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IRISH PAPERS TODAY

- Valuation of Nama loans 'must strike balance'
(The Irish Times)
- Irish Nationwide raises €500m on bonds falling due in 2010
(The Irish Times)
- Kosmos raises \$750m to fund Tullow well share
(Irish Independent)

INTERNATIONAL PAPERS TODAY

- BA forced to raise new funds
(Financial Times)
- Investor group attacks plan for Fed powers
(Financial Times)
- Goldman net leaps; bonuses set to soar
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-2.9%	3.3%
BP	0.5%	-8.9%
CRH	1.1%	-2.5%
DCC	0.5%	41.5%
E.ON	1.4%	-14.8%
HPQ	-0.4%	2.3%
IL&P	10.9%	96.8%
INM	-1.0%	-42.4%
J&J	0.9%	-2.7%
JPMorgan	0.0%	10.1%
Microsoft	-0.5%	18.9%
Vodafone	-1.9%	-18.6%

Market View

Analyst : Edward Keeling

Equity markets have opened strongly this morning following better than expected earnings releases from Intel, Johnson & Johnson and Goldman Sachs. Risk appetite is back for the time being with commodity linked currencies like the Australian dollar well bid, while lower yielding safe havens like the yen have weakened. Crude oil has risen back above the \$60 mark and government bond yields are rising. Despite all the positive corporate news data, we do note the lacklustre US June retail sales. Although US sales at US retailers rose 0.6%, ahead of economists forecasts for a rise of 0.4%. It was entirely due to the rebound in motor vehicle sales and price related surge in sales at gasoline stations. Excluding both of these components, sales actually fell by 0.2%. That being said, we are encouraged by the positive moves in credit markets, (Investment yield credit spreads have tightened significantly since yesterday morning) we reiterate our view that given the quality of the corporates reporting this week, we believe the risk in equity markets is to the upside. We are comfortable with buying our preferred stocks on any weakness and expect companies with strong balance sheets and emerging market exposure to outperform. Looking ahead to today's session, the US economic releases will be the main focus. MBA mortgage applications will be reported at 12:00, US CPI and empire manufacturing will be closely watched at 13:30. while US industrial production and the release of the Fed minutes will be market moving.

Irish Economy : Central Bank annual report

Analyst : Oliver Gilvarry

Yesterday the Central Bank of Ireland released its annual report and the out-going Governor of the bank, John Hurley, made a number of comments on the economic outlook for the economy. In his statement he believes the prospects for an "early and rapid economic recovery" in the world economy is limited. On the domestic front, GDP is expected to fall by 9% this year and the bank expects a decline of 3-3.5% in 2010. Domestic demand accounts for a large part of the fall in overall activity with reduced construction activity another reason. The annual report indicates the cumulative decline in housing completions from the peak in 2006 could be as much as 90% before output starts to stabilise next year. In the report, the Central Bank believes the balance of payments deficit will turn into a surplus as early as Q4 this year due to the exceptionally weak domestic demand. The report did make reference to the strengths of the Irish economy such as our skill base and the flexibility and adaptability of the economy. Due to these advantages, the economy could return to a potential growth rate of 2.5-3% in the medium term. The achievement of this potential growth rate will be dependent on how we deal with the public finances, stabilising the banking system and increasing competitiveness according to the Governor. He supported the introduction of NAMA as it will help "renew confidence" in Irish banks and sees An Bord Snip Nua playing a key role in helping to improve the fiscal position of the state. The report did not have any major surprises, but in comments after the release of the report, Hurley did state he believes the budget deficit may be higher than expected. The Central Bank is due to release up-dated economic forecasts for 2009 shortly and this should show their estimate for the budget deficit this year.

Kerry : Buy Current Price (€17.10) Price target (€19.90)

Analyst : Oliver Gilvarry

Northern Foods released an Interim Management Statement (IMS) this morning for the first 13-weeks of its financial year. Management have stated they have experienced a good first quarter with underlying revenue increasing by 5.5% on the prior year quarter. Of this increase, the majority was volume increases, 4.2% and the remainder was price increases, 1.3%. On a divisional basis, the Chilled Division grew underlying revenue on a constant currency basis by 9.2% helped by strong demand for sandwiches and salads. The group also saw demand for chilled ready meals starting to grow again. The bakery division had a 6.8% increase in underlying revenue and was helped by the recent advertising campaign which included advertising through Facebook and Twitter. In Frozen Foods, revenues were down 1.5% due to the closure of a pizza manufacturing plant in Ireland, but management have stated this action plus others will "ensure full recovery of any adverse currency headwinds from these factories". Management also stated the net debt position of the group has not changed since the previous quarter and expectations for sales and profits for the full and half year remain unchanged. Northern Foods results today are positive for Greencore and Kerry Group due to the comments on the performance of the chilled food division. With signs of recovery in this part of the business would indicate Greencore and Kerry are experiencing a similar recovery in their businesses.



