DEJA VU

After a little consolidation, we should end the week the same way as last week . The same snowstorms that kept 1 million U.S. workers away from their jobs in February probably kept a few consumers away from the stores as well, temporarily depressing retail sales, economists say. The Northeast U.S. suffered through three of the biggest snow storms of the past 50 years during February, bad enough to visibly lower sales. "The heavy snow storms in February may have weighed on retail sales growth" is the view of most strategists. Still, the underlying momentum in consumer spending hasn't been derailed. Even with the snows of February dampening sales, consumer spending is on track for a 3% annualized growth rate in Q1 . That would be the best growth in three years . Most sales lost by storms are typically made up in the following month . Auto sales weakened during the month, in part because of the weather, in part because of Toyota's safety problems, and in part because automakers weren't discounting as much as they had been. In the government report, auto sales probably fell about 2% in dollar terms. Excluding autos, sales probably rose 0.2% in February. Chain-store sales were surprisingly strong , according to the monthly reports from the companies. Same-store sales were up 4% compared with a year earlier . However, the company reports aren't necessarily a good predictor of the broader retail sales report from the Commerce Department. Gasoline prices were slightly lower in February, about in-line with the usual seasonal drop. Demand for gas probably fell because of the storms, so economists are looking for sales to decline at service stations. "We are factoring in some significant weather-related declines in sectors such as home electronics, furniture, hardware, sporting goods, and restaurants" .

Who really cares the Retail Sales really ... More often than not, retail sales are fairly subdued in the month of severe winter weather as the snow prevents people from getting to the stores. For instance, sales fell by 0.7% m/m and 0.9% m/m respectively during the snowstorms of March 1993 and January 1996. The good news is that retail sales tend to rebound once the snow has melted and pent up demand is released. A weak number in February will therefore be followed by strong number in March . Which means once we stop focusing on European 's balance sheet (not worse than the Californian one) we should be finishing March at a very fast speed in term of market performance as most of the data will be fantastic looking when released in April, starting with the Employment report, and with it most consumers spending and confidence surveys.

The employment improvement is a reality and will make the current prompt recovery a sustainable one. Small businesses start contributing to the employment strengthening. A large part of the poor performance of the labour market over the last two years is due to the plight of small businesses. Indeed, the recent recession stands out from previous ones due to the fact that small businesses accounted for an unusually large share of the job losses . For instance, during the 2001 recession, small and large businesses cut employment by roughly the same amount. But in the first 16 months of the recession that ended around the middle of last year, firms with fewer than 500 employees shed 4.0 million jobs while firms with more than 500 employees cut employment by a more modest 2.3 million. It seems likely that this unusual trend was a result of the sharp deterioration in credit conditions that is unique to the recent recession, and also that the small firms are not profiting as much of the dollar weakness (less sensitive to exports) .

It is clear that during the recession small firms cut employment by much more than large firms. However, in the second quarter of last year (the latest quarter for which data are available), small firms dramatically reduced the rate at which they cut headcounts. The more up to date ADP employment survey shows that this trend has continued in the last eight months . In February of this year, small firms reduced employment by just 18,000, the smallest fall since March 2008.The Business Employment Dynamics data show that part of this turnaround reflected a reduction in the number of employees that small businesses were letting go. But more significantly, it was also a result of an increase in the number of new workers that they were hiring . This change came at roughly the same time that the recession ended, presumably meaning that it was due to a decrease in uncertainty and increases in both sales and optimism.

Down yesterday, we might be up today with hopefully more business interest. The Retail sales data should be seen as a win win one same as last week. European troubles once more fine, with the Portugal budget presentation now a non event, the Greek strike non spill over effect, and its non impact on the economy, some huge March macro data to be attended in April, option gamma players willl become the stars of the next week trading activity.

