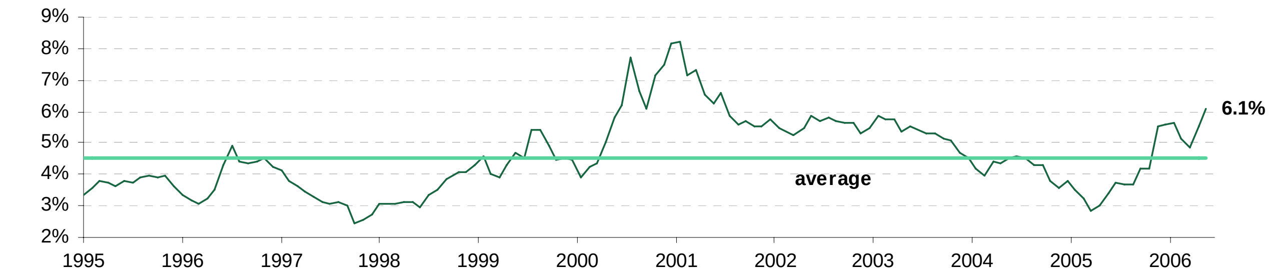
Risk aversion

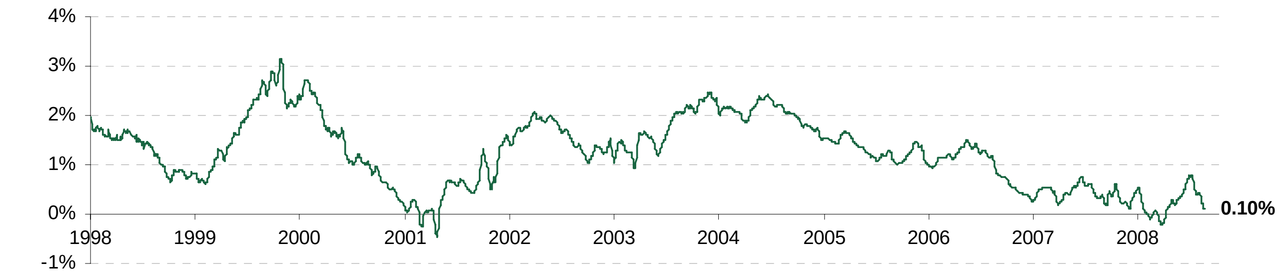
Equity risk premium in Europe



Source: Associés en Finance

The financial crisis which broke out in 2007 changed investors' risk aversion which had fallen with rising markets since 2003. Yet the equity risk premium remains well below end-2002 / beginning-2003 levels.

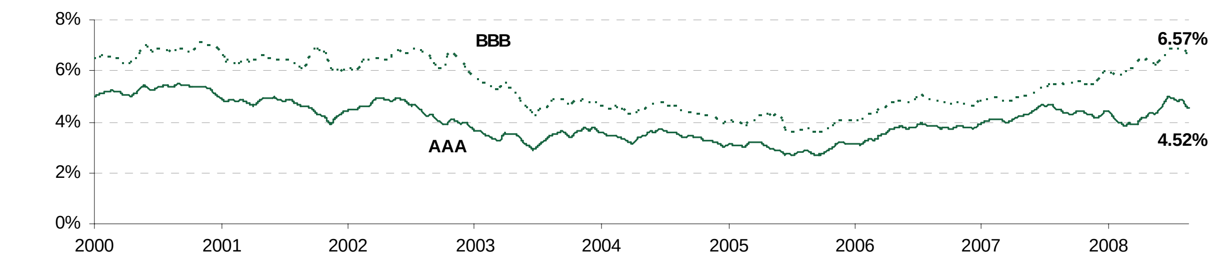
Spread between 10 year Bund and EONIA



Source: Thomson Datastream

Interest-rates curve remains flat resulting from current high short-term interest-rates in Europe (compared with US rates).

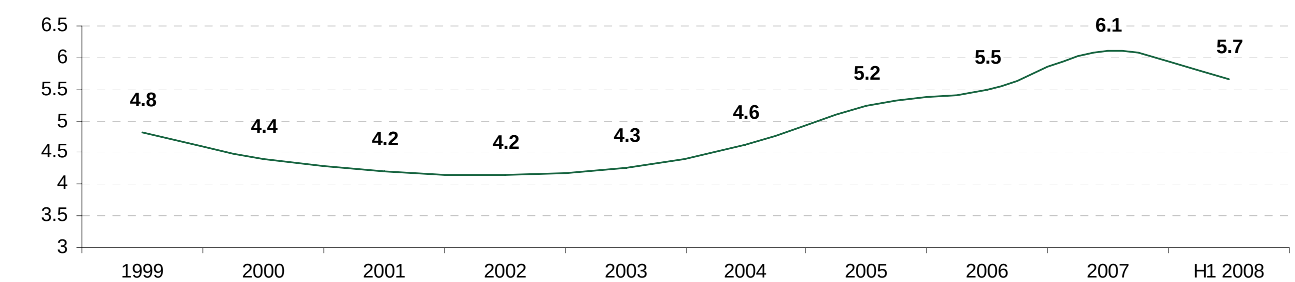
Spread between AAA and BBB bonds' yields



Source: Thomson Datastream – AAA bonds (any issuers) / BBB bonds (companies)

Since mid-2007, spread between best-rated bonds and those with a BBB rating has widened: this is the result of growing risk-aversion among investors.