Intel : Buy **Current Price (\$16.83)** **Price target (\$21.00)** **Analyst : Stephen Taylor**

Last night, Intel reported a strong set of second quarter results and issued guidance that was also ahead of analyst expectations. The group reported an adjusted EPS of \$0.18 down from \$0.28 last year beating consensus of \$0.08. Revenue declined by 15% to \$8bn also well ahead of expectations of \$7.3bn. In relation to its outlook, Intel projects third quarter revenue of \$8.1bn to \$8.9bn compared to analyst forecasts of \$7.8bn. The company also expects gross margin to be in a range of 51% to 55%. Intel's CFO Stacy Smith indicated that fourth quarter gross margins could scale the high end of its 'normal' range of 50% - 60% due to partly declining costs of production of new generation chips. Smith also pointed out that computer markets were strengthening and there were 'pockets of strength' in consumer PC markets, as well as in the Asia Pacific and in China. Intel shares were 7% higher after hours. We reiterate our buy rating on the stock.

J&J : Buy **Current Price (\$58.23)** **Price target (\$70.00)** **Analyst : Stephen Taylor**

Yesterday, Johnson & Johnson (J&J) reported second quarter earnings that beat expectations and reaffirmed its earnings guidance for the remainder of the year. The group reported earnings of \$3.2bn or \$1.15 per share, down from \$3.33bn or \$1.17 a year earlier. Revenue declined by 7.4% to \$15.24bn, with 6% of this decline coming from the stronger dollar. Expectations for the quarter were for EPS of \$1.11 on revenue of \$15.02bn. J&J affirmed its 2009 earnings forecast of \$4.45 to \$4.55. J&J has weathered the downturn well and its operational performance has remained strong. At 12.9x forward earnings and providing a dividend yield of 3.37%, we believe the stock looks attractive. Reiterate buy rating.

Tullow Oil : Buy **Current Price (923p)** **Price target (1050p)** **Analyst : David Dunk**

Tullow has announced that the Minister for Energy in Ghana has formally approved the Jubilee field Phase 1 Development Plan. The Jubilee field is still on track for first oil production in the second half of 2010, with an initial production of 120,000 barrels of oil per day. Separately, Kosmos Energy, which has a 23.49% stake in the Jubilee field, has raised \$750m in loans to fund its share of the phase 1 development. The monies raised, collateralised against Kosmos's stake in Jubilee, fully fund its phase 1 commitment. Kosmos was previously reported to have been seeking bids for its share of the Jubilee field. It's not clear if Kosmos are still considering bids, but they had previously stated that they would accept bids up until the 17th of July. Today's announcement on the approval of the development plan is a positive for Tullow, but very much expected by the market.

C&C : Neutral **Current Price (€1.94)** **Price target (€1.74)** **Analyst : David Dunk**

JD Wetherspoon has released a trading statement this morning. Total sales in the 11 weeks to July 12th were up 3.2%, and up 5.2% for the financial year to date. The company has seen a net opening of 31 pubs for the year to date. Excluding these new pubs, sales were down 0.8% for the 11 weeks to July 12th, and up 1.2% for the year. The company is confident on the outlook for the current year and optimistic on prospects for next year. The statement today points toward a stabilisation in the UK pub market in the current year, in-line with our expectations.

BHP Billiton : Buy **Current Price (1411p)** **Price target (1800p)** **Analyst : David Dunk**

Rio Tinto has released its 2nd quarter output update this morning. Iron ore production was 45.2m metric tons for the quarter, compared to 41.9m tons for the same quarter last year. Rio reaffirmed guidance for production of 200m metric tons of iron ore for the full year. The company stated that markets remained tough in the second quarter, especially for aluminium. However Rio expects the recovery in steel demand for China to continue this into the second half of the year, as a result of the Chinese government stimulus initiatives. Separately, the Australian prime minister has made comments in relation to the detention of Australian national, and Rio Tinto executive, Stern Hu, by Chinese officials. He stated that the world is "watching closely how this case is handled". He also noted that Chinese economic interest was tied to Australia's and its other commercial partners. It is still very much uncertain how this incident will be resolved, and the effects that it will have on iron pricing for Rio Tinto, going forward.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,636	1.2%	13.5%
FTSE	4,238	0.8%	-3.2%
Dow Jones	8,359	0.3%	-4.8%
S&P	906	0.5%	0.3%
Nikkei	9,269	0.1%	4.6%
Stoxx 50	2,371	1.1%	-1.8%

