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AIB says it faces €4.3bn charge over bad debts
(The Irish Times)

INM move puts O'Brien under fresh scrutiny
(The Irish Times)

Jubilee oil deal could put Tullow stake at \$5.4bn
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Downturn 'bottomed out'
(Financial Times)

European banks trail US in raising cash
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-1.7%	-2.2%
BP	-1.2%	-1.5%
CRH	-4.1%	7.8%
DCC	-1.6%	31.6%
E.ON	-1.5%	-14.8%
HPQ	1.0%	-3.5%
IL&P	4.8%	76.5%
INM	11.3%	-15.2%
J&J	-1.6%	-9.6%
JPMorgan	-8.0%	13.6%
Microsoft	-0.5%	-0.6%
Vodafone	-0.3%	-12.7%

Market View

Analyst : Stephen Taylor

European equity markets are broadly flat this morning ignoring the sell off in the US and Asia overnight which saw markets fall by c. 2%. In the US, financials stocks led the market lower giving back some of their recent strong gains. Comments from Meredith Whitney, former analyst who correctly predicted the credit crunch, weighed on the sector. Whitney pointed out that she expects that financials will require additional capital and the core earnings power of banks is minimal. We take such comments as a word of warning, that despite the strong rally in markets, we are not out of the woods yet. In light of the recent rally, equity markets in general are beginning to look relatively expensive again with the FTSE and S&P trading at 13x and 16x forward earnings, respectively. There are still pockets of value remaining however, with Vodafone remaining one of our top picks at the moment. The company continues to focus on boosting free cash flow and is generating strong earnings growth from its emerging market businesses. Trading at 8.5x forward earnings and paying a well covered dividend yield of 6%, the stocks prospects look attractive. As for today, it is relatively quite on the earnings front in the US. On the economic side, UK industrial and manufacturing data product will be closely watched, while in the US the trade balance is expected to widen on the back of higher oil prices.

AIB : Neutral **Current Price (€1.02)** **Price Target (€0.95)** **Analyst : Oliver Gilvarry**

After the Irish market closed last night, AIB released an Interim Management Statement (IMS) prior to their AGM on the 13th of May. The key point in the IMS was the up-dated guidance on impairments. On the 2nd of March management guided a stress case for impairments of 3.00% or €4bn, current guidance is now 3.25% or €4.3bn for the full year and this now seems to be the base case. Criticised loans have increased in Q1 by €9bn to €24.3bn and ROI represents 70% of this increase. Credit quality is beginning to deteriorate in sectors outside of property, construction and building. With unemployment levels continuing to rise, mortgage arrears have risen to 2% in the quarter from 1.5% at the end of December. In the UK, the group is experiencing stresses in loans to the leisure sector on top of the problems with property loans. The Polish loan portfolio is also deteriorating with problems in the property and consumer cash loan portfolio. On a bright point, M&T continues to outperform its peers and generated \$64m of profits in Q1.

Core tier 1 capital at the end of March was 5.5% compared to 5.8% at the end of December. No details were given on how the extra €1.5bn of capital AIB stated it requires above the €3.5bn agreed with the government will be raised. Customer deposits have stabilised according to the statement following the outflows in early January, but current account balances have fallen. Customer deposits have fallen by 10% in the first four months of the year and the loan to deposit ratio of the group has increased from the 1.4x reported at the end of December. The group experienced strong demand for its recent bond issue with 78% of buyers from overseas, a similar strong demand has been recorded for private placements.

On NAMA, AIB state it will be "a key event for the bank and industry." They also intend to "work with the government to expedite its implementation." No estimates were given on how it would affect the bank's capital ratios.

The IMS is negative and the new guidance on impairments indicated credit quality is deteriorating across all parts of the portfolio as higher unemployment and lower economic growth in its main markets take hold. As we have stated before, the current share prices of both AIB and Bank of Ireland are not justified and AIB's IMS highlights this point.

Tullow Oil : Buy **Current Price (890p)** **Price Target (1050p)** **Analyst : David Dunk**

Tullow has released a statement this morning, ahead of its AGM later today. Performance year to date is in-line with management expectations, and the outlook for 2009 remains very positive. Management see the company as being well positioned to fund growth going forward, following on from successful capital raising efforts. Net debt was €276m at the end of March, down from €400m at year end. Tullow sees contingent resources in Uganda, above 600m barrels, with upside potential of more than a billion barrels. Tullow has reaffirmed guidance for first oil from Jubilee in the 2nd half of 2010. The company is considering additional capital expenditure opportunities. No mention was made of recent press speculations of potential farm-outs of the Ugandan licenses, or of the Jubilee field. Today's statement contained few surprises, and is unlikely to have a significant effect on the share price.