	WTI	€/$	$ / ¥	10 yr US	10 yr Euro	Basic	Energy	Finan	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	82,2	1,3694	90,60	3,73	3,18	0,27	0,01	0,86	0,49	0,40	0,45	0,23	0,28	-0,25	0,40	0,40	0,42	US
Perf 1d %	0,73	0,10	-0,21	0 bp	2,6 bp	-0,41	0,01	0,04	-0,28	-0,00	-0,03	-0,41	-0,32	-0,50	-0,12	-0,06	-0,07	Europe

ECONOMIC DATA with impact

Retail Sales (13h30 Uk time) expected -0.2% from previous +0.5% // **ex autos** +0.1% from previous +0.6% / **interesting** although same as last week with the employment report, win win data as any bad report will be attributed to the stormy weather, while any resilient one would be very positive as for sure next month will be much better (see intro)

Michigan Index (15h UK time) expected 73.9 from previous 73.7 / **interesting** as fresh data from March, however minor when looking at the current employment improvement which once confirmed should sort out everything starting with the confidence surveys

POSITIVE IMPACTS

K+S : Potash Corp of Saskatchewan sharply raised its Q1 forecast yesterday, citing a sharp rebound in demand for potash
YARA : As expected, **Yara will not raise its bid for Terra Industries**
ASTRAZENECA said it is confident in the **positive benefit-risk profile of symbicort** in asthma
BAYER unveiled a **strategy for growth in Asia** at its annual Asia Pacific conference in Singapore = Bayer will invest heavily in the region by doubling its sales team in India + tripling it in Vietnam to increase sales by above market average growth rates in the LT
SEGRO has **pulled out of talks** to acquire £250m of warehouses and offices around Heathrow and Gatwick from **BAA**
FERROVIAL has put 10% of its motorway in Canada up for sale & will use the proceeds to invest in new projects + pay down debt
PERNOD RICARD €1.2Bn bond issue had been carried out successfully.
UK REAL ESTATE : UK house prices increased in February at the fastest pace in more than 7 years (Acadametrics)

NEGATIVE IMPACTS

ROCHE said a phase III study of Avastin in men with late stage prostate cancer **did not meet its primary objective** of survival
AXA : Australia's competition **regulator delayed its decision** on separate, multi-bn $ bids for AXA Asia Pacific Holdings
ENI 2010-2013 business plan = **Will invest €52.8bn** in 2010-2013 **versus €48.8bn in previous plan** / **Sees** average annual increase in output of over 2.5% to 2013 and over 2% to 2016…
KESKO reported **February sales,** excluding VAT, **down by 2.7%** compared with the previous year
ITALCEMENTI is expected to launch on Monday a 6 to 10-year bond of between €750m & €1bn
SWISS BANKS are facing increased competition, higher costs, lower margins & tougher regulation through 2015 (Study by Accenture)

TO BE NOTED : JPM & CITIGROUP helped cause the failure of Lehman Brothers by demanding more collateral & changing guarantee agreements (Manhattan Federal Court's 2200-page document) / **The report really reads like a novel** & the level of detail provided is pretty astounding = Fuld called Buffett on Friday, March 28, 2008 / They discussed Buffett investing at least $2bn in Lehman / Buffett wanted Lehman executives to buy under the same terms as him / Fuld explained they couldn't & complained about short sellers / Buffett took it as a negative / Following his conversation with Buffett, Fuld asked Paulson to call Buffett, which Paulson reluctantly did… **Ready for your new bed-side reading?**

	RESULTS	DIVIDENDS	EVENTS
Today			BBVA AGM / LG AGM
Monday	EU \\ Altran Technologies / Bulgari / Seche Environnement	Seadrill ($0,55)	
Tuesday	EU \\ Zodiac sales		Inflation conf at Deutsche Bank / Industrial conf at Goldman Sachs
Wednesday	EU \\ BMW / Enel / Ingenico / Lanxess / Linde AG US \\ Nike	HSBC ($0,111111) / Schindler (CHF 2.00) / Thomas Cook (GBp 7,777778) / WPP (GBp 11,42222)	TBC Deutsche Telekom investor dayHewlett-Packard AGM / Annual Gaming, Lodging, Restaurants & Leisure conf at JM Morgan
Thursday	EU \\ Altana / Benetton US \\ FedEx / Palm		Aegis analyst meeting / Deutsche Telekom investor day / Roche Investor meeting

TRADING IDEAS

SELL AHOLD / BNP / UNILEVER / AIR LIQUIDE / ST GOBAIN / LAFARGE / FRANCETEL toppish
SELL CARREFOUR / SCHNEIDER / ZURICH FI / ALLIANZ / VINCI / STM to play double top possibility

