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Market Movers

IRISH PAPERS TODAY

Ruling leaves Carroll properties exposed to seizure by banks
(The Irish Times)

NIB will not join Nama 'bad bank' scheme
(The Irish Times)

FBD gains market share as target strategy pays off
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Not clear if QE aiding economy, IMF study says
(Financial Times)

Yorkshire welcomes new Ryanair base
(Financial Times)

US recession called done
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	1.5%	7.2%
BP	-0.6%	-2.7%
CRH	0.5%	6.9%
DCC	-0.6%	44.0%
E.ON	-1.8%	-6.2%
HPQ	-0.6%	19.6%
IL&P	-2.2%	122.2%
INM	2.1%	-40.0%
J&J	-0.8%	0.7%
JPMorgan	-3.4%	30.8%
Microsoft	-1.2%	19.0%
Vodafone	-0.3%	-7.6%

Market View

Analyst : Stephen Taylor

European equity markets are weaker this morning adding to yesterday's losses in the US and Asia overnight. Financials and commodity stocks led the market lower and are also weaker this morning. In the US, the congressional oversight panel that runs the TARP (Trouble Asset Relief Program) for the US government warned that the government had not done enough to remove toxic assets from financials. In addition, SME lender CIT Group postponed its earnings results for the third time highlighting the possibility of potential bankruptcy. While CIT Group is not seen as having systematic importance for the financial system it should be noted that a bankruptcy filing would dent confidence. Concern around global growth is also putting pressure on markets at the moment with economic data missing expectations in China in the last couple of days. As a result, the Shanghai index has been down five out of the last six days including a 5% decline overnight. From a technical perspective markets have looked overbought for sometime and given the correction over the last couple of days some further selling pressure may be seen. As for today the main focus will be on the Bank of England inflation report and the FOMC interest rate decision from the US after European markets close.

Smurfit Kappa : Half year results **Current Price (€4.50)** **Analyst : Oliver Gilvarry**

Smurfit Kappa reported Q2 and first half results this morning. Revenue for the quarter was €1.498bn compared to consensus of €1.535bn, but EBITDA was better than expected at €184m with the EBITDA margin increasing to 12.3% from 11.9% in Q1. Operating profit for the half year was €170m, a decline of 46% compared to the same period in 2008. The cost take out programme has been increased with a target of €250m over the years 2008-2010 from a previous target of €200m. The programme delivered €72m of savings in 2008 and €60m in the first half of 2009. The cost cutting has helped improve margins and EBITDA despite the fall in the turnover in the first half of the year. The group has amended its senior credit facilities by extending the maturity profile and changed covenants providing more headroom to the group. Net debt at the end of the half was €3.16bn, a decline of 4% yoy. In the results today, management have guided they are increasing the price of all brown containerboard grades by €60 per tonne as they believe "material reduced containerboard inventories" will support the price increase. The increase will come into effect from the 1st of September, but it will have limited impact on profitability for the group in 2009. For the second half of the year, management see demand to remain stable at current levels, but material costs are on an increasing trend. The focus for the group is to maximise free cash flow to reduce the debt levels and to maintain its EBITDA margins. The results for the first half were good with management's ability to reduce costs and actually increase EBITDA QoQ a positive. The re-structure of its debt and increase in covenants provides more flexibility to the group. Recovery in demand is the key issue for Smurfit as continued cost cuts will only off-set falls in demand to a certain point. Another issue for the group is the decline in capex spending. It is currently running at 62% of the depreciation charge and at some point it will have to be increased to maintain efficiency in production. This will put free cash flow under pressure if demand hasn't pick up at that stage.

E.ON : Buy **Current Price (€26.82)** **Price target (€31)** **Analyst : Stephen Taylor**

E.ON has this morning reported a strong set of second quarter results and provided a reassuring outlook for the remainder of the year. Adjusted profit increased to €3.46bn from €3.3bn last year and beat analyst expectations of €3.1bn. In relation to its outlook, E.ON now expects profit to fall between 5% to 10% compared to its previous estimate for a 10% decline. The improved guidance is partly due to cost cutting programs. The group earlier this week reached agreement with unions on an efficiency plan that will generate savings of €1.5bn by 2011 without redundancies. E.ON's strong results today highlight the defensive qualities of the company and we reiterate our buy rating. The stock trades at an attractive 10x forward earnings providing a well covered dividend yield of 5.60%.

Kerry Group: Buy **Current Price (€17.80)** **Price target (€19.90)** **Analyst : Oliver Gilvarry**

Nestle reported half year results this morning and the world's largest food group posted declining profits for the first time in six years. Net profit fell 2% to CHF5.1bn, while sales were 1.5% lower than last year at CHF52.3bn, worse than consensus estimates of CHF52.7bn. However it did take a 4.3% hit on sales due to currency effects as a result of a strong Swiss franc. Sales excluding acquisitions, divestments and currency effects rose 3.5%, below analysts' expectations of 3.8%. In addition, the group lowered full year guidance indicating it now expects volume driven organic growth to accelerate in the second half, down from previous forecasts that 2009 sales growth will at least approach its long run range of 6%.