C&C : Buy **Current Price (€1.92)** **Price Target (€1.60)** **Analyst : David Dunk**

C&C released its full year results this morning. Revenue for the period declined by 11%, to €514.4m. Operating profit was €100.4m for the period, excluding exceptional items, but including a €102m gain from currency hedges. After taking into account exceptional charges, C&C has reported a loss per share of €0.194. Adjusted diluted earnings per share declined by 15%, to €0.254. The proposed final dividend will be €0.03, bringing the total dividend for the year to €0.09. Management has guided for a dividend of at least €0.06 per share in the coming year. Given the trading update issued by the company in March, the results for 2008 held few surprises. Of greater significance were the comments on recent trading and outlook for the year. Management is maintaining its guidance of an operating profit of between €77 to €82m. Trading over the last 10 weeks has been mixed. Revenues are flat, on a constant currency basis, with cider volumes increasing 9% on the previous year. Spirits revenues are down 28% on the previous year, which we attribute to global destocking in the sector. We will review our rating and price target on C&C and issue a full note later in the week.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,600	-2.9%	10.9%
FTSE	4,436	-0.6%	-0.1%
Dow Jones	8,419	-1.8%	-4.1%
S&P	909	-2.2%	0.7%
Nikkei	9,299	-1.6%	5.0%
Stoxx 50	2,434	-1.2%	-0.8%

Sector Performances

Sector	Index	1-Day	YTD
Construction	220	-3.3%	8.6%
Technology	166	-1.5%	8.6%
Oil & Gas	289	-2.1%	9.3%
Financials	184	-0.9%	20.5%
Retail	204	-2.4%	12.8%
Food & Drink	230	-0.1%	-1.0%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	58.5	-0.2%	10.3%
Copper	208.9	-2.7%	46.5%
Gold	913.3	-0.4%	3.9%
Silver	13.9	-0.3%	22.7%
Wheat	590.8	0.0%	-6.6%
Cattle	83.3	0.4%	-3.3%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.358	-0.4%	-2.4%
€/£	0.898	0.4%	-6.3%
£/\$	1.512	-0.8%	3.7%
\$/JPY	97.49	-1.0%	7.0%
€/JPY	132.40	-1.4%	4.8%
€/SFR	1.507	-0.1%	1.0%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	146.3	-6.3%	-17.0%
High Yield	893.7	2.3%	-11.3%
Financials	122.1	3.2%	5.1%
BoI	288.4	-2.6%	18.8%
AIB	281.7	-3.2%	37.2%
RBS	149.7	3.1%	9.8%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.5%	0.4%	0.2%
3-Month	1.3%	1.4%	0.9%
1-Year	1.5%	1.5%	1.0%
2-Year	1.7%	2.1%	1.4%
5-Year	2.7%	3.3%	2.5%
10-Year	3.5%	4.0%	3.3%

Date	Company	Region	Event
12/05/2009	Aareal Bank AG	DE	Q1
12/05/2009	C&C Group Plc	IE	Q4
12/05/2009	UniCredit SpA	IT	Q1
12/05/2009	Iberia Lineas Aereas de	ES	Q1
12/05/2009	BRIT Insurance Holding	GB	TRADE
12/05/2009	Imperial Tobacco Group	GB	INTERIM
12/05/2009	Premier Foods Plc	GB	TRADE
12/05/2009	Intercontinental Hotels C	GB	Q1
12/05/2009	Tomkins PLC	GB	TRADE
12/05/2009	Wellstream Holdings PL	GB	Q1 TRADE
12/05/2009	Tullow Oil PLC	IE	AGM
12/05/2009	William Hill PLC	GB	AGM
12/05/2009	BMC Software	US	Q4
12/05/2009	Fluor Corporation	US	Q1
13/05/2009	Dexia SA	BE	Q1
13/05/2009	Vallourec SA	FR	Q1
13/05/2009	Allianz SE	DE	Q1
13/05/2009	E.ON AG	DE	Q1
13/05/2009	Glanbia PLC	IE	TRADE
13/05/2009	ING Groep NV	NL	Q1
13/05/2009	Telefonica SA	ES	Q1
13/05/2009	Barratt Developments P	GB	TRADE
13/05/2009	John Wood Group PLC	GB	TRADE

Date	Event	Region	Estimate
12/05/2009	RICS House Price Balance	UK	-70.00%
12/05/2009	Consumer Price Index (MoM)	GE	0.00%
12/05/2009	DCLG UK House Prices (YoY)	UK	-13.00%
12/05/2009	Total Trade Balance (GBP/M)	UK	-£3000
12/05/2009	Industrial Production (MoM)	UK	-0.90%
12/05/2009	Manufacturing Production (M)	UK	-0.80%
12/05/2009	Trade Balance	US	-\$29.2B
12/05/2009	Monthly Budget Statement	US	-\$63.0B
12/05/2009	ABC Consumer Confidence	US	--
13/05/2009	Jobless Claims Change	UK	85.0K
13/05/2009	ILO Unemployment Rate (3m)	UK	6.90%
13/05/2009	Euro-Zone Ind. Prod. sa (MoM)	EC	-1.00%
13/05/2009	Bank of Eng Qtrly Inflation R	UK	--
13/05/2009	MBA Mortgage Applications	US	--
13/05/2009	Import Price Index (MoM)	US	0.40%
13/05/2009	Advance Retail Sales	US	-0.10%
13/05/2009	Business Inventories	US	-1.20%
14/05/2009	EU 25 New Car Registrations	EC	--
14/05/2009	ECB Publishes May. Mthly R	EC	--
14/05/2009	Producer Price Index (MoM)	US	0.10%
14/05/2009	Initial Jobless Claims	US	--
15/05/2009	GDP s.a. (QOQ)	GE	-3.00%
15/05/2009	Euro-Zone CPI (MoM)	EC	0.40%

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