



February 1st 2010

GLOBAL EQUITIES

SUMMARY

Le WEEKLY

Thoughts: Obama in a dreadful state...	2
Economic data released this week	3
What about economy this week: American growth in bliss...	4
Economic events from February 1 st to February 5 th United-States: Jobs are back.	6
Analysis and Perspectives: Margins boosted by the DTT	7
Global calendar of the statistics and economic event for this week:	8
Our economic and financial forecasts for 2009-2010.	9

Thoughts: Obama in a dreadful state...

What has bitten President Obama? Following his nomination as the saviour of America and his acceptance of the Noble Peace Prize, the American President quickly fell from his pedestal. From last Fall on, he has only piled up disappointments: heated debate on his health care reform, inability to solve the Afghan and Iraqi conflicts, security breakdown on the Amsterdam-Detroit flight with only luck preventing another deadly terrorist attack and finally the poisoned icing on the cake in the form of the electoral slap in the face in Massachusetts which lay now open the Democratic majority to GOP filibustering. In face of all those disasters, President Obama had to react. But instead of blaming himself or his team, he found a new scapegoat: banks. Following the steps of his French counterpart, Mr Obama decided to pound the table and to threaten the whole American financial system with punishing measures. Mr Sarkozy's admonishments do not weigh very much but Mr Obama's definitely shook markets badly.

This is also Mr Obama's first paradox vis a vis the banks: after spending hundreds of billions of \$ to save them, he now seems ready to drown them. To add some weight to his analysis, he relies on Paul Volker, a former strong proponent of monetarist orthodoxy, now in favor of heavy State interventionism. That is to say that not only politicians are turncoats but also economists and central bankers. Far from the American historic liberalism (meaning liberties), the proposed strategy is mind-boggling : forbidding banks from having various activities, limiting the size of those institutions , no more prop trading, draconian cut in the private equity business, splitting up the banking industry. As a whole, this is the announcement of a true revolution with a lot of dead bodies to be expected. It's obvious that such a drift towards interventionism will lead to the closure of numerous financial activities among banks and the disappearance of financial institutions altogether.

Here is the second paradox: How can Mr Obama who spent his time, and rightly so, repeating the importance of job creation and of reducing unemployment, accept the risk of destroying thousands of jobs in one of American main industries?

Third paradox: How can well renowned and respected experts such as Paul Volker believe that tough regulation will solve all problems? Defending such a falsehood leads to forget that one of the causes of the latest crisis emanated from the development of more and more mathematically complex financial products, in order to circumvent the excessive regulation of 2000. Furthermore, let's not forget that speculation, bubbles and crashes are part of the market's life and except for a closure, it is illusory to believe that there won't be any more crisis in the future.

Fourth paradox: To let believe that by breaking up capital market's activities and by reducing the size of banks, financing the economy would be easier. For sure, it is laudable to fight monopolistic structures, but it also must be stressed that capital market activities and retail banking are closely linked. Hence, because of its strong profits in the capital market area during the period 1995-2007 , financial institutions were able to supply credit facilities to corporates and irrigate the economy. On the other hand, when markets plunge, the cost of risk rises and reduces automatically the penchant for distributing loans.



















































If no bankruptcy has been recorded in France, it's because investment banks are part of/ or subsidiaries of retail banks. Splitting them would have resulted in a higher risk of failure. Just remember that Lehman Brothers was only an investment bank and it would have been saved from bankruptcy, had Mr Henri Paulson accepted its takeover by Barclays, an universal bank. In fact the purchase by the latter of the formers US activities turned out to be very profitable. That reminds us that when politics meddle in with economics, damages can become disastrous.

Another example is the fifth paradox of the Obama's reform: the confusion between hedge funds and private equity, which are put on an equal footing, therefore being equally dangerous. But these are two distinct businesses, i.e. short term speculation on the one hand and medium term investment on the other. There again, how can distinguished economists, such as Mr Paul Volker make such erroneous confusion? This is exactly this lack of perception that worries financial markets. They have applauded the arrival of Mr Obama but are now wondering if he is up to the task. If this worry is normal, especially after the last fortnightly comments from the White House, it must not be overplayed.