BHP Billiton : Buy Current Price (1510p) Price target (1800p) Analyst : David Dunk

BHP Billiton has released its preliminary results this morning. The Australian miner had released its production results previously, so the results were broadly in-line with expectations. Net income for the year was \$3.26bn slightly ahead of the consensus forecast of \$3.1bn, but well within the range of estimates. Revenue of \$50.2bn was also slightly ahead of expectations. BHP's balance sheet continues to be among the strongest in the sector, with net debt of just \$5.6bn at the year end. The comments from management on the outlook for commodities and global economy are very significant for the sector as a whole given BHP's position as a market leader. BHP believes commodity re-stocking in China is largely complete. Going forward, Chinese demand is expected to revert towards real end user purchasing. Signs of increased demand in North America, Europe and Japan are emerging, although it is unclear if this is being driven, by restocking or real demand. BHP see strong growth for commodities in the long term, but note the need for the emergence of real demand to sustain a global recovery. BHP made similar comments, when it released its production results for the year on July 22nd. BHP are considerably more cautious than its peers in terms of near term outlook, which supports our view for a short term pullback in the sector, following weakness in commodity prices. We continue to see long term value in the sector, and would be looking to buy into weakness. Separately, the charges against Rio Tinto executive Stern Hu, have been reduced to bribery and stealing commercial secrets, from espionage. The lowering of the severity in charges is the first sign of a softening in China's stance on the issue, since the arrests 6 weeks ago. We do not anticipate that the ongoing legal issues will materially affect Rio Tinto's business with Chinese companies, and expect little share price reaction from today's announcement.

NAMA : Supreme Court rules against Carroll

Analyst : Oliver Gilvarry

Yesterday evening the Irish Supreme Court reject Liam Carroll's appeal to a High Court ruling that refused to provide protection to Zoe property development group. Chief Justice, John Murray commented the group could not survive in current conditions in the property market without court protection. The court could not provide this protection when the company has failed to show a strategy for the disposal of assets in a way that was "credible or reasonably viable". The Department for Finance has rejected any suggestion that the plan for NAMA will be affected by the court ruling.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,847	-0.7%	22.0%
FTSE	4,722	-0.2%	4.7%
Dow Jones	9,338	-0.3%	5.3%
S&P	1,007	-0.3%	10.1%
Nikkei	10,585	0.6%	17.8%
Stoxx 50	2,651	-1.6%	7.7%

Sector Performances

Sector	Index	1-Day	YTD
Construction	236	-1.4%	2.1%
Technology	174	-1.7%	4.3%
Oil & Gas	290	-0.9%	3.1%
Financials	216	-2.3%	2.7%
Retail	224	-1.4%	1.8%
Food & Drink	258	0.4%	4.6%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	69.5	-1.6%	22.5%
Copper	151.2	-1.2%	89.9%
Gold	843.0	0.0%	6.9%
Silver	11.1	-0.1%	25.6%
Wheat	613.3	-1.4%	-23.8%
Cattle	85.8	-0.7%	-1.2%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.415	0.1%	-0.9%
€/£	0.859	0.1%	11.2%
£/\$	1.648	0.0%	-10.9%
\$/JPY	95.995	-1.2%	-4.8%
€/JPY	135.820	-1.1%	-5.7%
€/SFR	1.531	-0.3%	-2.3%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	104.6	3.3%	-40.3%
High Yield	151.2	2.0%	-34.8%
Financials	843.0	3.4%	-24.7%
BoI	11.1	-3.9%	29.4%
AIB	613.3	-0.2%	56.7%
RBS	85.8	2.9%	-0.7%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.4%	0.2%
3-Month	0.9%	0.8%	0.5%
1-Year	1.3%	1.2%	0.8%
2-Year	1.9%	2.2%	1.6%
5-Year	2.9%	3.6%	3.1%
10-Year	3.6%	4.2%	3.9%

Date Company Region Event

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
13/08/2009	Tomkins PLC	GB	INTERIM
13/08/2009	Thomas Cook Group Pl	GB	TRADE
13/08/2009	Hypo Real Estate Holdir	DE	AGM
13/08/2009	Investec Plc	GB	AGM
13/08/2009	Dr Pepper Snapple Gro	US	Q2
13/08/2009	Kohls Corporation	US	Q2
13/08/2009	Nordstrom	US	Q2
13/08/2009	Wal-Mart Stores Inc.	US	Q2
13/08/2009	The Estée Lauder Co. Ir	US	Q4

Date Event Region Estimate

12/08/2009	Jobless Claims Change	UK	--
12/08/2009	ILO Unemployment Rate (3rr	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	--
14/08/2009	Euro-Zone CPI (MoM)	EC	--
14/08/2009	Consumer Price Index (MoM)	US	--
14/08/2009	Industrial Production	US	--
14/08/2009	Capacity Utilization	US	--
14/08/2009	U. of Michigan Confidence	US	--
17/08/2009	Rightmove House Prices (M	UK	--
17/08/2009	Euro-Zone Trade Balance	EC	--

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