BEN AND THE GREEN SPAM

Ben Bernanke's testimony to Congress yesterday gave a boost to both equity and bond markets, with economic and monetary statements **in line with markets' expectations**.

On the economic side: the U.S. economy expanded at about a 4 % annual rate during the second half of last year. A significant portion of that growth, however, can be attributed to the progress firms made in working down unwanted inventories of unsold goods, which left them more willing to increase production. As the impetus provided by the inventory cycle is temporary, and as the fiscal support for economic growth likely will diminish later this year, a sustained recovery will depend on continued growth in private-sector final demand for goods and services. Private final demand does seem to be growing at a moderate pace, buoyed in part by a general improvement in financial conditions. In particular, consumer spending has recently picked up, reflecting gains in real disposable income and household wealth and tentative signs of stabilization in the labor market. Business investment in equipment and software has risen significantly. And international trade--supported by a recovery in the economies of many of our trading partners--is rebounding from its deep contraction of a year ago. However, starts of single-family homes, which rose noticeably this past spring, have recently been roughly flat, and commercial construction is declining sharply, reflecting poor fundamentals and continued difficulty in obtaining financing. The job market has been hit especially hard by the recession, as employers reacted to sharp sales declines and concerns about credit availability by deeply cutting their workforces in late 2008 and in 2009. Some recent indicators suggest the deterioration in the labor market is abating: Job losses have slowed considerably, and the number of full-time jobs in manufacturing rose modestly in January. Initial claims for unemployment insurance have continued to trend lower, and the temporary services industry, often considered a bellwether for the employment outlook, has been expanding steadily since October. Notwithstanding these positive signs, the job market remains quite weak, with the unemployment rate near 10 percent and job openings scarce. Of particular concern, because of its long-term implications for workers' skills and wages, is the increasing incidence of long-term unemployment; indeed, more than 40 percent of the unemployed have been out of work six months or more, nearly double the share of a year ago. Increases in energy prices resulted in a pickup in consumer price inflation in the second half of last year, but oil prices have flattened out over recent months, and most indicators suggest that inflation likely will be subdued for some time. Slack in labor and product markets has reduced wage and price pressures in most markets, and sharp increases in productivity have further reduced producers' unit labor costs. The cost of shelter, which receives a heavy weight in consumer price indexes, is rising very slowly, reflecting high vacancy rates. In addition, according to most measures, longer-term inflation expectations have remained relatively stable.

On the monetary policy stance: Bernanke repeated the Fed's line that last week's discount rate hike (+25 bps to 0.75 %) should not be interpreted as signaling any change in the outlook for monetary policy. Fed officials will no doubt keep repeating that argument because ideally they would probably like to push the spread between the discount rate and the fed funds target rate all the way back up to 100 basis points (normalization process). Although the federal funds rate is likely **to remain exceptionally low for an extended period**, as the expansion matures, the Federal Reserve will at some point need to begin to tighten monetary conditions to prevent the development of inflationary pressures. Notwithstanding the substantial increase in the size of its balance sheet associated with its purchases of Treasury and agency securities, we are confident that we have the tools we need to firm the stance of monetary policy at the appropriate time.

What Bernanke failed to mention is that, on Tuesday 23rd, the Treasury provided the Fed with another means of shrinking reserves using the resurrected Supplementary Financing Program. The Treasury will sell an additional $200bn of debt and leave the proceeds on deposit at the Fed. The overall size of the Fed's liabilities will be unchanged, the debt sales will effectively drain $200bn from those reserves, offsetting the impact of the Fed's final asset purchases.

Bernanke's testimony had some instantaneous consequences:

1-U.S. equity markets were sent on the upside, with the S&P 500 index closing above 1 100 pts again and helped European markets reverse their downside trend before the close. At the same time, **Dollar Tree** earnings were very good and the share price soared (+12.26%), while **Transocean** (-5.51%) missed analysts' estimates.

