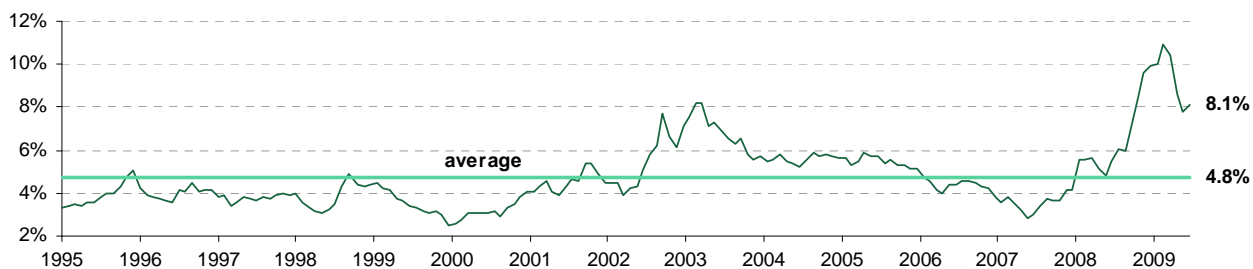


Risk aversion

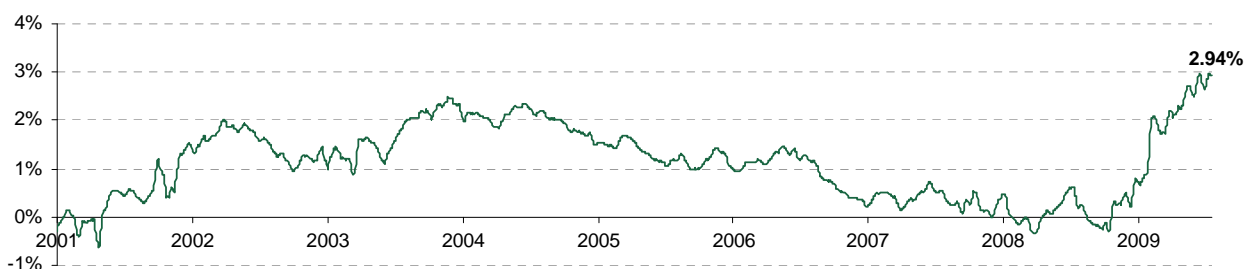
European equity risk premium



Source: Associés en Finance

After having reached a level never seen before (10.9% in February 2009), the equity risk premium is continuously decreasing but remain high.

Difference 10Y Bund rate - Eonia rate



Source: Thomson Datastream

The strong decrease in short term interest rates, prompted by governments to help banks to lend and to lower the cost of debt, has resulted in a curve with a steep and normal slope.

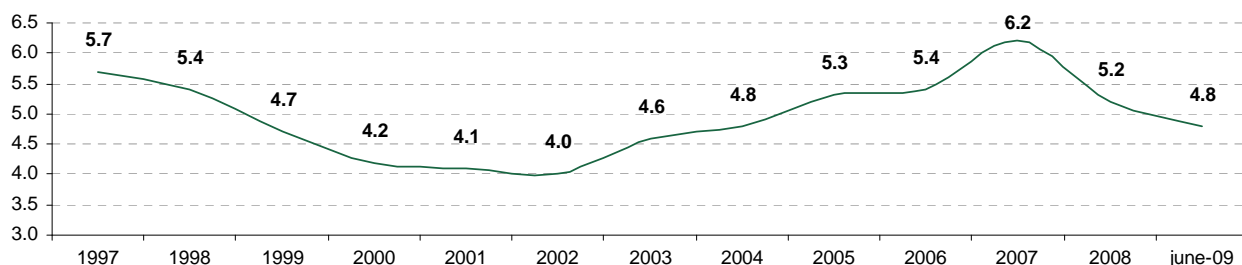
Difference between the rentability of European AAA and BBB bonds



Source: Thomson Datastream – AAA bonds (all issuers) / BBB bonds (firms)

The risk aversion is also found in the gap between the cost of money for AAA and BBB borrowers.

