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Market Movers

IRISH PAPERS TODAY

Budget will bring down cost of State borrowing, say Cowen
(The Irish Times)

EU Commission endorses Budget
(The Irish Times)

Backing for Budget as spread on Irish State bonds narrows
(Irish Independent)

INTERNATIONAL PAPERS TODAY

"Fiscal fiction" sparks sell off
(Financial Times)

Collapse in Greek bonds is a warning to Eurozone
(Financial Times)

Goldman bows to pay pressure
(The Wall Street Journal)

Market View

Analyst : Stephen Taylor

European equity markets are higher this morning following strong closes in the US and Asia overnight. Data out of China continues to surprise to the upside with Industrial Production figures coming in well ahead of expectations. We continue to like companies with exposure in particular to the mining sector in the FTSE. Our two preferred picks are BHP Billiton and Antofagasta. BHP Billiton benefits from a more diversified product offering across the metals space while Antofagasta is a more leveraged play on copper. As we have previously noted in addition to the mining sector, we continue to like large cap US technology stocks, telecoms and pharmaceutical names. As for today the main focus will be on economic data out of the US with retail sales data and Michigan Confidence due for release. Strength in the recovery will be predicated on an increase in consumer spending. Both indicators are expected to show monthly increases and will be key if equity markets are going to continue their recent strength.

INM : Buy Yesterday's Close €0.10 Target Price €0.16 Analyst Stephen Taylor

There is a report in the Australian Financial Review which indicating that INM has appointed an independent advisor to manage the sell-down of its holding in APN News & Media. INM own 32% of the company and it contributes the majority of the 50% of group earnings that comes from Australasia. The report in the Australian Financial Review and is in the Street Talk column which is unsourced. The article indicated the sale could be similar to that conducted by CanWest when it sold its stake in Ten Network. The sale of the stake would significantly reduce the debt levels within the group if sold at the current market price of the company. This will be offset by the loss of another attractive asset from the group which will impact on valuations in the medium term.

GSK : Buy Yesterday's Close 1298p Target Price 1325p Analyst Oliver Gilvarry

GlaxoSmithKline (GSK) had its emerging market up-date yesterday and reiterate that it believes it can out-grow its rivals in emerging markets. Abbas Husain, the companies head of Emerging markets, said the company has a three pronged strategy including: Scaling up branded generics, winning extra vaccine business and pushing traditional patented medicines into developing markets. Emerging markets are roughly worth £50bn, but by 2015 the company believes this will double and by 2020 the region will be equivalent to the combined US and European markets. Emerging markets demand for drugs is expected to grow by 13 to 15% over the next decade, compared to just 1 to 3% in mature markets. GSK is aiming to grow its share of the emerging market growth from higher sales of cheaper generic products carrying the GSK brand as an assurance of quality, as well as vaccines designed to immunise millions of children against a range of common diseases. There were some concern ahead of yesterday's conference that GSK could warn on pricing pressures in order to achieve its growth targets. However, Hussain advised that the current margins of 35% on emerging market sales would remain in place into the future. He also advised that the cost of growing into emerging markets would be less than that for western markets and would not have a major impact on overall margins. Overall this is a broadly positive statement even if it lacks specific news. The news on margins is reassuring and the growth potential in the region offers a good platform for the company to counteract lower growth in developed markets.

Tesco Buy

Current Price : 419p

Price Target : 465p (previous 425p)



DOLMEN STOCKBROKERS

Analyst : **Stephen Taylor**

Date : **11th December 2009**

- Trading Statement** : On Tuesday Tesco issued a trading update for the thirteen week period ending November 28th 2009. Group sales (excluding petrol) increased by 8.8%. Including petrol, group sales increased by 7.7%. In the UK (excluding petrol and VAT) like for like sales increased by 2.8%, driven by positive volume growth. Market expectations had been for growth of 3.0%. Net new stores contributed 2.9%, bringing total growth to 5.7%. International sales were strong increasing by 5.4% at constant exchange rates with a particularly strong performance in Asia offsetting a flat outcome in Europe.

