Dolmen Daily

DOLMEN STOCKBROKERS

Thursday 10th September 2009

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BoI raises €1.5bn unprotected by State guarantee as rating cut
(The Irish Times)

Lenihan presses AIB to make new head an outsider
(The Irish Times)

Further downgrades of triple A ratings unlikely says Moody's
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Recovery hopes breathe fire into Footsie and take it past 5,000

(*Financial Times*)

BG shares rise over Brazil oil bonanza

(*Financial Times*)

Goldman urges pay changes
(*The Wall Street Journal)*

Market View — Analyst : Stephen Taylor

European equity markets are strong this morning rising for the sixth straight day. The FTSE has also broken through its key psychological level of 5000. Last night the Federal Reserve's Beige Book indicated that the majority of districts had seen signs of continued improvement across the US in July and August with business remaining cautiously optimistic about conditions. On the consumer side retail sales had remained relatively flat. Overall we take the statement as a small positive however note that the consumer is likely to remain weak for some time as unemployment levels continue to increase. There was more positive news flow from the tech sector last night with mobile phone chipmaker Texas Instruments raising revenue and earnings guidance, while this morning ASML, the maker of machinery that manufactures chip making equipment also raised earnings guidance. While in Europe after the close yesterday, German software maker SAP reaffirmed its earnings guidance. We continue to remain overweight the tech sector and view it has the safest way to play the global recovery given the strong balance sheets that the majority of companies have, including Microsoft and Cisco that have in excess of $25bn of net cash. As for today the main focus will be on the Bank of England with the central bank expected to leave interest rates on hold at 0.50% in addition to leaving its quantitative easing program at £175bn. In the US weekly jobless claims will be in focus with a slight improvement on last weeks 570,000 expected.

NAMA : Risk sharing proposals — Analyst : Oliver Gilvarry

A new draft of NAMA will be released later this morning with details of risk sharing between the banks and the agency. Part of the payment for loans sold to NAMA will be in the form of subordinated bonds, with repayment on these bonds dependent on the performance of NAMA. The percentage of the payment that will be delayed has not been disclosed and will only be made known on the 16th September by the Minister. The timeline to be used in determining if NAMA has been a success and what criteria this success will be measured on also has not been disclosed. Other changes include a guarantee by participating institutions that a fixed percentage of loans issued will be lent to small & medium sized businesses. Directors in participating institutions appointed prior to 2008 will now have to step down over the next two years. A windfall tax will also be included in the bill on profits earned from the re-zoning of land. The tax will be 80% of the profits gained from the increase in land value following a re-zoning decision. The impact of risk sharing in NAMA will be to reduce the liquidity generated by the banks on the sale of loans to NAMA. It could also reduce the capital relief banks will experience from the transfer of loans as a certain amount of capital may have to be put aside for the subordinated NAMA bonds they will receive unlike the other NAMA bonds.

BOI : Neutral — Current Price (€2.38) — Price target (€1.50) — Analyst : Oliver Gilvarry

Bank of Ireland (BOI) issued a 5-year covered bond backed by the bank's mortgages. The bond was oversubscribed 2.5x with the majority of investors outside Ireland. The bond was issued at 1.90% over mid-swaps or at a yield of 4.65%. The issue was expensive with recent issuance by Hypo Real Estate and Deutsche Bank at circa 0.50% over mid-swaps for 5 and 7-year issuance respectively. The issuance is a positive despite its cost as it highlights the bank is able to access bond markets and lengthen the maturity profile of its wholesale funding. It does have the effect of reducing the amount of eligible assets the group can use to raise cash from the ECB and the high cost of the funding will impact on Net Interest Margins going forward. The market for covered bonds in Europe has re-opened over the last few months helped by greater investor confidence and more importantly by the purchase by the ECB of covered bonds.

Persimmon: Buy — Current Price (510p) — Price target (560p) — Analyst : Stephen Taylor

This morning UK homebuilder Redrow reported a net loss for the 12-months ended June 30th that narrowed to £100.4m from £139.9m last year. Revenue declined by 54% to £301.8m. Net debt declined to £214.6m from £223.3m last year. The group took a write-down charge of £96.6m in relation to its land bank. On the positive side the company does not expect to take any further write downs. Persimmon is our preferred play in the UK housing sector and we expect the company to outperform over the next 12-months.

Tesco : Buy — Current Price (382p) — Price target (400p) — Analyst : Stephen Taylor

Morrison reported half year results this morning and there were few surprises after the company recently raised its full year earnings guidance in July. Profit before tax rose 22% year on year to £359m, in line with expectations of £358m. First half revenue rose to £7.46bn, up from £7.1bn the previous year. The group has declared an interim dividend of 1.08p. Overall, despite expecting its market share growth to slow in the second half of the year as inflationary pressures ease, it remains confident of meeting its full year guidance. We take this result a positive read across for Tesco. Tesco remains our top pick in the sector given its international exposure and low cost product offering. We also expect its financial services division, Tesco Personal Finance, to be a key driver of revenue over the next number of years.