Indeed, one must always separate the political correctness from the economic efficacy. In so far unemployment remains high and the revenue gap increases between the ever growing low class and the shrinking upper class, the US President doesn't really have the choice but to be politically correct and hit at the bank system. But as soon as the economy gathers steam and consequently the unemployment gradually decreases and private income rises, Mr Obama will return automatically to economic efficacy. Yet it's obvious that banks will have to become more transparent and manage their risks in a more appropriate manner, but it will also be futile to dismantle them just when the economy improves. Otherwise they will not survive. That is why the main focus in 2010 should be the consolidation of the recovery, leading to a cut in unemployment, firming the markets and allowing banks to lend again, therefore feeding the economy, restarting the virtuous cycle... until the next crisis....

Marc Touati

Economic data released this week:

Country	Event	Period	Actual	Prior	Climate	sum up
	US Existing home sales	December	5,45 million (-16,7%)	6,54 millions (7,4%)		
	US Dallas Fed manufacturing activity	January	+8,3%	+3,8%		
	US Conference Board consumer confidence	January	55,9	53,6		
	US House price index	November	0,7%	0,4%		
	US Richmond Fed manufacturing activity	January	-2	-4		
	US New home sales	December	342 000 (-7,6%)	370 000 (-9,3%)		
	US FOMC meeting	January 27th	0,25%	0,25%		
	US Chicago Fed activity index	December	-0,61%	-0,39		
	US Durable goods orders	December	+0,3%	-0,4%		
	US Durable goods orders (ex transport)	December	+0,9%	+2,1%		
	US Initial jobless claims	January 23th	470 000	478 000		
	US Continuing claims	January 16th	4 602 000	4 659 000		
	US GDP annualized (advanced)	4th quarter	+5,7%	+2,2%		
	US Personal consumption (advanced)	4th quarter	+2,0%	+2,8%		
	US Chicago purchasing manager index	January	61,5	58,7		
	US University of Michigan consumer confidence index (final)	January	74,4	72,8		
US NAPM-Milwaukee	January	56,0	52,0			
	ZE Current account balance	November	+€0,1 Mds	-€4,6 Mds		
	ZE Economic sentiment index	January	95,7	94,1		
	ZE Unemployment rate	December	10,0%	9,9%		
	ZE Consumer price index (first estimation)	January	+1,0% YoY	+0,9% YoY		
	Fr Consumer spending	December	+2,1%,5,9% YoY	+0,1%,+3,5% YoY		
	Fr Consumer confidence	January	-29	-30		
	Fr Total jobseekers	December	2 611 700	2 630 400		
	All IFO business climate	January	95,8	94,6		
	All IFO current assessment	January	91,2	90,4		
	All IFO expectations	January	100,6	98,9		
	All Consumer price index (preliminary)	January	-0,6%,0,8% YoY	+0,8%,0,9% YoY		
	All Unemployment rate	January	8,2%	8,1%		
	UK GDP (advanced)	4th quarter	+0,1%,-3,2% YoY	-0,2%,-5,1% YoY		
	JN BoJ monetary policy meeting	January 26th	0,10%	0,10%		
	JN Trade balance adjusted	December	+ ¥522,8 Mds	+ ¥516,8 Mds		
	JN Unemployment rate	December	5,1%	5,2%		
	JN Consumer spending	January	+2,1% YoY	+2,2%YoY		
	JN National consumer price index	December	-1,7% YoY	-1,9% YoY		
	JN National consumer price index core	December	-1,2% YoY	-1,0% YoY		
	JN Industrial production (preliminary)	December	+2,2%,5,3% YoY	+2,2%,-4,2% YoY		
	JN Vehicle production	December	+8,6% YoY	+0,5% YoY		

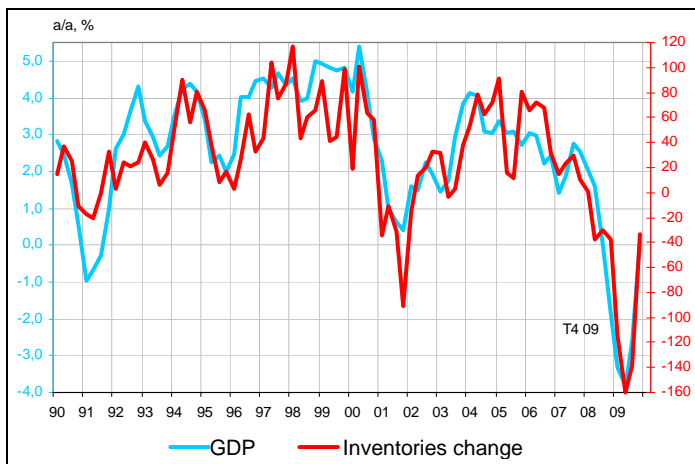
What about economy this week: American growth in bliss...