- UK division** : While the group's UK sales were slightly below consensus we take comfort from the more confident tone from the group's CEO. Over the course of the economic downturn over the last two years Tesco has always provided an honest appraisal of the unfolding economic conditions. While economic data has improved recently we still expect the economic recovery to be slow and believe that Tesco will be a significant beneficiary of this as consumers continue to trade down to a lower priced product offering.

- International division** : International expansion remains a key priority for Tesco in particular to emerging markets in the Asia region. The group's strong trading performance was boosted through its c. £1bn acquisition of 36 Homever hypermarkets in Korea, extending the number of outlets in the country by a quarter. Tesco is also looking to expand operations in China and recently announced that it has formed a number of Joint ventures to build shopping centres in the country. Tesco already owns 65 large supermarkets and 6 stores in China. It has said that it wants to build a 'substantial' business and plans to open a further 18 hyper markets in the country by February 2010.

- Tesco Bank** : We believe that a key catalyst for Tesco over the next number of years will be the potential growth from the group's newly named Tesco Bank. Given the reputational damage seen at many high street banks over the last number of years and the brand loyalty associated with Tesco we believe that Tesco Bank will be a significant beneficiary from the change to the UK banking system recently outlined by UK Chancellor Alistair Darling.

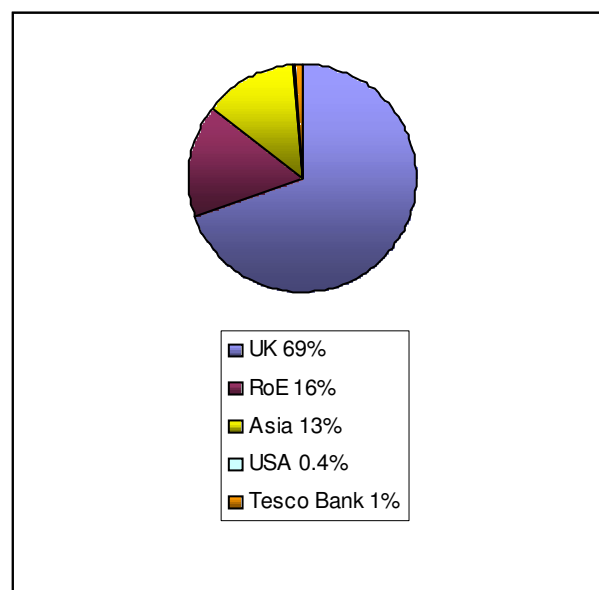
- Valuation** : Tesco remains our preferred pick in the UK retail sector given its low cost product offering, international diversification in particular to emerging markets and the potential from its banking arm. Our price target of 465p is based on the company trading at 15x 2010 forecasted EPS of 31p. We award Tesco a 10% valuation premium to peers due to the positive factors outlined above. Tesco also provides a secure dividend yield of c. 3%.

Descriptive Stats		Shareholders	
Price (p)	419	Blackrock	5.60%
52 Week High (p)	437	Barclays	4.20%
52 Week Low (p)	301	Legal & General	3.90%
Bloomberg	TSCO LN	Invesco	3.60%
Reuters	TSCO.L	Capital Research	3.40%

	FY09	FY10e	FY11e
Revenue (£m)	54,327	58,497	62,816
EBITDA (£m)	4,159	4,847	5,279
Operating Profit (£m)	2,970	3,508	3,891
EPS (p)	29.0	31.0	33.0
DPS (p)	12.0	12.7	13.8

Peer Analysis	P/E 09	P/E 10	Div
Tesco	14.4	13.5	3.0%
William Morrisson	14.0	12.5	2.2%
Marks & Spencer	14.4	13.1	3.7%
Sainsbury	14.1	13.1	4.2%
Wal-Mart	15.0	13.9	2.0%

Turnover by Division Q1 2010





International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,875	0.7%	24.4%
FTSE	5,244	0.8%	19.5%
Dow Jones	10,406	0.7%	18.6%
S&P	1,102	0.6%	22.0%
Nikkei	9,863	-1.4%	14.1%
Stoxx 50	2,851	1.2%	17.4%

