

Stock buyers have proven fickle since the start of the year, and analysts say that's largely a response to the daily flow of economic reports showing a slow but bumpy economic recovery. Positive data, such as gains in durable goods orders and regional manufacturing indexes, have frequently vied with unsettling news about home sales and jobs. The economy's weak spots have kept some investors away. For February, investors decided the outlook for the U.S. was brighter on balance - at least compared to Europe, where Greece's debt levels and slow Euro-zone growth knocked share. And that positive assessment of U.S. stocks may last, some say. We think we will have this pattern of two steps forward, one step back all 210 year long. Most large U.S. companies have already reported results for their December quarter. Thanks to easy comparisons with the bleak Dec. 2008 quarter, operating earnings of S&P 500 companies have tripled. And 72% of companies have beat analysts' estimates. The current quarter is expected to show much more moderate growth, of 37%, a sign of the slow stabilization in company results that started last year. "The problem with the market is that the recovery is going to be gradual, so there tends to be a mismatch between how the economy recovers versus the immediacy investors look for" said a strategist. "I don't see how we have a double dip when we had a peak in unemployment. We have loose monetary policy. The only way I can see us getting a double dip is if we close the borders. We haven't had an outbreak of protectionism. I don't think we're going to get it", which we totally agree with.

Economists expect the next round of U.S. data to have some hiccups, as the impact of major snow storms along the east coast shows up in the numbers. In the past week, jobless claims, housing data and consumer confidence all were weaker than expected due to the impact of snow bound workers and consumers. "You're going to get a whole bunch of jumbled data. Whereas, the employment number is the one you can usually rely on for setting the stage, I think it's going to be more than a normal amount of confusion," "I think it's going to be very tough to get a lot of conclusive evidence this week. It's going to be a tough week". In addition to the U.S. data, there are several rate meetings, including the Bank of Australia Tuesday and the European Central Bank and Bank of England Thursday. The ECB is not expected to raise rates, but it will be an important meeting because it is addressing unwinding some of its quantitative easing.

Greece's capital raising effort could hopefully calm markets if it is successful. The market is looking for clarity on the role of the German government, which was reported to be considering guaranteeing the purchase of bonds by state-owned lender KfW. Greece is readying a sale of as much as 5 billion euros of 10-year notes due tomorrow. If the Greek government cannot raise the necessary funds in the commercial market, which continues to look unlikely, then bilateral loans will be forthcoming. European Union Monetary Affairs Commissioner Olli Rehn will likely push Greece to do more to cut its budget deficit as governments craft a possible rescue package for the cash-strapped nation. Rehn arrives after European officials pored over the government's books to verify it's doing enough to knock 4 percentage points off its budget deficit from last year's 12.7 percent of gross domestic product. The country has until March 16 to satisfy fellow EU governments that its deficit reduction plan is on track and faces being pressed to increase consumer taxes and lower capital spending if it can't show sufficient progress. Luxembourg Prime Minister Juncker, who speaks for euro-area finance ministers, indicated more will be demanded. Greece needs to "take additional actions" to pare its shortfall and "must understand that the taxpayer in Germany, Belgium or Luxembourg isn't prepared to correct the mistakes of Greek fiscal policy," KfW's purchase of Greek bonds, backed by German government guarantees, would be an emergency measure as it would risk inviting investors to speculate against other euro region countries, the German lawmakers said on condition of anonymity because the information is confidential. France's state-owned Caisse des Depots may also be involved, Greece's Ta Nea newspaper reported Feb. 27. The Wall Street Journal said the plan may total 30 billion euros. "Greece won't be allowed to sink on the condition it respects its commitments to stabilize its budget," French Finance Minister Christine Lagarde told Europe 1 radio this weekend. "We have a certain number of proposals in the euro zone, involving either private partners or public partners or both." EU leaders ordered Greece on Feb. 11 to slash its budget deficit, while promising "determined" yet unspecified action to help if needed. Papandreu will on March 5 meet with Merkel, who yesterday suggested she is worried "emotions" may be spinning out of control. Greece needs to sell the bonds to help plug the hole in its budget and pay maturing debt. The next major bond payment is due April 20, when Greece must repay 8.2 billion euros of 3.1 percent securities

About China tightening, that always creates a knee jerk reaction of money running from the emerging markets. The last time China tightened in the summer of 2005, emerging markets actually did well. The MSCI emerging markets index total return was 3.5 percent in the first three months, and 26 percent in 12 months.