Ratio Debt/EBITDA in LBOs

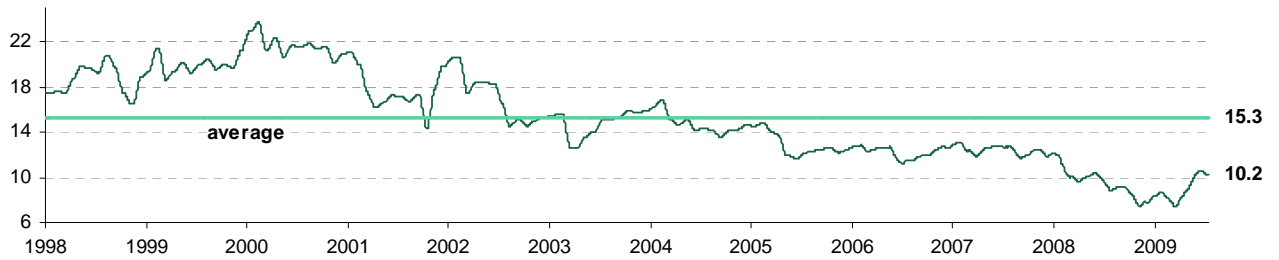


Source: Standard & Poor's

There are only a few LBOs done as high risk debt financing is scarce. The few ones that are concluded are based on a much reduced debt/EBITDA ratio.

Valuation

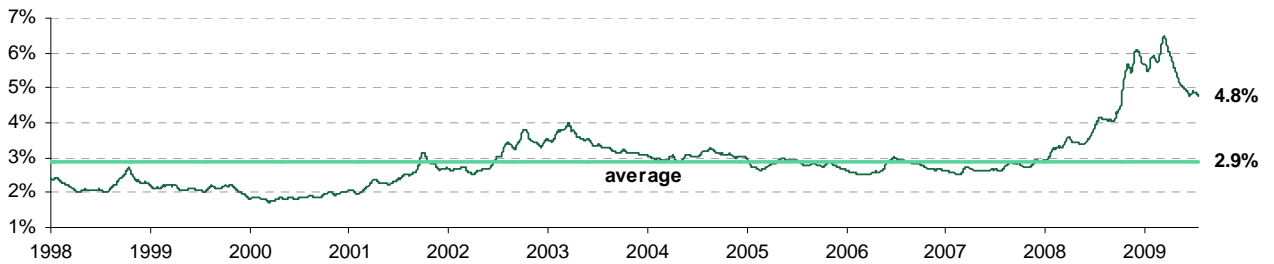
Average forecasted PER (year n+1) in Europe



Source: Thomson Datastream

Down because of risk aversion.

Average yield in Europe



Source: Thomson Datastream

Up as companies have reduced their dividend per share less than share prices have decreased. A classical move in a financial crisis.

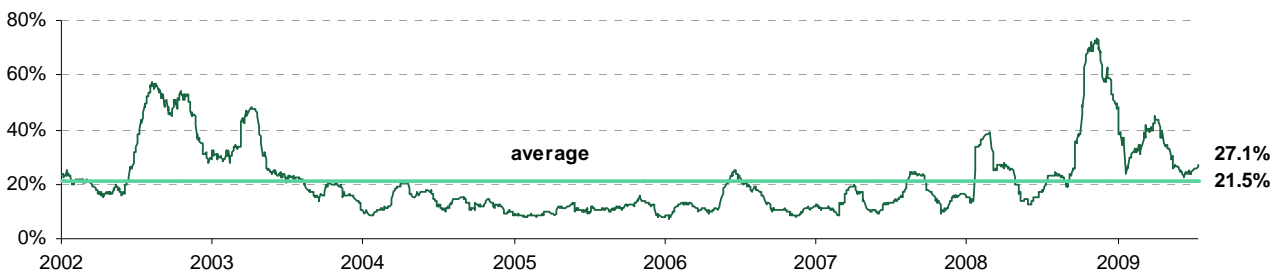
Price to book ratio (PBR)



Source: Thomson Datastream

A PBR of 1.2 means that investors do not believe that companies will be able to create much value in the future.

Eurostoxx 50 volatility index



Source: Thomson Datastream

Back to the average for the share volatility. Daily moves above 5% have almost completely disappeared.

