

The big focus today will be coming from any Greek news regarding the launch of a 5 bn 10 year note, and the data from the US on the employment front. The former, if going fine, would drastically boost investors' confidence, and help them taking the initiative to jump in back again. However, Greece said they would first do announcements regarding their inside measures to comply with the EU rules to make sure the issue of the bond goes fine. As to the employment in the US, any positive inside would provide additional relief that the recovery is not only prompt, but bound to be lasting. 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. Again, as a reminder, Papandreu will on March 5 meet with Merkel, and the next major bond payment is due April 20, when Greece must repay 8.2 billion euros of 3.1 percent securities.

**Although the EC loosely endorsed the Greek Government's fiscal plans several weeks ago, it has since put strong pressure on Greece** to announce further concrete measures to achieve the planned reduction in the budget deficit from 12.7% of GDP last year to 8.7% this year. Meanwhile, other euro-zone economies like Germany have also indicated that they needed to see further measures before providing firmer support to Greece. With Greece admitting that it will run out of cash later this month and facing debt redemptions totalling some €20bn in April and May, this support seems crucial if Greece is to issue new bonds and hence meet its financing needs. As such, the news today that the Government will duly announce a new fiscal package tomorrow is clearly welcome. Initial reports suggest that the measures will amount to some €5bn, or 2% of GDP, in line with the EC's recommendations. This boosts the chances that the EC will approve Greece's next report on its public finances to be submitted by 16th March.

**Crucially, it also raises the chances that other countries like Germany will be prepared to pledge firmer support for Greece.** While little detail has so far been given, it appears that Germany's favoured strategy would be to get private banks to purchase Greek debt in return for financial guarantees from the Government via KfW, a state-owned development bank. French Finance Minister, Christine Lagarde, has also hinted that any support might involve "private partners" too. Beyond this, the plans remain hazy. It is not clear if banks would be provided with guarantees for buying any Greek government debt or whether it would be restricted to new issues. What's more, it is not known whether the package is contingent on other euro-zone Governments signing up to the plan. However, one good point of the German plan is that it would not involve upfront costs for the region's Governments. Banks would presumably be happy to hold what would essentially be risk-free, highyielding Greek debt too. What's more, with reports suggesting that 95% of Greek government debt is held in the euro-zone, largely by banks, it is clearly in the region's Governments' and banks' interests to put a support package in place soon. In all, then, Greece is gradually inching towards gaining a bail-out from the rest of Europe. While the scale and form of any package remains unclear, it seems likely that some formal support will be in place by April and May, when a large chunk of Greek debt matures.

**As usual, we recommend to be careful or take opportunity small size from the morning trading activity as the volume is so low,** as low as the confidence from traders, and explains some very sharp variation from single stocks which are often becoming more reasonable in the afternoon once the activity is more intense with hedge players coming up, and with the US solidly leading the dance.

**While we would dream to focus back on basics in Europe,** which the launch of the Greek 5 bn T Note and some more news about their budget restrictions could help us doing so if happening fine, the usual focus from the US could have some heavy consequences on the coming trend from equity markets. Indeed, the S&P turned now positive from the beginning of the year, we might well soon profit from a friendly upside trend when looking at the environment of an understanding Fed ready to leave some low yields still for a long time, and the rebounding employment sector thanks to the Obama bill focusing on small and mid size firms while already the rate has surprisingly been declining last month. A stronger employment report would be the real sign that the recovery is gaining traction, and would predict some better days for the housing and retailing sectors which so far are a drag on an amazingly strong GDP.

**Watch out though short term.** By putting a dent in retail sales, employment, hours worked, industrial production, home sales and housing starts, the severe winter weather in February will make it look as though the economic recovery is faltering. However, the bulk will be made up in March. A run of bad economic news in the coming weeks will be nothing more than a short-lived statistical blizzard.