In the meantime, yesterday's US macro data keep on supporting the idea that the activity is improving for a sustainable time. Indeed, the dip in February's US ISM manufacturing index is nothing to be alarmed about, it still leaves the index at a level consistent with GDP growth of about 4% annualized. There is also a good chance that the severe winter weather played a role in the decline to 56.5 last month, from 58.4. The production and new orders indices dropped back quite sharply, while the employment index improved to a 4-year high of 56.1. Overall, the ISM index is still at a relatively healthy level, suggesting a robust economic recovery. Elsewhere, construction spending contracted by 0.6% m/m in January, driven by a 1.4% decline in non-residential spending. Residential spending rebounded by 1.1%. The commercial real estate sector is still in a real mess, with loan defaults soaring and lenders reluctant to finance new projects. Finally, the Fed just announced that Vice Chairman Donald Kohn will be retiring in June when his existing term is up. Kohn was an important voice at the Fed and his experience will no doubt be missed. At the margin, his retirement might increase the chances that Bernanke will eventually engineer a switch to an explicit inflation targeting regime. But the financial crisis has pushed that debate well down the agenda. It is too early to say whether this will have any real impact on the policy debate. It all depends on his replacement. What it does do is put more pressure on the administration to fill the vacancies at the Fed which, in a mid-term election year, could become political.

Some promising employment report might be on track for Friday, which the ADP Employment changes will tell us more about. "While spending trends are solid, income trends remain very weak and we need to see a pickup in employment to sustain rising consumer spending in the months ahead". Some better employment conditions and the Greek troubles behind us should be enough reasons to bring investors' confidence back and justify a nice and healthy lasting upside rally, which will only be shaky once we play on the highs from mid January.

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Finan	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	78,5	1,3537	89,31	3,61	3,11	2,01	0,98	0,40	1,16	1,50	0,74	1,27	1,29	3,13	1,02	1,58	0,76	US
Perf 1d %	-2,11	-0,17	-0,02	0 bp	0,7 bp	1,39	0,92	0,16	1,31	1,35	0,82	1,40	1,33	2,91	0,93	1,31	0,82	Europe

ECONOMIC DATA with impact

Minneapolis Fed President Narayana Kocherlakota speaks on the economic outlook

US CAR Sales & Chain stores sales : The lack of shoppers in dealers' show rooms (from both snow and Toyota's troubles) was a negative for Today 's February car sales, which are expected down to an annual rate of 10.3 million in February, from 10.8 million in January. Chain stores' monthly sales will also be affected, as will weekly jobless claims, both reported Thursday. "It's going to be weak for February, but it's going to bounce back in March and April"

POSITIVE IMPACTS

MEDIASET : Italy's govt approved a decree that allows product placement on TV programmes, a move that will mainly benefit Mediaset

ALSTOM signed a deal to buy 25% of Russian train builder TransmashHolding, a move that could significantly bolster its position in the key Russian market

UCB : FY09 revenue €3.1bn (3.2bn exp) / Ebitda €698m (691m exp) / DPS €0.96 (0.92 exp) / Sees 2010 recurring EBITDA at about €700m (€752m exp) / Forecast that 2 of its new drugs would be blockbusters (Cimzia for rheumatoid arthritis and Vimpat for epilepsy)

E.ON is looking to sell its U.S. regulated utility unit for around \$3.5bn

DAIMLER plans to develop electric cars for China with battery maker BYD

BAE Systems pleaded guilty in U.S. court to conspiring to make false statements in connection with foreign arms contracts and will pay a \$400 million fine

BATS & Philip Morris have filed applications with the Ministry of Finance to raise tobacco prices by Y20 per pack (The Nikkei) / If approved, the new prices are expected to take effect June 1, marking the first across-the-board hike in 4 years.