BUY ALSTOM / SELL SCHNEIDER // BUY UNILEVER / SELL AHOLD // BUY AIR FRANCE / SELL LUFTHANSA // BUY TOTAL / SELL BP // BUY GLAXO / SELL SANOFI // BUY PFIZER / SELL JNJ

BROKER METEOROLOGY

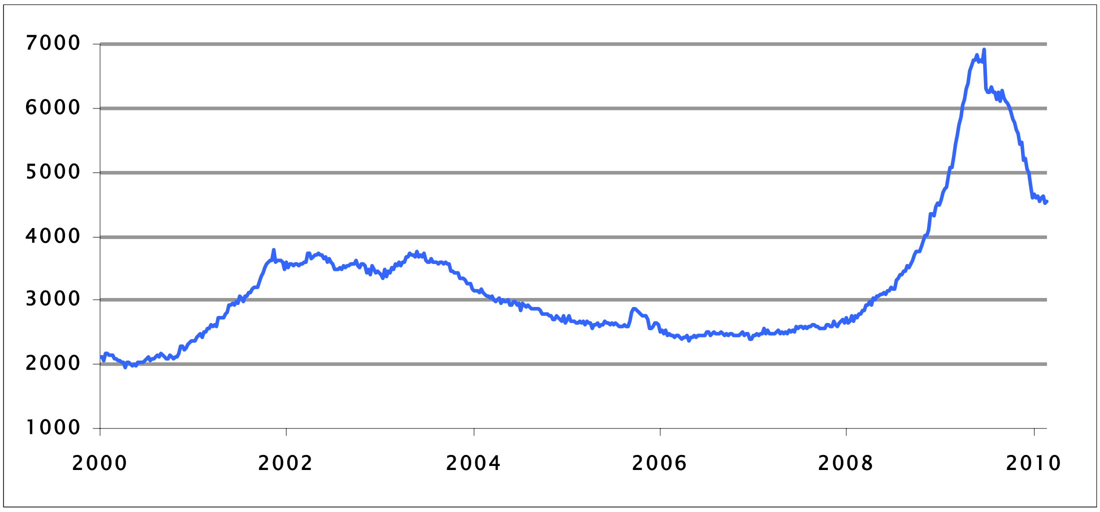
H&M....... RATED NEW BUY....... BY ING
VOLVO .... RAISED TO OVERWEIGHT .... BY JP MORGAN
ADP .... RATED NEW BUY....... BY RBS
MERCK KGAA .... REMOVED FROM LEAST PREFERRED LIST....... BY BANK OF AMERICA – ML
DEUTSCHE POST .... RAISED TO BUY FROM HOLD .... BY UNICREDIT

HSBC....... REMOVED TO CONVICTION BUY LIST & CUT TO NEUTRAL .... BY GOLDMAN SACHS
CARREFOUR .... CUT TO UNDERPERFORM FROM NEUTRAL .... BY CREDIT SUISSE
ALFA LAVAL .... CUT TO NEUTRAL FROM BUY .... BY BANK OF AMERICA – ML
K+S....... CUT TO HOLD FROM SELL....... BY DEUTSCHE BANK
SURGUTNEFTEGAZ .... CUT TO UNDERWEIGHT....... BY JP MORGAN

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

CHART OF THE DAY

US Continuing jobless claims(value/thousand)
Since 2000



Sources: Department of labour

US continuing claims increase from 4 521 000 to 4 558 000 confirming the fragility of the US job machine. Nevertheless the virtuous circle of growth-investment-employment- consumption is back on track in the US and the employment market should significantly improved at spring./**JB**

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
4.30 GMT	Japan	Industrial production (final)	January			+2,5%,+5,1% YoY
4.30 GMT	Japan	Capacity uilization (final)	January			+1,4%
8.45 GMT	France	Current account balance	January		-€ 3,9 bn	-€ 3,6 bn
11.00 GMT	Euro area	Industrial production	January		+0,7%,-1,6% YoY	-1,4%,-4,2% YoY
13.30 GMT	United-States	Retail sales	February	+0,2%	-0,2%	+0,5%
13.30 GMT	United-States	Retail sales less auto	February	+0,3%	+0,1%	+0,6%
14.55 GMT	United-States	Université of Michigan consumer confidence	March		74,0	73,6
15.00 GMT	United-States	Business inventories	January		+0,1%	-0,2%

