

Very interesting week, at last, which hopefully should help bringing investors' confidence back and could unnerve investors or introduce a fresh surge of optimism. Today's ISM should remind the US economy is running at a fast speed, with the focus as usual on this start of month on employment sector with the ADP employment change on Wednesday, and the Non Farm payrolls on Friday. We will also take a look at the Personal Income and Spending as well as the Construction spending out today, the ISM non manufacturing the day after tomorrow, obviously the jobless claims and Pending home sales on Thursday. The economy isn't the only matter that could sway stocks next week. Public discussion by lawmakers on banking or healthcare regulation could unsettle investors concerned about additional costs to corporate bottom lines - or relieve them if such talk looks unlikely to yield policy changes.

In Europe, this week could prove to be pretty eventful. On Thursday, the European Central Bank should reveal the next stage of its plan to wind down its unconventional policy measures at the press conference following the interest rate announcement. There is a good chance that the Bank might begin to charge a higher interest rate on its 3-month loans to banks. Meanwhile, it may be another big week for Greece. After last week's sell-off in the bond market, the government is likely to try and regain the markets' confidence by announcing a further fiscal tightening. The new fiscal package should generate savings of 1% to 2% of GDP this year. If the new fiscal plan calms the markets' nerves, the government may conduct a 10-year bond auction this week. Greece is also expected to float a 10-year bond mid week, in an effort to generate cash, a deal that is being closely monitored in financial markets worldwide.

Briefly, the survey conducted by the American Association of Individual Investors has shown a nearly complete changeover in bullish and bearish sentiment. The percentage of respondents with a bullish outlook for the next six months went from 41.0% on Jan. 7 to 29.2% on Feb. 4 while the percentage of respondents with a bearish outlook went from 26.0% to 43.1% over the same period. Those views have equalized in recent weeks. The latest survey shows the percentage of respondents with a bullish outlook at 35.9% and the percentage of respondents with a bearish outlook at 35.2%. The balance is made up with respondents who hold a neutral view. Sentiment readings are an insightful contrarian indicator. Although they have made us look good in this instance, they are not foolproof with respect to the timing of turning points. In looking at the market today, it is clear that it is confused by the thought of what lies ahead, which is what our March planet will provide us. Investors' frequent changes of heart were evident in the day-to-day point changes : Over the February month, the index lost or gained at least 100 points in eight sessions.

When things have been a certain way for an extended period, it makes sense that there would be some confusion when the status quo starts looking like the status woe. China is the fulcrum for this shift. Its efforts to rein in growth by curtailing bank lending are presumably the precursor to higher interest rates there and a reminder to the world that the path of least resistance for most central bank rates is higher, not lower, at this juncture. The latter is a given in the U.S. with the federal funds rate already at the zero bound. Notably, the Fed has said it continues to believe economic conditions will likely warrant exceptionally low levels of the federal funds rate for an extended period, yet it took a step last week toward policy normalization in raising the discount rate -- the rate banks pay to borrow directly from the Fed -- by 25 basis points to 0.75%. It is an exaggeration to say confusion reigns supreme, but confusion is raining down on the market at the moment. The minutes for the Jan. 26-27 FOMC meeting provided a good example of why that is the case. In the minutes there was a confounding acknowledgment that several members thought it important to begin a program of asset sales in the near future. That was confounding because Fed Chairman Bernanke said in prepared testimony on Feb. 10 (i.e. after the FOMC meeting) that, "I currently do not anticipate that the Federal Reserve will sell any of its security holdings in the near term, at least until after policy tightening has gotten under way and the economy is clearly in a sustainable recovery." Then, there is the European Union. The EU said recently that it stands ready to support Greece amid its fiscal problems, yet it failed to offer any concrete details on exactly how it would go about providing that support. As noted above, China is taking steps to slow its growth while Russia is still cutting rates in an effort to stimulate growth. Depending on the day -- and sometimes the hour -- the Dollar Index reflects either a risk trade or a risk-averse trade.

