

Very small session from the US (not even 1 bn shares on the NYSE) which could not share the happiness from Europe because of a focus on the other major data being the Employment report to be released tomorrow. The Fed's Beige Book, which is largely full of anecdotal economic news, came with little surprise. It indicated that nine of the 12 Fed districts reported modest improvement in economic activity during February, while consumer spending improved slightly in many districts. Given this environment, Greece's long-awaited austerity plan wasn't enough for participants to forget about the fiscal troubles that still face the likes of Spain and Portugal.

However, the fiscal measures announced by Greece yesterday should allow the Government to ease the short-term pressure on its finances with a bond issue and may lead to firmer support from other countries. As expected, the measures amount to an additional €4.8bn (or 2% of GDP) this year and include a rise in VAT, further tax hikes on fuel, alcohol and tobacco, and additional cuts to the public-sector wage bill. Given that the package has been put together under negotiation with the EC, the latter will presumably give a favourable response to Greece's next public finances progress plan to be submitted by 16th March. The measures should also allow Greece to press ahead with a planned bond issue of around €5bn in the next few days – note that bond yields have already fallen to around 6% in anticipation of the measures, lower than at the time of the last auction. This will obviously help to ease Greece's near-term cash problems. As to the €20bn of debt maturing in April and May, the Government will need to raise more from the markets over the coming months. And for that, firmer pledges of support from other euro-zone countries are still likely to be required. The Greek PM's meeting with Angela Merkel on Friday could be crucial, as well as the one with Christine Lagarde French finance minister on Sunday. However we know that the bail out process is now in place, as the Greek government at last complied with the EU rules, which means the money to be lend to Greece at this yield level becomes a bargain, better explaining the drop from 7 to 6% already before the auction started.

What is interesting is not just the financing yield for Greece which dropped from 7 to 6% as they now comply to EU rules which means any defaults would be backed up by Europe, whatever the process (national banks, private solutions or else), but hedge funds looking for prey might switch to a friendly cause now and be part of the reason for the yield decline. Besides the logic that 7 or 6% is attractive, especially when you know you have a signature backed up, this is a way much more popular to look good toward worldwide authorities to come and rescue instead of keeping on chasing sick prey, and killing them. Head funds might turn into a positive and political logic which we need today, and should protect Spain from similar problems. Political pressures have been intense lately, with many financial products put in doubts and taken for responsible for the financial crisis and so the economical one. Politicians would not let that happen a second time, and are trying to sort the problem at the source. The possible bail out process from Greece if needed should be successful and cool things down, making the European Union look stronger than initially thought. But also, there is still in mind of the all world the Lehman fall two years ago, which the Hedge funds (and others financial operators) managed to wipe out, but at the price of their business and sometimes of their financial life.

In the meantime, there are some hope that the Employment report, blizzard or not, could bring positive surprises. Indeed, the 20k job destructions from the private sector yesterday was encouraging, and in addition to the promising job component from the ISM manufacturing last Monday and the ISM services yesterday might mean whatever blizzard impact or not, March will be better and February might not be so bad already on the employment front. Economists are developing stories that the official report on Friday will not be as friendly because of whatever wages are included in one of the statistic and blablabla. Reality is that the employment sector is showing signs of stabilization, and that 8 months after the recession things are getting better including on the employment front which the March data will tell you about, while the double dip has been avoided. The employment sector improvement is the missing point to make this strong US recovery a sustainable one.

Gap left on the Eurostoxx 2860 / 2863 and on the CAC 3858 / 3862 both cash indices // on the downside on the Nasdaq 2274 / 2275 island reversal possibility / little double top possibility on the S&P and Dow

Rangy down session ahead waiting for more information from Greece (Merkel tomorrow and Lagarde on Sunday), as well as from the US employment report out tomorrow

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Finan	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	80,6	1,3682	88,38	3,59	3,14	0,70	0,29	-0,12	-0,34	0,01	-0,11	0,30	-0,08	-0,86	0,04	-0,01	-0,09	US
Perf 1d %	1,04	-0,11	0,21	-2,63 bp	2,2 bp	1,68	1,05	0,56	0,11	0,55	0,22	1,07	0,47	0,35	0,61	0,53	0,52	Europe

ECONOMIC DATA with impact

Bank of England meeting (12h UK time) / no rate change expected / The Monetary Policy Committee is unlikely to take any action at today's meeting. Wednesday's CIPS/Market report on services for February suggested that the recovery in the biggest part of the economy is firmly back on track after the weather/VAT induced setback at the start of the year. But the Committee has left the door firmly open to a further extension of quantitative easing once inflation is on its way down again.