2-Long term Treasury rates decreased, with the 10-year rate as low as 3.66 %. But the government's auction of $42 billion in 5-year notes garnered weak demand. Indirect bidders, a class that include foreign central banks, bought 40.3%, compared to an average of 49.8% of recent sales.

3-The green dollar soared to 1.3450 EUR/USD after a low of 1.3692 yesterday.

This morning, **Asian markets were mixed (6.40 GMT): Nikkei -0.95 %, Hong Kong -0.76 %, Corée -1.57 %, but Shanghai +1.17 %, Shenzhen +1.67 %. U.S. index futures are on the downside: DJIA -0.57 %, S&P -0.70 %, Nasdaq 100 -0.72 %. European markets may open "very slightly" higher, but the trend of the session will certainly be as hectic as yesterday, in a narrow range…**

	WTI	€/$	$ / ¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	79,6	1,3464	89,67	3,66	3,14	0,25	0,61	1,60	0,73	1,04	0,47	0,92	0,13	1,92	0,97	1,02	0,89	US
Perf 1d %	0,43	-0,55	1,07	-3,4 bp	-3,2 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 Senate Banking Committee (14.00 GMT)

Reporting today: Blackstone, Cablevision, Ensco, Hyatt Hotels before the opening, **Fluor, Gap** after the close.

U.S. treasury auction: 7-year note, $32bn.

In the U.S., watch for **Durable goods orders** for January (**13.30 GMT**) expected at +1.5 % MoM (+1.0 % "core"). January ISM manufacturing survey suggests that the growth rate of durable goods orders will continue to accelerate over the next few months. Boeing's spike in booking and the almost 5.0 % jump in motor vehicle production in January points to stronger transportation order. The consensus appears to be shy. / **Major**

02/20 initial weekly Jobless claims (13.30 GMT) will certainly decrease to 450/460k after a peak of 473k a week earlier. /**Minor**

In the euro-zone, **German unemployment rate** (**08.55 GMT**) should stabilize at 8.2 %. /**Minor**

POSITIVE IMPACTS

BASF : Q4 Sales €13.174Bn (13.12-13.3e) / **Adj EBIT €1.48Bn** (1.27e) / **EBITDA €2.23Bn** (1.8e) / **Net €455M** (274-319e) / Expects sale to grow in 2010 / Sees 'significant' increase in EBIT in 2010

RWE : 09 Sales €47.7 (49.295e) / **EBITDA €9.17Bn** (8.99e) / **Op pft 7.09Bn** (6.94e) / **Net €3.57Bn** (3.387) / **DPS €3.5** (in line) plans to keep DPS lvl at least from 2010-13 / Eco to need 'several years' to return to 08 levels / Expects Op pft to rise at the lower range of f'cast trought 2012

SUEZ ENV : 09 Sales €12.3Bn (in line) / **EBITDA €2.06Bn** (2 e) / **Net €403M** (379e) / **DPS €0.65** (in line) / Cot saving plan for 2010-12 is 1Y ahead schedule

CENTRICA : **FY Sales £21.96bn** (£20.66bn exp) / **Operating £1.86bn** (£1.81bn exp) / **DPS 12.8p** / says cold start to 2010 led to record demand for Gas in UK / 2010 outlook positive & trading in line with views

ABERTIS : 09 Sales 3.935 Bn (3.9 e)/ **EBITDA €2.43Bn** (2.4e) / **Net €653M** (643 e)

GLOBAL EQUITIES **25 FEVR. 10**

BEN AND THE GREEN SPAM

ALLIANZ : **Q4 Revenue €25.5bn** (€23bn exp) / **Operating €2.045bn** (€1.75bn exp) / **PTP €712m** (€1.6bn exp) / **DPS at €4.1** (€4.00 exp) / sees 2010 operating around 2009 level
AEGON : **Q4 New Life sales €549m** / **New Business €216m** (€193m exp) / **Underlying PTP €427m** (€422m exp) / Impairments €209m / **FY cost cutting €250m** (€150m targeted) / no dividends on common shares / says believes prudent to maintain substantial capital buffer / **Solvency 204%**
POSTBANK confirms preliminary FY09 earnings on Feb. 19 / **Rev €3.09bn** / **NII €2.41** / Net comm Income €1.33bn / loan provisions €678m / Trading loss €498m / targets pretax ROE around 13% / confident will book PTP for 2010
SWISSCOM 's Italian unit, Fastweb SpA, hasn't committed any crimes and doesn't hold secret accounts abroad, Fastweb CEO said.