Where are all those birds of ill omen, who were shouting out throughout all of 2009 that the USA will not recover for a number of years or that the 3rd quarter's rebound would be followed by a sharp downward correction in the 4th quarter?

Far away from those sad and wrong predictions, the US GDP rose by 2.2% (YoY) in 3Q09 and now 5.7% in the 4Q09, the best showing since 3Q03.

For sure some will rightly say that inventory adjustments contributed 3.4 pts. But still, the "real" economic growth was 2.3%.

US growth spikes, led by inventories...



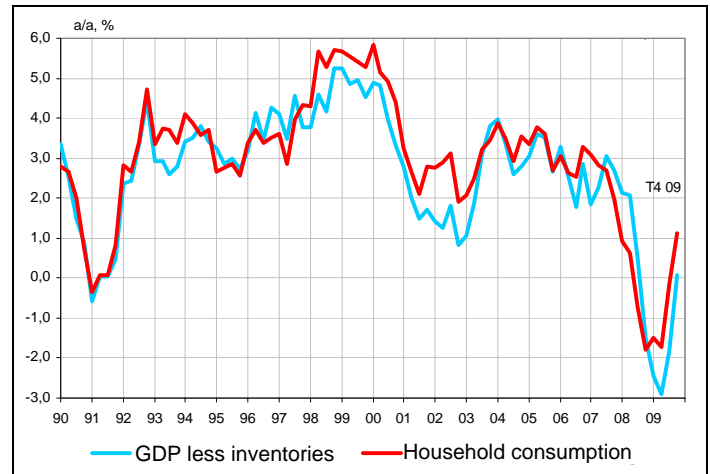
Sources : BEA, Datastream

Furthermore, the positive impact of inventories was not due to a restocking phase but to a deceleration of destocking. Having reached minus \$ 160.2 billion in 2Q09, destocking slowed down to minus \$ 139.2 billion in 3Q09 and only minus \$ 33.5 billion in 4Q.

In other words, restocking has not yet started, which means the US economy will still benefit from inventory rebuilding over the next few quarters.

But the best news came from somewhere else. Not even in the 2% increase in private consumption nor the 0.1% contribution from the trade balance. Those figures only show that the US economy has not yet used all the ammunitions available, and that both private consumption and exports will play a positive role in 2010.

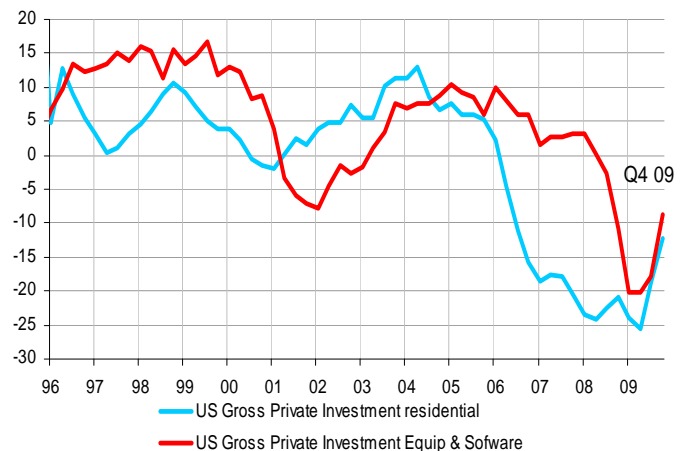
... but also by consumption...



Sources : BEA, Datastream

The real news is the 39.3% increase in capital spending in the private sector, thanks to a 13.3% rise in capital goods and software investments and a 5.7% increase in housing spending.

... and specially by investment.



