



FORECASTS FOR THE EQUITIES MARKET

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Asset Management

Outlook

The recent wave of risk appetite is still favourable to the most risky assets: Emerging markets, commodities, medium caps. This movement supports the markets but in an indirect way, asset rotation is only, as we expected, partially benefiting equities – bonds have taken the lion's share.

Markets should take advantage of this risk appetite and the seemingly bottomless pit of liquidity for a few months longer. They should also be encouraged by 4th quarter results, which are expected to be strong (helped by historically low comparisons), by green shoots in mergers and acquisitions and by attractive values. Our technical indicators (risk appetite, market sentiment, volatility) are improving without crossing the line into excessive euphoria.

Beyond these few months, the future is less certain: Growth will need to sustain itself beyond restocking inventories and budgets will need to remain strong. During this time, however, indebtedness of issuers and States will be a focal point.

United States followed by Europe and Japan are our preferred areas. After strong performances in Asia excluding Japan we expect a slight drop in the short term in this area.

Results forecasts and evaluation of the markets

Profits outlook:

Wait-and-see approach prevails in run-up to release of 4th quarter results

- Growth in 2010 is expected to increase but comes as a result of lowered forecasts in 2009.
- We are not changing our growth forecasts in 2010 if only to react to lowered profits in 2009 by consensus and increase from +22% to +25% for the Euro area; the other areas remain unchanged.

Values are stabilising - but they are still attractive, particularly in the US

- Values rose slightly compared to the previous month Profits in the next 12 months will increase along the same line as market performance.

Other factors:

Can Small Caps continue to outperform? Yes, because:

- Increased funds at beginning of year
- Mergers and acquisitions cycle is underway
- More moderate premium compared to higher growth than large caps

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Liquidity: monetary flows are still not fuelling equity funds

- Buybacks in domestic US equity funds, modest subscriptions in Europe
- Merger and Acquisition activity cooled at year end but continues nevertheless: National Australia Bank / AXA APH, Sanofi-aventis / Chattem, CSN / Cimpor, Novartis / Alcon. Encore des augmentations de capital importantes (Citigroup, Wells Fargo, Bank of America)

Graphical analysis: potential of increase over the first months of 2010 but long-term outlook remains bearish

- In the mid term, potential for increase is maintained for a 4-6 month horizon. The initial targets are around 1300 for the SP500 and 4250 for the CAC.
- In the long term, risk of decrease is maintained and the increase begun in March 2009 could prove to be a mere bear market rally.

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