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(The Irish Times)

ERSI economist against protectionism
(The Irish Times)

Government wants Nama excluded from national debt
(Irish Independent)

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RBS and Lloyds loan levels probed
(Financial Times)

Companies choose bonds over banks for cheap funds
(Financial Times)

Sterling takes a beating
(The Wall Street Journal)

Market View

Analyst : Stephen Taylor

European equity markets are slightly lower this morning following c.1% gains across the board yesterday. Overnight US and Asian markets traded broadly higher on optimism around third quarter earnings season. Philips' better than expected results yesterday were one of the main reasons for equities trading higher. The most positive part of the results yesterday were arguably the revenue figures that came in ahead of expectations. For markets to continue their strong gains recently revenue figures must show strength and both Alcoa (last week) and Philips have set a positive tone so far. There were some cautious comments from Philips however and while the company is becoming more confident, it did indicate that it had not seen any major positive structural change in its markets. In the UK sterling continues to weaken despite further positive sentiment towards the UK housing market with the RICS house price survey rising to its highest level since May 2007. The main focus for today will be on both the corporate and earnings front. Johnson & Johnson are due to report before the US market opens. In addition Intel is due to report third quarter earnings after the US market closes tonight and will provide a key barometer for the state of the PC market. With the company having already raised guidance there should be no major risk of a negative surprise. On the economic front the German ZEW will be the main focus of the day and is expected to rise to a three year high.

Lloyds: £2bn payment to GAPS

Current Price (89p)

Analyst : Oliver Gilvarry

Reports on Bloomberg this morning indicate that Lloyds Banking Group (LBG) will have to pay £2bn to the UK Government for their participation in the Government Asset Protection Scheme (GAPS) even if they don't sign up to the scheme. This payment covers the period since GAPS was announced in March to date. Previous estimates for the cost of this cover were lower at £1bn. The article also stated the bank has submitted a plan to the FSA to raise between £11-15bn of equity plus asset sales such as Scottish Widows. Such a transaction would allow LBG to exit the GAPS and keep the UK Government's stake in the bank at 43%. The deal will also reduce the risk of LBG being forced to sell part of HBOS due to EU competition concerns. Timeline for an announcement is uncertain, but some announcement is likely before the company releases its IMS in early November.

Barclays: Buy

Current Price (365p)

Price Target: (415p)

Analyst : Oliver Gilvarry

A story in the FT yesterday discussed Barclays moving circa £4bn of CLO assets from its balance sheet. It was uncertain if the transaction would be the sale of CLO assets or the removal of the assets to a fund where Barclays would then lend to investors to buy the fund. The second alternative insulates Barclay's earnings from changes in fair value of the assets, but they retain the risk on their balance sheet. Reports today indicate they may be looking to sell more assets to re-structure the balance sheet and reduce exposure to volatile assets. A direct sale will be the best option for the bank and would be taken positively by the market.

Persimmon: Buy

Current Price (460p)

Price Target: (560p)

Analyst : Stephen Taylor

UK housebuilder Bellway has posted pretax profits of £29.8m for the full year ending July 2009, down 82% from £165.7m the year before, but ahead of analysts' estimates of £26.8m. With 4,380 homes sold over the period, turnover was £683.8m, compared with £1.15bn in 2008. The group's net debt stood at £36.8m, down £180.9m from the same period last year. The group maintained its dividend payout level resulting in a full year dividend of 6p. In terms of current trading the group has said that reservations were currently running 58% ahead of last year and that it has secured 61% of its target output for the year ending July 2010. We continue to favour Persimmon as our preferred UK house builder. At its most recent results, it reported first half profits that were slightly ahead of expectations and also issued a relatively positive outlook for the remainder of 2009. In addition it was able to reverse some of its previous land write-downs by a net £27.9m. Persimmon is the first homebuilder to reverse the trend in land write-downs. It also indicated that net reservations continue to run ahead of last year and that recent visitor levels had increased.

Tullow Oil: Under Review

Current Price : (1210p)

Analyst : David Dunk

Last week it was announced that one of Tullow Oil's partners in the Jubilee field (Kosmos) had accepted a bid from the oil major Exxon Mobil. The move underscored the interest in the field and was viewed as a positive for Tullow with the shares rallying strongly following the announcement. However, it has since emerged that the government is seeking to block the deal and is pushing for the CNOCC, the Chinese state owned company, to make a counterbid for Kosmos. The deal was always subject to regulatory approval and this decision is believed to reflect the Kosmos' recently deteriorating relationship with Ghanaian government. The value of the exclusive deal that Exxon Mobil signed with Kosmos was \$4 billion.