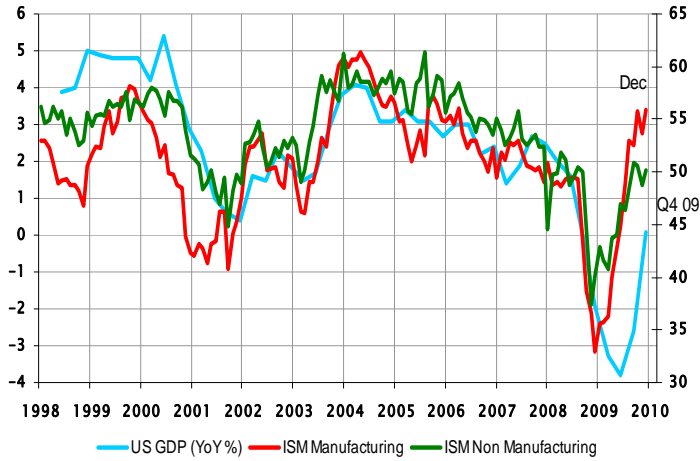
Sources : BEA, Datastream

Again it appears that the virtuous circle is on track on the other side of the pond. That should be confirmed this coming Friday by the job data, which, according to our calculations, should show net job creations.

Finally 4Q09 figures show that Public spending was down 0.2% whereas Mr Obama's \$ 450 billion recovery programme (i.e. 3.2 of GDP) will kick in and be spread over 2010.

So after a 2.4% decline over 2009, the US GDP should rise by at least 3% over 2010. With already 1.3 pt in the bag, the economy should only increase by an average of 0.7% per quarter over the next four to reach that target.

The rebound is far from being finished.



Sources : BEA, ISM, Datastream

Already now, the US economy is in positive territory on a YoY basis, the first time since 3Q08. That progression was only 0.1% YoY but should reach 2.5% in the first quarter and 3.4 % in the second. During that same period, the Eurozone will experience a mere 1% growth at the most. That's an irony of fate: The crisis was American but the recession hit the Eurozone the harder and its recovery will be weaker!

The only encouragement is that finally markets will favour a weaker euro currency, down to a more reasonable level of \$ 1.20 by next Fall, according to our forecasts.

Marc Touati

Economic events from February 1st to February 5th:

United-States: Jobs are back.

In the United States, focus on Monday on personal income and private spending, as well as on the ISM manufacturing. On Wednesday focus on the ISM services and finally as it is the case on each last Friday of the month, on the employment report.

In Europe, focus this week will be on Thursday on the BoE and the ECB monetary policy meetings.

Monday February 1st, 13:30 GMT: New rise in personal income and private spending in December.

After rising for a fourth consecutive month in October, income of US households was up by 0.4 % in November. For December, personal income should rise by 0.3 %, mainly due to the stabilization of unemployment. Not to mention the rise in average weekly wages in December. Therefore, private spending which had already increased by 0.5 % in November should be up by 0.3 % in December.

Monday February 1st, 15:00 GMT: small rise in the ISM manufacturing index for January.

After reaching 55.2 in October the highest since April 2006, the ISM manufacturing index slightly declined in November to 53.7 and progressed to 54.9 in December. Industrial recovery is taking place in the United States and we anticipate a small rise in the ISM manufacturing index to 55 in January.

Tuesday, February 2nd, 15:00 GMT: new rise in the ISM services for January.

After being stable at 50.1 in October, the ISM services index declined and remained below 50 since November. However, after over cutting capital spending, US companies are investing again, not only in the manufacturing sector but also in services. Therefore we anticipate a rise in the ISM services index to 52 in January, the highest level since December 2007.

Thursday, February 4th, 12:00 GMT: status quo at the Bank of England.

The Bank of England will keep its leading rate at 0.50% in February. For 2010, the return of a positive GDP growth rate as well as a slight pick up in inflation, will force the Bank of England to raise them. Therefore we forecast that rates will increase starting next Fall 2010, and will reach 1.5 % by the end of 2010.

Thursday, February 4th, 12:45 GMT: the ECB leaves its refi rate unchanged in February.

Despite the fact that GDP in the euro zone remained very low (precisely -4 %YoY), and despite the high level of the euro currency the ECB will keep its refi rate unchanged in February at 1%. It seems that the ECB has moved from dogmatism to pragmatism. Indeed, during its last press conference, its president Jean Claude Trichet mentioned that inflation in the euro zone will remain subdued in the coming months (near 1 %) and below 2% on average in 2010.

