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Market Movers

IRISH PAPERS TODAY

Irish Nationwide gets mixed response to €1.5bn debt swap
(The Irish Times)

Aer Lingus passenger numbers rise 8.2%
(The Irish Times)

Investment guru buys 'bargain' shares in Irish banks
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Record \$75bn Treasury sale to test bond investors
(Financial Times)

Ireland prepares to reshape its system
(Financial Times)

A Gamble at Lloyds
(The Wall Street Journal)

DOLMEN DOZEN

| Company | 1-day % | YTD % |
|-----------|---------|--------|
| Aryzta | 0.2% | 8.1% |
| BP | 1.0% | -1.3% |
| CRH | -0.5% | 5.7% |
| DCC | -0.4% | 48.4% |
| E.ON | -1.8% | -7.2% |
| HPQ | 0.3% | 20.3% |
| IL&P | -0.7% | 132.7% |
| INM | 0.0% | -42.4% |
| J&J | 1.4% | 1.5% |
| JPMorgan | 0.8% | 35.4% |
| Microsoft | -0.6% | 20.5% |
| Vodafone | 0.5% | -7.6% |

Market View

Analyst : Stephen Taylor

European equity markets are stronger this morning after the US regained most of its losses last night and Asian markets traded higher. The gains in Asia came despite Chinese industrial production and new lending figures coming in below expectations. In addition at the Bank of Japan's (BoJ) monetary meeting last night, where it left interests rates on hold, the central bank indicated that it remains concerned about downside risks to economic growth and prices. While export activity and output had shown some signs of improvement, the BoJ pointed out that spending by companies and consumers remains weak and the outlook is 'attended by a significant level of uncertainty'. On the positive side credit markets continue to show signs of easing which is a positive read-through for equity markets. The iTraxx Europe Investment grade index has seen credit spreads move below the 100 level the first time this year and well below the 220 level reached in November. As for today it is relatively quiet on the economic and corporate front. The market is awaiting the Federal Reserve's interest rate decision due tomorrow where rates are likely to remain on hold at 0.25%. The main focus however will be on any comments in relation to a potential exit strategy from its current quantitative easing program.

Irish Financials : NIB loss making

Analyst : Oliver Gilvarry

Danske Bank reported half year results this morning, reporting a net loss of DKK828m (€111.2m) compared to an expected profit of DKK311m (€41.8m). The loss was due to loan impairment charges of DKK14.5bn (€1.95bn) in the first half of the year. Management have stated impairment charges are expected to remain high and a "clear trend is yet to be seen". Of interest to the Irish banking sector is the details in the half results with regard to National Irish Bank (NIB) and Northern Bank (NB). Both divisions were loss making before tax due to impairment charges. NB had an impairment charge of DKK864m (€116m) and NIB reported an impairment charge of DKK2,819m (€378.6m) or 7.11% of the loan book, annualised. It is worth remembering that AIB reported an impairment charge of 3.58% annualised last week. The majority of the impairment charges arose from corporate customers with particular focus on the property sector. NIB has seen retail deposits fall over the course of the year due to increased competition in the Irish market, but corporate deposits rose by 77% since the first half of 2008. A large part of this increase occurred in the first half of the year, which was a period of significant uncertainty surrounding the domestic Irish banks. On the outlook for the Irish economy, the statement today states it is "particularly bleak".

Meanwhile, Irish Nationwide has announced the details of its recent debt swap, where debt maturing outside the Irish Government guarantee period for debt maturing within the guarantee period. Circa 90% of holders of the 6.25% 2012 and the 2018 Lower Tier 2 debt took up the offer and exchanged their debt for senior debt maturing within the guarantee period. On the €900m floating rate note maturing in 2012, only 33.5% of investors took up the exchange which involved taking a 22% discount to their notional holding.

Friends Provident : Resolution takeover Current Price (76p) Analyst : Oliver Gilvarry

The on-going saga involving Friends Provident and Resolution, the insurance buyout vehicle founded by Clive Cowdery, has come to a conclusion. Resolution has agreed to buy Friends Provident for £1.858bn with a cash payment of £500m the remainder of the payment will be 0.9 shares in Resolution for 1 Friends Provident share. The cash payment will only apply for the first 2,500 shares held by each Friends Provident investor. The price paid is a 6% premium to last night's closing price. Resolution's plan is to buy three to four life insurance companies and merge them before selling the enlarged group within three years. Clive Cowdery stated Friends Provident was the smallest of his targets he is considering and further consolidation within the UK insurance sector is certain with Legal & General and Standard Life future potential targets for Resolution.