Indexes	Price	% 5 Days	Ytd
DJIA	10611,8	1,73%	1,76%
S&P 500	1150,2	2,50%	3,15%
Nasdaq	2368,5	3,35%	4,38%
CAC 40	3929,0	2,63%	-0,19%
DAX	5928,6	2,30%	-0,48%
Eurostoxx 50	2895,7	2,85%	-2,34%
DJ 600	257,6	1,88%	1,46%
FTSE 100	5617,3	1,80%	3,78%
Nikkei	10751,3	5,12%	1,94%
Shanghai Comp	3021,6	0,92%	-7,80%
Sensex (India)	17172,7	1,16%	-1,67%
MICEX (Russia)	1395,9	1,20%	1,89%
Bovespa (Brasil)	69884,6	3,05%	1,89%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3703	0,52%	-4,42%
EUR/JPY	124,16	-0,93%	-7,54%
USD/JPY	90,61	-0,41%	-2,75%
Oil	**Price**	**% 5 Days**	**Ytd**
Brent $/b	79,9	0,65%	3,52%
Gold	**Price**	**% 5 Days**	**Ytd**
Gold $/oz	1113,2	-1,96%	1,41%
Rates	**USA**	**Euro**	**Japan**
Central Banks*	0,25	1,00	0,10
Overnight	0,06	0,33	0,10
3 Months	0,14	0,28	0,20
10 Years**	3,72	3,18	1,35

*US: Fed Funds; Jap: Overnight; Euro: Refi
** Euro: German Bund rate Source : Bloomberg

ECONOMIC DATA PREVIEW

Watch in THE UNITED-STATES the Retail sales for February released at 12.30 GMT. After having declined by 0.1% in December ending two consecutive rising months, US retail sales increased by 0,5% in January. Boosted by the rise in October (+ 1.2%) and in November (+ 2.0%), retail sales rose by + 1.85% in Q4. For February, because of the rise in wages, retail sales should increase by 0.2%. Excluding transport, the rise should reach 0.3%./**JB**

