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IRISH PAPERS TODAY

Rate of deflation deepens to 5.4% as retailers cut prices
(The Irish Times)

Anglo to suspend interest payments on some bonds
(The Irish Times)

Unemployment to peak at 14pc, claim Bol economists
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Markets confused by Bank's gilts move
(Financial Times)

Lloyd's plans strategic revamp
(Financial Times)

No appetite for new US stimulus
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	0.0%	7.1%
BP	0.1%	-12.5%
CRH	-0.7%	-1.3%
DCC	-3.0%	38.8%
E.ON	-0.3%	-18.7%
HPQ	0.2%	2.8%
IL&P	0.2%	84.1%
INM	3.9%	-51.5%
J&J	-0.7%	-5.2%
JPMorgan	2.8%	6.6%
Microsoft	-0.5%	15.4%
Vodafone	-1.0%	-18.3%

Market View

Analyst : Edward Keeling

Despite US markets finishing slightly higher overnight, European equities are lower this morning. The BoE surprised markets yesterday by cutting its weekly Gilt purchases to £4.5bn from £6.5bn, and not expanding the £125bn total for the quantitative easing scheme. Commentators had previously speculated as to whether the central bank would increase its asset purchase programme by up to £25bn. Gilt futures have subsequently fallen sharply, underperforming eurozone debt. The latest US 30 year bond auction showed some signs of strength overnight, helping to ease concerns surrounding the funding of US debt mountain. In addition Weekly Jobless claims data yesterday showed the number of US workers claiming for jobless benefits for the week ended July 4th, fell to the lowest level since January. The US Labor department said initial claims for state unemployment insurance fell 52,000 to a much lower than expected seasonally adjusted 565,000. However in a sign of ongoing employment weakness, continued claims of people still on jobless aid after an initial week of benefits rose by 159,000 to a record 6.88 million in the week ending June 27th. As for today, we are expecting a relatively subdued trading session with the University of Michigan Confidence data the main highlight. We anticipate investors will be awaiting more insight into the performance of companies over the second quarter as earnings season gets into full flow next week.

Irish Banks : Anglo suspends coupons on tier 1

Analyst : Oliver Gilvarry

Anglo Irish Bank announced yesterday it would suspend further coupon payments on any of the bank's tier 1 securities. The suspension will come into effect on securities due to pay coupons after the 23rd of July. The suspension was a condition imposed by the European Commission as part of the approval of the Irish Government's re-capitalisation of the bank. In the announcement, Anglo confirmed it intends to tender for a number of tier 1 and tier 2 securities. These securities are trading at levels between 22.75% and 53% of face value. With the notional amount of these bonds at circa €3.2bn and assuming a 60% take up of the tender, Anglo could realise €1bn to €1.2bn of capital on top of the €3bn injected by the Government. With two thirds of the bonds to be tendered for (in nominal terms) tier 1 securities, the suspension of their coupons will make the offer attractive to holders of those bonds. The announcement didn't make any reference to timelines or the price that will be paid for the bonds. We believe the offer will be in cash as investors will not be enamoured to receiving Anglo debt in exchange of their current holdings, even if it is more senior in the capital structure. The announcement by Anglo that it intends to make an offer for some of its debt was not a surprise, but the timing of the announcement was sooner than we expected. The comments in the release on the conditions imposed by the European Commission, highlights that state support will require bondholders, such as tier 1 debt holders, to suffer losses along with shareholders in some cases.

Irish Economy : Inflation continues to fall

Analyst : Oliver Gilvarry

Yesterday, the Central Statistic Office (CSO) released Irish inflation data. Inflation continues to fall in Ireland with CPI falling 5.4% yoy in June. Excluding mortgage interest, CPI was down by 1.6% yoy. The main drivers of the decline were housing and energy prices, falling by 25.6%, clothing and footwear, falling by 12.2% and transport, falling by 6.1%. Health and Education costs both increased and were up 3.4% and 4.5% respectively. In the break down of the figures, goods and services prices have fallen by 5% and 5.6% respectively yoy. Looking at the Euro-Zone as a whole, Ireland is experiencing the greatest fall in prices in the bloc. Falling prices will continue this year in Ireland and into next year. While a difficult adjustment process, falling prices will help restore Irish competitiveness.

Kingspan : Neutral Current Price (€3.88) Price target (€3.60) Analyst : Oliver Gilvarry

Kingspan peer, SIG, has this morning issued a trading statement for the six month period to 30th June 2009. The group indicated that further to its last trading update issued on June 18th, SIG points out that there has been no material change to the trading environment since that date. The group reiterated that trading conditions in the first half of 2009 have been 'exceptionally' challenging with volumes substantially lower in Ireland and the UK, accompanied by reduced gross margins. Sales in the UK declined by 24% and fell by 44% in Ireland. In relation to Ireland, SIG pointed out that performance continued to weaken throughout 2009 due to the severe downturn in construction activity. SIG's statement this morning further highlights the difficult trading conditions at the moment and is a negative read across for Kingspan.



BA : Sell **Current Price (120p)** **Price target (100p)** **Analyst : David Dunk**

Iberia has announced the appointment of a new chairman, Antonio Vazquez Romero, and a new Chief Executive Officer, Rafale Sanchez- Lozano. The new chairman has stated that he intends to pursue an acquisition with British Airways in an interview with Cinco Dias. The attempted merger between Iberia and BA has bogged down in recent months, as a result over disagreements over management control, valuation and BA's pension deficit. The new chairman is quoted as saying that talks can't go on much longer, and that Iberia is not in a hurry to close a deal at any price. While the appointment of Mr. Romero is positive for the prospect of a BA/Iberia merger, significant obstacles still remain.