**Nice but shaky upside ride ahead**

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Finan	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	79,8	1,3640	88,87	3,62	3,12	1,48	0,78	0,33	0,49	-0,14	0,02	0,34	0,48	-0,03	0,23	0,32	0,02	US
Perf 1d %	1,55	0,18	-0,21	1,32 bp	0,8 bp	1,65	0,98	0,91	0,59	0,33	0,00	0,42	0,51	0,74	0,54	0,49	0,36	Europe

**ECONOMIC DATA with impact**

**Any news coming from Greece**

**Mortgage Applications** (12h UK time) / the higher the better / **minor** today

**ADP Employment changes** (13h15 UK time) expected -20K / **interesting** as to get an idea about the employment report on Friday

**ISM Non Manufacturing** (15h UK time) expected 51 from 50,6 / the job component will be **interesting** as to tell more about Friday's Employment report / the rebound in the ISM services has been much more modest than the manufacturing one, probably because firms in services are less exposed to the world trade and the lower dollar. Nonetheless the acceleration in the growth rate of underlying retail sales suggest that there is scope for this index to catch up.

**POSITIVE IMPACTS**

**PEUGEOT & MITSUBISHI are not discussing particularly about capital tie-up** possibilities but more on partnership (Mitsubishi CEO)

**STANDARD CHARTERED : FY Income \$15.18bn** (\$15.11bn exp) / **PTP \$5.15bn** (\$5.11bn exp) / **Core Tier1 = 8.9%** / Says advances-to-deposits ratio of 78.6% / **Final DPS 44.80cts** / Impairment losses \$2bn / Said that **2010 begun well & very strongly**

**ADECCO : Q4 revenue €3.8bn**, in line / **Adj. operating €110m** (93m exp) / **DPS SFR0.75 (-50%)**, in line / **Expects** to improve its operating margin "to above 5.5% in the mid-term" (from 2.9% in the Q4)

**FRAPORT : FY revenue €1.97bn**, in line / **Operating €553m** (543m exp) / **DPS €1.15** / **Sees** 2010 revenues up due to traffic recovery and airport fees

**ITV : FY revenue £1.88bn**, in line / **Adj. operating £202m** (180m e) / **No final dividend** / Said that April is indicating revenue +15-20%

**H&M's board proposed a 2:1 share split** to be decided in AGM on April 29

**SAINT-GOBAIN (Minor)** : The CFO of Asahi Glass said that improving new-car sales will likely bring the Company glass business its first operating profit in 2 years

**BARCLAYS'** private equity arm is selling Deb Group to Charterhouse in a £325m deal (FT)

**MUNICH RE** extended its offer to shareholders of ERGO for their remaining shares as part of the squeeze-out / A resolution on the squeeze-out is to be taken during the AGM of ERGO on May 12.

**US FEBRUARY VEHICLE REGISTRATIONS +12.2% YOY : FORD +44.9% / VOW +32.9% / NISSAN +29.4% / BMW +13.7%**

**NEGATIVE IMPACTS**

**HOLCIM** : FY revenue **SFR21.13bn** (21.21bn exp) / **Operating SFR2.78bn** (2.99bn exp) / **DPS SFR1.50** (1.81 exp) / **Said** that uncertainty is high with regard to developments in Europe and North America / Asia pacific to continue to grow / Africa & M-East stable  
**ADIDAS** : **Q4 sales €2.46bn** (2.5bn exp) with **Reebok sales -7.6%** / **Operating €42m** (67m exp) / **DPS €0.35** (0.42 exp) / **Expects** 2010 group sales to grow by a low to mid single digit rate  
**BOUYGUES** : **FY revenue €31.4bn** (31.31bn e) / **Operating €1.85bn** (1.82bn e) / **DPS €1.60**, unch. & in line / **Net debt better** / **Sees** FY10 rev. down 4% to €30bn weighted by Telco & weaker order book in construction in the Q4 / **Not enough** to sustain recent rallye...  
**MERCK KGAA** : **S&P's cut** its long-term corporate credit and senior unsecured debt ratings to 'BBB+' from 'A-' with a stable outlook  
**FIAT** : The removal of government economic stimuli in Europe could stoke a drop of as much as 16% in vehicle sales this year (CEO)  
**UNICREDIT's** Turkish unit Yapi Kredi posted 2009 net profit of \$877m, missing expectations due to higher provisions for bad loans  
**US FEBRUARY VEHICLE REGISTRATIONS +12.2% YOY** : **MINI** -10.4% / **TOYOTA** -8.7% / **PORSCHE** +0.9% / **CHRYSLER** +0.5% / **MERCEDES** +8.4% / **GM** +11.6%

