CAREER TRADE

Usually, financial markets consider that employment data are lagging indicators and that they are the last ones to recover at the end of a recession. In addition to that, markets know that we are still officially in a recession (since December 2007, according to the National Bureau of Economic Research.) and that the employment situation is still particularly weak. This is why Bernanke's words in his semiannual policy report to the Congress (February 24th & 25th) didn't frighten equity markets (they rose sharply on Wednesday): *"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, <u>more than 40 percent of the unemployed have been out of work six months or more</u>, nearly double the share of a year ago"*. In the same time, employment participation rate fell to an historical low of 64.6 % (which means that more than 35 % of the civilian labor force has no job or is not listed as unemployed) and employment duration average soared to more than 30 weeks (vs. 17 weeks in the end of 2008)

So, a sharp rise of the weekly initial jobless claims released yesterday had no real negative impact on equity markets that recorded a strong late-session rally (the S&P 500 was 0.21 % down "only" and closed above 1100 pts). In the week ending Feb. 20, the advance figure for seasonally adjusted initial claims was 496,000, an increase of 22,000 from the previous week's revised figure of 474,000. The 4-week moving average was 473,750, an increase of 6,000 from the previous week's revised average of 467,750.

The advance seasonally adjusted insured unemployment rate was 3.5 percent for the week ending Feb. 13, unchanged from the prior week's unrevised rate of 3.5 percent. The advance number for seasonally adjusted insured unemployment during the week ending Feb. 13 was 4,617,000, an increase of 6,000 from the preceding week's revised level of 4,611,000. The 4-week moving average was 4,600,750, an increase of 4,250 from the preceding week's revised average of 4,596,500. <u>Employment data for February (released on March 5th) may show 100 000 job cuts. But, February's payrolls data will be so distorted by the severe winter weather and census hiring that the headline figures are probably best ignored</u>.

The topic of the day is the Wall Street Journal's article entitled "Hedge Funds try *Career Trade* against euro". Some heavyweight hedge funds have launched large bearish bets against the euro in moves that are reminiscent of the trading action at the height of the U.S. financial crisis. The big bets are emerging amid gatherings such as an exclusive "idea dinner" earlier this month that included hedge-fund titans SAC Capital Advisors LP and Soros Fund Management LLC. During the dinner, hosted by a boutique investment bank at a private townhouse in Manhattan, a small group of all-star hedge-fund managers argued that the euro is likely to fall to "parity"—or equal on an exchange basis—with the dollar, people close to the situation say. The currency wagers signal that big financial players spot a rare trading opening driven by broader market gyrations. The euro, which traded at $1.51 in December, now trades around $1.35. With traders using leverage—often borrowing 20 times the size of their bet, accentuating gains and losses—a euro move to $1 could represent a career trade. If investors put up $5 million to make a $100 million trade, a 5% price move in the right direction doubles their initial investment. Few traders expect the value of the euro to totally collapse, the way the British pound did in 1992 amid a large bearish bet by Mr. Soros. In that famous trade—which traders say led to a $1 billion profit—selling led by Mr. Soros pushed the pound's value so low that Britain was forced to withdraw its currency from the European Exchange Rate Mechanism, causing the pound to drop even more sharply. The euro is an extremely deep market, with at least $1.2 trillion in daily trading volume, dwarfing the British pound's daily trading volume in 1992.

This morning, despite this article, the euro gained strength**, up to 1.3603 EUR/USD vs. an intraday low of 1.3451 yesterday. Asian Markets were broadly higher (06.30 GMT): Nikkei +0.24 %, Hong Kong +1.27 %, Corée +0.45 %, but Shanghai -0.18 %, Shenzhen -0.01 %. U.S. index futures were up: DJIA +0.21 %, S&P 500 +0.30 %, Nasdaq 100 +0.17 %. After a sharp drop yesterday, and considering the late rally in the U.S. markets, European markets should be 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	78,5	1,3586	89,29	3,64	3,11	0,47	-0,16	-0,29	-0,11	-0,20	-0,34	-0,25	-0,33	-0,26	-0,21	-0,08	-0,51	US
Perf 1d %	-1,38	0,28	-0,52	0,56 bp	-2,5 bp	-1,45	-1,95	-1,55	-1,12	-1,75	-0,95	-1,35	-1,69	-2,27	-1,59	-1,45	-1,70	Europe

ECONOMIC DATA with impact

Reporting today: Interpublic before the opening.

