MONTHLY UPDATE **FEBRUARY 2010**

MARKET INDICATORS

Index	Venue	THREE-MONTH TREND	ONE-MONTH TREND	TWO-WEEK TREND	MARKET SHARE	COVERAGE (80%)*	AUCTION LIQUIDITY*	AVG DAILY NO. of TRADES	Average Trading Size (ATS)	Bid-ASK Spread (VWAS in bp)	% time at BEST BID &OFFER*	% time at BEST BID & OFFER with greatest size*
AEX	EURONEXT	↓	↓	→	70.4%	44%	6.6	6 098	11 395	5.7	45%	28%
	CHI-X	↑	→	↑	20.6%	39%		3 035	6 703	4.9	52%	14%
	TURQUOISE	↓	→	→	3.6%	46%		617	5 768	8.6	11%	0%
	BATS	↑	↑	→	4.6%	31%		733	6 184	6.1	15%	1%
	NASDAQ OMX	↓	→	→	0.7%	41%		129	5 654	12.5	2%	0%
BEL20	EURONEXT	↓	↓	↓	73.6%	38%	8.1	2 523	8 059	7.9	44%	31%
	CHI-X	↑	↑	↑	19.8%	26%		1 068	5 128	6.4	36%	13%
	TURQUOISE	↓	→	→	2.6%	34%		165	4 273	18.4	4%	0%
	BATS	→	↑	→	3.3%	20%		194	4 641	12.6	4%	0%
	NASDAQ OMX	→	→	→	0.7%	34%		44	4 658	17.4	2%	0%
CAC40	EURONEXT	↓	→	→	70.2%	56%	8.8	8 238	11 596	5.3	42%	25%
	CHI-X	↑	→	→	21.0%	54%		4 453	6 428	4.6	54%	12%
	TURQUOISE	↓	→	→	3.3%	60%		804	5 591	8.2	9%	0%
	BATS	↑	↑	→	4.5%	48%		1 116	5 529	6.0	17%	1%
	NASDAQ OMX	↓	→	→	1.0%	54%		247	5 359	12.4	4%	0%
DAX	XETRA	↓	↓	↑	70.1%	52%	5.1	4 747	23 303	6.3	36%	21%
	CHI-X	↑	↑	↓	21.7%	49%		4 303	7 958	4.3	55%	15%
	TURQUOISE	↓	→	→	2.7%	57%		629	6 830	9.2	6%	0%
	BATS	↑	→	→	4.6%	47%		1 125	6 517	7.4	23%	1%
	NASDAQ OMX	→	→	→	0.9%	55%		263	5 487	NaN	8%	0%
FTSE 100	LSE	→	→	↑	60.9%	39%	5.5	3 965	11 021	7.5	60%	24%
	CHI-X	↑	→	↓	25.8%	38%		3 315	5 589	5.6	64%	15%
	TURQUOISE	↓	→	→	4.0%	44%		644	4 503	9.3	25%	0%
	BATS	→	→	↓	7.8%	38%		1 251	4 499	6.6	42%	1%
	NASDAQ OMX	→	→	→	1.3%	38%		239	3 945	11.9	15%	1%
SLI (30)	SIX	↓	↓	↑	77.7%	33%	7.1	3 765	22 445	9.0	63%	45%
	CHI-X	↑	↑	↓	14.6%	28%		1 453	10 897	8.4	46%	3%
	TURQUOISE	↓	→	↓	2.8%	34%		372	8 421	12.7	24%	0%
	BATS	↑	↑	→	4.2%	27%		533	8 786	NaN	34%	2%
	NASDAQ OMX	→	→	→	0.8%	33%		117	7 383	14.6	22%	1%
EUROSTOXX 50	CHI-X	↑	→	→	16.7%	62%		2 913	8 375	4.5	47%	11%
	TURQUOISE	→	→	→	2.4%	63%		481	7 315	7.5	11%	0%
	BATS	↑	→	→	4.7%	63%		956	6 987	5.7	26%	1%
	NASDAQ OMX	→	→	→	0.6%	61%		162	5 939	17.3	5%	0%

Reference period: 1 February to 28 February 2010

* Exclusive CA Cheuvreux – TAG

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CHEUVREUX CRÉDIT AGRICOLE GROUP

MONTHLY UPDATE
FEBRUARY 2010

MARKET INDICATORS

COMMENTS:

Since the beginning of the year, we have observed an increase in the pace of fragmentation on the main indices. This is especially visible in the market share of Chi-X and BATS. The speed of the fragmentation has now slowed to its previous level, but **this phenomenon has spread to two other indices, namely the BEL 20 and the SLI**. Indeed, the market share of Chi-X and BATS on these two indices surged in mid-January, and February data confirmed the relevance of this increase.

