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IRISH PAPERS TODAY

IMF restores calm as Cowen muddle causes Euro to slide
(Irish Independent)

Moodys latest to review Ireland's AAA rating
(Irish Times)

UK PAPERS TODAY

BofA seen in push for further injection
(FT)

Citi sells brokerage as it heads for break up
(The Independent)

Sir Philip Hampton lined up to take RBS chair
(Daily Telegraph)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-1.7%	-7.8%
BP	-5.2%	-6.9%
CRH	-7.0%	-3.5%
E.On	-5.1%	-9.1%
HP	-1.2%	-2.5%
IL&P	-15.2%	41.1%
INM	-5.1%	-11.9%
J&J	-1.5%	-3.1%
JPMorgan	-1.7%	-17.8%
Microsoft	-3.7%	-1.8%
Paddy Power	-2.9%	-13.1%
Vodafone	-2.1%	-2.6%

Market View

We said yesterday that it would be the last quiet trading day for the next four to six weeks as earnings season gets into full swing. How wrong we were! Nortel Networks one of the largest makers of telecom equipment filed for bankruptcy protection, Deutsche Bank said that it lost €4.8bn in the fourth quarter in what it described as a 'wake up call', US retail sales plunged for a sixth straight month and Greece's debt ratings were downgraded by S&P, hardly a quiet day. Last week we pointed out that despite a number of market strategists calling for the market rally of December to continue we remained sceptical. We did not believe that equity markets could continue their upward trend in the face of such poor economic and corporate news flow which we expect to continue for at least the first half of this year before the market looks to evaluate a recovery. While equity markets continue their downward trend there is still opportunity for clients to benefit. Our short calls on Thomson Reuters, BMW and Wolseley have outperformed significantly over the past week and we see further downward pressure on these share prices as all three companies will be significantly impacted by the current downturn. As for today the main focus will be on the ECB's interest rate decision which is due at 12.45pm. In line with the market we expect the ECB to lower rates by 0.50% to 2.0%. Also key will be JPMorgan's 4Q results which are due before the US market opens and are previewed below.

CRH : Buy **Current Price** (€17.10) **Price target** (€22.00) **Analyst** : Stephen Taylor

CRH has announced that it has withdrawn its proposed acquisition of Pavestone in the US following the recent decision by the US Federal Trade Commission (FTC) to authorise staff to challenge the acquisition. Recall that on March 13th CRH announced that it had reached agreement to acquire Pavestone for an upfront cash consideration of \$540m plus a deferred consideration contingent on future increases in profitability. Pavestone is headquartered in Dallas, Texas and operates a national network of 18 concrete paver plants at 16 locations across the US. We view this development as a positive for CRH for a number of reasons. Firstly in the current environment it is essential that companies preserve cash to strengthen their balance sheet and secondly we would expect that the current valuation of Pavestone to be significantly less than its originally agreed price in March. Shares in CRH have fallen by 15% over the past week and is approaching the bottom of its trading range on concerns that the US stimulus package will not be enough to improve the US economy. We believe that an entry level around the €17 level looks attractive. CRH has the strongest balance sheet amongst its peers and while it faces significant challenges over the next 12-months it will emerge from the current downturn stronger than its competitors.

Financials

Analyst : Oliver Gilvarry

JP Morgan (JPM) will release Q4 and full year earnings this morning at 11.30am. The results were due to be released on the 21st, but they were brought forward due to market fears of poor Q4 results. The market is expecting JPM to report its first quarterly loss since the start of the credit crisis, with an expected EPS of -\$0.20 compared to Q3 EPS of \$0.11. Investment banking has been gaining market share over the last number of quarters due to the difficulties at its competitors. Both Goldman Sachs and Morgan Stanley had poor results and credit and M&A activity has reduced significantly in Q4. This division should report a net loss due to lower activity and write-downs. Expectations for the contribution from WaMU are estimated to be circa \$0.10 and Bear Stearns to add \$0.07. Write downs will occur across the balance sheet and net charge offs are expected to increase by 30bps to 2.15% and loan loss reserves will be increased over the next number of quarters. With credit losses increasing a key area for investors will be capital. Q4 Tier 1 is expected at 10.8% JPM focus is on Tangible Common Equity ratio (TCE) with a figure of between 3.5% - 4.0% and TCE/RWA is expected at 6.6%.