ECB meeting (12h45 UK time) / should announce the next step in its plan to phase out unconventional policy support. This might well be to increase the interest rate on its three-month loans to commercial banks. But its earlier generous provision of long-term loans should mean that there is a very generous supply of liquidity in the banking sector for a long time yet. And with the Bank's new forecasts likely to suggest that the economic outlook is pretty gloomy, any tightening of conventional monetary policy seems a long way off / **minor today**

Jobless Claims (13h30 UK time) expected 470k from previous 496k / any improvement is welcome / **minor** except if far from expected

Factory Orders (15h UK time) expected 1.8% from previous 1% / **minor** / any good data is welcome but lower would not be a problem

Pending home sales (15h UK time) expected 1% from 1% / **interesting** as the US Housing sector is dead for granted which we think should not be dead for long when looking at the latest mortgage applications data and tax incentives extension from one time buyers / any improvement from the housing sector, combined to a stabilizing job sector would fire up the coming US GDPs, already supposed to be strong in Q1 (close to 5% expected)

ICSC Chain stores (15h30 UK time) / previous was up 3% / the higher the better / minor

POSITIVE IMPACTS

VINCI : FY operating €3.19bn (3.09bn exp) / **DPS €1.62**, unchanged (1.55 exp) / **Strong FCF + careful control of capex** helped to reduce the **debt** by €1.7bn to €13.7bn / Sees a return to revenue growth this year + feels confident enough to consider acquisitions

ESSILOR : FY revenue €3.27bn, in line / **Operating €594.4m** (€574m exp) / **DPS €0.7** (+6.1%) (In line) / **Sees** a gradual improvement in its revenue + acceleration of bolt-on acquisitions

ENEL & Endesa are finalising a deal to pool their renewable energy assets in Spain, and **listing the new unit** with an estimated value of €13 bn (Expansion)

ARKEMA : FY revenue €4.44bn, in line / **EBITDA €310m** (€313m exp) / **DPS €0.6**, unchanged / **Sees** improvement in 2010 sales & Ebitda **SANOFI's** experimental chemotherapy drug Jevtana increases survival by 30% in men with prostate cancer (Research)

AHOLD : Q4 Ebit €341m (339m e) / **DPS €0.23** (+28%) (0.21 exp) + **€500m share buyback** / Said the economic environment remained challenging but it had **gained market share** / **Reiterated mid-term targets** to grow both net sales and operating margins by 5%

NEGATIVE IMPACTS

INBEV : Q4 revenue \$9.30bn, in line / Ebitda \$3.10bn (3.29bn exp) / DPS \$0.38 (+35%), in line / Q1 2010 volumes look the most challenging of 2010, due to tough U.S. comparisons, exacerbated by bad weather + Russian Q4 stocking / **Confirmed** synergies targets
CASINO : FY Ebit €1.21bn, in line / DPS €2.65 (+4.7%), in line / **Confirmed** target of net debt/ebitda ratio of less than 2.2x / **No** announcement so far regarding possible measures to improve Leader Price fading performance
GDF-SUEZ : FY Sales €79.9bn (€82.6bn exp) / Ebitda €14bn (14.2bn exp) / DPS €1.47 (+5%) (1.51 exp) / FCF €9.6bn / **Lowered** (as mostly expected) its 2011 Ebitda target to €16.1bn (+15% from 2009) from target of €17-18bn / Performance Plan to generate €1.95bn in earnings by 2011 (€1.8bn initial target)
L'OREAL : Liliane Bettencourt is not in discussions with Nestle to sell her 31% stake in L'Oreal (Her lawyer in the WSJ)