TO BE NOTED : Goldman Sachs made at least \$100m in net trading revenues on 131 days last year (equivalent to once every other trading day) / Goldman managed the result even as it took greater trading risks in 2009 than in the previous year = Its daily VAR was \$218m in 2009, up from \$180m during the previous fiscal year (FT)

NEGATIVE IMPACTS

BOUYGUES : French road builder **Colas**, owned by Bouygues, announced a **23% cut of its dividend** to €6.75 / Colas said it "remains confident for 2010 but added that as the visibility remains low it set a FY10 rev. down 1% from 2009 / **Bouygues to report after close**

LAFARGE : **S&P's revised its outlook to "negative"** saying the barely investment-grade company's dividend payout puts more pressure than anticipated on its already stretched credit metrics.

VOLKSWAGEN's CEO is upbeat on its growth potential in the US & China in 2010, but expects "strong headwinds" in Europe & in Germany in particular / Vow is expected in the coming weeks to provide details on its plan to issue up to 135m new preference shares

DEUTSCHE BANK could support an Actavis bid for Ratiopharm as it holds an indirect stake in the company (FTD)

ALLIED IRISH BANKS : FY operating income €4.86bn (4.3bn exp) / PT loss €2.66bn (-2.51bn exp) / FY net loss €2.33bn (-2.86bn exp) / Bank provision charge €5.35bn / Core Tier 1 = 7.9% / No dividend / Outlook remains extremely challenging

GAM HOLDING : FY revenue SFR 589.3m (SFR810m exp) / AUM SFR114 Bn(+15%) / Net new money positive for FY / FY Net SFR149.6M (157m exp) / No DPS , will be targeting a div. payout ratio in excess of 50% of net

TO BE NOTED : China's 4 largest banks made net new loans in February of about \$43.1bn, down about 39% on month

	RESULTS	DIVIDENDS	EVENTS
Today	EU \\\ Allied Irish Bank/ 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 / Salzgitler / Veolia / WPP		
Monday	US \\\ Texas Instruments mid quarter		

TRADING IDEAS

BUY EON & RWE (island reversal possibility for RWE) too much killed lately

BUY ARCELORMITTAL / ALSTOM on reversal Head & Shoulder possibility

BUY LAFARGE too much killed lately / most bad news already priced in / the US construction awakening will help

BUY RENAULT & TOTAL on double bottom possibility

BUY AXA lagging as usual, but nice dividend yield in the current levels

BUY AXA / SELL ALLIANZ // BUY LAFARGE / SELL HOLCIM ahead of Holcim data tomorrow granted good / **BUY SANOFI / SELL**