Moreover, the ECB specified that the recovery should remain soft, meaning to raise rates will not be appropriate. Therefore we are changing our forecast for an early rate increase and we now anticipate a rise during next fall at the earliest, with a refi rate at a maximum of 1.5% by the end 2010.

Friday, February 5th, 13:30 GMT: unemployment rate remains stable and jobs are back the United States.

After reaching 10.1 % in October the worst since April 1983, US unemployment rate declined to 10% in November and stabilized in December. Unfortunately after a net 4,000 jobs creation in November, December showed a net 85 000 jobs destructions.

Nevertheless, as the economy is recovering, the trend should reverse and we anticipate 75,000 net new jobs in January. However as the labour market is a lagging indicator of the activity, it will improve significantly in six to nine months after the economic recovery, meaning at spring 2010.

Jérôme Boué

Analysis and Perspectives: Margins boosted by the DTT

The Trade and Competition Commission just gave its go ahead to TF1 (€12.54) to purchase another 40% stake in TMC and 100% of NT1. This green light implies several conditions: TF1 will not be allowed to promote those channels' programmes and vice versa and advertising sales agencies will have to operate separately, hence no synergy on revenues.

Nevertheless, this deal appears to be vital for TF1. It will most likely be approved by the CSA (the French equivalent of the FCC in the USA) as it already stated that it supports the setting up of strong broadcasting groups, adding that mergers are inevitable.

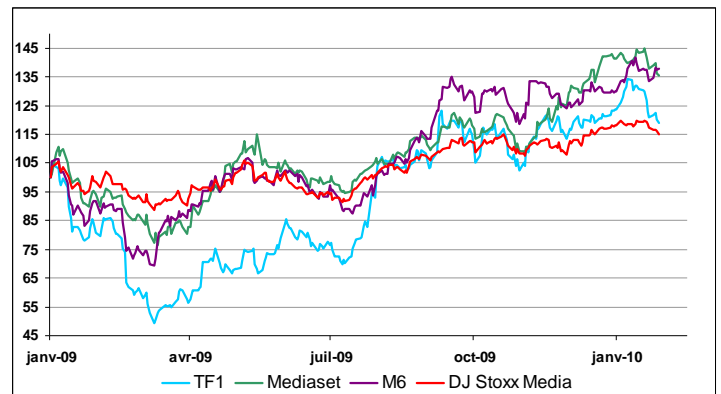
In an area where fragmentation of the audience has become the norm, this deal will enable TF1 to make up for the steady loss of viewers but also to gain access to new revenues stemming from a fast growing market : the DTT or Digital Terrestrial Television.

TF1' own share of viewers will continue its decline to 25% in 2011. Inversely, the share of audience by all DTT channels should rise from 8% in 2008 to 20% in 2011.

This move is also very coherent as TF1 operating margins are among the lowest in the industry, around 6% for FY09 as against a mid-cycle average of 12.5%. With the TMC and NT1 acquisitions, TF1 not only adds an extra 4% market share but also a profitable growth relay. Revenues at TMC and NT1 should rise by 100% in 2010 with operating margins at TMC and NT1 of 30% and 10% respectively.

This € 192 millions transaction will be accretive to TF1's earnings on year 1 already.

Furthermore, the cost of a programming grid will come down, - 11% for the first 9 months of 2009 (- 4.5% excluding non recurring sports events). This cost optimisation will continue and will be reflected in the new TV rights for the French National Football team, that have been renegotiated for the 2010/14 period. (down 18% on average per game versus the 2006/10 period). In total, the group recorded savings of € 61 millions for 9mo09, to be compared with a full year target of € 70 millions. It should also help improving margins.



Finally, MPG expects strong improvements in advertising as soon as 1Q10. Volumes already improved in 4Q09, following 3 quarters that recorded consecutive revenue drops at TF1 of 27%,19% and 5.7%. M6 just published its own figures for the group and confirmed this new trend, with ad revenues up 5.9% during 4Q09. M6 itself grew 1.5% and 32.5% for the associated channels (W9, Teva ...). Those 2 channels now represent 18% of the group's total ad revenues.

TF1 ad revenues could also surprise on the upside in 2010 and free DTT will definitely contribute to this improving environment.