	RESULTS	DIVIDENDS	EVENTS
Today	<b>EU</b> \ Adecoco / 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	<b>EU</b> \ Ahold / Arkema / Aviva/ Beiersdorf (BMO) / Bureau Veritas / Casino / EDP (AMC) / Essilor / Finmeccanica / GDF Suez / Inbev / Linde / Portugal Telecom / <b>US</b> \ Ciena (BMO)		TMT conf at Morgan Stanley /
Friday	<b>EU</b> \ Fugro / Italcementi / Michael Page / Pirelli / Salzgitter / Veolia / WPP		
Monday	<b>US</b> \ Texas Instruments mid quarter		
Tuesday	<b>EU</b> \ Antofagasta / Deutsche Post / EADS / Severstal <b>US</b> \ Kroger		Applied Material AGM / Chevron analyst meeting / Aviation, Transportation, and Defense conf at JP Morgan / Annual Consumer & Retail Leveraged Finance conf at Goldman Sachs

**TRADING IDEAS**

**BUY BBVA** (small size) to play Greek problem soon nor a focus anymore, and any solution should profit to Spanish names as it shpoves a solution exists in case of a Spanish debt insolvency  
**BUY LAFARGE** too much killed lately / most bad news already priced in / the US construction awakening will help  
**BUY RENAULT / PEUGEOT / TOTAL** on double bottom possibility  
**BUY RWE** (island reversal bullish possibility) too much killed lately  
**BUY AXA** lagging as usual, but nice dividend yield in the current levels  
**BUY LAFARGE / SELL HOLCIM** (both were worth 30 one year ago, with Lafarge rebounding 60% and Holcim x2.5 ! / Holcim being only 10% off its level from end of Dec, Lafarge 20% off // Lafarge should profit from the US recovery while Holcim is more dependant from Europe and Asia + emerging markets / Holcim figures below, div below, outlook uncertain)  
**BUY ALSTOM / SELL AIR LIQUIDIE // BUY AXA / SELL ALLIANZ // BUY DANONE / SELL NESTLE**

**BROKER METEOROLOGY**

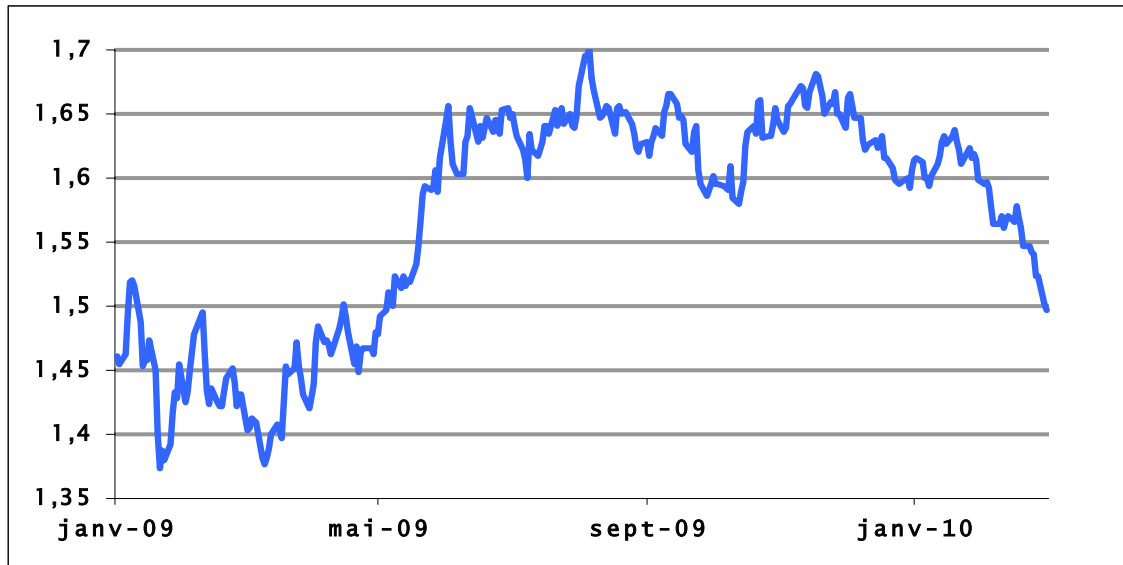
**NORDEABANK**..... **RAISED TO NEUTRAL FROM UNDERWEIGHT**.....**BY CREDIT SUISSE**  
**ANTOFAGASTRA**..... **RAISED TO EQUALWEIGHT FROM UNDERWEIGHT** .....**BY BARCLAYS CAPITAL**