International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,368	0.6%	41.6%
FTSE	5,210	0.9%	17.2%
Dow Jones	9,865	0.8%	12.6%
S&P	1,071	0.6%	19.1%
Nikkei	10,016	1.9%	13.7%
Stoxx 50	2,914	1.1%	18.5%

Sector Performances

Sector	Index	1-Day	YTD
Construction	275	1.6%	1.5%
Technology	196	1.9%	3.7%
Oil & Gas	306	0.8%	2.8%
Financials	235	0.4%	2.3%
Retail	223	0.0%	1.5%
Food & Drink	271	0.8%	4.0%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	73.3	2.1%	27.3%
Copper	285.7	0.7%	98.4%
Gold	1,057.1	0.7%	20.5%
Silver	17.8	0.7%	58.4%
Wheat	494.3	5.6%	-27.1%
Cattle	85.3	0.4%	-5.5%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.477	0.3%	-5.5%
€/£	0.935	0.6%	1.6%
£/\$	1.580	-0.3%	-7.1%
\$/JPY	89.820	0.1%	0.9%
€/JPY	132.708	0.4%	-4.7%
€/SFR	1.517	-0.1%	-1.6%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	95.5	-2.8%	-46.6%
High Yield	526.2	-1.5%	-49.4%
Financials	75.2	-1.8%	-36.8%
BoI	173.8	-0.1%	-30.6%
AIB	177.2	0.6%	-13.6%
RBS	110.9	-0.3%	-18.5%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.4%	0.2%
3-Month	0.7%	0.6%	0.3%
1-Year	1.3%	0.9%	0.6%
2-Year	1.8%	1.8%	1.3%
5-Year	2.7%	3.1%	2.8%
10-Year	3.4%	3.7%	3.6%

Date	Company	Region	Event
13/10/2009	Whitbread PLC	GB	INTERIM
13/10/2009	Renewable Energy Gen	GB	PRELIM
13/10/2009	Bellway PLC	GB	PRELIM
13/10/2009	Intel Corp.	US	Q3
13/10/2009	Johnson & Johnson	US	Q3
13/10/2009	KMG Chemicals	US	Q4
14/10/2009	Experian PLC	IE	H1 TRADE
14/10/2009	Diageo PLC	GB	TRADE
14/10/2009	Burberry Group PLC	GB	H1 TRADE
14/10/2009	Acergy SA	GB	Q3
14/10/2009	Rio Tinto PLC	GB	Q3 OUTPUT
14/10/2009	Xilinx	US	Q2
14/10/2009	CSX Corp.	US	Q3
14/10/2009	Abbott	US	Q3
14/10/2009	JPMorgan Chase & Co.	US	Q3
14/10/2009	W.W. Grainger	US	Q3
15/10/2009	Nokia Oyj	FI	Q3
15/10/2009	Carrefour SA	FR	Q3 SALES
15/10/2009	Iberia Lineas Aereas de	ES	TRAFFIC
15/10/2009	Roche Holding AG	CH	Q3 SALES
15/10/2009	Ashmore Group Ltd	GB	TRADE
15/10/2009	Mothercare PLC	GB	Q2 TRADE

Date	Event	Region	Estimate
13/10/2009	RICS House Price Balance	UK	15.00%
13/10/2009	CPI (MoM)	UK	0.20%
13/10/2009	RPI (MoM)	UK	0.30%
13/10/2009	DCLG UK House Prices (YoY)	UK	--
13/10/2009	ZEW Survey (Econ. Sentiment)	GE	59
13/10/2009	ZEW Survey (Econ. Sentiment)	EC	--
13/10/2009	ABC Consumer Confidence	US	--
14/10/2009	Jobless Claims Change	UK	25.0K
14/10/2009	ILO Unemployment Rate (3mths)	UK	8.00%
14/10/2009	Euro-Zone Ind. Prod. sa (MoM)	EC	0.80%
14/10/2009	MBA Mortgage Applications	US	--
14/10/2009	Import Price Index (MoM)	US	0.20%
14/10/2009	Advance Retail Sales	US	-2.10%
14/10/2009	Business Inventories	US	-0.80%
14/10/2009	Minutes of Sept. 23 FOMC Meeti	US	--
15/10/2009	ECB Publishes Oct. Monthly Rep	EC	--
15/10/2009	Euro-Zone CPI (MoM)	EC	0.10%
15/10/2009	Consumer Price Index (MoM)	US	0.20%
15/10/2009	Initial Jobless Claims	US	525K
15/10/2009	Empire Manufacturing	US	18
15/10/2009	Philadelphia Fed.	US	12
16/10/2009	Euro-Zone Trade Balance	EC	--

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