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Market Movers

IRISH PAPERS TODAY

FitzPatrick Anglo loans were more than €37m
(Irish Times)

Ryanair expected to nearly double bid for Aer Lingus
(Irish Independent)

Biotech Elan may go on market after strategic review
(Irish Independent)

UK PAPERS TODAY

Treasury mulls bad bank for toxic debt
(Daily Telegraph)

Bernanke tells Obama \$775bn stimulus package is not enough
(The Independent)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-3.6%	-6.1%
BP	1.3%	-2.0%
CRH	-1.3%	4.5%
E.ON	-1.8%	-4.2%
HP	-3.1%	-1.3%
IL&P	-4.1%	63.9%
INM	-10.2%	4.1%
J&J	0.9%	-1.6%
JPMorgan	5.8%	-16.4%
Microsoft	1.8%	2.0%
Paddy Power	-7.8%	-11.4%
Vodafone	0.4%	-0.1%

Market View

Analyst : Stephen Taylor

Equity markets were dragged lower again yesterday and have now wiped out over half of their gains from the December rally. Despite the sell off and valuations looking more attractive we still remain cautious on markets due to the lack of a positive catalyst. From a technical point of view if we use the FTSE as our benchmark index we are likely to remain range bound between the 4,200 - 4,600 levels in the short-term. Today is likely to be the last quiet day for the next four to six weeks as earnings season gets into full swing with both JPMorgan and Intel reporting quarterly results tomorrow while the ECB is expected to reduce interest rates by a further 0.50% to 2.00%.

UK & German Government:

Analyst : Stephen Taylor

The UK government has this morning announced that it is to guarantee as much as £20bn of bank loans to medium-sized companies in an effort to increase the availability of credit as markets remain dislocated. Companies with turnover of up to £500m will qualify for the support. In addition a second fund of £1.3bn is available to smaller companies with turnover of up to £25m. The announcement comes on the back of the government's £50bn recapitalisation of the banking sector along with the £250bn of credit lines it has issued to banks. The UK has seen a number of bankruptcies among leading UK retailers including Woolworths and MFI due to economic conditions and lack of credit. We view the plan as a positive for the UK economy however as banks continue to repair their balance sheets and capital ratios the incentive to lend even with the government guarantee is limited.

Elsewhere, the German government has announced they will change the constitution to ban excessive public borrowing and imposed rules to ensure the increased borrowing to fund the stimulus package is repaid as soon as possible. This comes a day after the government announced its €50bn fiscal stimulus package. The change will make it illegal for any German government to increase the state's public deficit above 0.5% of GDP in "normal economic times". While these actions will provide confidence to bond investors in German debt, it does impose binding conditions on future German governments that may be faced with difficult economic conditions. For the Euro-Zone, it implies the German economy will not use fiscal largesse to support growth in the economic group.

Financials :

Analyst : Oliver Gilvarry

Royal Bank of Scotland (RBS) announced this morning it has sold its 4.26% stake in Bank of China for £1.65bn. The shares were sold at HK\$1.71 per share, an 8% discount to Bank of China's closing share price. The holding was bought in December 2005 for £800m and the 3-year lock in period ended last month allowing RBS to sell the shares. Capital ratios in the bank will be broadly neutral following the transaction as Risk Weighted Assets (RWA) will fall by £4bn. RBS will still retain an interest in China through an 18-branch network purchased as part of the ABN Amro deal and joint ventures with Bank of China in credit cards and wealth management. RBS decision is part of the strategic review currently underway and further disposals are likely once the review is complete. RBS is selling assets at a time of low valuations to repair its balance sheet and repay expensive UK Government preference shares as quickly as possible. Add the uncertainty over the amount of bad debts it will face on its loan portfolios and these are reasons why we are not recommending buying the stock at current levels.

Following from the announcement yesterday of the joint venture between Morgan Stanley and Citigroup, the market has been speculating on the break-up of the remainder of Citigroup. Parts of the group that could be spun off are CitiFinancial consumer lending and Tokyo based Nikko Asset Management. The amount of bank capital used to trade may also be significantly reduced leading to smaller trading desks. The remaining parts of the group will include branch banking, advising on mergers, underwriting securities, processing payments, corporate lending and handling trades for clients. Analyst believe this will make for a more manageable company and further guidance on such a plan may be announced at the group's Q4 and full year earnings release on the 22nd of January.

