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IRISH PAPERS TODAY

AIB shares sink on bad debt alert ahead of agm
(The Irish Times)
 Irish Life & Permanent raises further 1bn from sale of bond
(The Irish Times)
 Kerry Group still on track to hit targets despite slide in revenue
(Irish Independent)

INTERNATIONAL PAPERS TODAY

New fears emerge on dividend pay-outs
(Financial Times)
 Oil prices touch \$60 a barrel
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-1.6%	-3.4%
BP	0.5%	-3.0%
CRH	1.5%	7.1%
DCC	0.0%	32.2%
E.ON	0.1%	-15.2%
HPQ	-0.1%	-3.6%
IL&P	2.2%	72.7%
INM	-4.3%	-21.2%
J&J	1.6%	-8.1%
JPMorgan	-1.3%	12.1%
Microsoft	3.0%	2.3%
Vodafone	3.2%	-11.5%

Market View

Analyst : Edward Keeling

Markets have opened broadly flat this morning as concerns over whether an apparent lack of incentives to drive the market higher begin to weigh on investor sentiment. US markets were mixed overnight with defensive stocks outperforming, while energy stocks climbed higher as oil hit a six month high. The broad S&P 500 index is up 34% from its March lows, spurred by optimism that the financial sector and the economy are showing signs of stabilisation. However we would expect a pull back from current levels as investors take profits and rethink current valuations. Shares of chipmaker Intel, a stock we continue to recommend, gained 3% to \$15.67 in extended trade after the company's chief executive said that order and billing patterns in the second quarter so far were a little better than expected. On the downside, the KBW Bank index dropped 4.2% as several large US banks undertook big capital raising efforts yesterday in an attempt to satisfy regulators who want bigger cushions against a deep recession. Bank of America has said it plans to plug roughly half its \$33.9bn capital shortfall by issuing new common stock, while US Bancorp, BB&T and Bank of New York Mellon sold a respective \$2.5bn, \$1.5bn and \$1.2bn of common stock, as they look to repay taxpayer bailout funds. As for today's trading, all eyes will be on the US retail sales report at 13:30. Continued slowing in the pace of decline for this figure will fuel speculation that the worlds largest consumer is forming a bottom.

Legal & General : IMS

Current Price (65p)

Analyst : Oliver Gilvarry

Legal & General Group (LGEN) released an Interim Management Statement (IMS) reporting first quarter sales rising by 3% in the period. The increase in sales was helped by revenue from its international units boosted by favourable exchange rates. Management stated their plans to reduce new business strain and expenses will help support operational cash generation in 2009 and boost capital levels. New business strain is being reduced by selling lower commission products and focusing more on trail commissions and higher initial product charges. The continued focus on capital can be seen in comments on the bulk annuity business. LGEN was selective on the business written in this area in Q1 and aims to continue this policy and reduce the new business strain in the annuity business further. On capital, the position has improved since the last up-date on March 23rd. The IGD surplus position is £1.6bn at the end of March, an increase of £100m from the 23rd of March. The surplus position would fall by £600m if equity markets fell by 40%. The group experienced no corporate bond defaults during the quarter and in February; the group doubled the reserves backing its annuities to £1.2bn based on bond default levels experienced during the Great Depression. On guidance for the remainder of the year, management have stated "2009 will not be an easy year for the industry" and "growth opportunities will be limited." The focus on capital preservation and the large reserves in place against bond defaults has reduced the risks facing the group, but its large holdings of CDO and asset back securities will weigh on the stock.

Kerry : Buy Current Price (€16.30) Price Target (€19.90) Analyst : Oliver Gilvarry

Kerry Group released an IMS yesterday prior to its AGM. Stan McCarthy, CEO of Kerry Group, commented the group has "achieved good financial and operational progress year-to-date in 2009 despite challenging conditions." He stated trading volumes are weaker than what they anticipated and on a like-for-like basis (LFL) revenues have fallen by 3.5% year to date. Despite this, group trading margins increased by 40bps over the same period helped by restructuring and efficiency programmes. Ingredients and Flavours volumes increased slightly, but sales revenue decreased by 2% on a LFL basis. Trading volumes were lower in the Americas and EMEA region, but increased by circa 10% in the Asia-Pacific region. Margins did increase despite the lower volumes, by 50bps. Consumer Foods faced a challenging economic environment and this has impacted on all consumer food categories. Volumes were lower and consumption trends have changed with shoppers moving to more value offerings. The sterling exchange rate has impacted on Consumer Foods division as well, but trading margins increased by 30bps compared to the same period in 2008. The statement made reference to Breeo Foods and the group intends to defend its position and will resist the appeal by the Competition Authority of the decision made by the High Court allowing Kerry complete the transaction. On guidance, earnings in a range of 160-165c was reiterated and Stan McCarthy stated he was "confident of delivering earnings growth in 2009" within this range. Kerry remains our preferred pick in the food sector and we reiterate our buy recommendation.