These are confusing times and the collective wisdom of the market seems to appreciate that point. The market is feeling its way through the uncertainty right now, which is why the performance skew for the S&P 500 sectors reflects a market that is hedging its bets on the outlook. More succinctly, the market is trading as if it knows what it does not know. There is more wisdom in that view than one might think for it is a view that suggests market participants are thinking rationally as opposed to rashly. Such thinking in our estimation will be the foundation for relative strength in blue chip leaders with solid balance sheets. Any better visibility will be cheered in such a context. As such, more details about Greece such as what we heard on Friday is welcome, more about the employment report on Friday will be key. Indeed we actively trade in the 2010 planned confusion, which is nothing but a classic normalization process in response to a tsunami we suffered from 3 years ago next July. Hopefully time is a great healer, and Chinese response to avoid an economic over heating is welcome, same for the slow process from the Fed in getting the easy quantitative policy away in line with the economic pace. The employment report this week will be very important in adding, or bringing confidence back to investors. Indeed, always the same story, more jobs, more visibility, more credit activity, safer banks, increasing housing prices etc...

A new month starting, most of the demons already priced in the current market valorisation, March should be sending our indices higher, closer to the planet of the same name as we gradually clear more uncertainties, and we are moving forward far from the nightmare from 3 years ago. That kind of lingering uncertainty about consumer demand and economic growth doesn't make for a smooth trajectory for stocks - even if it's to a higher level.

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	80,2	1,3612	89,24	3,62	3,10	0,36	0,17	0,51	0,18	0,03	0,22	0,23	-0,73	0,14	0,14	0,18	0,04	US
Perf 1d %	2,10	-0,14	-0,17	0,75 bp	-0,9 bp	0,35	0,28	0,23	0,63	0,26	0,24	0,27	-0,09	-0,25	0,29	0,28	0,24	Europe

ECONOMIC DATA with impact

Personal income and Spending (13h30 Uk time) expected 0.3% & 0.4% / Income normally receives a boost in January as social security payments are adjusted in line with inflation in the third quarter of the previous year. Inflation was negative in the third quarter of 2009, but social security payments cannot go down. With payroll employment broadly flat in January and average hours worked and average earnings nudging higher, income might have risen / **interesting**

ISM Manufacturing index (15h UK time) / after surging from 54.9 in December to 58.4 in January it would not be surprising that the February reading drop back slightly / **minor** if still above 52/54 level

Construction Spending (15h UK time) / **minor** for today

Richmond Fed President Jeffrey Lacker, to speak on regulatory reform

POSITIVE IMPACTS

PEARSON : FY revenue **£5.62bn** (5.46bn exp) / **Adj. operating £858m** (830m exp) / **FY DPS +5% to 35.5p** (35.3p exp) / **Expects** to produce another year of underlying profit growth

VIVENDI : Q4 revenue **€7.61bn** (7.38bn e) / **Adj. Ebit €1.15bn** (1bn exp) / **DPS €1.40**, unch. & in line / Guidance vague = **Sees** growth of adj. EBITA in 2010 with **SFR Ebitda** to fall slightly + 2-digit op. margin for **Universal Music** / **Conf call 1400 UKT**

RICHEMONT could jump by 50% or more in the next year, helped by a rebound in the luxury goods market (Barron's)

TESCO : Berkshire Hathaway increased its stakes in TESCO / Berkshire's stake in Tesco rose to **3%**, from 2.9% a year earlier
SANOFI : Berkshire Hathaway increased its stakes in Sanofi / Buffett owned **1.9%** of Sanofi as of Dec. 31, up from 1.7%, a year earlier
BP is to announce a **significant expansion** of its gas unit in a strategic document released to its investors this week (The Sunday Tel.)
ANGLO AMERICAN started the sales process for 5 coal projects in the states of Queensland and New South Wales & could make up to A\$500m on the sales (Australian Financial Review)
NESTLE : To read in Barron's = "What do investors think about when they think about Nestle?"
FIAT will bring the Alfa Romeo back to the U.S., probably in 2012 (CEO)
RDSA is selling assets including its European liquid petroleum gas business and fields in the North Sea to help finance its \$28bn capital spending program this year (FT).
SODEXO is looking at double-digit revenue growth in India and China over the next couple of years (CEO)