	RESULTS	DIVIDENDS	EVENTS
Today	EU \ Ahold / Arkema / Aviva/ Beiersdorf (BMO) / Bureau Veritas / Casino / EDP (AMC) / Essilor / Finmeccanica / GDF Suez / Inbev / Linde / Portugal Telecom / US \ Ciena (BMO)		TMT conf at Morgan Stanley /
Friday	EU \ Fugro / Italcementi / Michael Page / Pirelli / Salzgitter / Veolia / WPP		
Monday	US \ Texas Instruments mid quarter		
Tuesday	EU \ Antofagasta / Deutsche Post / EADS / Severstal US \ Kroger		Applied Material AGM / Chevron analyst meeting / Aviation, Transportation, and Defense conf at JP Morgan / Annual Consumer & Retail Leveraged Finance conf at Goldman Sachs
Wednesday	EU \ E.On / Exonhit / Fortis / JCDcaux / Lagardere / Mun Re / Standard Life US \ Inter Parfums		Valeo investor day / Walt Disney AGM

TRADING IDEAS

SELL SCHNEIDER to play double top possibility
BUY BBVA (small size) to play Greek problem soon nor a focus anymore, and any solution should profit to Spanish names as it shows a solution exists in case of a Spanish debt insolvency
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 RENAULT / SELL BMW // BUY AXA / SELL ALLIANZ // BUY ALSTOM / SELL AIR LIQUIDIE
BUY LAFARGE / SELL HOLCIM (both were worth 30 one year ago, with Lafarge rebounding 60% and Holcim x2.5 ! / Holcim being only 15% 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 out yesterday below, div below, outlook uncertain)

BROKER METEOROLOGY

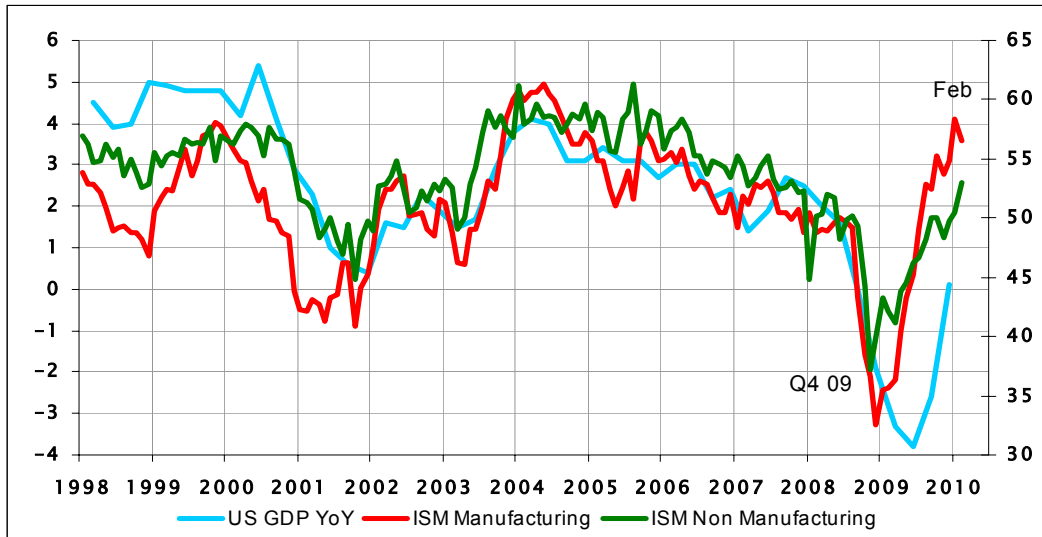
FRANCE TELECOM RAISED TO HOLD FROMS SELL BY CITIGROUP
EADS RAISED TO NEUTRAL FROM SELL..... BY UBS
FRESENUS SE..... RAISED TO HOLD FROM SELL..... BY CITIGROUP
SAFRAN RAISED TO BUY FROM SELL BY UBS
DSM RAISED TO BUY FROM HOLDBY ING

ADMIRAL GROUP CUT TO HOLD FROM BUY BY CITIGROUP
HOLCIM..... REITERATED AT UNDERWEIGHT BY NATIXIS

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

CHART OF THE DAY

US GDP (YoY) and ISM manufacturing and -non-manufacturing index Since 1998



Sources: Bloomberg

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 the ISM services index rose to 53.0 in February, the highest level since October 2007./JB

