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Cowen says budget will be more severe than predicted
(The Irish Times)

Aer Lingus reports loss of €120m before tax due to exceptional charges
(The Irish Times)

NTMA eyes French model to extend bank guarantee
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Liquidity shake-up under fire
(Financial Times)

Bleak outlook drills OPEC
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-1.5%	-27.5%
BP	-0.7%	-14.6%
CRH	1.9%	-16.6%
E.ON	-1.7%	-35.1%
HPQ	5.8%	-21.2%
IL&P	-10.6%	-51.7%
INM *	-11.5%	-77.5%
J&J	0.3%	-19.9%
JPMorgan	4.6%	-35.3%
Microsoft	3.8%	-12.0%
Paddy Power	-2.1%	-10.6%
Vodafone	-3.8%	-17.4%

* We are currently Neutral on IN&M

Market View

Analyst : Stephen Taylor

European equity markets are lower this morning following weakness in Asia overnight. Revised Japanese GDP figures for the fourth quarter of 2008 confirmed that the economy shrank by an annualised 12.1% further highlighting the scale of the economic downturn. Japan's Finance Minister commented that the first quarter of 2009 will be 'severe' and that a steep decline in production will lead to a further significant adjustment in the labour force. We are now beginning to see GDP forecasts for the first quarter of 2009 across the world being revised lower and a further deterioration on 2008. While equity markets may be in some form of bottoming phase at the moment, we are still of the view that markets will not push significantly higher until there is some form of recovery anticipated which in the short-term looks unlikely. The main focus today will be on economic data out of the US with weekly jobless figures and retail sales data due at 12.30pm. Estimates are for retail sales to decline by 0.5% for February, which would mark the seventh decline in the last eight months.

Standard Life :

Current Price (166p)

Analyst : Oliver Gilvarry

Standard Life reported full year results this morning and operating profit before tax increased by 5.9% to €933m, the full year dividend also increased by 2.3% to 11.77p. Net income fell by 78% due to lower investment returns and a loss in the Canadian business. Earnings were also impacted by €102m due to a cash injection into a fund to compensate clients for losses and an additional €124m was spent on restructuring another investment. On cost savings, the annual efficiency target of £100m was achieved one year early and a further target of £75m has been set. The Embedded Value (EV) of the group increased slightly to £2.86 per share and the capital position of the group remains strong. Highlighting the strength of the balance sheet of Standard Life compared to its peers, Financial Group Directive (FGD) surplus was £3.5bn at the end of the year, little changed from the previous year. Management's plans for growth in 2009 remain conservative due to the poor outlook for the world financial markets. Growth will only be pursued depending on the current market conditions and the limited appetite for capital exposure. In relation to Standard Life's Irish business, new business sales fell by 22% in constant currency terms to £414m as the Irish market struggled with a 30% decline in sales.

Tesco : Buy Current Price (314p)

Price target (400p)

Analyst : Stephen Taylor

William Morrison (WM) reported pretax profit that increased by 7% to £655m beating analyst expectations of £636m. Revenue increased by 12% to £14.5bn and its operating margin widened to 4.6%. WM proposed a final dividend of 5.8p up from 4.8p last year. WM also pointed out that its outlook for the short and long-term is 'positive'. The company said that it plans to open about 350,000 square feet of new retail space this year. The group said that it will retain share buyback capital for financial flexibility and maintain its 'strong investment grade balance sheet a move that we would view as extremely prudent in the current environment. Tesco remains our top pick in the UK retail sector given its defensive characteristics in addition to its international exposure particularly an increasing focus to emerging markets.

Grafton : Neutral Current Price (€1.38)

Price target (€2.45)

Analyst : Stephen Taylor

Home Retail group reported like for like sales for the 8-week period to February 28th. The group reported sales at its Argos division that fell 1.6%, while its Homebase division reported sales that fell 10.2%. Home retail pointed out that 2009 will be an 'extremely' challenging year. On the positive side the group said that its profit targets were on track to meet analyst expectations while it had increased net cash by £100m. We would view that sharp decline in Homebase sales as having a negative read across for Grafton.