Kerry Group : Buy **Current Price** (€14.13) **Price target** (€23.00) **Analyst** : Oliver Gilvarry

Associated British Foods (ABF) released an interim management statement this morning. The company owns Britain's largest discount retailer and manufactures and processes food products. Revenues in its discount retailer rose 18% in the period as shoppers moved to lower cost options over the Christmas period and the levels of business exceeded their expectations for the period. Their grocery business performed well due to favourable exchange rates and has passed through higher prices, but consumers are moving from premium products. The ingredients business was helped by the fall in GBP against the EUR and USD as revenue increased by 25% and even on a constant currency basis it increased by 8%. The company has been able to pass through higher prices to recover the cost inflation experienced in 2008. ABF see results in line with expectations and are budgeting for little change in net earnings, but state the company "will not be immune from worsening climate".

Tesco : Buy **Current Price** (343p) **Price target** (400p) **Analyst** : Stephen Taylor

DSG International reported a 10% decline in same store-sales in the three months ended January 10th. Sales at its PC World chain of shops declined 13%. The group said it expects 2009 to be 'challenging'. Elsewhere Home Retail group also issued a cautious trading statement this morning where it said that Argos like for like sales fell by 10.2% over the 18-week period to January 3rd while sales at Homebase declined by 10.2%. The group expects 2009 to be 'extremely challenging'. Both trading updates highlight the difficulties facing discretionary retailers in the UK at the moment. Tesco remains our top pick in the sector due to its defensive qualities and international exposure.

BHP Billiton : Neutral Current Price (1177p) Price target (1200p) Analyst : David Dunk

Rio Tinto released its 4Q operational update this morning. Output for the quarter was in-line with expectations. The company sees itself as being well positioned, for when a global recovery occurs. Iron Ore output was down 18%, while Bauxite and Aluminium production were up 19% and 21% respectively. Rio will maintain the 2008 dividend at 2007 levels. Rio has one of the worst debt profiles among the mining giants, as a result of last year's \$38bn takeover of Alcan. The company will be forced to sell non-core assets, and possibly core assets also, in an effort to reduce debt levels. BHP is our preferred stock in the mining sector due to its diversification and strength of its balance sheet. We have a neutral rating on BHP, reflecting commodity price weakness and a poor global economic environment.

Paddy Power : Buy Current Price (€1.05) Price target (€18.00) Analyst : David Dunk

William Hill has stated that it continues to see resilient trading despite the current economic weakness. Gross win over the last 11 weeks was up 8%, while full year gross win was up 6%. Pre-tax profit excluding exceptional items is expected to be about £275m. William Hill is in talks with banks on borrowing facilities, and is preparing to refinance its debt. Paddy Power is our preferred pick in the sector, mainly due to the strength of its balance sheet.

Greek Downgrade

Analyst : Oliver Gilvarry

Standard & Poor's (S&P) cut the credit rating of Greece from A to A- and put Portugal on negative watch following other Euro-Zone members, Spain and Ireland. S&P downgraded Greece as falling support for the Greek Government hampers their ability to manage a rising fiscal deficit. The difficulties facing the Greek Government were highlighted by the riots in the capital before Christmas. If the Greek credit rating falls below A-, their government bonds will not be eligible for use in ECB Repo operations, lowering demand for the bonds.

Rumours of Ireland requesting IMF support, later denied by the Irish Government, put further pressure on bond yields with the difference between Irish, Spanish, Greek and Portuguese yields increasing compared to equivalent German Government bond yields. In the case of Ireland, the recent 5-year issuance is now trading at a yield to maturity of 4.03% compared to circa 4.00% at the beginning of the week.

