

Monday Report

8 March 2010

Economy

US productivity increased significantly in 2009, growing by 5.8% between Q4 2008 and Q4 2009 as a result of employers reducing headcount in order to lower costs. 36,000 jobs were lost in February, while unemployment remained unchanged at 9.7%; the net position would have been positive had 64,000 jobs not been lost in construction. The ECB is expecting 0.8% growth in the Eurozone in 2010 (0.4-1.2%) and 1.5% in 2011 (0.5-2.5%); as one would expect, this growth is predicted to be irregular. Unemployment in mainland France reached 9.6% in Q4 (up 1.8% in 2009), rising to 10% if overseas départements are included. Swiss GDP was up 0.7% in Q4 (as compared with 0% in Germany, 0.6% in France and -0.2% in Italy). The PMI climbed to 57.4 in February – its highest since March 2008.

Swiss Market

To be monitored this week: macro statistics – February employment (SECO); January retail sales (OFS); February CPI (OFS).

Adecco (NR) has published 2009 figures absolutely in line with expectations. The outlook for 2010 is encouraging. Holcim (NR) has also announced its figures (which were below expectations) and declined to give any guidance for 2010. Swisscom (NR) has continued to suffer as a result of the Fastweb affair. ROCHE (PLUS) this morning announced that it was suspending its Ocrelizumab (polyrheumatoid arthritis) programme, with a slight negative impact. NESTLE (PLUS): this stock suffered on Friday as a result of Casino's announcement that it would start selling Nespresso-compatible capsules at 20% lower prices in May.

Sentiment of traders

Stock market

US unemployment figures that were not as bad as expected enabled stock markets to continue their incredible rally, with some indices climbing to new annual highs. There will not be many economic indicators this week, and we can expect to see a slight consolidation.

Currencies

Rising oil prices (US\$79), and the fact that, in spite of the Greek problem, the EUR/USD pair has not been able to break through the support at 1.3435, have enabled the EUR to bounce back to 1.3670 (target 1.3830). We are anticipating a USD/CHF range of 1.06-1.09 in the short term. The SNB is continuing to successfully defend the EUR/CHF rate at 1.46. Gold has risen strongly to US\$1,137 an ounce – an increase of over US\$20 in a week.

Today's graphic



Markets

Good news from Greece: (1) Greece's creditors will be reassured by Mr Sarkozy's strong words and Mrs Merkel's conciliatory comments: neither bankruptcy nor bailout... (2) While the international agreement on banishing speculators from sovereign debt CDS markets has not yet been signed, it will prevent some speculators from entering into new positions; spreads are likely to reduce. This is therefore good news for markets – though they have already risen nearly 10% since the media coverage of the crisis in early February! This news will therefore do no more than provide some short-term support to the markets. Elsewhere, the bullish trend is still going strong, accentuated by the fact that investor sentiment is still somewhat negative and America is continuing to publish very strong economic statistics, in spite of negative effects arising from poor weather in February.

Recommended European Stock Watch

AVIVA (PLUS) published higher-than-expected operating income last week; conversely, its equity capital is slightly below the expected level. The main reason for this is more conservative accounting treatment of certain actuarial parameters.

DAIMLER (USA Recovery Basket): (1) The group's global sales were up 13% in February; (2) Two brokers are reiterating their positive opinions of the stock after a meeting with the company's management, saying they feel it is only a matter of time until 2010 guidance figures are raised...

DELHAIZE (USA Recovery Basket) is due to publish its 2009 results on Thursday. After its sales were announced a month ago (up 4.8% to €19.9bn), the consensus is for EBIT of €970m (up 7.1%), driven by work completed in Belgium (sales strategy, pricing and cost reductions) and the USA (where it has a less aggressive sales approach than Ahold).

EADS (USA Recovery Basket) has announced that it has reached agreement in principle with the Governments that are buying its A400-M wide body military aircraft over sharing the programme's excess costs. In the end, EADS' 2009 financial statements, due to be presented tomorrow, will include a €1.8bn provision. 2009 EBIT and net income are therefore expected to be negative.

FRANCE TELECOM (PLUS): the merger of T-Mobile and Orange in the UK has been approved by the European Commission. Although the new group – which will have a 37% market share, €9.4bn in revenue and EBITDA of €2.1bn – will have to give back some 18% of its frequencies, operational synergies from the merger are estimated at €400m p.a. with effect from 2014.

HSBC (PLUS) published poorer-than-expected 2009 results last week, impacted by higher-than-anticipated debt repayments and a fall in net trading income. Current year forecasts remain encouraging.

Performances

		since	01.01.2010	26.02.2010
SUISSE	SMI		4.61%	2.04%
EUROPE	DJ Stoxx 50		-0.34%	4.31%
EUROPE	DJ Stoxx 600		1.26%	4.59%
USA	S&P 500		2.12%	3.10%
EMERGENTS	MSCI Emerging		-1.47%	4.17%
JAPON	Nikkei 225		-1.68%	2.40%

Source: Datastream

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