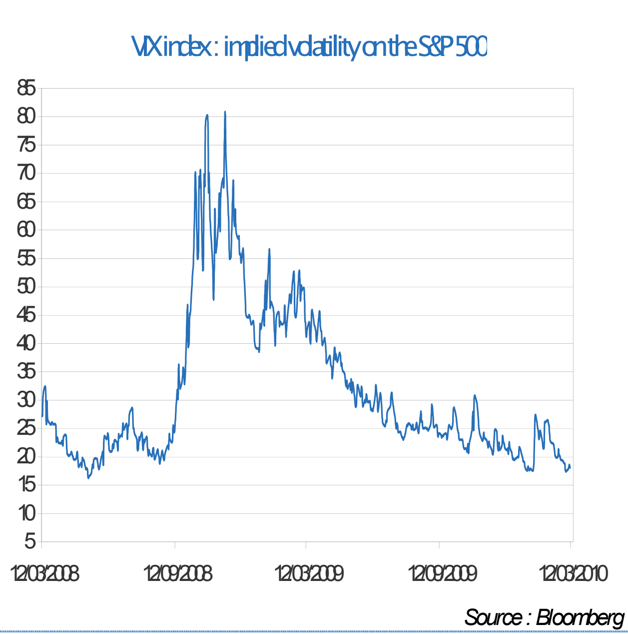
ECONOMY

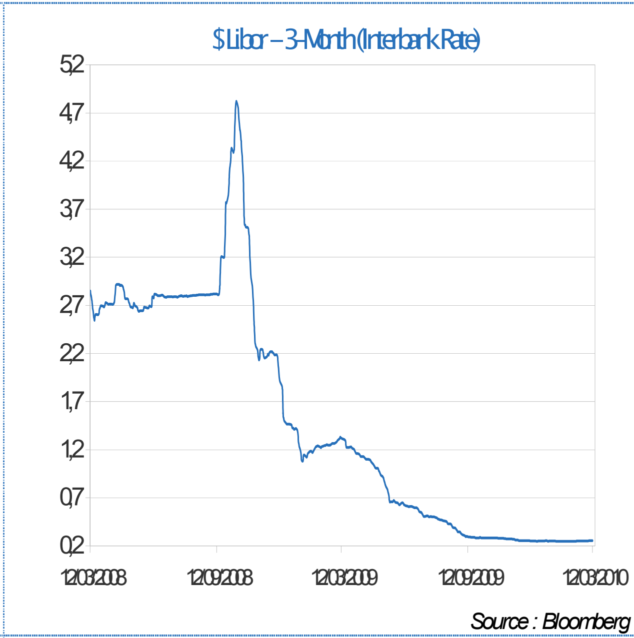
UNITED-STATES : THE TRADE DEFICIT DECLINED IN JANUARY

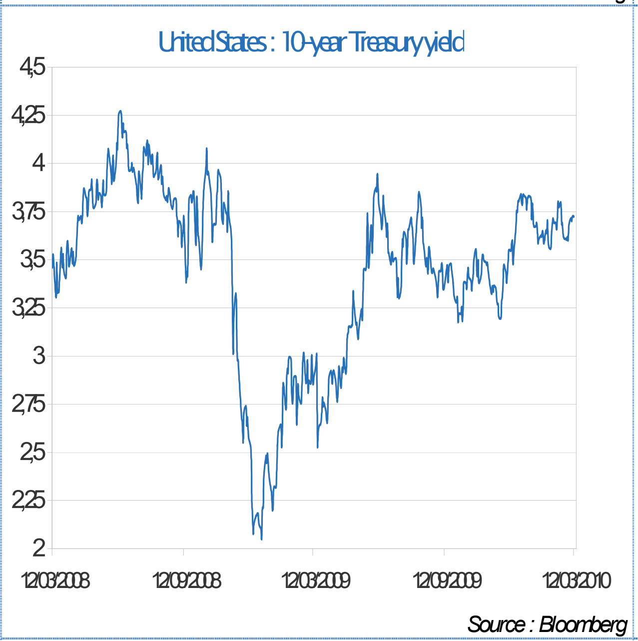
After narrowing in October, the US trade deficit which increased in November and in December respectively to 36.11 and 39.9 billion. The trade balance narrowed in January to reach 37.3 billion. This decline was led by the decrease in exports (-0.3%) despite the rebounding of international trade and the decrease of the dollar. Meanwhile imports decrease by 1.7%.

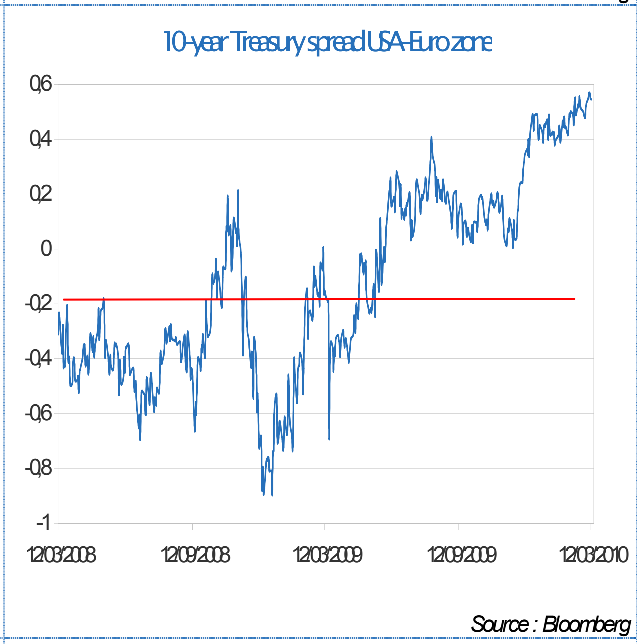
UNITED-STATES: INITIAL JOBLESS CLAIMS SLIGHTLY DECLINED AND CONTINUING CLAIMSROSE LAST WEEK