NEGATIVE IMPACTS

DEUTSCHE TEL : Q4 Rev €16.2Bn (16.33e) / **Adj EBITDA €4.54Bn** (5.09e) / **Adj Net €905M** (647e) / **DPS €0.78** (in line) / Will carry SBB between 2010-12 / Expect 2010 EBITDA to decline ~€20Bn (20.2e)
FRANCE TEL : Q4 Rev e11.54Bn (11.68 e) / **EBITDA €3.67Bn** (3.68 e) /**Adj Net €4.85Bn** (4.6 e) / **DPS 1.4** (in line) / Confirms objective of 8Bn free cash flow in 2010-11 / Rev to be stabel in 2010
SOLARWORLD : 09 Rev €1.01Bn (1Bn e) / **EBIT €152M** (170 e) / Plans continously exceed prev Y rev of €1Bn in 2010
BATS : FY Rev £14.2bn (£14.1bn exp) / **Net £2.71bn** (£2.95bn exp) / **PTP £4.1** (£4.36bn exp) / **EPS 136.3p** / **Final div 71.6p** / Optimistic about the future
OMV : Q4 Ebit €354m (€483.4 e) / Q4 Adj net €117m (€175.8 e) / DPS 1€ (in line)
CREDIT AGRICOLE : **Q4 Rev €4.49bn** (€4.69bn exp) / **Operating €1.33bn** (€1.61bn) / **Net €433m** (€476m exp) / **Provisions €1.29bn** (€1.20bn exp) / **DPS at €0.45** (in line) / Tier1 9.5% end-dec / Initial 2010 trends confirm all ops performing well
DEXIA : **Q4 revenue €1.45bn** (€1.39bn exp) / **Operating Income €531m** / **Net Profit €202m** (€260m exp) / **proposes DPS in shares corresponding to 35% Payout (Net Profit €1bn in 2009)** / says plan for reducing costs will continue to have beneficial impacts on group profitability throughout 2010 & 2011
STANDARD CHARTERED agreed to buy GE.'s consumer lending business in Hong Kong. The transaction is subject to regulatory approval. Both Cos declined to give financial details. /Separately STAN and BofA are planning to each buy a 3% stake in United Stock Exchange (The Economic Times citing source)
GERMAN BANKS : Soffin may have to absorb as much as €4bn in losses after providing capital to HRX (Handelsblatt citing source). The special fund handed out about €28bn to banks, according to the newspaper
BRAZILIAN BANKS will have to deposit an additional $39bn at the central bank after policy makers unwound anti-crisis measures. The move may increase borrowing costs for companies and consumers. The new rules start taking effect March 22, the central bank said

	RESULTS	DIVIDENDS	EVENTS
Today	**EU ** ACS / Aegon / Allianz / BASF / British American Tobacco / Centrica / CGGVeritas / 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 Bankl / Bouygues / **US ** US car sales		BP Strategy presentation / Qualcomm AGM /
Wednesday	**EU ** Adecco / Adidas / Alten / Ciment Français / Fraport / Gecina / Holcim Score / Standard Chartered / Vinci		

TRADING IDEAS

BUY CAC INDEX & ALCATEL to play Island & reversal Head & Shoulder possibility still
BUY OiI names as **TOTAL / ENI / ROYAL DUTCH** (gap closed) to play reversal Head & Shoulder on this names + upside trend
BUY SIEMENS / ST GOBAIN / BAYER / ALSTOM / EON on reversal Head & Shoulder possibility
BUY SWISSCOM to play island reversal possibility