McDonalds : Buy Current Price (\$56.27) Price target (\$63) Analyst : Stephen Taylor

Shares in McDonalds were up 2% yesterday after the company reported better than expected July same-store sales. Sales increased by 4.3% compared to expectations for a 3.5% increase. Europe was the standout performer with sales increasing by 7.2% helped by strong performances in the UK and France, while sales in the US increased by 2.6% and by 2.1% in the Middle East and Africa. McDonalds core menu continues to perform well and the McCafe has also helped to lead to growth for the company. McDonalds has come through the downturn well and is one of the few companies globally that will generate revenue growth this year. The group also has a strong balance sheet that will aid its expansion into emerging markets. Yesterday's same-store sales figures indicate that the company has made a strong start to the third quarter. We reiterate our buy rating.



Rio Tinto : Buy **Current Price (2382p)** **Price target (2800p)** **Analyst : David Dunk**

Vedanta Resources has announced that its subsidiary, Sterlite Industries (India) has revised its offer to acquire bankrupt copper miner Asarco. The new offer consists of \$1,587m in cash and a \$208M copper price participation note. The revised offer represents a larger proportion of cash payment, and a decrease in the copper price participation note from \$770m to \$208m. Grupo Mexico's American Holding company has bid \$1.72bn for the assets, and a \$280m note. The case is being heard by a US bankruptcy court, with a ruling expected in the next couple of weeks. The outcome of the case is uncertain, and although Sterlite's bid is lower than Grupo Mexico's the judge could still rule in Sterlite's favour. Separately Rio Tinto has announced that it is still unaware of any evidence to justify China's detention of four Rio Tinto officials. Stern Hu received a second consular visit from Australian state officials yesterday. A Rio Tinto executive also commented on the iron ore market, noting that demand continues to be strong, driven mostly by China. Demand from Japan and Korea appears to be strengthening, with demand in the US market lagging behind.



International Equity Markets

| Index | Value | 1-Day | YTD |
|-----------|--------|-------|-------|
| ISEQ | 2,867 | -0.5% | 22.0% |
| FTSE | 4,722 | -0.2% | 6.9% |
| Dow Jones | 9,370 | 1.2% | 6.4% |
| S&P | 1,010 | 1.3% | 11.5% |
| Nikkei | 10,524 | 1.1% | 19.5% |
| Stoxx 50 | 2,694 | -0.5% | 10.6% |

Sector Performances

| Sector | Index | 1-Day | YTD |
|--------------|-------|-------|------|
| Construction | 239 | 0.1% | 2.1% |
| Technology | 177 | -0.4% | 4.3% |
| Oil & Gas | 292 | -0.3% | 3.1% |
| Financials | 221 | -0.4% | 2.6% |
| Retail | 227 | -1.2% | 1.8% |
| Food & Drink | 257 | -0.7% | 4.5% |

Commodity Prices

| Commodity | Index | 1-Day | YTD |
|-----------|-------|-------|--------|
| Crude Oil | 70.6 | -0.5% | 26.2% |
| Copper | 151.2 | -0.5% | 95.6% |
| Gold | 843.0 | -0.9% | 7.5% |
| Silver | 11.1 | -2.1% | 27.7% |
| Wheat | 613.3 | 0.6% | -22.3% |
| Cattle | 85.8 | -0.9% | -1.2% |

Currency Exchange Rates

| Commodity | Index | 1-Day | YTD |
|-----------|---------|-------|--------|
| €/\$ | 1.414 | -0.3% | -1.4% |
| €/£ | 0.858 | 0.9% | 10.9% |
| £/\$ | 1.648 | -1.2% | -11.1% |
| \$/JPY | 97.150 | -0.4% | -6.4% |
| €/JPY | 137.365 | -0.7% | -7.7% |
| €/SFR | 1.535 | 0.1% | -2.6% |