Dolmen Daily

Market Movers

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International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,176	1.0%	37.3%
FTSE	5,004	1.2%	13.3%
Dow Jones	9,497	0.6%	8.8%
S&P	1,025	0.9%	14.4%
Nikkei	10,312	-0.8%	18.7%
Stoxx 50	2,821	1.2%	15.9%

Sector Performances

Sector	Index	1-Day	YTD
Construction	262	1.7%	1.9%
Technology	191	0.7%	3.9%
Oil & Gas	312	1.9%	3.0%
Financials	230	0.8%	2.5%
Retail	229	0.1%	1.8%
Food & Drink	264	-0.2%	4.1%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	71.3	0.3%	26.6%
Copper	292.4	-1.1%	103.6%
Gold	992.3	-0.3%	12.9%
Silver	16.5	-0.2%	45.8%
Wheat	456.3	-0.6%	-31.9%
Cattle	87.6	0.5%	-2.1%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/$	1.456	0.6%	-4.1%
€/£	0.880	0.2%	8.4%
£/$	1.655	0.4%	-11.5%
$/JPY	92.040	-0.3%	-1.6%
€/JPY	134.020	0.3%	-5.6%
€/SFR	1.516	0.0%	-1.5%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	103.3	-2.5%	-43.4%
High Yield	642.7	-1.7%	-38.9%
Financials	85.4	-2.9%	-30.2%
BoI	240.5	-3.6%	-3.6%
AIB	264.4	0.4%	24.2%
RBS	123.0	-1.8%	-9.8%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.5%	0.4%	0.2%
3-Month	0.8%	0.6%	0.3%
1-Year	1.1%	0.9%	0.6%
2-Year	1.7%	2.0%	1.3%
5-Year	2.8%	3.4%	2.7%
10-Year	3.6%	4.0%	3.6%

Date	Company	Region	Event
10/09/2009	ESI Group SA	FR	Q2 SALES
10/09/2009	Iberia Lineas Aereas de	ES	TRAFFIC
10/09/2009	Home Retail Group plc	GB	Q2 TRADE
10/09/2009	WM Morrison Supermar	GB	INTERIM
10/09/2009	Kesa Electricals plc	GB	Q1 TRADE
10/09/2009	Redrow PLC	GB	PRELIM
10/09/2009	National Semiconductor	US	Q1
11/09/2009	JD Wetherspoon PLC	GB	PRELIM
11/09/2009	Campbell Soup	US	Q4
14/09/2009	Plethora Solutions Holdi	GB	INTERIM
14/09/2009	Antisoma PLC	GB	PRELIM
15/09/2009	Austrian Airlines AG	AT	TRAFFIC
15/09/2009	Volvo AB	SE	TRAFFIC
15/09/2009	Debenhams Plc	GB	TRADE
15/09/2009	Energetix Group Plc	GB	INTERIM
15/09/2009	Ashmore Group Ltd	GB	PRELIM
15/09/2009	Oxford Instruments PLC	GB	AGM
15/09/2009	Best Buy Co., Inc.	US	Q2
15/09/2009	Pall Corp.	US	Q4
15/09/2009	Adobe Systems	US	Q3
16/09/2009	Aeroports de Paris SA	FR	TRAFFIC
16/09/2009	Alkane Energy PLC	GB	INTERIM

Date	Event	Region	Estimate
10/09/2009	BOE ANNOUNCES RATES	UK	--
10/09/2009	BOE Asset Purchase Target	UK	--
10/09/2009	Trade Balance	US	--
10/09/2009	Initial Jobless Claims	US	--
11/09/2009	ECB Sep. Monthly Report	EC	--
11/09/2009	PPI Input NSA (MoM)	UK	--
11/09/2009	PPI Output n.s.a. (MoM)	UK	--
11/09/2009	Import Price Index (MoM)	US	--
11/09/2009	Wholesale Inventories	US	--
11/09/2009	U. of Michigan Confidence	US	--
14/09/2009	Eurozone Employment (QoQ	EC	--
14/09/2009	Euro-Zone Ind. Prod. sa (Mo	EC	--
14/09/2009	EC Economic Forecasts	EC	--
15/09/2009	CPI (MoM)	UK	--
15/09/2009	RPI (MoM)	UK	--
15/09/2009	ZEW Survey (Econ. Sentime	GE	--
15/09/2009	ZEW Survey (Econ. Sentime	EC	--
15/09/2009	Producer Price Index (MoM)	US	0.80%
15/09/2009	Producer Price Index (YoY)	US	--
15/09/2009	Advance Retail Sales	US	--
15/09/2009	Empire Manufacturing	US	--
15/09/2009	Business Inventories	US	--

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