Vodafone : Buy Current Price (125p) Price Target (155p) Analyst : Stephen Taylor

Vodafone's closest peer Telefonica (owner of O2) reported first quarter earnings this morning. The group reported net profit of €1.69bn beating analyst estimates of €1.66bn. Revenue came in at €13.7bn broadly in line with consensus. The company reiterated its full year 2009 targets of increasing operating cash flow by 8% to 11%, boosting sales and generating 1% - 3% growth in OIBDA (EBITDA equivalent). Geographically, Latin America put in the strongest performance with revenue increasing 4.8%, while revenue across Europe declined by 6.6%. Overall we take the group's results as a positive read across for Vodafone. Vodafone has already warned on the weakness it had seen in Europe and we expect that its emerging market business, in particular India will continue to show strong growth. Vodafone is due to report full year results on May 19th and we remain buyers ahead of results.



E.ON : Buy Current Price (€24.60) Price Target (€31) Analyst : Stephen Taylor

E.ON reported first quarter adjusted net income that fell by 2% to €1.8bn beating analyst estimates of €1.5bn. The group confirmed its 2009 forecasts expecting adjusted operating profit for 2009 to be higher than 2008. The group did indicate that this forecast was subject to 'some uncertainty' given the current economic environment. E.ON is also focusing on cost savings initiatives with some of its €1.5bn target to be realised in 2009. The company also expects that investments in organic growth to boost earnings. E.ON remains our top pick in the European utility sector demonstrating key defensive qualities. The group's valuation also looks attractive trading at 8.5x 2009 earnings and an EV/EBITDA of just over 6x. E.ON also provides a well covered dividend yield of 6.2%.

IN&M : Buy Current Price (€0.32) Price Target (€0.45) Analyst : Stephen Taylor

Two of Independent News & Media's (INM) UK peers have issued trading statements this morning. **Johnston Press** said that advertising sales are down 34.4% in the 19 weeks to May 9th and as a result of the weak performance it expects operating profit to be at the low end of market expectations. On the positive side the group said that it had seen some stabilisation in recent weeks. The company continues to focus on cost cutting and expects to save £30m year on year. **Trinity Mirror** said that advertising revenue has declined by 30% in the 17 weeks to April 26th, with circulation revenue declining by 4% over the same period. The group also continues to focus on cost savings and is on track for £25m in savings during 2009. Trinity Mirror also pointed out that it is operating 'comfortably' within its financial covenants and it expects net debt to fall year on year. Overall, both trading statements highlight the difficulties that advertising companies are facing. In relation to INM we retain our speculative buy rating on the stock ahead of debt refinancing talks with bondholders. We expect some details in relation to this ahead of the group's €200m bond refinancing which is due on May 18th.

CRH: Buy Current Price (€17.50) Price Target (€19) Analyst : Stephen Taylor

After the European close last night, Vinci reported first quarter sales figures. Revenue declined to €7.07bn from €7.25bn last year. The group reiterated its earnings forecasts for 2009 with its operating margin remain roughly stable this year. Vinci is planning to cut operating investments by at least 10% in 2009. The group said that it had an order book of €23.8bn at the end of March, up 6% from a year ago and up 3% compared with the end of December 2008. We view Vinci's results as a positive read across for CRH. Given the strong run in CRH's share price over the since the beginning of March we would look to buy the stock on a pull back to the €16 level, that places the stock on 12x 2009 earnings.

Elan : Sell Current Price (\$6.93) Price Target (\$4.00) Analyst : David Dunk

Elan has announced the appointment of Richard D. Pilnik as a non-executive director of the company. Mr. Pilnik has over 25 years of pharmaceutical sector experience in the US and elsewhere. Mr. Pilnik served most recently as Group vice President and Chief Marketing Officer of US pharmaceutical giant Eli Lilly. We do not anticipate any changes in our recommendations following this morning's announcement.

BHP Billiton : Neutral Current Price (1451p) Price Target (1200p) Analyst : David Dunk

Rio Tinto is trading lower this morning following on from press speculation of a potential near term rights issue in the stock. Rio Tinto shareholders have been vocal in their opposition to the proposed \$19.5bn deal with Chinalco. The debt laden Australian miner is under pressure to raise substantial funds to cover near term debt maturities. An alternative to the Chinalco deal would likely consist of some combination of debt issuance, asset sales and rights issue. While market appetite for mining assets is currently low, recent activity in corporate bond markets suggest Rio would be able to issue substantial amounts of paper at attractive rates. Additionally, a rights issue, at a deep discount, would likely be well supported, as many institutional investors have already stated that they would support such a move. It is our opinion that an alternative to the Chinalco deal would be preferable to shareholders.

