high at 9.7% and initial jobless claims increased from 442 000 to 473 000 confirming that the labour market did not recovered yet. Indeed there is a gap between six to nine months between the economic recovery and a significant improvement of the labour market. Meaning that the US job machine will significantly improve at spring.

FRANCE : INFLATION IS SLOWING DOWN AND CONSUMER SPENDING ARE DOWN IN FRANCE IN JANUARY

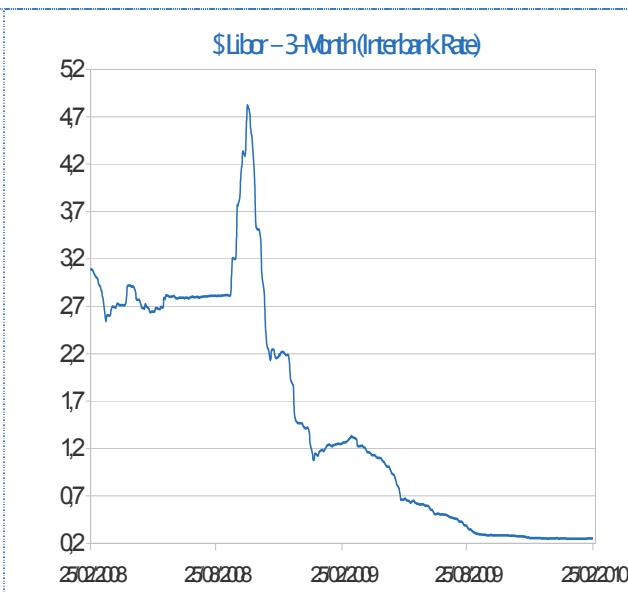
After rising for three consecutive months since October and after rising by +0.3% in December France consumer price index was down by 0.2% in January. This decrease is the consequence of the decline of energy and commodity prices in January. Meanwhile inflation is slowing down as the "positive base effect" is fading. Indeed consumer price index passed from +5.8% YoY in December to +1.5% in January. There is no risk of hyperinflation for at least three reasons : firstly despite a slight rebound growth will remains weak and will limited "demand inflation", secondly unemployment will remains high in 2010 stopping any potential rise in wages and consequently in prices, thirdly due to the high level of competition companies will not be able to increase their prices significantly to protect their market shares. Meanwhile after rising for four consecutive months and reaching +1.3% in December France consumer spending sharply declined by 2.7% in January. This drop was mainly led by the sharp decline in cars spending dropping by 16.7% (+5.3% in December and +10.7% in November) as the "cash for clunkers program" was reduced in January. On the other hand durable goods dropped by 7.8% (prior +2.5%). Some sectors are still resisting like household goods +1.3% and textile/leather +1.6% mainly led by sales and promotions. From a year ago consumer spending remains in positive territory +1.5%YoY (prior +5.8% YoY). Fro the coming months after January sales household spending should slowdown but will not fell apart as firstly some promotions are lasting all year long, secondly the government support will last till 2012 and finally with a saving rate of 17% will widely boost household purchase power.

GERMANY : SLIGHT DECLINE OF THE IFO INDEX IN FEBRUARY

After increasing for ten consecutive months the IFO business climate slightly decline from 95.8 to 95.2 in February. The rising trend of the IFO index ended quite logically and despite the consensus forecast expecting a rise (96.1). Indeed German recovery remains weak and fragile as showed by a flat growth at the fourth quarter and by the 2.6% decline in industrial production in December. If German exports are boosted by the rebound in China and in the United-States, the domestic demand remains very weak and the GDP should rise by a slight 1.5% in 2010. Meanwhile IFO current assessment index decline from 91.2 to 89.8 and expectations increased very slightly from 110.6 to 110.9./**JB**



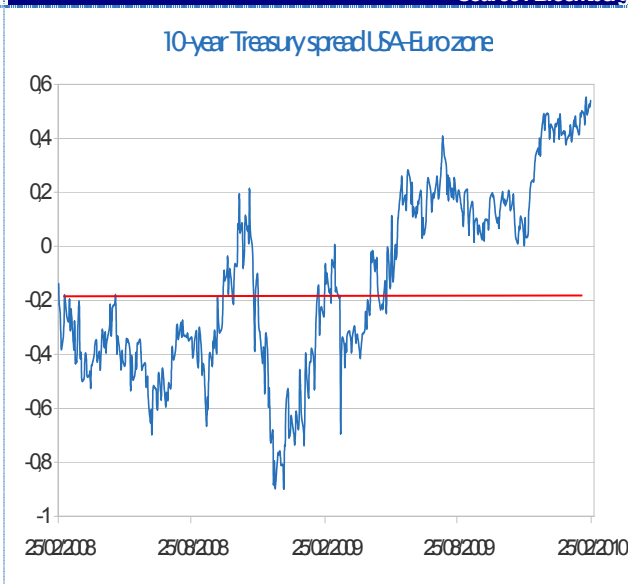
Source : Bloomberg



Source : Bloomberg



Source : Bloomberg



Source : Bloomberg



Source : Bloomberg



Source : Bloomberg