BUY THYSSEN / SELL SCHNEIDER // BUY EDF / SELL GSZ // BUY PINAULT / SELL LVMH // BUY DAIMLER / SELL BMW

BROKER METEOROLOGY

L'OREAL .... RAISED TO BUY FROM HOLD .... BY UNICREDIT
ITALCIMENTI .... REMOVED FROM LEAST PREFERRED LIST .... BY BANK OF AMERICA – ML
LOGICA .... RAISED TO BUY FROM NEUTRAL .... BY UBS
VALLOUREC .... RAISED TO NEUTRAL FROM UNDERPERFORM .... BY BANK OF AMERICA - ML

DEXIA .... CUT TO UNDERPERFORM FROM NEUTRAL .... BY CREDIT SUISSE
HEINEKEN .... CUT TO NEUTRAL FROM OVERWEIGHT .... BY JP MORGAN

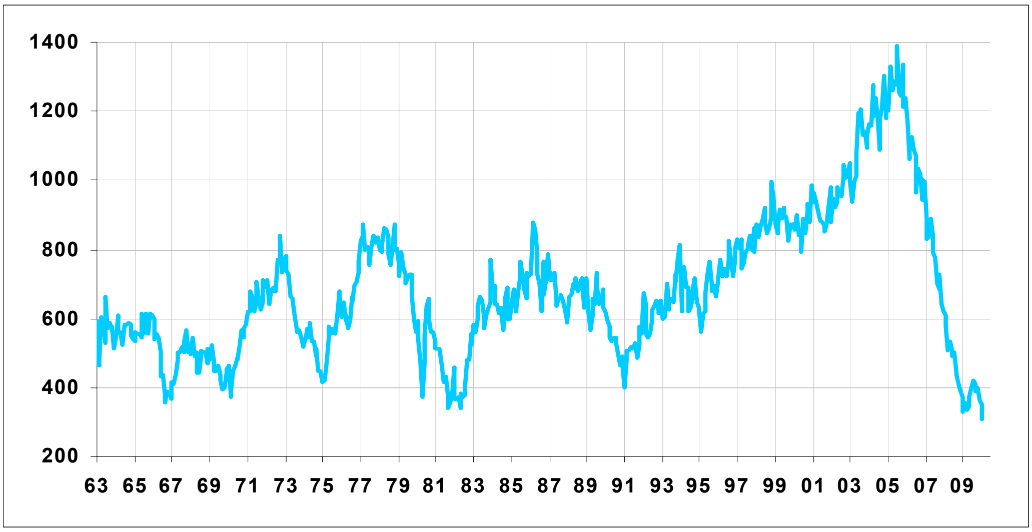
MOODY'S : JAPAN GOVERNMENT'S FAILURE TO IMPROVE FISCAL HEALTH MAY AFFECT RATING

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

BEN AND THE GREEN SPAM

CHART OF THE DAY

US New home sales (unit-thousand)
Since 1963



Source: *US Census bureau*

After rising by 2.3% in October to reach 400 000 (forecast 354 000 or +3.5%), new home sales which are following a down trend since then dropped by 11.2% in January to 309 000 the lowest on record. Unfortunately the extension of the government tax credit appears not to be enough to rekindle demand./**JB**

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
7.45 GMT	France	Consumer confidence	February		-28	-29
7.45 GMT	France	Producer price index	January		+0,3%,+0,1% YoY	+0,2%,-2,9% YoY
8.55 GMT	Germany	Unemployment rate	February	8,2 %	8,2 %	8,2%
10.00 GMT	Euro area	Economic confidence	February	95	96,4	95,7
13.30 GMT	United-States	Durable goods orders	January	+1,5%	+1,5%	+1,0%
13.30 GMT	United-States	Durable goods orders excluding transport	January	+1%	+1,0%	+1,4%
13.30 GMT	United-States	Initial jobless claims	February 20th		460 000	473 000
13.30 GMT	United-States	Continuing claims	February 13th		4 570 000	4 563 000
15.00 GMT	United-States	House price index	December		+0,4%	+0,7%