Sector Performances

Sector	Index	1-Day	YTD
Construction	266	0.9%	1.8%
Technology	176	0.7%	3.5%
Oil & Gas	313	0.2%	2.7%
Financials	220	1.8%	2.2%
Retail	238	1.2%	1.6%
Food & Drink	295	1.9%	3.9%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	70.5	-0.2%	19.3%
Copper	310.3	-0.7%	116.8%
Gold	1,131.0	0.2%	28.9%
Silver	17.2	0.0%	54.4%
Wheat	537.0	0.3%	-21.3%
Cattle	82.2	0.3%	-10.2%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.473	0.0%	-5.2%
€/£	0.905	-0.1%	5.7%
£/\$	1.628	0.1%	-10.4%
\$/JPY	88.206	0.4%	2.0%
€/JPY	129.940	0.4%	-3.3%
€/SFR	1.512	0.0%	-1.2%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	80.2	-1.2%	-55.8%
High Yield	487.2	-1.7%	-53.6%
Financials	77.2	0.1%	-37.4%
BoI	249.2	1.2%	-2.9%
AIB	276.1	-0.1%	30.3%
RBS	140.4	1.3%	2.9%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.4%	0.2%
3-Month	0.7%	0.6%	0.3%
1-Year	1.2%	0.9%	0.5%
2-Year	1.7%	1.7%	1.1%
5-Year	2.7%	3.1%	2.6%
10-Year	3.4%	3.8%	3.6%

Date	Company	Region	Event
11/12/2009	HMV Group PLC	GB	INTERIM
14/12/2009	Whitbread PLC	GB	TRADE
14/12/2009	Total SA	FR	S/HOLDERS
14/12/2009	Endesa SA	ES	S/HOLDERS
15/12/2009	ESI Group SA	FR	Q3 SALES
15/12/2009	Iberia Lineas Aereas de	ES	TRAFFIC
15/12/2009	Volvo AB	SE	TRAFFIC
15/12/2009	Cadbury PLC	GB	TRADE
15/12/2009	Go-Ahead Group PLC	GB	TRADE
15/12/2009	Renovo Group Plc	GB	PRELIM
15/12/2009	Societe Generale	FR	S/HOLDERS
15/12/2009	Worldspreads Group Plc	IE	AGM
15/12/2009	Best Buy Co.	US	Q3
15/12/2009	Adobe Systems	US	Q4
16/12/2009	Aeroports de Paris SA	FR	TRAFFIC
16/12/2009	Drax Group Plc	GB	TRADE
16/12/2009	Kesa Electricals plc	GB	INTERIM
16/12/2009	Punch Taverns PLC	GB	Q1 TRADE
16/12/2009	Austrian Airlines AG	AT	EGM
17/12/2009	Escada AG	DE	PRELIM
17/12/2009	Arriva PLC	GB	TRADE
17/12/2009	Travis Perkins PLC	GB	TRADE

Date	Event	Region	Estimate
11/12/2009	PPI Input NSA (MoM)	UK	--
11/12/2009	PPI Output n.s.a. (MoM)	UK	--
11/12/2009	Import Price Index (MoM)	US	--
11/12/2009	Advance Retail Sales	US	--
11/12/2009	U. of Michigan Confidence	US	--
14/12/2009	Rightmove House Prices (MoM)	UK	--
14/12/2009	Eurozone Employment (QoQ)	EC	--
14/12/2009	Euro-Zone Ind. Prod. sa (MoM)	EC	--
15/12/2009	CPI (MoM)	UK	--
15/12/2009	RPI (MoM)	UK	--
15/12/2009	DCLG UK House Prices (YoY)	UK	--
15/12/2009	ZEW Survey (Econ. Sentiment)	EC	--
15/12/2009	Producer Price Index (MoM)	US	--
15/12/2009	Empire Manufacturing	US	--
15/12/2009	Industrial Production	US	--
15/12/2009	Capacity Utilization	US	--
15/12/2009	NAHB Housing Market Index	US	--
15/12/2009	ABC Consumer Confidence	US	--
16/12/2009	Jobless Claims Change	UK	--
16/12/2009	ILO Unemployment Rate (3mths)	UK	--
16/12/2009	Euro-Zone CPI (MoM)	EC	--
16/12/2009	MBA Mortgage Applications	US	--

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