<u>In the U.S.</u>, watch for the preliminary **Q4 GDP data (13.30 GMT)** which is the second estimation after advanced data were released in January. Q4 GDP growth should be revised down to 5.3 % from 5.7 %, with the contribution from net external trade and inventories being trimmed. /**Major**

The Chicago Purchasing Manager Index for February (**14.45 GMT**) is expected to decrease to 59.0 vs. 61.5 in January when prices paid component rose sharply from 55.6 to 66.2 and the employment one rose to 59.8 vs. 47.6. Manufacturing conditions in Illinois and Northern Indiana are likely to remain moderately strong. Watch new orders and employment. /**Minor**

The University of Michigan **Consumer Confidence Index for February (final)** should not indicate major change after the initial data showed a decline to 73.7 vs. 74.4 in January. Expectations were sharply lower (66.9 vs. 70.1) while current situation index rose to 84.1 vs 81.1 (**14.55 GMT**). Confidence measures are still well below their long-term averages (see the sharp drop in the Conference Board index) / **Minor**

Existing home sales for January (**15.00 GMT**) should recover to 5.50m vs. 5.45m annualized. The 17.5 % MoM plunge in December, from 6.54m to 5.45m showed that the run-up in sales ahead of the end-November deadline of the first round of the Tax credit was firmly over. The 1.0 % MoM rise in the pending home sales index in January suggests that existing sales remained broadly stable in January. / **Major**

POSITIVE IMPACTS

SAINT GOBAIN : FY Rev €37.786Bn (37.77 e**) / Oper pft €2.22 bn** (€ 1.965 e) **/ Net €617M** (598e) **/ Div € 1** (in line) **/** Sees strong EBIT growth for 2010 / Sees 2010 Global Eco env better/ Acquisition would be small one

TELEFONICA : Q4 Rev €14.98Bn (14.58e) **/ OIBDA €5.98Bn** (5.82e**)/ Net €2.44Bn** (2.3e) / Reit. 10 EPS guid / Confirms 2012DIV tgt

BELGACOM : Q4 Rev €1.52M (1.59e) / **Q4 EBITDA €541M** (485-527e) / **Annual DPS €2.08** (€1.68 + interim €0.4) in line / Sees 2010 EBITDA margin within 30& 31% / Expects 10 rev to increase between 8-9% /

ERSTE BANK : **Q4 NII €1.38bn** (1.34 e) / **Loan Provisions €607m** (571 e) / **Net com Income €459m** (411e) / Tier1 8.3% end-dec / **DPS €0.65** (€0.55 exp) / expects bad debt charges to remain elevated in most of 2010

BRIT INSURANCE : **FY Gross Premium £1.7bn** (1.5 e) / **PTP £171m** (112e) / CR 94% / **DPS 60p** (in line)

GENERALI : FY Gross Premiums €70.5bn (€69bn exp) - Life €48.9bn (€47.6bn exp)) - non-life €21.6bn (€21.3bn exp) / APE €5.2bn / FY results on March 17

BANCO POPOLARE is selling 90.5% of Factorit in a deal valuing the factoring unit at €170m B. Popolare di Sondrio is buying 60.5% & B. Popolare di Milano 30%. / Separately Co has approved the conditions of a €1bn 2014 convertible bond which will carry a 4.75% coupon to be offered to existing shareholders at the rate of 1 bond for each 4 shares.
GERMAN BANKS : Eurohypo and Hypo Real Estate will not subscribe to the next round of bonds issued by Greece (FTD)
ACS : **2009 EBITDA €1.46bn** (1.44 e) / **Net €1.95bn** (In line)
SEADRILL : 09 Rev $3.25 (in line) / **Q4 EBITDA $486M** (464 e) / **Net $401** (296e) / DPS$0.55 (in line)

GAP : Q4 net Sales $4.24bn in line / **Q4 EPS $0.51** in line / **Boost div to $0.40** from $0.34 / Boosts share buybacks by added $1bn / **Sees FY 2010 EPS $1.70-$1.75** ($1.69 exp).