Elan

Neutral

Current Price : \$7.90

Price Target : \$10.00



Analyst: David Dunk

- **Elan for sale?:** Elan announced this week that it will review strategic business alternatives. The company has hired Citigroup Global Markets to assist in advising with this task. The company has stated that a range of alternatives are being considered. We expect management will focus on minority investments or strategic alliances, over a merger or a sale. This will be difficult to achieve on favourable terms in the current environment.

- Late last year, Elan's effort to sell its EDT business ran into difficulties as the effects of turbulence in credit markets worsened. The company is likely to renew the sales process, if buyer appetite still exists. Working in Elan's favour is a lack of depth in drug pipelines for some of the pharmaceutical giants. There has been some speculation in recent days that Pfizer may be a potential suitor. Pfizer has significant drug patent expiries in the next few years, that will force it to acquire smaller rivals.

- Further complicating any deal Elan seeks to implement are the various poison pill clauses in its development partnerships. The main stumbling block would be Biogen's option to purchase Tysabri in the event of an Elan takeover. Tysabri would be the main core asset sought by an acquirer, although uncertainties over future occurrences of PML remains.

- The fourth case of PML since Tysabri's re-launch, in July 2006, was diagnosed in December last year. The patient had a previous history of other MS treatments, and had been receiving Tysabri for 26 months. Given that the previous cases developed after 14-17 months, this latest case is concerning, as it suggests their may be further incidences of PML among long term users. Also released, in late December, was the tragic news that the third reported PML sufferer had died.

- Biogen released Tysabri user figures, with year end utilization of 37,600. Managements goal of 100,000 patients by the end of 2010 is slipping further out of reach. Our estimates suggests 50,000-55,000 users by FY2010, assuming take-up figures don't change from late 2008 levels. Worryingly the take-up in the US appears to have declined substantially in the last quarter, as news of the latest PML cases has been released. This trend could easily continue into Q109.

- **Maintain Neutral Rating:** Despite the announcement of Elan's intention to seek strategic alternatives we are maintaining our neutral rating and our \$10 price target. The likelihood of strategic alternative is uncertain, and the timing is also uncertain. Elan's balance sheet remains weak and its earnings negative. Our rating is based on the level of risk and uncertainty for Elan. There may well be trading opportunities in Elan in the coming months, but we recommend our clients to be disciplined in their approach and make use of stop losses.

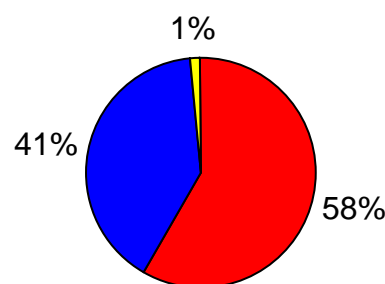
- **Next catalyst :** The next catalyst will likely relate to a strategic alternative. The other likely catalyst relates to further news flow on Tysabri sales and PML cases.

Descriptive Stats		Shareholders	
Year to date	32%	Fidelity	0.1499
52 Week High	37.45	Wellington	0.082
52 Week Low	4.99	T Rowe Price	0.0639
Bloomberg	ELN US	Goldman Sachs	0.0447

	FY07	FY08e	FY09e
Revenue	516	1,024	1,240
Gross Margin	-661	-275	-174
EBITDA	-0.87	-0.60	-0.39
Operating Profit	-666	-143	-51
EPS	-0.87	-0.60	-0.39
DPS	n/a	n/a	n/a
P/E	n/a	n/a	n/a
Div Yield	n/a	n/a	n/a

Peer Analysis	P/E 08	P/E 09	Div Yield
Wyeth	10.7	10.6	3.2%
Biogen	14.0	13.6	n/a

2007 Sales by Product



- EDT
- Biopharmaceuticals
- Contract Revenue



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,496	-5.5%	4.1%
FTSE	4,181	-5.0%	-6.5%
Dow Jones	8,200	-2.9%	-6.6%
S&P	843	-3.3%	-6.7%
Nikkei	8,023	-4.9%	-9.4%
Stoxx 50	2,298	-4.7%	-7.4%