NOVARTIS // BUY IBERDROLA / SELL VEOLIA // BUY EDF / SELL GSZ // BUY WAL-MART / SELL HOME DEPOT // BUY DELL /

SELL HEWLETT-PACKARD

BROKER METEOROLOGY

AEGON..... **RAISED TO BUY FROM NEUTRAL** **BY UBS**

PEARSON **RAISED TO HOLD FROM SELL** **BY DEUTSCHE BANK**

SWEDBANK..... **RAISED TO BUY FROM SELL** **BY DEUTSCHE BANK**

REPSOL **RAISED TO HOLD FROM SELL** **BY ING**

UNIBAIL RODAMCO **RAISED TO NEUTRAL FROM UNDERWEIGHT** **BY HSBC**

REMY COINTREAU **RAISED TO NEUTRAL FROM SELL** **BY UBS**

LANXESS **CUT TO NEUTRAL DEOM BUY** **BY BANK OF AMERICA – ML**

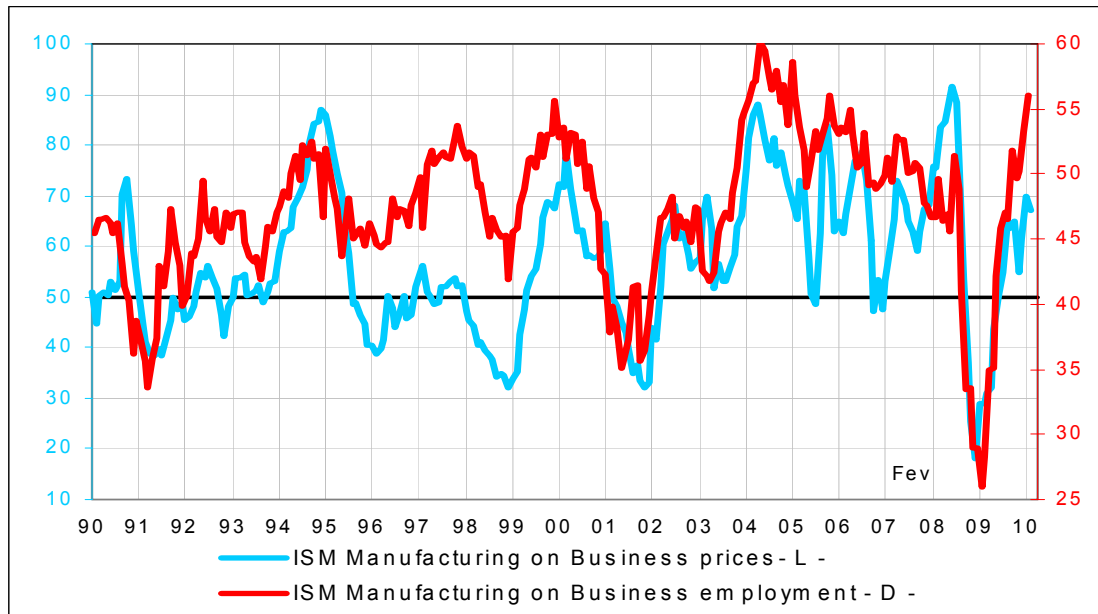
DEUTSCHE TELEKOM..... **CUT TO EQUALWEIGHT** **BY BARCLAYS CAPITAL**

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

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

CHART OF THE DAY

US ISM manufacturing index and sub index business prices
Since 1990



Sources: Datastream

The After declining to 53.7 in November, the index was up again to 58.4 in January the highest since August 2004. Following the sharp rise in January, the ISM manufacturing index declined to 56.5 in February. Despite this slight correction the trend is still here and after over cutting capital spending US companies are investing again. On the other hand the good news of the February release is the rise in the employment index from 53.3 to 56.1 the highest in four years. The employment index is above the level of 50 since December 2009 and increased for a third consecutive month./JB

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
23.30 GMT	Japan	Unemployment rate	January		5,1 %	5,1%
10.00 GMT	Euro area	Consumer price index (first estimate)	February	+ 1,0 % YoY	+0,9 % YoY	+1,0% YoY
10.00 GMT	Euro area	Producer price index	January		+0,6%,-1,1% YoY	+0,1%,-2,9% YoY
22.00 GMT	United-States	ABC consumer confidence	February 28th			-50
22.00 GMT	United-States	Total vehicle sale	February		10,40 million	10,82 million

Indexes	Price	% 5 Days	Ytd
DJIA	10403,8	0,24%	-0,23%
S&P 500	1115,7	0,75%	0,06%
Nasdaq	2273,6	1,42%	0,20%
CAC 40	3769,5	0,34%	-4,24%
DAX	5713,5	0,44%	-4,09%
Eurostoxx 50	2772,7	-0,20%	-6,48%
DJ 600	248,7	-0,37%	-2,05%
FTSE 100	5405,9	1,10%	-0,13%
Nikkei	10221,8	-2,14%	-3,08%
Shanghai Comp	3063,1	2,81%	-6,53%
Sensex (India)	16666,6	1,47%	-4,57%
MICEX (Russia)	1356,3	1,31%	-1,00%
Bovespa (Brasil)	67227,9	0,07%	-1,98%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3520	0,00%	-5,65%
EUR/JPY	120,76	1,07%	-10,56%
USD/JPY	89,33	1,09%	-4,29%
Oil	Price	% 5 Days	Ytd
Brent \$/b	76,0	-0,54%	-1,55%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1116,6	1,18%	1,78%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,09
Overnight	0,08	0,32	0,09
3 Months	0,12	0,28	0,20
10 Years**	3,61	3,11	1,30

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

** Euro: German Bund rate Source : Bloomberg

ECONOMIC DATA PREVIEW

NO MAJOR ECONOMIC DATA RELEASED IN THE UNITED-STATES

Watch in **THE EURO AREA** the first estimate of inflation for February released at 10.00 GMT. After six consecutive months of deflation in the euro zone, consumer prices in positive territory since November 2009 reached 1% YoY in January. However as the positive base effect is fading inflation should be stabilized at 1% YoY in February./**JB**

ECONOMY

UNITED-STATES : THE ISM MANUFACTURING DECLINED IN FEBRUARY BUT REMAINS CONSISTENT.