NEGATIVE IMPACTS

GAMESA : 09 EBIT €177M (213 e) / **Net pft €115M** (117 e) / **Studying scrip div** (0.16 e) / Sees 2011 EBIT higher than 09 / To invest 150-200m in 2010 / Seek approval to lay off 8% of spanish workforce /
TELECOM ITALIA (end of europe session) : **FY Prelim Rev €27.2Bn** (24.48e) / **Org. EBITDA €11.3Bn** (11.25e) / Postpones shrholders meeting to April 29 / To give detailed guid on DIV in march/ No provision related to probe yet / To make investment to regain mkt shrs / / Separatly TEF put plans to merge with TIT on hold partly due to an investigation on TIT (la Republica)
BAYER : Q4 Sales €7.872 (7.92-8 e) / **Adj EBITDA €1.513Bn** (1.56-1.58 e) / **Net €153M** (303 e) / Aims ~€7Bn Adj EBITDA in 2010 (in line) / Plans response for Xeralto by FDA in H2 2010
EIFFAGE : 09 Rev €13.23Bn (13.4e) / **Net €190M** (272e) / Good start in 2010 / **DPS 1.20** (in line) / **Sees 2010 rev at €13.**3 (13.10 e)
SBM OFFSHORE : 09 Sales $2.96Bn (2.9 e) / **EBIT $293.4 (**295 e) / **Net $230** (219e) / **DPS $0.67** (0.81 e) / Lease, operate EBIT 2010 contribution below 09
FRONTLINE : Q4 Op pft $39M (47e) / **Net $4M** (12e) / **DPS $0.25** (0.18e) / Expects improved results for Q1 10 vs Q4 09

	RESULTS	DIVIDENDS	EVENTS
Today	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		
Thursday	EU \\ Ahold / Arkema / Aviva/ Beiersdorf (BMO) / Bureau Veritas / Casino / EDP (AMC) / Essilor / Finmeccanica / GDF Suez / Inbev / Linde / Portugal Telecom / US \\ Ciena		

TRADING IDEAS

BUY BNP / SAP / ST GOBAIN / ARCELORMITTAL / ALSTOM on reversal Head & Shoulder possibility
BUY SIEMENS / LAFARGE / EDF / TOTAL / ENI / ROYAL DUTCH / EON killed yesterday
BUY RENAULT / BOUYGUES on double bottom possibility

BUY SANOFI / SELL NOVARTIS // BUY IBERDROLA / SELL VEOLIA // BUY SWISSCOM / SELL VODAFONE // BUY THYSSEN / SELL SCHNEIDER // BUY EDF / SELL GSZ // BUY DAIMLER / SELL BMW

BROKER METEOROLOGY

LINDE .... RAISED TO NEUTRAL FROM UNDERPERFORM .... BY BANK OF AMERICA – ML
AIR LIQUIDE .... RAISED TO BUY FROM UNDERPERFORM........ BY BANK OF AMERICA – ML
REPSOL .... RAISED TO OVERWEIGHT........ BY BARCLAYS CAPITAL
ASTRAZENECA........ RAISED TO NEUTRAL .... BY GOLDMAN SACHS
GLAXO SMITH KLINE .... RAISED TO NEUTRAL FROM SELL........ BY GOLDMAN SACHS