Indexes	Price	% 5 Days	Ytd
DJIA	10374,2	0,67%	-0,52%
S&P 500	1105,2	0,57%	-0,88%
Nasdaq	2235,9	0,46%	-1,47%
CAC 40	3715,7	-0,24%	-5,61%
DAX	5615,5	-0,58%	-5,74%
Eurostoxx 50	2735,0	-0,98%	-7,76%
DJ 600	247,2	-0,16%	-2,63%
FTSE 100	5342,9	1,35%	-1,29%
Nikkei	10102,0	-0,99%	-4,22%
Shanghai Comp	3059,9	1,33%	-6,63%
Sensex (India)	16199,1	-1,05%	-7,25%
MICEX (Russia)	1334,5	1,16%	-2,59%
Bovespa (Brasil)	65794,8	-2,21%	-4,07%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3481	-0,35%	-5,88%
EUR/JPY	120,61	2,98%	-10,45%
USD/JPY	89,47	2,62%	-3,97%
Oil	**Price**	**% 5 Days**	**Ytd**
Brent $/b	77,1	0,38%	-0,18%
Gold	**Price**	**% 5 Days**	**Ytd**
Gold $/oz	1093,6	-1,39%	-0,33%
Rates	**USA**	**Euro**	**Japan**
Central Banks*	0,25	1,00	0,11
Overnight	0,05	0,27	0,11
3 Months	0,11	0,28	0,20
10 Years**	3,66	3,12	1,31

*US: Fed Funds; Jap: Overnight; Euro: Refi
** Euro: German Bund rate   Source : Bloomberg

ECONOMIC DATA PREVIEW

Watch in **THE UNITED-STATES** the Durable goods orders for January released at 13.30 GMT. After having declined in October and in November, US durable goods orders rose by 1% in December. Companies capital spending is back and despite their strong volatility, durable goods orders should increase by 1.5% in January. This rise should reflect the last ISM manufacturing new order survey that reached 65.9% in January, the highest since December 2004. Excluding transport after being up by 1.4% in December durable goods orders should increase by 1% in January.

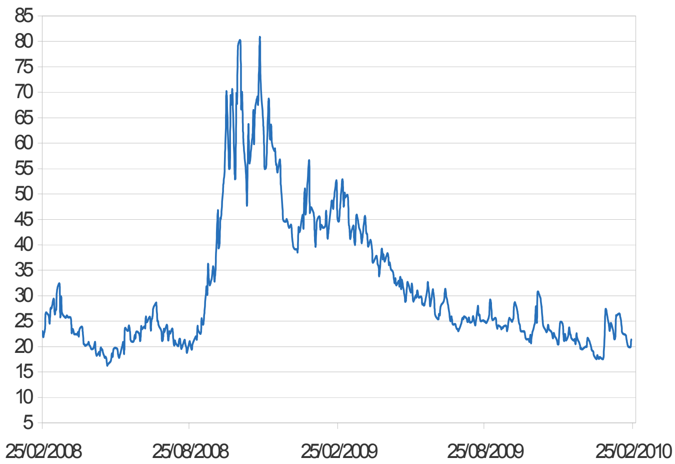
Watch in **THE EURO AREA** the economic sentiment index for the February released at 10.00 GMT. After rising for ten consecutive months the economic confidence index , the best leading indicator of the euro area GDP should slightly decline from 95.7 to 95./**JB**

ECONOMY

UNITED-STATES : NEW HOME SALES FELL SHARPLY IN JANUARY

After rising by 2.3% in October to reach 400 000 (forecast 354 000 or +3.5%), new home sales which are following a down trend since then dropped by 11.2% in January to 309 000 the lowest on record. Unfortunately the extension of the government tax credit appears not to be enough to rekindle demand. The government's first time buyers tax incentive, extended and expanded will most likely provide less of a boost to the house market as many purchases were pull forward late last year. Moreover builders must face competition from foreclosed properties that have driven down prices./**JB**