NEGATIVE IMPACTS

PRUDENTIAL : AIG would have agreed to sell its Asian life-insurance business to Prudential for about **\$35.5bn** / Prudential's acquisition will have a **\$25bn cash component**, funded by a **\$20 bn rights issue** and a **\$5bn debt issue** / **The remaining \$10bn** will be in the form of a vendor placing, where AIG will get shares and other equity instruments in Prudential & Prudential will take more than **10% in AIG...**
MERCK KGaA agreed to **buy U.S. lab & biotech supply Millipore** in a deal valued at **\$7.2bn** including assumption of debt / Merck said it would pay \$107 per share, cash, for each Millipore share (13% premium vs Friday's close) / The acquisition will be funded through available cash and a term loan / Merck expects the combined business to generate annual cost savings of about a €75 m within 3 years
GDF Suez has lost close to €1bn over the past 2 years due to its inability to adjust regulated gas prices (Wansquare)
ENEL : Italy may fail to return to nuclear power because of a lack of political support and possible delays in site selection and plant construction (Former PM in Il Messaggero)
RBS : **It has emerged that RBS achieved profits of close to £1Bn last year, not the £5.7bn reported last week** / The figure was flattered by hitching £4.7bn of losses to "non-core" parts of the bank that are being wound down... The bank paid £1.3Bn of bonuses to its investment bankers, a figure that RBS chief executive Stephen Hester justified with the flattered profit figures.

	RESULTS	DIVIDENDS	EVENTS
Today	EU \ HSBC / Pearson / Vallehermoso / Vivendi US \ AIG /		TMT conf at Morgan Stanley
Tuesday	EU \ Allied Irish Bankl / Bouygues / NH Hoteles US \ US car sales		BP Strategy presentation / Qualcomm AGM / Roche AGM
Wednesday	EU \ Adecco / Adidas / Alten / Ciment Français / Cimpor Cimentos / Fraport / Gecina / Holcim / Score / Standard Chartered / Vinci		Aerospace & Defense conf at Credit Suisse / Hospitality & Gaming conf at Deutsche Bank
Thursday	EU \ Ahold / Arkema / Aviva/ Beiersdorf (BMO) / Bureau Veritas / Casino / EDP (AMC) / Essilor / Finmeccanica / GDF Suez / Inbev / Linde / Portugal Telecom / US \ Ciena		
Friday	EU \ Fugro / Italcementi / Michael Page / Pirelli / Salzgitter / Veolia / WPP		

TRADING IDEAS

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

BUY PEUGEOT / SELL BMW // BUY SANOFI / SELL NOVARTIS // BUY IBERDROLA / SELL VEOLIA // BUY SWISSCOM / SELL VODAFONE // BUY THYSSEN / SELL SCHNEIDER // BUY EDF / SELL GSZ // BUY WAL-MART / SELL HOME DEPOT // BUY DELL / SELL HEWLETT-PACKARD