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
10.00 GMT	Euro area	GDP (preliminary)	4th quarter	+0,1%,-2,1% YoY	+0,1 %,-2,1 % YoY	+0,1 %,-2,1 % YoY
12.00 GMT	United Kingdom	BoE announces rates	March 4th	0,50%	0,50%	0,50%
12.45 GMT	Euro area	ECB announces rates	March 4h	1,00%	1,00%	1,00%
13.30 GMT	United-States	Nonfarm productivity (final)	4th quarter	+6,2%	+6,3 %	+6,2 %
13.30 GMT	United-States	Unit labor costs (final)	4th quarter	-4,4%	-4,5 %	-4,4 %
13.30 GMT	United-States	Initial jobless claims	February 27th		470 000	496 000
13.30 GMT	United-States	Continuing claims	February 20th		4 600 000	4 617 000
15.00 GMT	United-States	Factory orders	January	+1,2%	+1,8 %	+1,0 %
15.00 GMT	United-States	Pending home sales	January	+1,5% MoM	+1,0 % MoM	+1,0 %,+10,5 % YoY

Indexes	Price	% 5 Days	Ytd
DJIA	10396,8	0,27%	-0,30%
S&P 500	1118,8	1,27%	0,33%
Nasdaq	2280,7	2,01%	0,51%
CAC 40	3842,5	3,41%	-2,38%
DAX	5817,9	3,60%	-2,34%
Eurostoxx 50	2822,6	3,20%	-4,80%
DJ 600	252,6	2,29%	-0,51%
FTSE 100	5533,2	3,66%	2,22%
Nikkei	10145,7	0,53%	-3,80%
Shanghai Comp	3034,4	2,48%	-7,41%
Sensex (India)	16912,0	4,38%	-3,17%
MICEX (Russia)	1379,3	3,36%	0,68%
Bovespa (Brasil)	67641,3	2,81%	-1,38%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3661	1,01%	-4,68%
EUR/JPY	120,46	-0,17%	-10,82%
USD/JPY	88,18	0,85%	-5,62%
Oil	Price	% 5 Days	Ytd
Brent \$/b	78,2	3,39%	1,20%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1134,8	2,58%	3,46%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,10
Overnight	0,08	0,22	0,10
3 Months	0,13	0,30	0,20
10 Years**	3,59	3,14	1,34

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

** Euro: German Bund rate Source : Bloomberg

ECONOMIC DATA PREVIEW

Watch in **THE UNITED-STATES** the factory orders for January released at 15.00 GMT, expected to be up for a fifth consecutive month, rising by 1.8%.

Watch in **THE EURO AREA** the preliminary release of the GDP for the fourth quarter released at 10.00 GMT, expected to confirm the advanced released at +0.1%,-2.1% YoY. Keep an eye on the ECB announces rates for March released at 12.45 GMT. The ECB will keep its refi rate unchanged in March at 1% and we confirm our forecast of a rise during next fall at the earliest, with a refi rate at a maximum of 1.5% by the end 2010.

Watch in **THE UNITED KINGDOM** the BoE announces rates for march released at 12.00 GMT. The Bank of England will keep its leading rate at 0.50% in March. 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.

ECONOMY

UNITES-STATES: SHARP RISE IN THE ISM NON-MANUFACTURING INDEX IN FEBRUARY.

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 the ISM services index rose to 53.0 in February, the highest level since October 2007. Looking at the breakdown, the business activity index reached 54.8 (prior 52.2), new orders reached 55.0 (prior 54.7). The very good news is the employment index reaching 48.6 (prior 44.6) the highest since April 2008. As services represent around 75% of the economy this last data remains very encouraging as it is a strong leading indicator of the employment market.

UNITES-STATES: THE ADP SURVEY SHOWED 20 000 JOBS DESTRUCTION IN THE PRIVATE SECTOR IN FEBRUARY

After sharply increasing in December at -149 000 the ADP employment survey improved in January at -60 000 and in February at -20 000 the best performance since January 2008. This data confirmed the progressive improvement of the US unemployment market as the economy is rebounding. Nevertheless as there is a gap between 6 to 9 months between the economic recovery and a significant improvement of the unemployment the US job machine should recover at spring. Despite the gloomy weather condition we expect the US job machine to create 30 000 jobs in February.

EURO AREA: RETAIL SALES DECREASED IN JANUARY

After rising by 0.5% in December, Euro area retails sales declined by 0.3% in January. Euro area retail sales appears to be very volatile and household consumption remains weak and fragile. From a year ago retail sales remained in negative territory for a twentieth consecutive month at -1.3% YoY. Indeed the unemployment rate is high (9.9% precisely) and at the opposite of the United-States the euro area remains far from the virtuous circle of growth, investment, employment, consumption. **JB**

KILLER WALES BECAME DOLPHINS