Irish Life & Permanent

Buy

Current Price : €0.76

Price Target : €3.00



DOLMEN STOCKBROKERS

Analyst: **Oliver Gilvarry**

Thursday 12th March 2009

- Irish Life and Permanent (IPM) was the second domestic Irish bank to report full year results last week. Operating profits fell 42% to €341m and the group reported a loss before tax of €364m due to investment fluctuations and the write off of the goodwill relating to the purchase of TSB Bank. Capital ratios remain strong with core tier 1 reported at 10.1% compared to the regulatory minimum of 9.04%.
- Retail and corporate sales fell over the course of the year due to the changing economic environment. Retail life sales fell 40%, but corporate life sales increased by 6% and market share increased to circa 32%. Irish Life Investment Managers recorded strong inflows during the period and had a net inflow of €2bn, growing market share to 28.5%. Profitability in the bank fell by 86% due to pressure from the rising cost of funding, impairment provisions of €82m on the loan book and losses of €122m due to Icelandic bank and Lehman exposures. It was disclosed IPM is a net debtor to Lehman and the group hopes to off-set the loss of €30m on Lehman senior debt against the debt IPM owes Lehman. This will not be clarified until this year and to be prudent management have written off the senior debt in full. Another factor that affected the profitability of the bank was the cost of the government guarantee scheme introduced in September. The cost in 2008 was €8m and the full year cost will be between €35-40m. Profit after tax generated by the Allianz-Irish Life joint venture attributable to ILP was €23m during the year.
- The impairment provision of €82m in 2008 was 21bps of the loan book and the majority of provisions related to ROI mortgages and car finance. Guidance for future impairments has now increased from the previous 60-80bps. The new guidance is between 103-160bps or €400-€650m for 2009-2011. While the new levels are almost double the old estimates, they will remain significantly below what AIB and BOI will face over the next two years.
- The capital position of IPM is stronger than the other Irish banks due to the life book. Core Tier 1 remains strong at 10.1% and the solvency ratio in the life company was static at 1.6x. The capital release from the life book will continue in 2009 and 2010 providing a support for the losses the bank will face from impairments. ILP also announced it is in discussions involving the securitisation of part of the life in-force book releasing €200-300m of capital and this should be executed towards the end of the year. Activities such as these will ensure the strong capital position of the bank continues into 2009 and 2010.
- The outlook for 2009 according to management is challenging due to the economic conditions. The life market will remain weak with management guiding life sales will decline again broadly in line with the 24% fall experienced in 2008. Lending growth will decline in 2009 and the overall size of the loan book will fall over the course of the year. Net interest margin will decline further in 2009 and guidance is for an outcome in the mid 90's compared to the 105bps in 2008. For 2009, the focus will be on funding and reducing the reliance on wholesale funding.
- A sum of parts valuation for IPM reflects the value of the different business parts. Embedded value (EV) of the life book at the end of 2008 was €1.649bn or €5.95 per share. IPM's peers in the UK are trading at 0.5x EV, implying a value per share of €2.98 for the life business.
- The banking part of IPM will be loss making over the next two years due to impairment provisions. The underlying profitability the bank could generate is €142m per year. With the Irish financial sector still under considerable pressure and the heavy reliance of IPM on ECB funding and the Government guarantee, a multiple of 2x could be justifiable for the banking operation. The price per share this generates is €1.03.
- The final part of the group is the Allianz-Irish Life joint venture. In 2009 this operation generated PAT of €23m in a difficult market. Recent results from FBD indicate premiums will harden this year from the low levels reached over the last number of years. This should help stabilise profitability and a flat result for 2009 is achievable. Based on the multiples the sector trades at in Europe and the UK, a valuation of the joint venture based on 4x results in a price per share of €0.33.
- The sum of the three businesses provides a value per share for IPM of €4.34. Discounting fully the valuation of the banking business, as it will remain under pressure due to funding and bad debt concerns, the sum of parts valuation for the group of €3.31. The core parts of the group are the life and non-life business which have significant value, but are weighed down by the performance of the bank. IPM remains the strongest Irish financial on the basis of capital and quality of loan book, but its greatest weakness is the reliance on wholesale funding. This reliance on wholesale funding affects all the Irish banks, but the revelation over the transaction with Anglo Irish Bank will have had an impact on its ability to raise funding from the inter-bank market.
- Therefore, we are reducing our price target on IPM to €3.00 and classify the stock as a speculative buy. We retain our buy rating based on the current attractive valuation, but with the warning over the reliance on wholesale funding and the risk for further revelations to hit the Irish financial sector.