Sector Performances

Sector	Index	1-Day	YTD
Construction	207	1.1%	2.1%
Technology	169	-0.1%	13.6%
Oil & Gas	275	1.2%	4.3%
Financials	180	2.6%	21.5%
Retail	213	0.3%	16.4%
Food & Drink	240	0.4%	4.4%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	59.5	-0.3%	9.0%
Copper	229.9	3.4%	62.3%
Gold	925.7	0.6%	5.3%
Silver	12.9	0.5%	15.2%
Wheat	530.0	-2.3%	-18.5%
Cattle	90.1	-0.1%	1.0%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.397	-0.1%	0.6%
€/£	0.856	-0.6%	-11.3%
£/\$	1.631	0.5%	10.7%
\$/JPY	93.50	0.6%	3.2%
€/JPY	130.63	0.6%	3.7%
€/SFR	1.521	0.4%	1.7%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	133.7	-6.3%	-27.0%
High Yield	832.3	-3.7%	-21.5%
Financials	116.3	-3.3%	-3.9%
BoI	386.4	0.2%	59.6%
AIB	386.8	-0.1%	90.3%
RBS	174.9	-0.6%	29.3%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.4%	0.2%
3-Month	1.0%	1.0%	0.5%
1-Year	1.3%	1.2%	0.8%
2-Year	1.7%	2.1%	1.4%
5-Year	2.8%	3.5%	2.8%
10-Year	3.6%	4.1%	3.7%

Date Company Region Event

Date	Company	Region	Event
15/07/2009	Austrian Airlines AG	AT	TRAFFIC
15/07/2009	BTG Plc	GB	TRADE
15/07/2009	Land Securities Group F	GB	TRADE
15/07/2009	Northern Foods Plc	GB	TRADE
15/07/2009	Rio Tinto PLC	GB	Q2 OUTPUT
15/07/2009	JD Wetherspoon PLC	GB	TRADE
15/07/2009	BT Group PLC	GB	AGM
15/07/2009	Burberry Group PLC	GB	TRADE
15/07/2009	ICAP PLC	GB	AGM
15/07/2009	J Sainsbury PLC	GB	AGM
15/07/2009	Xilinx, Inc.	US	Q1
15/07/2009	Abbott	US	Q2
15/07/2009	W.W. Grainger	US	Q2
16/07/2009	Elan Corp PLC	IE	S/HOLDERS
16/07/2009	Nokia Oyj	FI	Q2
16/07/2009	Aeroports de Paris SA	FR	TRAFFIC
16/07/2009	Carrefour SA	FR	Q2 SALES
16/07/2009	Novartis AG	CH	INTERIM
16/07/2009	Enterprise Inns PLC	GB	TRADE
16/07/2009	Mitchells & Butlers Plc	GB	TRADE
16/07/2009	Mothercare PLC	GB	Q1 TRADE
16/07/2009	Sports Direct Internati	GB	PRELIM

Date Event Region Estimate

Date	Event	Region	Estimate
15/07/2009	BOJ Target Rate	JN	--
15/07/2009	Jobless Claims Change	UK	--
15/07/2009	ILO Unemployment Rate (3n	UK	--
15/07/2009	Euro-Zone CPI (MoM)	EC	--
15/07/2009	MBA Mortgage Applications	US	--
15/07/2009	Consumer Price Index (MoM	US	--
15/07/2009	Empire Manufacturing	US	--
15/07/2009	Industrial Production	US	--
15/07/2009	Minutes of June 24 FOMC M	US	--
16/07/2009	Initial Jobless Claims	US	--
16/07/2009	Net Long-term TIC Flows	US	--
16/07/2009	Philadelphia Fed.	US	--
16/07/2009	NAHB Housing Market Index	US	--
17/07/2009	Euro-Zone Trade Balance	EC	--
17/07/2009	Construction Output SA MoM	EC	--
17/07/2009	Housing Starts	US	--
17/07/2009	Building Permits	US	--
20/07/2009	Rightmove House Prices (Mk	UK	--
20/07/2009	Producer Prices (MoM)	GE	--
20/07/2009	M4 Money Supply (MoM)	UK	--
20/07/2009	Leading Indicators	US	--
21/07/2009	Public Sector Net Borrowing	UK	--

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