Overall, at end February, Chi-X held 17% of the market and BATS nearly 5%. These are both significant milestones given the current market conditions. On Friday 19 February, main markets increased their share of volumes for FTSE 100 and SLI stocks, for various reasons. On the SLI, some stocks – including Nestlé, Novartis and Roche – had decent volumes on the main market. LSE market share on 19 February was nearly 73%, much better than any other day in February, mainly due to the maturity of stocks and future options, even though this was not a quarterly maturity. **In all, the increase in turnover is attributable to growth in the number of trades,** as the average trade size even slightly decreased. Thus, this is a **sign of increased HF trading.**

<u>**Spreads:**</u> In terms of % Time at EBBO, on FTSE 100 stocks, the LSE outperformed, reaching 60% in February. This 5-point increase vs. January is also visible for Chi-X and BATS, meaning that regardless of who is competing (high-frequency traders or market makers), this competition is becoming more intense. **The other significant increase in % Time at EBBO was Chi-X on BEL 20 and SLI stocks, which coincided, as usual, with Chi-X's market share increase.**

<u>**Fact(s) of the month:**</u> **BATS announced CYCLE, a new strategy that will allow smart order routing to other venues.** We expect that this new service will not only increase BATS volumes, but also provide an excellent reason for brokers to connect to BATS. All these strategies confirm that venues are seeking order flows, directly competing with brokers, thus blurring the boundaries between the two.

LSE also announced an agreement with Euroclear to net the amounts to be cleared; this will save large players money. Turquoise launched trading on eastern European markets: Hungary and the Czech Republic.

<u>**Future Trends:**</u> **In March, microstructure analysis forecasts that Friday the 19th will be favourable for the main markets.** With regard to the regulatory framework, we have seen that the SEC's proposal of real-time trade reporting for dark pools did not sit well with some sector players. The LSE has sold a 9% stake in its Turquoise to three banks, a move that allows the exchange operator to keep its majority stake while expanding the number of its Turquoise partners. Lastly, UBS – like Nomura in January – has announced that it intends to launch a dark MTF.

DEFINITIONS:

Market share
For local main indices, this is the ratio of the venue's turnover over the sum of the turnover of all the four considered venues. For the Eurostoxx 50, it is the ratio of the venue's turnover over the sum of the turnover of all venues trading Eurostoxx 50 components.

Coverage
This indicator is inspired by the "inequality measure", also called the Pareto principle or the 80:20 rule: when 80% of an activity is concentrated on 20% or less of its players, this activity is clearly not well balanced. The coverage indicator assesses the "20%" part of this rule of thumb for exchanges. The closest to 80% it is, the more the venue offers balanced liquidity from one stock to another.

Auction liquidity
This is the ratio of the proportion of the turnover traded during auctions by the typical time ratio between the continuous auction phase (generally 8½ hours) and the fixing auctions (usually two 5-minute phases), which is less than 2%. It is only available for primary exchanges. The higher it is, the more turnover one will find during auctions.

Average daily number of trades
The higher it is, the more chance an investor has to be present when a trade happens. *Contrary to block venues, the granularity of a venue is a must to attract different order flows.*

Average trading size (ATS)
Mean trading size in euros. This can be considered as the "natural size" of orders on the venue.

Bid-Ask Spread (Volume Weighted Average Spread)
The average spread when a trade occurs, weighted by the turnover of the trade. It is the bid-ask spread from the liquidity provider's point of view.

% Time at EBBO at Best Bid and Offer
This is the proportion of the day during which the venue offers a spread equal to the EBBO.

% Time at EBBO at Best Bid and Offer with Greatest Size
This is the proportion of the day during which the venue offers the greatest sizes at a spread equal to the EBBO.

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