After declining to 53.7 in November, the index was up again to 58.4 in January the highest since August 2004. Following the sharp rise in January, the ISM manufacturing index declined to 56.5 in February. Despite this slight correction the trend is still here and after over cutting capital spending US companies are investing again. Looking at the breakdown most of the sub index are decreasing starting with the production index at 58.4 (prior 66.2), the new orders index fell sharply at 59.5 (prior 65.9) and prices paid declined from 70 to 67. On the other hand the good news of the February release is the rise in the employment index from 53.3 to 56.1 the highest in four years. The employment index is above the level of 50 since December 2009 and increased for a third consecutive month. Meanwhile construction spending declined by 0.6% confirming that the rebound of the housing market is very progressive.

UNITES-STATES: NEW RISE IN PERSONAL INCOME AND PERSONAL SPENDING IN JANUARY.

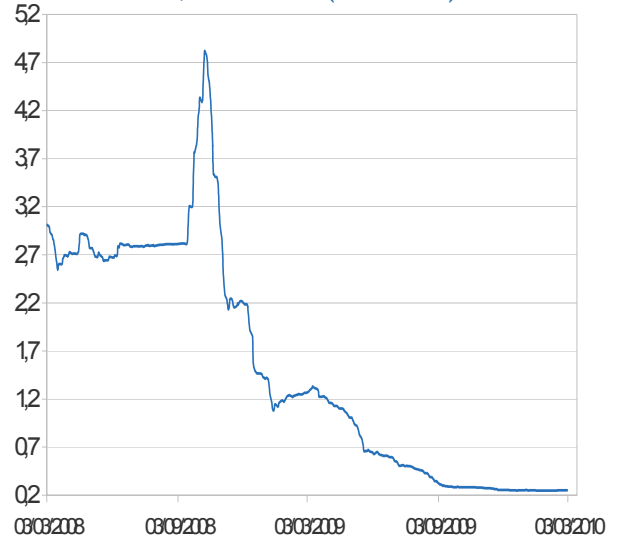
After rising for a fifth consecutive month in December, income of US households was up by 0.1 % in January (forecast +0.4%). Looking at the breakdown wage and salary were up by 0.4% but disposable income decline by 0.4%. Meanwhile the saving rate declined to 3.3%. Therefore personal spending rose by 0.5% (forecast +0.4%) in January confirming the rebound of household consumption despite the high level of unemployment and the increase of weekly initial jobless claims. Personal spending core (ex food and energy) was flat in January as expected and rise by 1.4% YoY. The rise in US personal spending remains a very encouraging news as household consumption account for 70% of the US GDP./**JB**

VIX index: implied volatility on the S&P 500



Source : Bloomberg

\$ Libor - 3-Month (Interbank Rate)



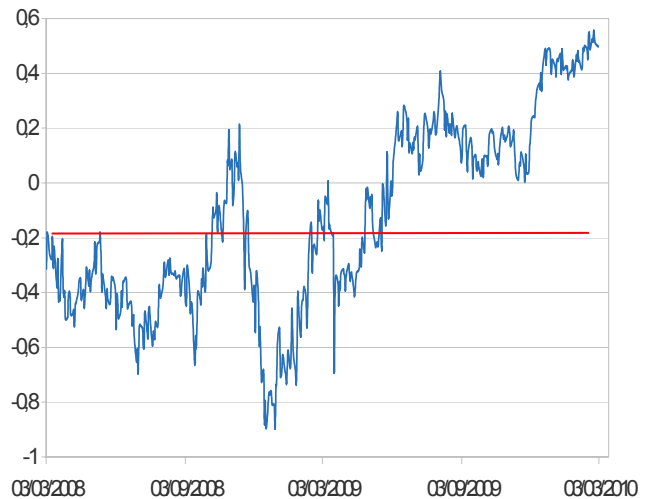
Source : Bloomberg

United States : 10-year Treasury yield



Source : Bloomberg

10-year Treasury spread USA-Eurozone



Source : Bloomberg

Oil : Brent (\$/b)



Source : Bloomberg

Forex: Eurovs Dollar (EUR/USD)



Source : Bloomberg