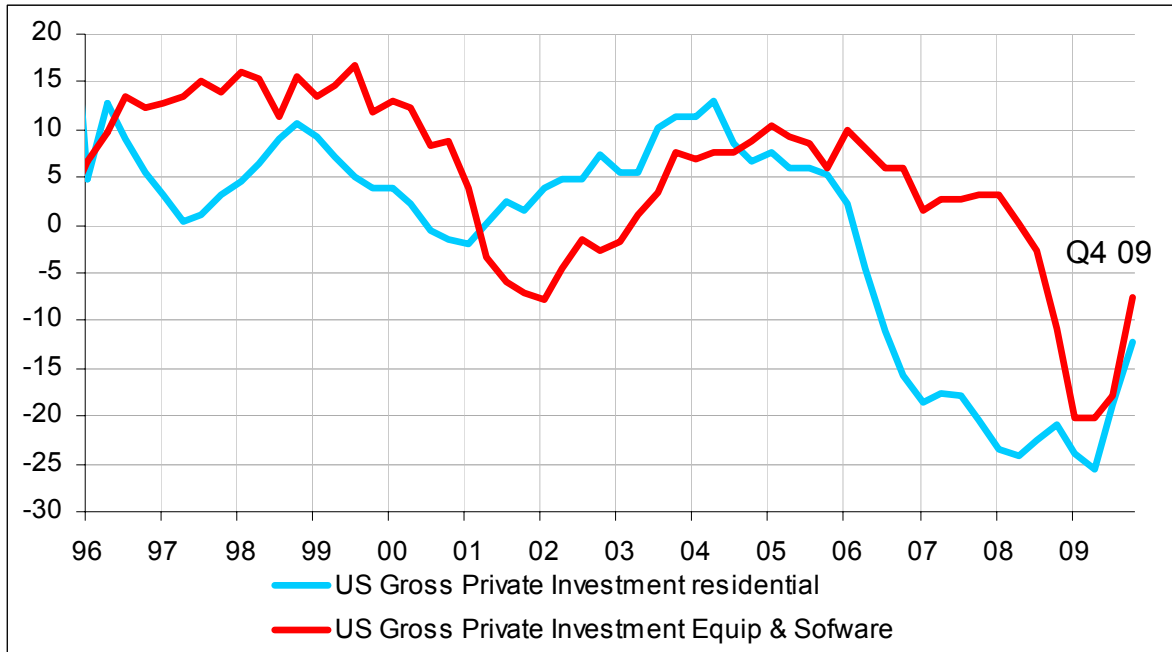
BROKER METEOROLOGY

BP.....	RAISED TO BUY FROM NEUTRAL	BY BANK OF AMERICA – ML
DEUTSCHE BANK	RAISED TO MARKETPERFORM FROM UNDERPERFORM	BY BERNSTEIN
BARCLAYS	RAISED TO OUTPERFORM FROM MARKETPERFORM	BY BERNSTEIN
CARREFOUR.....	RAISED TO HOLD FROM SELL.....	BY RBS
ADDIDAS.....	RAISED TO HOLD FROM SELL.....	BY DEUTSCHE BANK
SARAS.....	RAISED TO NEUTRAL FROM SELL.....	BY UBS
TESCO	RAISED TO NEUTRAL FROM UNDERWEIGHT.....	BY JP MORGAN
SEADRILL.....	RAISED TO BUY FROM SELL	BY UBS
SANDVIK.....	RAISED TO NEUTRAL FROM SELL.....	BY UBS
TOTAL.....	CUT TO NEUTRAL FROM BUY	BY BANK OF AMERICA – ML
SOCIETE GENERALE	CUT TO MARKETPERFORM FROM OUTPERFORM	BY BERNSTEIN
BAYER	CUT TO NEUTRAL FROM OUTPERFORM	BY CREDIT SUISSE
SBM OFFSHORE	CUT TO EQUALWEIGHT FROM OVERWEIGHT	BY MORGAN STANLEY
SOLARWORLD.....	CUT TO NEUTRAL FROM OVERWEIGHT.....	BY HSBC
ARKEMA	CUT TO NEUTRAL FROM OUTPERFORM	BY EXANE

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

CHART OF THE DAY

US Gross private investment and equipment & software investment Since 1996



Sources: BEA Datastream

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Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
1.00 GMT	China	PMI manufacturing	February		55.2	55.8
9.00 GMT	Euro area	PMI manufacturing (final)	February	54,1	54,1	54,1
9.30 GMT	United Kingdom	PMI manufacturing	February		56,5	56,7
10.00 GMT	Euro area	Unemployment rate	January	10,1 %	10,1 %	10,0%
13.30 GMT	United-States	Personal income	January	+0,4%	+0,4%	+0,4%
13.30 GMT	United-States	Personal spending	January	+0,5%	+0,4%	+0,2%
13.30 GMT	United-States	Personal spending core	January		+0,0 %, +1,4 % YoY	+0,1%, +1,5% YoY
15.00 GMT	United-States	ISM manufacturing	February	57,6	57,8	58,4
15.00 GMT	United-States	Construction spending	January		-0,5%	-1,2%

Indexes	Price	% 5 Days	Ytd
DJIA	10325,3	-0,69%	-0,99%
S&P 500	1104,5	-0,37%	-0,95%
Nasdaq	2238,3	-0,23%	-1,36%
CAC 40	3708,8	-1,61%	-5,78%
DAX	5598,5	-2,16%	-6,03%
Eurostoxx 50	2728,5	-2,32%	-7,98%
DJ 600	245,8	-1,77%	-3,19%
FTSE 100	5354,5	0,02%	-1,08%
Nikkei	10172,1	0,09%	-3,55%
Shanghai Comp	3089,5	1,12%	-5,73%
Sensex (India)	16429,6	1,47%	-5,93%
MICEX (Russia)	1332,6	-2,24%	-2,73%
Bovespa (Brasil)	66503,3	-1,62%	-3,04%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3588	-0,01%	-5,16%
EUR/JPY	121,27	2,18%	-10,07%
USD/JPY	89,24	2,17%	-4,37%
Oil	Price	% 5 Days	Ytd
Brent \$/b	77,3	-0,37%	0,43%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1117,3	0,28%	1,86%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,09
Overnight	0,03	0,33	0,09
3 Months	0,11	0,28	0,20
10 Years**	3,62	3,10	1,32

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

** Euro: German Bund rate Source : Bloomberg

ECONOMIC DATA PREVIEW

Watch in [THE UNITED-STATES](#) the [personal income and personal spending](#) for January released at 13.30 GMT. Led by the stabilization of the unemployment rate and by the rise in weekly and hourly wages, US personal income should increase by 0.4% in January. In such we forecast that personal spending will rise by 0.5% over the same period. Watch as well the [ISM manufacturing](#) for the February released at 15.00 GMT. After the sharp rise in January (from 53.7 to 58.4) we expect a technical correction of the ISM manufacturing at 57.6 in February./**JB**