**ADMIRAL** ..... **CUT TO NEUTRAL**.....**BY BANK OF AMERICA – ML**  
**VOESTALPINE**..... **CUT TO NEUTRAL FROM OUTPERFORM** .....**BY CREDIT SUISSE**

**PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO**

CHART OF THE DAY

GBP/USD  
Year to date



Sources: Bloomberg

The GBP declined below 1.50 USD to reach 1.4987 the lowest in 10 months. This drop was firstly led by a survey showing that the parliament could not have any majority next spring, secondly by the public deficit which remains one of the highest among industrialized countries, and finally by the weak and fragile recovery as showed by the latest economic data./JB

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
9.00 GMT	Euro area	PMI services (final)	February	52	52	52
9.00 GMT	Euro area	PMI composite (final)	February	53,7	53,7	53,7
9.30 GMT	United Kingdom	PMI services	February		55,0	54,5
9.30 GMT	United Kingdom	Official reserve change	February			-\$ 250 million
10.00 GMT	Euro area	Retail sales	January		-0,3 %, -1,6 % YoY	+0,1 %, -1,2% YoY
12.00 GMT	United-States	MBA mortgage application	February 26th			-8,5%
13.15 GMT	United-States	ADP employment change	February		-20 000	-22 000
15.00 GMT	United-States	ISM manufacturing	February	51,5	51,0	50,5

Indexes	Price	% 5 Days	Ytd
DJIA	10406,0	1,25%	-0,21%
S&P 500	1118,3	2,22%	0,29%
Nasdaq	2280,8	3,06%	0,51%
CAC 40	3811,9	2,83%	-3,16%
DAX	5776,6	3,08%	-3,04%
Eurostoxx 50	2796,3	2,41%	-5,69%
DJ 600	250,7	1,69%	-1,28%
FTSE 100	5484,1	3,27%	1,32%
Nikkei	10253,1	-1,20%	-2,78%
Shanghai Comp	3093,2	3,04%	-5,61%
Sensex (India)	16920,8	3,30%	-3,12%
MICEX (Russia)	1368,1	1,06%	-0,14%
Bovespa (Brasil)	67779,2	2,53%	-1,18%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3630	0,62%	-4,88%
EUR/JPY	121,15	0,78%	-10,19%
USD/JPY	88,88	1,40%	-4,78%
Oil	Price	% 5 Days	Ytd
Brent \$/b	77,3	-0,39%	0,12%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1134,1	3,32%	3,40%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,10
Overnight	0,06	0,32	0,10
3 Months	0,12	0,28	0,20
10 Years**	3,61	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 [ISM non-manufacturing](#) for February released at 15.00 GMT. After returning back over 50 in November and in December, the ISM services rose to 50.5 in January. US companies are investing again, not only in the manufacturing sector but also in services. Therefore we anticipate a new rise in the ISM services index to 51.5 in February, the highest level since May 2008./**JB**

## ECONOMY

### **EURO AREA: INFLATION IS SLIGHTLY SLOWING DOWN IN FEBRUARY**

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 is slightly slowing down at 1% YoY in February. Therefore there is absolutely no risk of hyper inflation in the euro area and we forecast in the average an inflation of 1.5% in 2010. The major issue will be the weak growth in the euro zone which should reach as well 1.5%. Meanwhile producer prices slightly decline from +0.7% in December to +0.6% in January led by the decline in energy and commodities prices in January. On the other hand from a year ago producer price index passed from -1.0% YoY to -1.1% YoY./**JB**