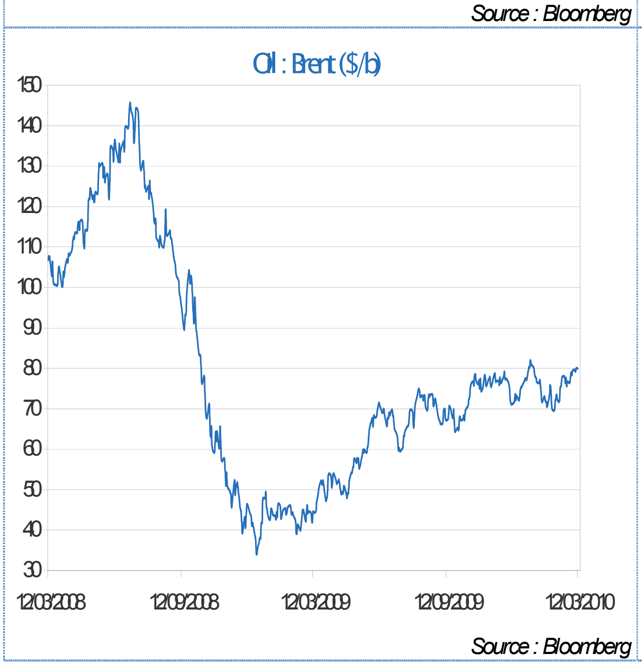
After increasing to 468 000 initial jobless claims slightly decline to 462 000 last week. Meanwhile continuing claims increase from 4 521 000 to 4 558 000 confirming the fragility of the US job machine. Nevertheless the virtuous circle of growth-investment-employment- consumption is back on track in the US and the employment market should significantly improved at spring. Ben Bernanke confirmed that the Fed rate will not increase before a significant improvement of the employment market meaning not before June according to our forecast./**JB**

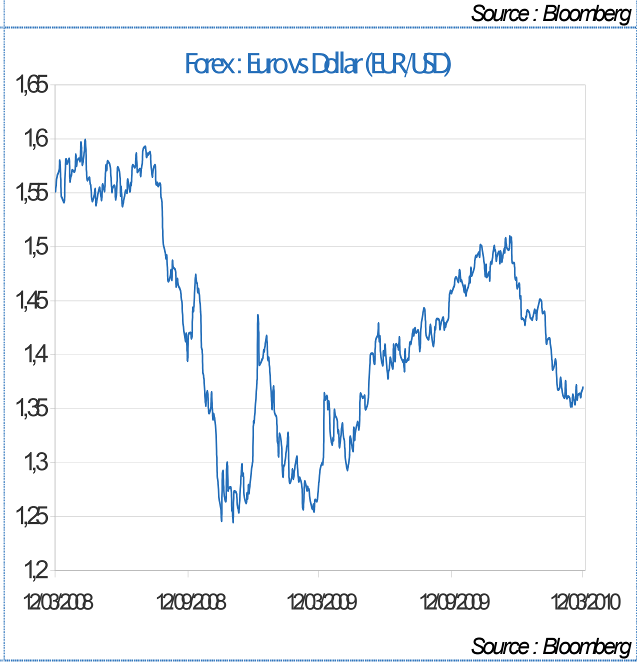

VIX index : implied volatility on the S&P 500
85
80
75
70
65
60
55
50
45
40
35
30
25
20
15
10
5
12/03/2008
12/09/2008
12/03/2009
12/09/2009
12/03/2010
Source : Bloomberg


$ Libor – 3-Month (Interbank Rate)
5,2
4,7
4,2
3,7
3,2
2,7
2,2
1,7
1,2
0,7
0,2
12/03/2008
12/09/2008
12/03/2009
12/09/2009
12/03/2010
Source : Bloomberg


United States : 10-year Treasury yield
4,5
4,25
4
3,75
3,5
3,25
3
2,75
2,5
2,25
2
12/03/2008
12/09/2008
12/03/2009
12/09/2009
12/03/2010
Source : Bloomberg


10-year Treasury spread USA-Euro zone
0,6
0,4
0,2
0
-0,2
-0,4
-0,6
-0,8
-1
12/03/2008
12/09/2008
12/03/2009
12/09/2009
12/03/2010
Source : Bloomberg


Oil : Brent ($/b)
150
140
130
120
110
100
90
80
70
60
50
40
30
12/03/2008
12/09/2008
12/03/2009
12/09/2009
12/03/2010
Source : Bloomberg


Forex : Euro vs Dollar (EUR/USD)
1,65
1,6
1,55
1,5
1,45
1,4
1,35
1,3
1,25
1,2
12/03/2008
12/09/2008
12/03/2009
12/09/2009
12/03/2010
Source : Bloomberg