Kingspan : Neutral Current Price (€4.05) Price Target (€3.60) Analyst : Stephen Taylor

Kingspan peer, SIG, has issued a trading statement for the period January 1st - May 12th. The group pointed out that trading was exceptionally challenging with sales down 17.7% on a constant currency basis. SIG also pointed out that it expects conditions to remain extremely challenging over the coming months. In light of this report, we retain our cautious/neutral view on Kingspan ahead of its trading statement tomorrow. On a long-term view, Kingspan is well positioned for recover with its strong balance sheet.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,611	0.4%	10.8%
FTSE	4,426	-0.2%	-0.4%
Dow Jones	8,469	0.6%	-3.5%
S&P	908	-0.1%	0.6%
Nikkei	9,340	0.5%	5.4%
Stoxx 50	2,424	-0.4%	-1.0%

Sector Performances

Sector	Index	1-Day	YTD
Construction	218	-0.9%	7.1%
Technology	165	-0.8%	8.2%
Oil & Gas	292	1.0%	9.8%
Financials	179	-2.6%	16.8%
Retail	208	1.7%	13.7%
Food & Drink	233	1.0%	1.3%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	58.9	0.6%	12.3%
Copper	208.6	-0.1%	47.9%
Gold	923.4	1.1%	5.0%
Silver	14.2	2.2%	26.3%
Wheat	592.8	0.3%	-5.9%
Cattle	83.2	-0.1%	-3.1%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.365	0.5%	-2.1%
€/£	0.894	-0.5%	-6.5%
£/\$	1.527	1.0%	4.2%
\$/JPY	96.44	-1.1%	5.8%
€/JPY	131.62	-0.6%	3.9%
€/SFR	1.509	0.1%	1.0%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	148.0	-6.3%	-16.6%
High Yield	922.3	3.2%	-9.9%
Financials	123.3	1.0%	5.1%
BoI	301.8	4.7%	22.2%
AIB	299.0	6.1%	46.1%
RBS	152.6	1.9%	11.5%

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	1.8%	2.2%	1.3%
5-Year	2.7%	3.3%	2.5%
10-Year	3.5%	4.0%	3.3%

Date Company Region Event

Date	Company	Region	Event
13/05/2009	Dexia SA	Q1	BE
13/05/2009	Vallourec SA	Q1	FR
13/05/2009	Allianz SE	Q1	DE
13/05/2009	E.ON AG	Q1	DE
13/05/2009	Glanbia PLC	TRADE	IE
13/05/2009	ING Groep NV	Q1	NL
13/05/2009	Telefonica SA	Q1	ES
13/05/2009	Barratt Developments P	TRADE	GB
13/05/2009	John Wood Group PLC	TRADE	GB
13/05/2009	Johnston Press plc	TRADE	GB
13/05/2009	Legal and General Group	TRADE	GB
13/05/2009	J Sainsbury PLC	PRELIM	GB
13/05/2009	Land Securities Group F	PRELIM	GB
13/05/2009	Allied Irish Banks PLC	AGM/EGN	IE
13/05/2009	Fyffes PLC	/HOLDER	IE
13/05/2009	McInerney Holdings PL	/HOLDER	IE
13/05/2009	Thomson Reuters PLC	/HOLDER	GB
13/05/2009	Dr Pepper Snapple Gro	Q1	US
13/05/2009	Macy's, Inc.	Q1	US
13/05/2009	Whole Foods Market	Q2	US
14/05/2009	Vivendi SA	Q1 SALES	FR
14/05/2009	Kingspan Group PLC	TRADE	IE
14/05/2009	Paddy Power PLC	TRADE	IE

Date Event Region Estimate

Date	Event	Region	Estimate
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 (Mo)	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%
15/05/2009	Consumer Price Index (MoM)	US	0.00%
15/05/2009	Empire Manufacturing	US	-14
15/05/2009	Total Net TIC Flows	US	--
15/05/2009	Industrial Production	US	-0.50%
15/05/2009	U. of Michigan Confidence	US	65
18/05/2009	Rightmove House Prices (Mk)	UK	--
18/05/2009	Euro-Zone Trade Balance	EC	--
18/05/2009	NAHB Housing Market Index	US	--
19/05/2009	CPI (MoM)	UK	--

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