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BP: US maintains its pressure on the oil giant

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IRISH PAPERS TODAY

Fine Gael frontbench meeting key to Kenny's survival (*The Irish Times*)

Microsoft sees no limits to controller-free gaming (*The Irish Times*)

Furious rebels will blitz Kenny for sacking Bruton (*Irish Independent*)

INTERNATIONAL PAPERS TODAY

US seeks \$20bn BP pay-out over spill (*Financial Times*)

Resolution near to deal over Axa's UK unit (*Financial Times*)

Franco – German display of unity on debt crisis (*Wall Street Journal*)

Market View

Analyst: Edward Keeling

European equity markets have opened broadly lower this morning following a weak close in the US and in Asia overnight. Investor optimism, boosted by strong European industrial data earlier in the session, was hit by the news that Moody's rating agency had downgraded Greece's government bond ratings to junk status. Although this move had been expected by investors, as it was catching up with rival Standard & Poor's rating, nonetheless markets sold off highlighting the nervousness currently among investors. Adding to these concerns was the first public acknowledgement by Spanish Treasury Secretary Carlos Ocana that some Spanish banks are currently facing funding difficulties in the interbank market. However, he rubbished speculation that Spain would now seek aid from the new €750bn European Financial Stability Facility and said the government was working to restore confidence. Markets are becoming increasingly concerned surrounding Spain's ability to refinance €16bn of bonds in July. It has been able to borrow on the markets but at a rising premium, paying an average 3.3% to sell three year bonds last Thursday. The chairman of Spain's second largest bank, BBVA indicated yesterday that the country needs to restore confidence through a mixture of deficit, structural reforms and recapitalising and slimming down its financial sector. However international investors are worried that with every European nation engaging or planning severe austerity measures to bring their debt/GDP ratios to more manageable levels, this will result in anaemic economic growth or even a double dip recession. In terms of economics, we will be paying close attention to the Irish government bond auction and the European ZEW confidence survey this morning. While on the corporate front we note the news that BSKYB has rejected a bid from major shareholder News Corporation to buy the rest of the company that would value BSKYB at £12.3bn.

Irish Financials

Analyst Oliver Gilvarry

AIB announced last night the shares it has issued to the NPRF will be admitted to trading on the relevant exchanges by mid-September. The issuing of these shares raises the Irish Government's stake in the bank to 18.61% ignoring the warrants attached to the Government preference shares. When including the warrants, the Government stake increases to 35%. On a positive note, continued speculation surrounds the sale of AIB's stake in BZW. Soc Gen, BNP Paribas along with a number of other banks plus a number of private equity investors are rumoured to be interested in making offers for the Polish operation. Indicative offers are due towards the end of this month, but the recent market volatility will impact on pricing.

BP: Buy **Previous Close 366p** **Target Under Review** **Analyst Brian Gallagher**

Political pressure on BP remained high yesterday after it emerged that the Democratic leader in the senate, Harry Reid, had written a letter to BP calling for the company to deposit \$20bn into a ring fenced account immediately. These funds would then be independently administered so that the costs of the spill could be paid as they fall due. Some commentators have viewed this a positive compromise between the government and BP however, we feel that the company should continue with its current process of accessing legitimate claims directly. Separately, BP's board met yesterday to discuss its distribution policy. No official statements were made after the meeting, nevertheless it is believed that top management are considering either deferring its dividend, issuing shares instead of cash or using an escrow account to deposit dividend funds until the eventual costs of the spill can be determined.

Tesco: Buy **Previous Close 356p** **Target 455p** **Analyst Stephen Taylor**

Tesco has reported a solid trading statement for the first quarter of its financial year covering the thirteen week period ending May 30th. Total group sales increased by 8.2%, excluding petrol sales, growth came in at 6.9%. Tesco's expansion into international markets has paid off with sales increasing by 11.9% (5.3% at constant exchange rates). Asia was particularly encouraging with sales increasing by 15.4%, supported by new store openings across the region. In Europe, sales ex petrol increased by 7.3% with the group signalling that Ireland's impressive sales recovery has continued. In the UK same store sales ex-petrol increased by 0.1%. Tesco indicated that consumer confidence is hindering a strong recovery. The company confirmed that the business is performing in line with expectations and its outlook for the year has remained unchanged. We view shares in Tesco as offering an excellent long-term investment.

