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## Market View

The initial rally in the US yesterday on solid economic data and Caterpillar's strong results was short-lived as disappointing new home sales data and slightly higher than forecast jobless claims saw the markets give back some of the momentum stimulated by the positive FED remarks the previous day. Markets are set to ease further today as China, Taiwan and Vietnam remain closed for the Lunar New Year. In Europe, EU leaders are meeting over the weekend to discuss the fiscal compact, EFSF and ESM details and undoubtedly to explore potential solutions to the on-going Greek debt crisis. Renewed worries over a potential Greek default surfaced yesterday after sources said that the ECB is no closer to a debt plan and that the funding gap is wider than anticipated. Over the week, market focus has also been on ruminations from the World Economic Summit in Davos. Today, ECB President Mario Draghi is scheduled to address the meeting on the economic outlook for Europe and how to restore confidence across the euro zone. Middle East sabre rattling rumbles on somewhat under the market radar. Yesterday, Iran said that rather than wait for its clients to impose an embargo (the EU targeting the beginning of July), it could stop supplies immediately. This would have a marked impact on countries such as Greece, Italy and Spain, given their relative reliance on Iranian-sourced oil. Today, a quarterly Bloomberg Global poll reported that 70% of investors said that an attack on Iran's nuclear facilities would only create a short-term disruption in oil markets. The fact the question was asked in the first place is some indication of the escalation in the standoff. There are few data points for the market to digest today with only the US Q411 GDP at 13:30 likely to be under scrutiny.

## BP - Buy

**Previous Close 477p**

**Target 550p**

A US Judge last night ruled that BP cannot collect part of the \$40bn clean up costs from Transocean due to the language of a clause in the contract between the two parties. This is a blow to the FTSE listed oil major however the ruling did state that Transocean is not indemnified from penalties resulting from the Macondo oil spill in 2010. Both parties have called the ruling a victory, however it will be taken as more of negative for BP than Transocean. The ruling also potentially weakens BP's case for recourse against Halliburton, the other major contractor involved in the spill. Despite the ruling, we continue to recommend that BP should be bought on weakness. The decision, although negative, is immaterial when compared to the trial which will decide gross negligence and the level of penalty each individual party will incur. Moreover BP was unlikely to have achieved a large settlement with Transocean particularly given the size of the company at circa. \$15bn. As a result, we maintain our Buy recommendation and 550p price target.

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