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BP: Major begins integrity test

Ryanair: German Government consider air travel tax

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Market Movers

IRISH PAPERS TODAY

Elan faces fine of \$200m over marketing of drug
(The Irish Times)

EBS raises €90m in debt buy-back deal
(The Irish Times)

Nearby gave Anglo green light on eve of bailout
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Regions forecast to miss out on jobs
(Financial Times)

BP speeds up \$20bn asset sale to boost funds
(Financial Times)

Broad overhaul of finance rules passes in U.S.
(Wall Street Journal)

Market View

Analyst: Stephen Taylor

European equities have opened stronger this morning after the US market regained the majority of its losses sustained in early trade yesterday. Markets are currently in a tug of war between great earnings results and solid guidance, however macro economic data recently remains subdued. At some stage we are either going to see companies tweaking earnings estimates slightly lower or we will see a rebound in economic data over the coming months. It is a difficult call at the moment, but with the large multinational companies being so positive in their outlooks and beginning to hire again, we believe economic indicators will start to stabilise again and move higher albeit at a slow pace. Overnight Google reported quarterly results and while earnings were slightly below expectations, revenue came in ahead of consensus. The miss on the earnings was due to margin pressure sustained as it increased costs as it hired close to 1,200 new employees over the quarter adding sales and engineering staff. From a global macro perspective we take it as a positive that Google is hiring staff as it signals its confidence that the recession is over. From a company perspective shares in Google were down 4% in after hours trade as margins disappointed. AMD, peer of Intel, also reported earnings after the close with both earnings and revenue beating expectations. The company also issued a positive outlook for the PC market sending its shares 2% higher. We take both Google and AMD's results as a positive read through for Microsoft who are due to report earnings next Thursday. As for today the main focus will again be on corporate earnings with General Electric, Bank of America and Citigroup all due to report. On the economic front Michigan Confidence data will also be in focus with a month on month decline on the reading expected.

BP: Buy **Previous Close** 402p **Target** 500p **Analyst** Brian Gallagher

In the final hour of US trading, BP announced that it had started its integrity test on its ruptured well in the Gulf of Mexico. This means that there is no oil leaking from the well. It's important to note that the well will be reopened when the test is completed so that BP can perform a seismic survey to determine whether there are any subsurface leaks. The integrity test will establish if the original wellbore is intact by measuring the pressure in the well. If there is low pressure it would suggest that the wellbore has been damaged and BP would once again begin its containment operations. BP has suspended the drilling of its relief wells while it performs this test as there is a small chance that oil from the original well could compromise the relief. Elsewhere, it is being reported that BP is finalising the sale of \$20bn worth of assets with its advisors. If successful, this would lower the risk of BP taking a strategic investor or issuing new equity.

Ryanair: Buy **Previous Close** €3.79 **Target** €4.70 **Analyst** Edward Keeling

Yesterday it was reported that the German government will impose an air travel tax to raise €1bn a year, according to a draft law seen by Reuters. Under the plan, airlines will be taxed according to the distance their passengers travel, starting January 1st, 2011. For shorter trips within the European Union and a number of other countries less than 2,500 kilometres away, the tax is set at €13. For longer trips it will be at €26. Although this is clearly a negative for Ryanair as Germany is now one of its largest markets, it had been expected by analysts. Indeed post our meeting with management after the group's FY results on June 11th, we flagged this as a likely scenario. Going forward we are not concerned about a widespread increase in taxes across all of Ryanair's major markets. In Ireland & the UK high tourism taxes are already in place and there is little or no room for any more increases. Moreover many market participants have been calling for a reduction of these tax regimes, pointing towards the collapse in Irish airport traffic as evidence of the negative impact from excessive travel taxes. Across southern European countries, management see very little risk. This reflects the relative importance of the tourism industries and the effect any mismanagement of airport tax rates would have on Ryanair's capacity decisions. Alternatively, these governments have actually lowered airport costs in an attempt to encourage airlines to grow capacity.

DCC: Buy **Previous Close** €18.37 **Target** €21.50 **Analyst** Edward Keeling

DCC released an interim management statement covering the quarter ended 30th June. The group has indicated that trading is ahead of the prior year and modestly ahead of expectations, both on a reported basis and on constant currency. Each of DCC's five divisions traded ahead of or in line with the same period the year before. The company also announced that in June, DCC Energy acquired two oil importation and storage terminals in Scotland. Strategically these purchases appear to be a good move. DCC Energy will use these terminals to provide storage and throughput services to major oil companies who will sell fuel directly into the market place. It will also create opportunities for DCC to expand into the marine fuels market. In terms of outlook, it continues to anticipate an operating profit increase of 5% and earnings per share to be modestly ahead year on year, on a constant currency basis. However based on the improved €/£ exchange rate of 84p, management expect an operating profit increase of 10% and an eps percentage increase of mid to high single digit. DCC's shares has underperformed year to date and as result now offers an attractive entry level. It currently trades on a P/E of just 9x, compared with a historical average of 12x and offers a dividend yield of 3.8%. It boasts a robust financial position with gearing of 6% and a net debt to EBITDA ratio of just 0.2x. As a result we expect it will continue to pursue further acquisition opportunities this year. With a proven ability to extract value from its bolt-on acquisition strategy (DCC achieved a return on total capital of 18.4% last year), we are confident management will continue to deliver superior shareholder returns. The group has a diversified, high margin business model which derives c.70% of its revenue from the UK and therefore will benefit significantly from further euro sterling weakness.