Persimmon: Buy **Previous Close 364p** **Target 560p** **Analyst Stephen Taylor**

UK house builder Bellway has issued a trading statement covering the period February 1st 2010 to June 15th 2010. The group confirmed that in the 18-weeks under review, the group has maintained a sales rate broadly comparable with the same period last year, at 100 sales per week. Cancellation rates have remained stable, while the average selling price during the period is 10% ahead of the corresponding period last year. The group did caution that visits and weekly sales had declined since the election, indicating that confidence in the UK remains fragile. Persimmon remains our preferred UK house builder and while the sector has underperformed significantly year to date we do believe that value in the sector is beginning to emerge.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,048	0.0%	2.7%
FTSE	5,202	0.7%	-4.5%
Dow Jones	10,191	-0.2%	-2.3%
S&P	1,090	-0.2%	-2.3%
Nikkei	9,880	1.8%	-6.2%
Stoxx 50	2,683	1.7%	-10.1%

Sector Performances

Sector	Index	1-Day	YTD
Construction	267	1.6%	-4.1%
Technology	202	0.8%	9.3%
Oil & Gas	293	-0.5%	-12.1%
Financials	200	1.9%	-10.5%
Retail	257	0.3%	5.0%
Food & Drink	339	1.0%	11.0%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	75.1	1.8%	-9.0%
Copper	301.3	3.0%	-11.9%
Gold	1,221.3	-0.4%	11.6%
Silver	18.4	1.0%	8.4%
Wheat	467.5	2.3%	-20.2%
Cattle	88.1	1.0%	0.5%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.222	0.9%	-15.0%
€/£	0.829	-0.4%	7.2%
£/\$	1.474	1.3%	-9.0%
\$/JPY	91.580	-0.1%	2.1%
€/JPY	111.920	0.8%	20.1%
€/SFR	1.396	0.3%	6.4%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	127.7	-2.5%	85.1%
High Yield	576.4	-3.2%	34.0%
Financials	157.9	-1.9%	129.3%
BoI	331.7	-2.5%	41.3%
AIB	436.6	2.0%	59.1%
RBS	211.8	-3.4%	55.1%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.5%	0.3%
3-Month	0.7%	0.7%	0.5%
1-Year	1.1%	1.2%	0.8%
2-Year	1.3%	1.6%	1.1%
5-Year	2.1%	2.6%	2.3%
10-Year	2.9%	3.5%	3.3%

Date	Company	Region	Event
15/06/2010	Landesbank Berlin Holding AG	DE	AGM
15/06/2010	Best Buy Co.	US	Q1
15/06/2010	Bellway PLC	GB	TRADE
15/06/2010	Tesco PLC	GB	Q1
16/06/2010	J Sainsbury PLC	GB	Q4
16/06/2010	FedEx	US	S/HOLD
16/06/2010	ArcelorMittal	LU	AGM
17/06/2010	Game Group PLC	GB	TRADE
17/06/2010	Arriva PLC	GB	AGM
17/06/2010	The Kroger Co.	US	Q1
17/06/2010	C&C Group Plc	IE	EGM
17/06/2010	Kingfisher PLC	GB	AGM
18/06/2010	Aer Lingus Group Plc	IE	AGM
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Date	Event	Region	Estimate
15/06/2010	BOJ Target Rate	JN	--
15/06/2010	CPI (MoM)	UK	--
15/06/2010	RPI (MoM)	UK	--
15/06/2010	ZEW Survey	GE	--
15/06/2010	ZEW Survey	EC	--
15/06/2010	Euro-Zone Trade Balance	EC	--
15/06/2010	Eurozone Employment	EC	--
15/06/2010	Import Price Index (MoM)	US	--
15/06/2010	Empire Manufacturing	US	--
15/06/2010	Net Long-term TIC Flows	US	--
15/06/2010	ABC Consumer Confidence	US	--
16/06/2010	Jobless Claims Change	UK	--
16/06/2010	Euro-Zone CPI (MoM)	EC	--
16/06/2010	MBA Mortgage Applications	US	--
16/06/2010	Producer Price Index (MoM)	US	--
16/06/2010	Housing Starts	US	--
16/06/2010	Building Permits	US	--
16/06/2010	Industrial Production	US	--
16/06/2010	Capacity Utilization	US	--
17/06/2010	ECB Publishes June Monthly	EC	--
17/06/2010	Retail Sales Ex Auto Fuel	UK	--
17/06/2010	Construction Output SA MoM	EC	--

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