Debt / EBITDA in LBOs

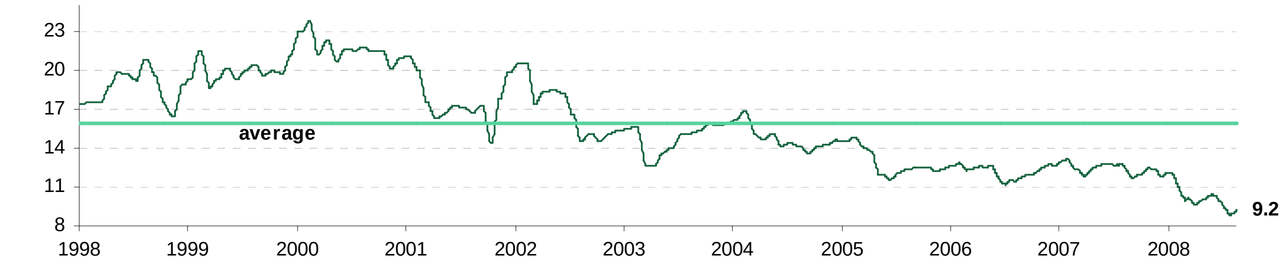


Source: Standard & Poor's

After reaching a peak in the first half of 2007, bankers' involvement in leveraged transactions fell more sharply than the chart above would suggests it: banks have almost ceased to lend money for LBOs over €1bn.

Valuation

Average forecast P/E ratio (year n+1) in Europe



Source: Thomson Datastream

As a result of the sharp fall that markets have encountered (particularly financial stocks), the average anticipated P/E ratio is at its lowest level in 10 years.

Average payout ratio in Europe

Source: Thomson Datastream

As the outcome of falling markets and rising dividends per share, dividend yield has strongly increased for the first time since 2003, reaching its highest level in 10 years.

Price to Book Ratio

Source: Thomson Datastream

PBRs below 1 which had almost disappeared until summer-2007, are back, especially among financial stocks.

Eurostoxx 50 volatility

Source: Thomson Datastream

It has moved up rapidly after mid-2007 but it has only reached its average level since 2002.

Valuation (2)

Eurostoxx 50

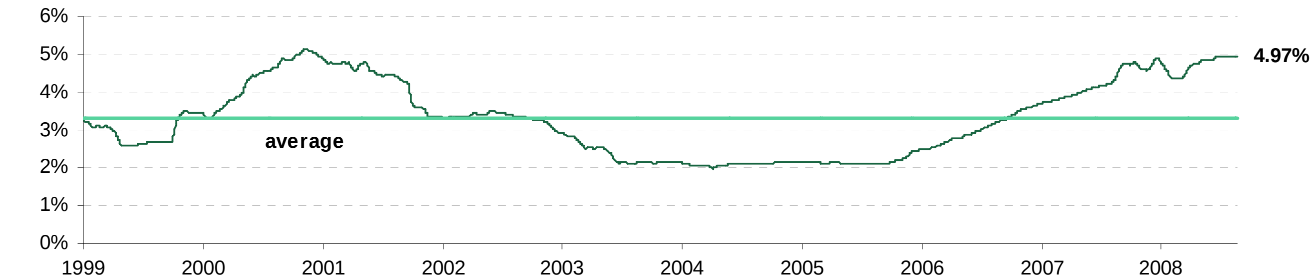
Source: Thomson Datastream

Exchange and interest rates

Parity € / $

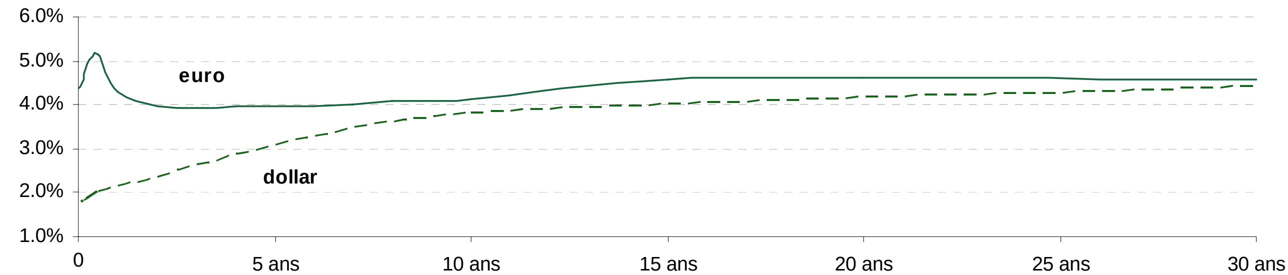
Source: Thomson Datastream

Euribor 3M



Source: Thomson Datastream

Yield curves



Source: Thomson Datastream

Despite the fact that monetary policies implemented by the European and US central banks are different, markets anticipate convergence between both monetary zones in the long run.

Implicit inflation

Source: Datastream

Inflation anticipations are currently rising less than actual inflation: part of recent increase is thus perceived as temporary.