International Equity Markets

Index	Value	1-Day	YTD
ISEQ	1,947	-1.9%	-17.5%
FTSE	3,694	-0.6%	-17.5%
Dow Jones	6,930	0.1%	-21.0%
S&P	721	0.2%	-20.1%
Nikkei	7,198	-2.4%	-18.8%
Stoxx 50	1,933	0.7%	-22.5%

Sector Performances

Sector	Index	1-Day	YTD
Construction	167	2.3%	-19.9%
Technology	140	2.1%	-10.1%
Oil & Gas	248	-0.9%	-8.3%
Financials	103	1.5%	-33.5%
Retail	174	-0.2%	-5.0%
Food & Drink	205	0.1%	-12.3%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	42.3	-7.4%	-15.4%
Copper	162.6	-3.5%	14.2%
Gold	909.4	1.3%	3.5%
Silver	12.8	2.1%	13.6%
Wheat	508.3	-4.6%	-18.0%
Cattle	82.6	-0.4%	-7.8%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.284	1.2%	9.6%
€/£	0.925	0.3%	2.9%
£/\$	1.387	0.9%	6.5%
\$/JPY	97.28	-1.4%	-5.4%
€/JPY	124.86	-0.2%	3.6%
€/SFR	1.480	0.6%	1.2%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	193.1	-6.3%	12.8%
High Yield	1,083.2	-2.5%	8.1%
Financials	195.3	-2.2%	68.3%
BoI	623.4	-4.8%	163.8%
AIB	601.1	-2.3%	205.0%
RBS	218.0	-0.8%	57.2%

Money Market Rates

Rate	EUR	UK	US
Overnight	1.3%	0.5%	0.3%
3-Month	1.7%	2.6%	1.3%
1-Year	1.9%	1.8%	1.5%
2-Year	2.0%	2.2%	1.7%
5-Year	2.8%	2.9%	2.5%
10-Year	3.4%	3.5%	3.1%

Date	Company	Region	Event
12/03/2009	Carrefour SA	FR	Q4
12/03/2009	Volkswagen AG	DE	Q4
12/03/2009	Aegon NV	NL	FINAL
12/03/2009	Home Retail Group plc	GB	TRADE
12/03/2009	WM Morrison Supermark	GB	PRELIM
12/03/2009	Standard Life Plc	GB	PRELIM
12/03/2009	Aegon NV	NL	FINAL
12/03/2009	Home Retail Group plc	GB	TRADE
12/03/2009	WM Morrison Supermark	GB	PRELIM
12/03/2009	Standard Life Plc	GB	PRELIM
13/03/2009	ENI SpA	IT	FINAL
13/03/2009	JD Wetherspoon PLC	GB	INTERIM
13/03/2009	SAS AB	SE	AGM
16/03/2009	Clarkson PLC	UK	PRELIM
16/03/2009	Aeroports de Paris SA	FR	TRAFFIC
16/03/2009	Gladstone PLC	UK	MEETING
17/03/2009	Royal Dutch Shell Plc	TRADE	NL
17/03/2009	Friends Provident PLC	PRELIM	GB
17/03/2009	Hikma Pharmaceuticals F	PRELIM	GB
17/03/2009	Tribal Group PLC	PRELIM	GB

Date	Event	Region	Estimate
12/03/2009	ECB Publishes Mar. Monthly	EC	--
12/03/2009	Euro-Zone Ind. Prod. sa (MoI	EC	--
12/03/2009	Industrial Production MoM (se	GE	--
12/03/2009	Advance Retail Sales	US	--
12/03/2009	Initial Jobless Claims	US	--
12/03/2009	Business Inventories	US	--
13/03/2009	Euro-Zone Labour Costs (Yo'	EC	--
13/03/2009	Trade Balance	US	--
13/03/2009	Import Price Index (MoM)	US	--
13/03/2009	U. of Michigan Confidence	US	--
16/03/2009	Rightmove House Prices (Mo	UK	--
16/03/2009	Euro-Zone CPI (MoM)	EC	--
16/03/2009	Eurozone Employment (QoQ)	EC	--
16/03/2009	Euro-Zone CPI - Core (Yo Y)	EC	--
16/03/2009	Empire Manufacturing	US	--
16/03/2009	Industrial Production	US	--
16/03/2009	NAHB Housing Market Index	US	--
17/03/2009	ZEW Survey (Econ. Sentime	GE	--
17/03/2009	ZEW Survey (Econ. Sentime	EC	--
17/03/2009	Producer Price Index (MoM)	US	--

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