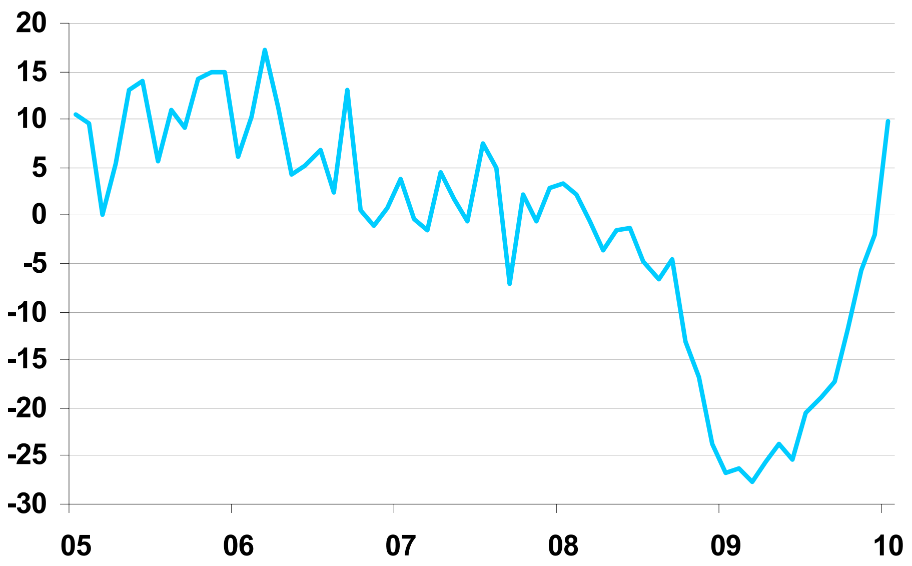
MERCK KGAA .... CUT TO NEUTRAL FROM BUY .... BY GOLDMAN SACHS

FITCH: 70% OF JAPANESE CMBS CLASSES DOWNGRADED AFTER 2009 REVIEW

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

CHART OF THE DAY

US Durable Goods New Orders Industries (%, YoY)
Since 2005



Source: *US Census Bureau*

After having declined in October and in November, US durable goods orders rose by 1.9% in December. For November durable goods increased by 3% in January (forecast 1.5%). Nevertheless ex transportations durable goods declined by 0.6% after rising by 2% in December and in November. If January durable goods were mainly led by transport and especially aircrafts the trend is still there and investment is back in the United-States as showed by the last ISM manufacturing survey /**JB**

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
23.30 GMT	Japan	National consumer price index	January		-1,4% YoY	-1,7% YoY
9.30 GMT	United Kingdom	GDP (preliminary)	4th quarter		+0,2%,-3,1% YoY	+0,1%,-3,2% YoY
10.00 GMY	Euro area	Consumer price index	January	-0,6%,+1,2% YoY	-0,8%,+1,0% YoY	+0,3%,+0,9% YoY
13.30 GMT	United-States	GDP annualize (preliminary)	4th quarter	+ 5,7%	+ 5,7%	+ 5,7%
13.30 GMT	United-States	Personal consumption (preliminary)	4th quarter		+2,0 %	+2,0%
14.45 GMT	United-States	Université of Michigan consumer confidence	February		73,9	73,7
15.00 GMT	United-States	Existing home sales	January		5,50 Mn(+0,9%)	5,45 Mn(-16,7%)
15.00 GMT	United-States	NAPM - Milwaukee	February			56,0

Indexes	Price	% 5 Days	Ytd
DJIA	10321,0	-0,61%	-1,03%
S&P 500	1102,9	-0,28%	-1,09%
Nasdaq	2234,2	-0,31%	-1,54%
CAC 40	3640,8	-2,84%	-7,51%
DAX	5532,3	-2,61%	-7,14%
Eurostoxx 50	2684,4	-3,37%	-9,46%
DJ 600	243,3	-2,32%	-4,18%
FTSE 100	5278,2	-0,79%	-2,49%
Nikkei	10126,0	-2,20%	-3,99%
Shanghai Comp	3054,6	2,52%	-6,79%
Sensex (India)	16411,9	-0,45%	-6,03%
MICEX (Russia)	1306,5	-4,04%	-4,64%
Bovespa (Brasil)	66121,0	-2,53%	-3,60%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3580	-0,25%	-5,25%
EUR/JPY	121,28	2,70%	-10,07%
USD/JPY	89,31	2,45%	-4,27%
Oil	**Price**	**% 5 Days**	**Ytd**
Brent $/b	75,8	-2,72%	-1,83%
Gold	**Price**	**% 5 Days**	**Ytd**
Gold $/oz	1109,1	-0,90%	1,11%
Rates	**USA**	**Euro**	**Japan**
Central Banks*	0,25	1,00	0,11
Overnight	0,06	0,35	0,11
3 Months	0,11	0,29	0,20
10 Years**	3,64	3,11	1,31

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

** Euro: German Bund rate Source : Bloomberg

ECONOMIC DATA PREVIEW

Watch in **THE UNITED-STATES** the preliminary release of the GDP (annualized) for the fourth quarter released at 13.30 GMT. The virtuous circle "investment-employment-consumption" is definitely back on track in the United States and the preliminary release of the US GDP should confirm the advanced estimation at 5,7%.After dropping by 2.4% (yearly average) in 2009, the US GDP should increase by at least 3% in 2010.