As of Jan 11, 2010, the stock lost 11% of its value, whereas the reference index DJS Media only retracted by 2%. With a 2010 EBITDA multiple of 13.6x and 9x for 2011, consensus appears too cautious and the market underestimates the potential of margin improvements. European commercial TV channels are currently valued at 11.2x and 8.8x for 2010 and 2011 respectively.

TF1 price to book stands at 1.9x as against an average of 3x for the industry. Its mid-cycle averages stands at 2.8x.

TF1 (TFI FP Equity, FR000054900) at a glance

	2010	Secteur	DJ 600
PE	33,04 x	12,72 x	12,70 x
EPS	0,38		
Net Dividend Yield (%)	2,39%	4,73%	3,61%
Price to Cash Flow	14,72 x	6,93 x	7,14 x
Net Margin (%)	3,19%		
Price to Book	1,92 x	1,97 x	1,54 x
Price to Sales	1,10		
Ev / Ebitda	13,59		
Return on Equity	5,80%	15,39%	12,05%

Source: Factset

Philippe Moni / Gerard Weinberg
(Institutional Sales at Global Equities)

Global calendar of the statistics and economic events for this week:

Date	Time	Country	Event	Period	GE Forecast	Consensus	Prior
01/02/2010	2.00 am	China	PMI manufacturing	January		56,5	56,6
01/02/2010	6.15 am	Japan	Vehicles sales	January			+36,5% YoY
01/02/2010	8.45 am	France	Producer prices	December			+0,2%,-4,5% YoY
01/02/2010	9.50 am	France	PMI manufacturing (final)	January			54,7
01/02/2010	9.55 am	Germany	PMI manufacturing (final)	January		53,4	53,4
01/02/2010	10.00 am	Euro area	PMI manufacturing (final)	January	52,0	52,0	52,0
01/02/2010	10.30 am	United Kingdom	Mortgages approvals	December		61 000	60 500
01/02/2010	10.30 am	United Kingdom	M4 money supply (final)	December			-1,1%,6,4% YoY
01/02/2010	10.30 am	United Kingdom	PMI manufacturing	January			54,1
01/02/2010	2.30 pm	United-States	Personal income	December	+0,3%	+0,3%	+0,4%
01/02/2010	2.30 pm	United-States	Personal spending	December	+0,3%	+0,3%	+0,5%
01/02/2010	2.30 pm	United-States	Personal spending core	December		+0,1%,1,5% YoY	0,0%,+1,4% YoY
01/02/2010	4.00 pm	United-States	ISM manufacturing	January	55	55,6	54,9
01/02/2010	4.00 pm	United-States	Construction spending	December		-0,4% MoM	-0,6% MoM
02/02/2010	10.30 am	United Kingdom	PMI construction	January			47,1
02/02/2010	11.00 am	Euro area	Producer price index	December		+0,0%,-3,1%YoY	+0,1%,-4,4% YoY
02/02/2010	4.00 pm	United-States	Pending home sales	December		+0,6% MoM	-16,0%,19,3% YoY
02/02/2010	11.00 pm	United-States	ABC consumer confidence	January 31st			-48
02/02/2010	11.00 pm	United-States	Vehicle sales	January		11,15 million	11,23 million
03/02/2010	9.50 am	France	PMI services (final)	January			57,0
03/02/2010	9.55 am	Germany	PMI services (final)	January		51,2	51,2
03/02/2010	10.00 am	Euro area	PMI services (final)	January	52	52,3	52,3
03/02/2010	10.00 am	Euro area	PMI composite (final)	January		53,6	53,6
03/02/2010	10.30 am	United Kingdom	PMI services	January		56,5	56,8
03/02/2010	10.30 am	United Kingdom	Official reserve assets	January			-\$ 1,6 billion
03/02/2010	11.00 am	Euro area	Retail sales	December		+0,4%,-2,4% YoY	-1,2%,-4,0% YoY
03/02/2010	1.00 pm	United-States	MBA mortgage applications	January 29th			-10,9%
03/02/2010	2.15 pm	United-States	ADP employment change	January		-40 000	-84 000
03/02/2010	4.00 pm	United-States	ISM non-manufacturing	January	52	51,0	49,8
04/02/2010	12.00 am	Germany	Factory orders	December		+0,0%,9,5% YoY	+2,8%,4,5% YoY
04/02/2010	13.00 am	United Kingdom	BOE announces rates	February 4th	0,50%	0,50%	0,50%
04/02/2010	13.45 am	Euro area	ECB announces rates	February 4th	1,00%	1,00%	1,00%
04/02/2010	2.30 pm	United-States	Non farm productivity (preliminary)	4th quarter		5,2%	8,1%
04/02/2010	2.30 pm	United-States	Coût unitaire du travail (preliminary)	4th quarter		-2,1%	-2,5%
04/02/2010	2.30 pm	United-States	Initial jobless claims	January 30st		460 000	470 000
04/02/2010	2.30 pm	United-States	Continuing claims	January 23th			4 602 000
04/02/2010	4.00 pm	United-States	Factory orders	December	+1,1%	+0,9%	+1,1%
05/02/2010	6.00 am	Japan	Leading index (preliminary)	December		93,5	90,7
05/02/2010	6.00 am	Japan	Coincident index (preliminary)	December		97,3	96,0
05/02/2010	8.45 am	France	Trade balance	December			-€ 5,3 billion
05/02/2010	8.45 am	France	Central government balance	December			-€ 143,3 billion
05/02/2010	12.00 am	Germany	Industrial production	December		+0,4%,-3,8% YoY	+0,7%,-8,0% YoY
05/02/2010	2.30 pm	United-States	Employment report	January			
			Unemployment rate		10,0%	10,0%	10,0%
			Change in nonfarm payrolls		+ 75 000	+ 20 000	-85 000
			Change in manufacturing payrolls			-23 000	-27 000
			Average hourly earnings			+0,2%,+2,2% YoY	+0,2%,2,2% YoY
			Average weekly hours			33,2	33,2
05/02/2010	9.00 pm	United-States	Consumer credit	December		-\$ 9,5 billion	-\$ 17,5 billion