Bol: Buy

Previous Close €0.71

Target €1.75

Analyst Oliver Gilvarry

Yesterday, The European Commission (EC) formally approved Bank of Ireland's restructuring plan. Bol is required to market a number of disposals including; New Ireland Assurance, BIAM, ICS Building Society and its stake in Irish Credit Bureau, the winding down of two corporate loan portfolios and its UK intermediary business. Competition Commissioner Joaquin Almunia said he is confident that Bol's plan will ensure a stable future for the bank and contribute to financial stability in Ireland without unduly distorting competition. Bol is the first of the Irish financials to receive approval. Focus will now shift to July 23rd when European stress tests results are due to be released.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,891	-1.9%	-2.1%
FTSE	5,211	-0.8%	-3.6%
Dow Jones	10,359	0.0%	-0.7%
S&P	1,096	0.0%	-1.7%
Nikkei	9,686	-1.1%	-10.8%
Stoxx 50	2,703	-1.3%	-9.0%

Sector Performances

Sector	Index	1-Day	YTD
Construction	250	-1.3%	-10.0%
Technology	199	-1.0%	7.9%
Oil & Gas	295	-0.9%	-10.5%
Financials	209	-2.0%	-6.7%
Retail	262	-0.5%	7.2%
Food & Drink	341	-0.5%	11.6%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	76.62	-0.5%	-7.4%
Copper	301.20	0.1%	-10.7%
Gold	1,208.25	0.0%	10.0%
Silver	18.36	0.4%	8.2%
Wheat	596.25	6.7%	2.3%
Cattle	93.58	0.2%	4.5%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.295	1.6%	-9.7%
€/£	0.838	0.3%	-5.5%
£/\$	1.546	1.3%	-4.6%
\$/JPY	87.400	-1.1%	6.8%
€/JPY	113.170	0.5%	-15.4%
€/SFR	1.348	0.5%	10.1%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	119.7	2.4%	68.5%
High Yield	513.3	-6.9%	18.3%
Financials	143.6	-0.4%	85.2%
BoI	325.2	0.5%	50.1%
AIB	438.8	0.0%	76.8%
RBS	201.6	0.9%	44.5%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.5%	0.5%	0.3%
3-Month	0.8%	0.7%	0.5%
1-Year	1.2%	1.1%	0.6%
2-Year	1.4%	1.4%	0.9%
5-Year	2.1%	2.4%	2.0%
10-Year	0.029	3.4%	3.0%

Date	Company	Region	Event
15/07/2010	Carrefour SA	FR	SALES
15/07/2010	Experian PLC	GB	TRADE
15/07/2010	Novartis AG	CH	Q2
15/07/2010	Mothercare PLC	GB	TRADE
15/07/2010	Burberry Group PLC	GB	AGM
15/07/2010	Premier Oil PLC	GB	TRADE
15/07/2010	Pirelli & C SpA	IT	AGM
15/07/2010	Google	US	Q2
15/07/2010	JPMorgan Chase & Co.	US	Q2
15/07/2010	W.W. Grainger	US	Q2
16/07/2010	Aeroports de Paris SA	FR	TRAFFIC
16/07/2010	DCC PLC	IE	TRADE
16/07/2010	BlueBay Asset Management	GB	TRADE
16/07/2010	British Land Co Plc	GB	AGM
16/07/2010	Bank of America Corp.	US	Q2
16/07/2010	CitiGrp	US	Q2
16/07/2010	First Horizon National Corp.	US	Q2
16/07/2010	General Electric	US	Q2
16/07/2010	Mattel	US	Q2
16/07/2010	Rockwell Collins	US	Q3
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Date	Event	Region	Estimate
15/07/2010	GDP Year-to-Date (YoY)	CH	--
15/07/2010	Consumer Price Index (YoY)	CH	--
15/07/2010	Retail Sales (YoY)	CH	--
15/07/2010	Industrial Production (YoY)	CH	--
15/07/2010	ECB July Repoty	EC	--
15/07/2010	Initial Jobless Claims	US	--
15/07/2010	Empire Manufacturing	US	--
15/07/2010	Industrial Production	US	--
15/07/2010	Capacity Utilization	US	--
15/07/2010	Philadelphia Fed.	US	--
16/07/2010	Euro-Zone Trade Balance sa	EC	--
16/07/2010	Consumer Price Index (MoM)	US	--
16/07/2010	U. of Michigan Confidence	US	--
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