Sector Performances

Sector	Index	1-Day	YTD
Construction	192	-6.0%	-7.7%
Technology	149	-4.8%	-4.9%
Oil & Gas	265	-4.7%	-1.8%
Financials	141	-7.9%	-8.8%
Retail	183	-2.5%	-2.1%
Food & Drink	228	-2.7%	-1.7%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	37.3	-1.3%	-17.4%
Copper	148.8	-3.8%	2.4%
Gold	811.7	-1.3%	-7.8%
Silver	10.5	-1.9%	-7.6%
Wheat	574.3	0.6%	-6.3%
Cattle	86.8	-0.9%	-2.4%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.319	0.1%	5.3%
€/£	0.903	-0.7%	5.2%
£/\$	1.461	0.8%	0.1%
\$/JPY	89.04	-0.4%	2.3%
€/JPY	117.47	-0.3%	7.4%
€/SFR	1.472	-0.2%	1.3%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	173.5	-6.3%	-2.2%
High Yield	1,009.8	3.2%	-1.9%
Financials	117.8	4.6%	0.0%
Bol	325.0	13.4%	32.4%
AIB	234.5	13.2%	16.0%
RBS	108.3	8.7%	-22.4%

Money Market Rates

Rate	EUR	UK	US
Overnight	2.1%	1.2%	0.1%
3-Month	2.6%	2.6%	1.1%
1-Year	2.3%	1.7%	1.0%
2-Year	2.4%	2.3%	1.3%
5-Year	3.0%	3.0%	1.9%
10-Year	3.6%	3.5%	2.3%

Date	Company	Region	Event	Date	Event	Region	Estimate
15/01/2009	Carrefour	FR	FY SALES	15/01/2009	ECB Interest Rate	EC	2.00%
15/01/2009	HMV Group PLC	UK	TRADING	15/01/2009	PPI	US	-2.00%
15/01/2009	Assoc. British Foods	UK	Q1	15/01/2009	Initial Jobless Claims	US	-540k
15/01/2009	Home Retail Group	UK	INTERIM	15/01/2009	Philly Fed	US	-35
15/01/2009	Intel	US	Q4	16/01/2009	CPI ex Food & Energy	US	1.90%
15/01/2009	JPMorgan	US	Q4	16/01/2009	Total Net TIC Flows	US	\$286.3bn
16/01/2009	Anlgo Irish Bank	IE	EGM	16/01/2009	Industrial Production	US	-0.80%
16/01/2009	Citigroup Inc.	US	Q4	16/01/2009	Michigan Confidence	US	58.9
20/01/2009	Cairn Energy	IE	TRADING	20/01/2009	UK CPI	UK	-0.10%
20/01/2009	JD Weatherspoon	UK	TRADING	20/01/2009	German ZEW	GE	-45.2
20/01/2009	Bank of America	US	Q4	21/01/2009	German Producer Prices	GE	-1.50%
20/01/2009	IBM	US	Q4	21/01/2009	Bank of England Minutes	UK	9-0
21/01/2009	GM	US	Q4	21/01/2009	UK Unemployment Rate	UK	6.00%
22/01/2009	Enterprise Inns	GB	AGM	21/01/2009	MBA Mortgage Applications	US	n/a
22/01/2009	WM Morrison Supermark	GB	TRADE	21/01/2009	NAHB Housing Index	US	9
22/01/2009	Nokia	FI	Q4	22/01/2009	European Industrial New Orders	EU	-6.50%
22/01/2009	Microsoft	US	Q2	22/01/2009	Housing Starts	US	610k
22/01/2009	Bank of New York Mellon	US	Q4	22/01/2009	Building Permits	US	615k
22/01/2009	Lockheed Martin	US	Q4	22/01/2009	Initial Jobless Claims	US	540k
22/01/2009	Southwest Airlines	US	Q4				

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