Our economic and financial forecast for 2009-2010.

	Real GDP growth				Inflation				Unemployment rate			
					annual average				annual average			
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
US	2,0	1,1	-2,5	3,0	2,9	3,8	-0,3	2,4	4,6	5,8	9,3	9,2
Japan	2,1	-0,7	-5,0	0,8	0,1	1,4	-1,2	1,2	3,9	4,0	5,1	5,1
Eurozone	2,7	0,7	-4,0	1,5	2,1	3,3	0,3	1,8	7,4	7,4	9,4	9,4
Germany	2,5	1,0	-5,0	1,5	2,3	2,6	0,3	1,8	9,0	7,8	8,1	8,1
France	1,9	0,7	-2,3	1,5	1,5	2,8	0,1	1,5	8,0	7,4	9,0	9,0
Italy	1,7	-1,0	-4,5	0,9	2,0	3,5	0,8	2,0	6,2	6,8	7,8	8,0
Spain	3,8	1,1	-3,5	0,6	2,8	4,1	-0,3	2,0	8,3	11,3	17,8	18,0
UK	3,1	0,7	-3,9	1,4	2,3	4,0	0,9	2,2	5,4	5,6	7,5	7,3
World	5,0	2,8	-0,3	3,6								

	Key interest rates				10 years government bond interest rates				
	Feb 1st	in 3 months	in 6 months	in 1 year	Feb 1st*	in 3 months	in 6 months	in 1 year	
United States	0-0,25	0,25	0,50	1,50	United States	3,61	3,90	4,30	4,50
Euroland	1,00	1,00	1,00	1,50	Euroland	3,19	3,60	4,00	4,30
United Kingdom	0,50	0,50	0,50	1,50	United Kingdom	3,89	4,10	4,30	4,50
Japan	0,10	0,10	0,10	0,10	Japan	1,34	1,50	1,70	1,90

	Exchange rates				International equities markets				
	Feb 1st*	in 3 months	in 6 months	in 1 year	Feb 1st*	in 3 months	in 6 months	in 1 year	
EUR/USD	1,390	1,35	1,30	1,20	Dow Jones	10,067	11,000	11,500	12,300
USD/JPY	90,41	95	100	110	Nikkei	10,205	10,800	11,000	11,500
EUR/JPY	125,66	128	130	132	Cac 40	3,724	4,150	4,350	4,500
EUR/GBP	0,87	0,87	0,85	0,82	Euro Stoxx 50	2,762	3,050	3,250	3,400

* Level at 10.00 am (Paris Time)



GLOBAL EQUITIES

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