5Yr Credit Spreads

| Commodity | Index | 1-Day | YTD |
|--------------|-------|-------|--------|
| Invest Grade | 101.3 | -0.6% | -44.4% |
| High Yield | 151.2 | -0.3% | -37.2% |
| Financials | 843.0 | -2.0% | -29.8% |
| BoI | 11.1 | -0.7% | 31.4% |
| AIB | 613.3 | -1.8% | 56.7% |
| RBS | 85.8 | -2.2% | -5.6% |

Money Market Rates

| Rate | EUR | UK | US |
|-----------|------|------|------|
| Overnight | 0.3% | 0.4% | 0.2% |
| 3-Month | 0.9% | 0.9% | 0.5% |
| 1-Year | 1.3% | 1.2% | 0.9% |
| 2-Year | 2.0% | 2.2% | 1.7% |
| 5-Year | 3.0% | 3.7% | 3.2% |
| 10-Year | 3.6% | 4.2% | 4.1% |

Date Company Region Event

| | | | |
|------------|---------------------------|----|---------|
| 11/08/2009 | Bang & Olufsen A/S | DK | YRTRADE |
| 11/08/2009 | Danske Bank A/S | DK | Q2 |
| 11/08/2009 | Deutsche Lufthansa AG | DE | TRAFFIC |
| 11/08/2009 | Iberia Lineas Aereas de | ES | TRAFFIC |
| 11/08/2009 | Adecco SA | CH | Q2 |
| 11/08/2009 | Assura Group Ltd | GB | TRADE |
| 11/08/2009 | Intercontinental Hotels C | GB | H1 |
| 11/08/2009 | Collins Stewart Plc | GB | INTERIM |
| 11/08/2009 | Friends Provident PLC | GB | INTERIM |
| 12/08/2009 | Smurfit Kappa Group Pl | IE | Q2 |
| 12/08/2009 | E.ON AG | DE | Q2 |
| 12/08/2009 | ING Groep NV | NL | Q2 |
| 12/08/2009 | SAS AB | SE | Q2 |
| 12/08/2009 | Nestle SA | CH | H1 |
| 12/08/2009 | BPP Holdings PLC | GB | INTERIM |
| 12/08/2009 | TUI Travel Plc | GB | Q3 |
| 12/08/2009 | Macy's, Inc. | US | Q2 |
| 13/08/2009 | Anheuser-Busch InBev I | BE | Q2 |
| 13/08/2009 | Aeroports de Paris SA | FR | H1 |
| 13/08/2009 | RWE AG | DE | Q2 |
| 13/08/2009 | Arcandor AG | DE | Q3 |
| 13/08/2009 | Prudential Plc | GB | INTERIM |

Date Event Region Estimate

| | | | |
|------------|------------------------------|----|-------|
| 11/08/2009 | RICS House Price Balance | UK | -- |
| 11/08/2009 | Consumer Price Index (MoM) | GE | -- |
| 11/08/2009 | CPI - EU Harmonised (MoM) | GE | -- |
| 11/08/2009 | Total Trade Balance (GBP/M | UK | -- |
| 11/08/2009 | Unit Labor Costs | US | -- |
| 11/08/2009 | Wholesale Inventories | US | -- |
| 11/08/2009 | ABC Consumer Confidence | US | -- |
| 12/08/2009 | Jobless Claims Change | UK | -- |
| 12/08/2009 | ILO Unemployment Rate (3r | UK | -- |
| 12/08/2009 | Euro-Zone Ind. Prod. sa (Mo | EC | -- |
| 12/08/2009 | Bank of England Qtrly Inflat | UK | -- |
| 12/08/2009 | MBA Mortgage Applications | US | -- |
| 12/08/2009 | Trade Balance | US | -- |
| 12/08/2009 | Monthly Budget Statement | US | -- |
| 12/08/2009 | FOMC Rate Decision | US | 0.25% |
| 13/08/2009 | GDP s.a. (QOQ) | GE | -- |
| 13/08/2009 | ECB Publishes Aug. Monthly | EC | -- |
| 13/08/2009 | Euro-Zone GDP s.a. (QoQ) | EC | -- |
| 13/08/2009 | Import Price Index (MoM) | US | -- |
| 13/08/2009 | Advance Retail Sales | US | -- |
| 13/08/2009 | Initial Jobless Claims | US | -- |
| 13/08/2009 | Business Inventories | US | -- |

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