VIX index : implied volatility on the S&P 500

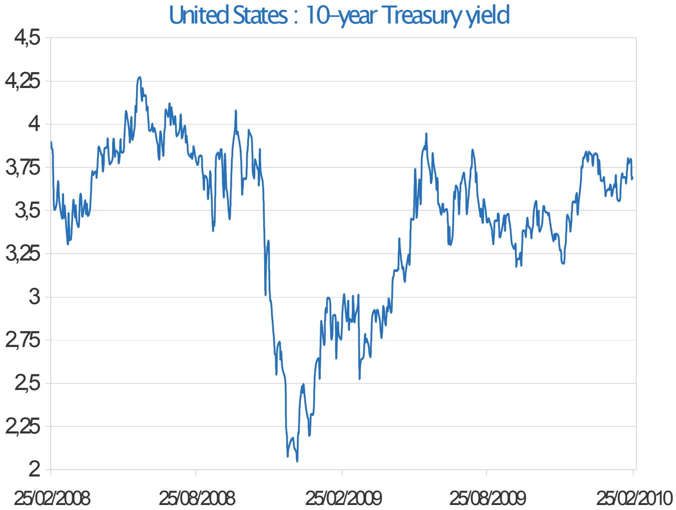


Source : Bloomberg

$ Libor – 3-Month (Interbank Rate)

Source : Bloomberg

United States : 10-year Treasury yield

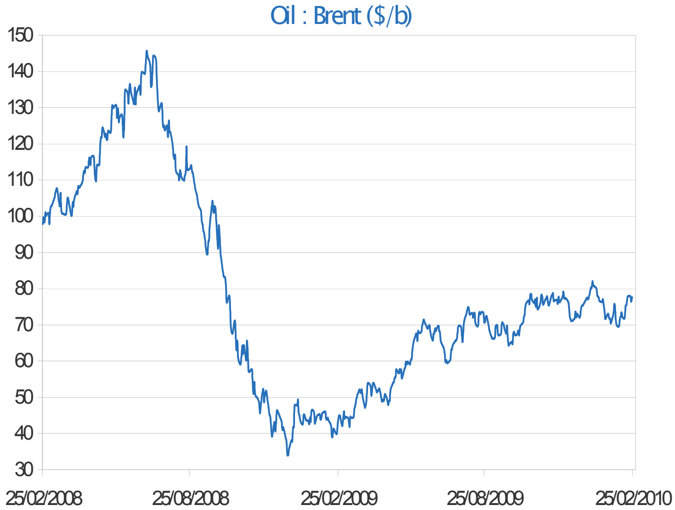


Source : Bloomberg

10-year Treasury spread USA-Euro zone

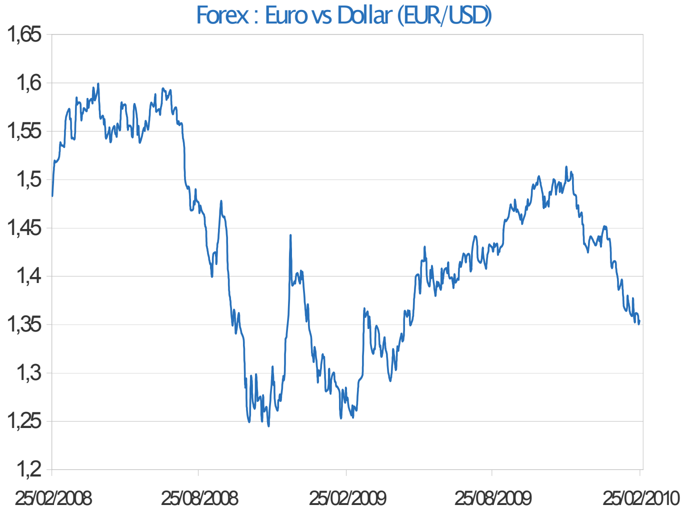
Source : Bloomberg

Oil : Brent ($/b)



Source : Bloomberg

Forex : Euro vs Dollar (EUR/USD)



Source : Bloomberg