Eurostoxx 50



Source: Thomson Datastream

11 years of gains nearly wiped out. That's life (and risk).

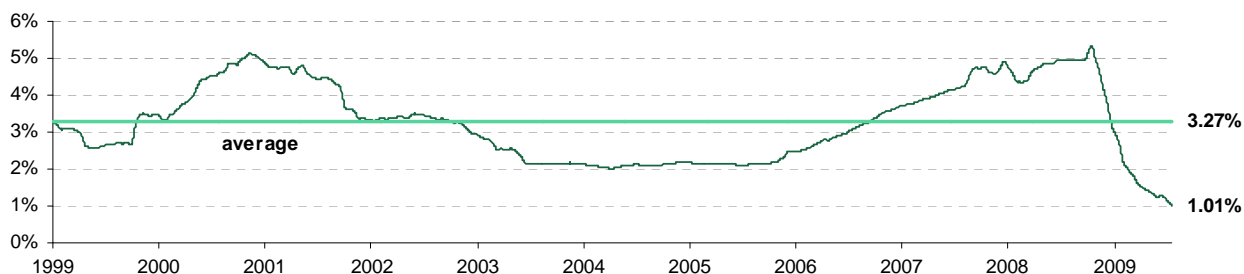
Exchange and interest rates

€\$ Parity



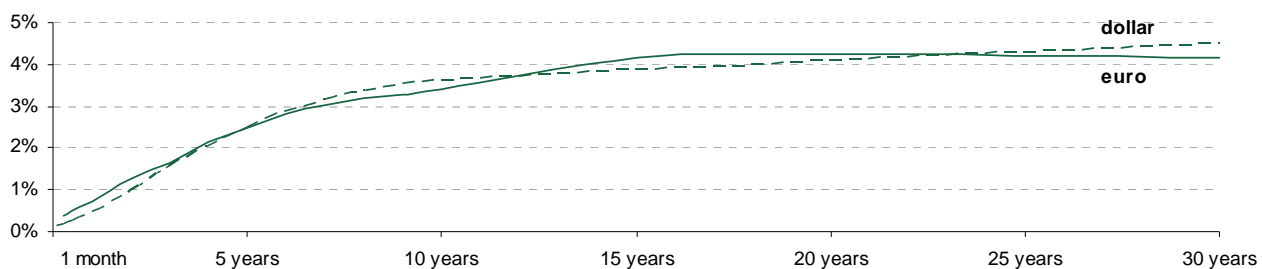
Source: Thomson Datastream

Euribor 3-month



Source: Thomson Datastream

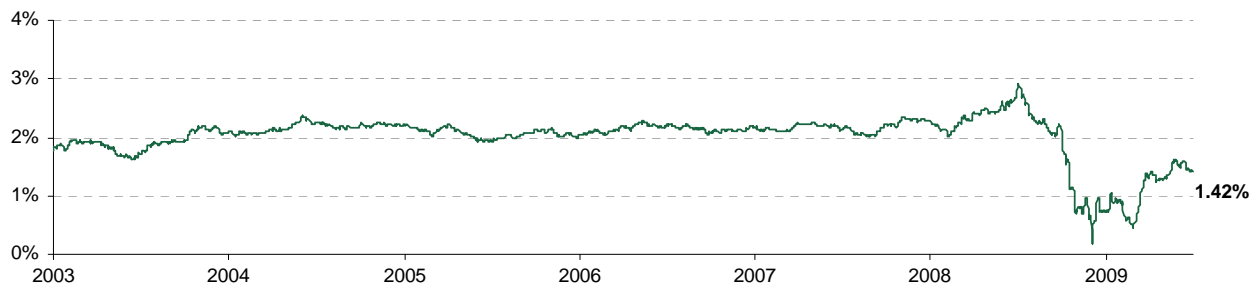
Yield curve



Source: Bloomberg

Back to normality with a positive slope: investors are expecting a rise of short term interest rates in the future. This is not a scoop as they are so low!

Implicit inflation (Eurozone)



Source: Agence France Trésor, Bloomberg

Inflation fears are not back. One problem at a time!