Watch in **THE EURO AREA** the Consumer price index for the January released at 10.00 GMT. Being up since October, consumer prices rose by 0.3% in December to +0.9% YoY. In January, consumer prices should decline by 0.6% because lower energy and commodities prices. As the positive base effects will last inflation should reach +1.2% YoY./**JB**

ECONOMY

UNITED-STATES : SHARP INCREASE OF DURABLE GOODS ORDERS IN JANUARY

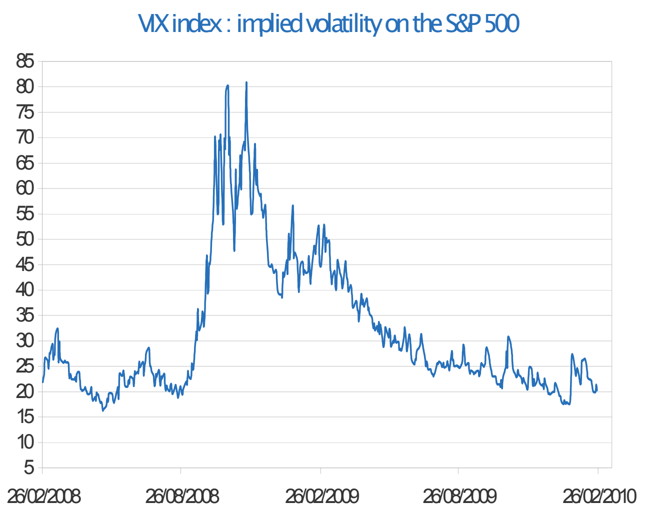
After having declined in October and in November, US durable goods orders rose by 1.9% in December. For November durable goods increased by 3% in January (forecast 1.5%). Nevertheless ex transportations durable goods declined by 0.6% after rising by 2% in December and in November. Looking at the breakdown capital goods rose by 6.6%, non defence were up by 4.7% but capital goods ex aircrafts declined by 2.9%. Meanwhile machinery declined by 9.7% (prior +7.4%) but computer and electronics rose by 4.6%. If January durable goods were mainly led by transport and especially aircrafts the trend is still there and investment is back in the United-States as showed by the last ISM manufacturing survey.

UNITED-STATES : INITIAL JOBLESS CLAIMS AND CONTINUING CLAIMS INCREASED LAST WEEK

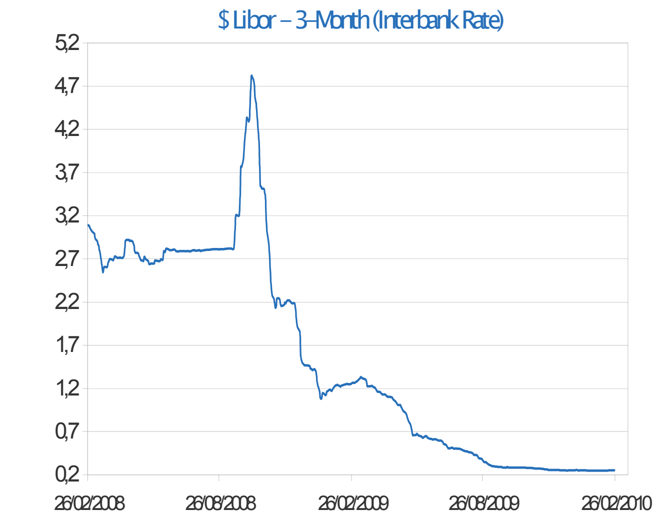
After rising by 7.2% to reach 474 000 initial jobless claims posted a new increase and reached 496 000 last week. Meanwhile continuing claims rose from 4 611 000 to 4 617 000. If the employment market remains indeed very fragile its is important to bear in mind that there is a gap between six to nine months between the economic recovery and a significant improvement of the employment market. Furthermore the unemployment rate seems to have stabilize at 9.7% and we should have significant jobs creation next Friday.

EURO AREA : ECONOMIC CONFIDENCE STABILIZED IN FEBRUARY

After rising for ten consecutive months and reaching 96 in January the highest since June 2008, the euro area economic sentiment stabilized at 95.9 in February. This index is the best leading indicator of the euro area GDP confirming the weakness and the fragility of the slight recovery in the zone. Indeed the euro remains to high in regards to economic fundamentals as well as the ECB refi rate. In such condition after declining by 2.2% in 2009 the GDP should rise by a slight 1.5% in 2010 not enough to create jobs./**JB**