C&C : Current Price (€1.40)

Price target (€2.10)

Analyst : David Dunk

Punch Taverns has issued an interim trading update for the last two months where it commented that trading remained challenging over the period. The company is confident of longer term prospects but is extremely cautious in the short term. This has a negative read through for C&C, but is hardly surprising. C&C have interim results due on Friday. The operating performance is not expected to be strong. However, the market will be focused on any details on the strategy to be implemented by new management.

Diageo :

Current Price (940p)

Price target (1150p)

Analyst : David Dunk

Diageo has been hit by a claim from the South Korean tax authorities for 206.4bn won (£105m), relating to alleged underreporting of imported liquor. Diageo denies the claims, and has launched an appeal. The case is likely to be resolved sometime next month. Today's news is unwelcome, but with expected operating profit for the current year at £2.6bn, the impact of the full impact of the tax claim, would be manageable.


International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,640	-0.1%	11.8%
FTSE	4,399	-0.6%	-2.0%
Dow Jones	8,449	-0.3%	-3.7%
S&P	872	0.2%	-3.5%
Nikkei	8,438	0.3%	-4.8%
Stoxx 50	2,411	-1.7%	-2.0%

Sector Performances

Sector	Index	1-Day	YTD
Construction	204	-2.8%	-1.2%
Technology	156	-0.9%	1.4%
Oil & Gas	277	-0.3%	4.7%
Financials	153	-2.9%	-2.1%
Retail	188	-0.8%	2.6%
Food & Drink	234	0.0%	1.3%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	37.8	0.5%	-12.5%
Copper	154.7	3.9%	6.9%
Gold	822.0	0.1%	-6.4%
Silver	10.7	-0.7%	-4.5%
Wheat	570.8	0.2%	-5.9%
Cattle	87.6	1.2%	-1.4%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.318	-1.3%	5.5%
€/£	0.909	0.8%	5.0%
£/\$	1.450	-2.2%	0.4%
\$/JPY	89.38	0.2%	1.2%
€/JPY	117.83	-1.2%	6.5%
€/SFR	1.475	-1.0%	0.9%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	168.9	-6.3%	-5.1%
High Yield	978.1	1.3%	-5.4%
Financials	112.6	1.9%	-2.9%
Bol	286.7	0.0%	17.8%
AIB	207.1	1.0%	3.6%
RBS	99.7	6.7%	-29.3%

Money Market Rates

Rate	EUR	UK	US
Overnight	2.1%	1.2%	0.1%
3-Month	2.6%	2.6%	1.2%
1-Year	2.3%	1.7%	1.0%
2-Year	2.3%	2.3%	1.3%
5-Year	3.0%	3.0%	2.0%
10-Year	3.6%	3.6%	2.5%

Date	Company	Region	Event
14/01/2009	Punch Taverns	UK	INTERIM
15/01/2009	Carrefour	FR	FY SALES
15/01/2009	HMV Group PLC	UK	TRADING
15/01/2009	Assoc. British Foods	UK	Q1
15/01/2009	Home Retail Group	UK	INTERIM
15/01/2009	Intel	US	Q4
15/01/2009	JPMorgan	US	Q4
16/01/2009	Anlgo Irish Bank	IE	EGM
20/01/2009	Cairn Energy	IE	TRADING
20/01/2009	JD Weatherspoon	UK	TRADING
20/01/2009	Bank of America	US	Q4
20/01/2009	IBM	US	Q4
21/01/2009	GM	US	Q4

Date	Event	Region	Estimate
14/01/2009	Euro-Zone Ind. Prod	EC	n/a
14/01/2009	MBA Mortgage Applications	US	n/a
14/01/2009	Import Price Index	US	-5.40%
14/01/2009	Advance Retail Sales	US	-1.20%
15/01/2009	ECB Interest Rate	EC	2.00%
15/01/2009	PPI	US	-2.00%
15/01/2009	Initial Jobless Claims	US	-540k
15/01/2009	Philly Fed	US	-35
16/01/2009	CPI ex Food & Energy	US	1.90%
16/01/2009	Total Net TIC Flows	US	\$286.3bn
16/01/2009	Industrial Production	US	-0.80%
16/01/2009	Michigan Confidence	US	58.9
20/01/2009	UK CPI	UK	-0.10%
20/01/2009	German ZEW	GE	-45.2
21/01/2009	German Producer Prices	GE	-1.50%
21/01/2009	Bank of England Minutes	UK	9-0
21/01/2009	UK Unemployment Rate	UK	6.00%
21/01/2009	MBA Mortgage Applications	US	n/a
21/01/2009	NAHB Housing Index	US	9

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