ECONOMY

UNITED-STATES : THE USA ARE CONVERTING THE TRY

After a 2.2% rise in 3Q09 and a jump of 5.7% as a first estimate in 4Q09, the American GDP still surprises us! The first correction in the GDP figure for 4Q actually was upwards at 5.9%, its best showing since 3Q03! Inventories contributed to the rate of 3.9 points, but still the economic growth, ex. inventories amounted to 2.02%. Also worth noting is that this positive impact of inventories is not the result of a sharp increase in restocking but of a reduction in the speed of destocking, which came down to a very benign \$ 16.9 billion as against – 160.2 billion in Q2 and – 139.2 billion in Q3. In other words inventories will play a positive role in the next few quarters. But the best news of all stemmed from the flurry of private investments (+ 48.9% revised from an initial + 39.3%). This is mainly due to a 18.2% increase in equipment and software and a rise in housing (+5%). Private consumption remained firm (+1.7% versus an initial estimate of +2%) and foreign trade, benefiting from a weak currency added to the growth with exports up 22.4% versus imports up 15.3% only.

EURO AREA : INFLATION STABILIZED IN JANUARY

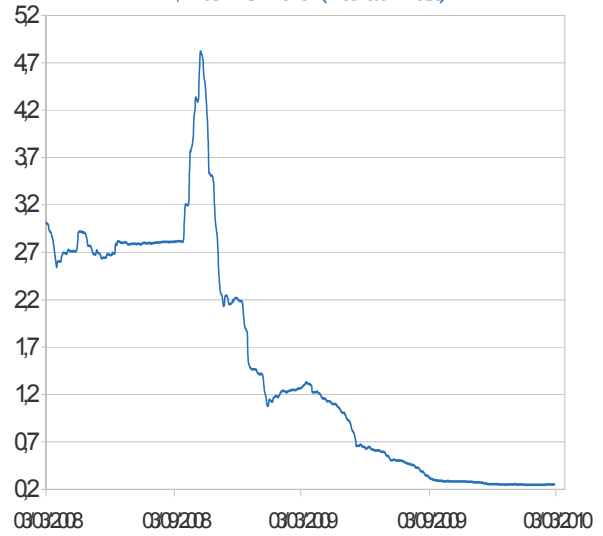
Consumer price index in the euro zone declined from +0.3% in December to -0.8% in February mainly led by the decline of energy and commodities prices over the same period. Meanwhile after being back in positive territory in November and rising since then, inflation stabilized at 1% in January. Indeed the increase of inflation was mostly led by a “positive base effect” due to the sharp drop in energy prices over the same period last year. As the base effect is progressively fading inflation is logically following the same trend./**JB**

VX index : implied volatility on the S&P 500



Source : Bloomberg

\$ Libor - 3-Month (Interbank Rate)



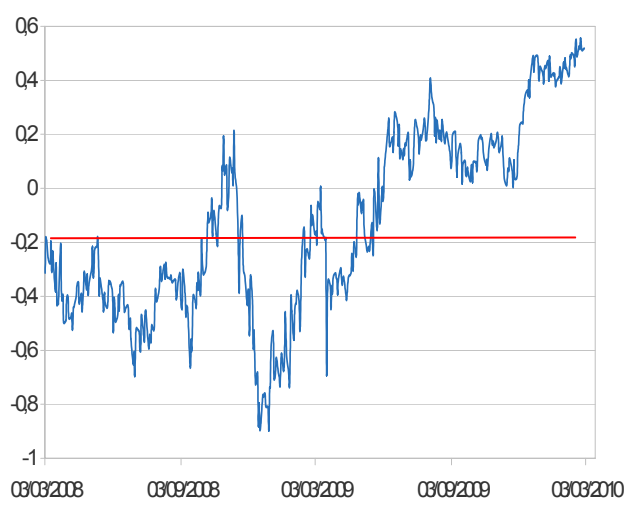
Source : Bloomberg

United States : 10-year Treasury yield



Source : Bloomberg

10-year Treasury spread USA-Euro zone



Source : Bloomberg

CI : Brent (\$/b)



Source : Bloomberg

Forex : Eurovs Dollar (EUR/USD)



Source : Bloomberg