Source : Bloomberg



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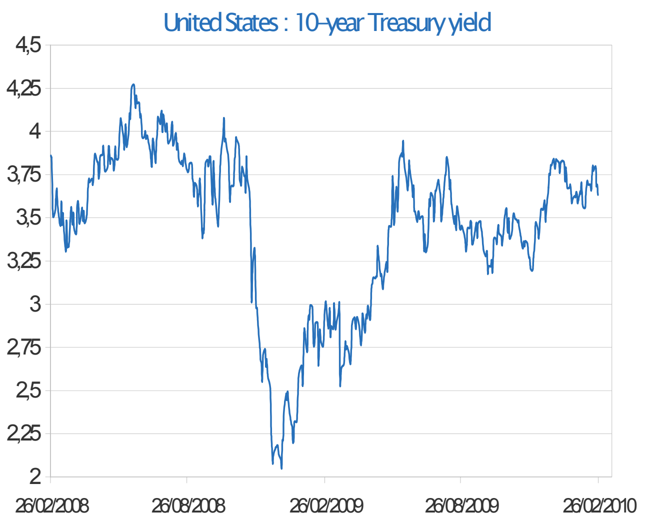

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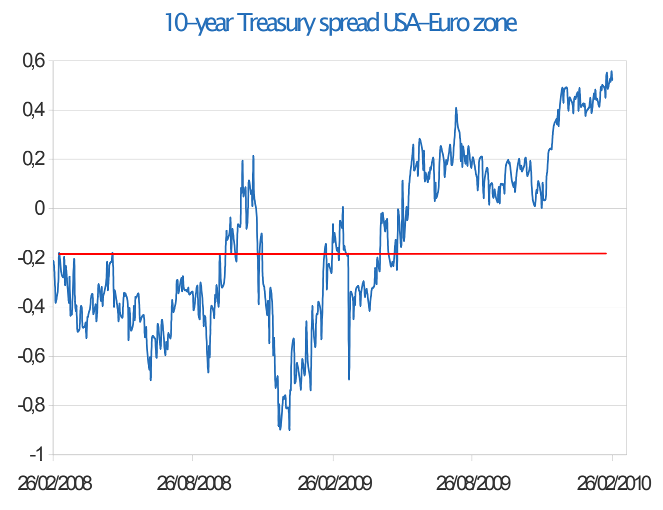

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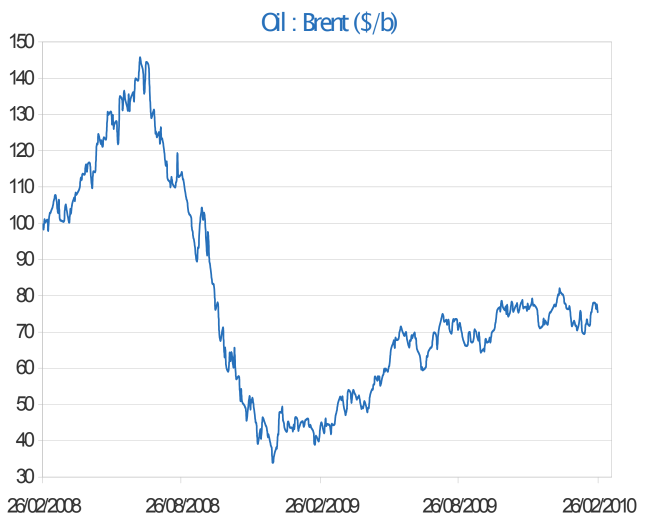

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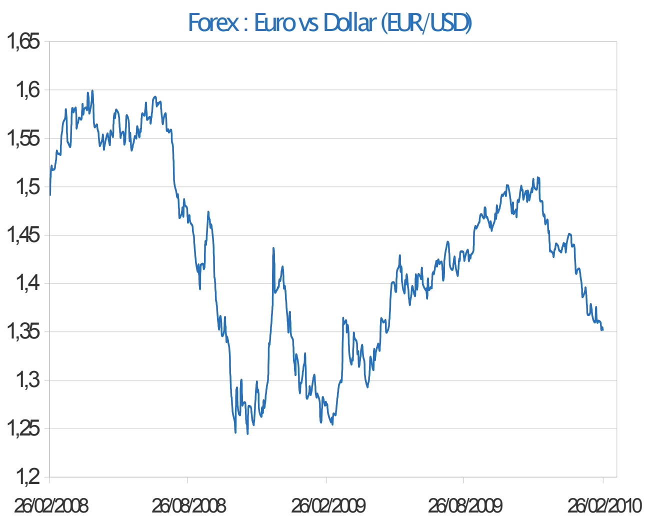

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