BHP Billiton: Buy **Current Price (1308p)** **Price target (1800p)** **Analyst : David Dunk**

Chinese officials have stated that the 4 Rio Tinto employees that have been detained in China are accused of bribing Chinese officials in order to obtain sensitive information relating to iron ore negotiations. Rio Tinto has stated that it was not aware of any improper dealings, and that it was surprised and concerned by the allegations. Australian consular officials are to meet Stern Hum, one of the detainees, who is an Australian citizen. It is not clear the effect the current allegations will have on Australian-Chinese relations, or of the effect, if any, this will have on Rio Tinto's ongoing iron ore negotiations. Rio Tinto appears to be willing to sell iron ore in the spot market, lessening the importance of securing long term sales contracts with Chinese steelmakers



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,636	-0.9%	11.8%
FTSE	4,159	0.4%	-6.6%
Dow Jones	8,183	0.1%	-6.8%
S&P	883	0.4%	-2.3%
Nikkei	9,287	0.0%	4.8%
Stoxx 50	2,314	1.0%	-6.0%

Sector Performances

Sector	Index	1-Day	YTD
Construction	205	0.8%	-0.4%
Technology	166	0.6%	8.3%
Oil & Gas	271	0.7%	0.9%
Financials	174	1.4%	14.6%
Retail	209	0.8%	14.9%
Food & Drink	238	-0.2%	2.3%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	60.4	0.4%	7.8%
Copper	223.8	3.6%	54.9%
Gold	912.4	0.3%	3.4%
Silver	12.9	0.6%	13.4%
Wheat	522.3	1.0%	-20.3%
Cattle	83.5	0.1%	-2.8%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.402	1.0%	-0.4%
€/£	0.858	-0.7%	-11.7%
£/\$	1.634	1.6%	10.1%
\$/JPY	93.00	0.1%	2.1%
€/JPY	130.37	1.1%	1.7%
€/SFR	1.512	-0.1%	1.4%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	138.0	-6.3%	-23.0%
High Yield	843.8	-2.4%	-17.6%
Financials	115.0	-1.4%	-2.7%
BoI	381.7	1.7%	56.2%
AIB	381.8	-0.3%	83.8%
RBS	167.7	-0.3%	24.5%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.4%	0.3%
3-Month	1.0%	1.1%	0.5%
1-Year	1.3%	1.2%	0.7%
2-Year	1.7%	2.1%	1.3%
5-Year	2.8%	3.5%	2.7%
10-Year	3.6%	4.2%	3.6%

Date Company Region Event

Date	Company	Region	Event
10/07/2009	British Land Co Plc	GB	AGM
10/07/2009	The Progressive Corpor	US	Q2
10/07/2009	Bovis Homes	GB	INTERIM
13/07/2009	Experian PLC	IE	Q1 TRADE
13/07/2009	Philips	NL	Q2
13/07/2009	Novellus Systems, Inc.	US	Q2
14/07/2009	Glanbia PLC	IE	TRADE
14/07/2009	Iberia Lineas Aereas de	ES	TRAFFIC
14/07/2009	Headlam Group PLC	GB	INTERIM
14/07/2009	British Airways PLC	GB	AGM
14/07/2009	CSX Corporation	US	Q2
14/07/2009	Altera Corporation	US	Q2
14/07/2009	Intel Corporation	US	Q2
14/07/2009	Johnson & Johnson	US	Q2
15/07/2009	Austrian Airlines AG	AT	TRAFFIC
15/07/2009	BTG Plc	GB	TRADE
15/07/2009	Land Securities Group F	GB	TRADE
15/07/2009	Northern Foods Plc	GB	TRADE
15/07/2009	Rio Tinto PLC	GB	Q2 OUTP UT
15/07/2009	JD Wetherspoon PLC	GB	TRADE
15/07/2009	BT Group PLC	GB	AGM
15/07/2009	Burberry Group PLC	GB	TRADE

Date Event Region Estimate

Date	Event	Region	Estimate
10/07/2009	PPI Input NSA (MoM)	UK	0.80%
10/07/2009	PPI Output n.s.a. (MoM)	UK	0.30%
10/07/2009	Trade Balance	US	-\$30.0B
10/07/2009	Import Price Index (MoM)	US	2.00%
10/07/2009	U. of Michigan Confidence	US	70.6
14/07/2009	RICS House Price Balance	UK	--
14/07/2009	DCLG UK House Prices (Yo'	UK	--
14/07/2009	CPI (MoM)	UK	--
14/07/2009	RPI (MoM)	UK	--
14/07/2009	ZEW Survey (Econ. Sentime	GE	--
14/07/2009	ZEW Survey (Econ. Sentime	EC	--
14/07/2009	Euro-Zone Ind. Prod. sa (Mo	EC	--
14/07/2009	CPI (MoM)	US	--
14/07/2009	Advance Retail Sales	US	--
14/07/2009	Business Inventories	US	--
14/07/2009	ABC Consumer Confidence	US	--
15/07/2009	BOJ Target Rate	JN	--
15/07/2009	Jobless Claims Change	UK	--
15/07/2009	ILO Unemployment Rate (3n	UK	--
15/07/2009	Euro-Zone CPI (MoM)	EC	--
15/07/2009	MBA Mortgage Applications	US	--
15/07/2009	Consumer Price Index (MoM	US	--

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