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Market Movers

IRISH PAPERS TODAY

US records first annual decline in prices since 1995
(The Irish Times)

ILP drawing up shortlist for new chief executive
(The Irish Times)

Aryzta shares slide after Lion Capital sells stake
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Borrowing to hit £175bn
(Financial Times)

Spain told it has no leeway on deficit
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-10.9%	-11.7%
BP	-2.1%	-17.5%
CRH	-3.4%	1.6%
E.ON	0.6%	-19.5%
HPQ	2.1%	-4.0%
IL&P	-0.8%	36.0%
INM *	2.8%	-55.2%
J&J	0.8%	-13.5%
JPMorgan	6.1%	3.3%
Microsoft	-2.7%	-3.1%
Vodafone	-1.0%	-12.1%

* We are currently Neutral on IN&M

Market View

Analyst : Stephen Taylor

European equity markets are higher this morning following yesterday's strong finish in the US. The bounce in US markets can be attributed to better than expected empire manufacturing data and also the Fed Beige book that reported five of the twelve districts had seen a slowdown in the pace of contraction. These districts included San Francisco, New York, Chicago, Kansas City and Dallas. The moderation in decline in these areas ties in with better than expected housing and manufacturing data over the last couple of months. Elsewhere, GDP figures in China overnight showed that the rate of GDP growth slowed to its lowest level in 10-years falling to a rate of 6.1% down from 6.8% in the fourth quarter of 2008 and below expectations of 6.2%. While the drop in GDP growth is of concern, we would be confident that the Chinese economy will continue to post strong GDP rates over the coming year despite the major slowdown in the western world. Focus today will be on both corporate and economic data. On the corporate side, JPMorgan is due to report first quarter results which are due for release at 11.30am. Both Goldman Sachs and Wells Fargo have reported better than expected earnings over the last week so expectations will be high going into JPMorgan's results. Also due to report is Nokia at 11am and will be a key read across for the consumer. On the economic front, weekly jobless claims along with the Philadelphia Fed manufacturing index will be closely watched.

ECB interest rates : Floor at 1.00%

Analyst : Oliver Gilvarry

Homeowners on tracker mortgages will be disappointed after next months ECB meeting as it seems the 0.25% rate cut will be the last. ECB council member Axel Weber, commented yesterday that the ECB should put a floor on interest rates. Weber has implied in the past this floor should be 1.00%. He also stated it is necessary to announce a refinancing framework to ease credit concerns between banks. This framework would involve the ECB extending the maturity profile for repo operations from the current 6-months to 12-months or maybe as far out as 18-months. Banks would be reluctant to take part in such long repo operations if they believed short-term rates will fall further and this is the reason Weber is calling for floor in rates to be announced. In relation to Quantitative Easing (QE), Weber is more reluctant than the Greek and Cyprus members to begin purchasing debt securities and follow the US and UK in printing new money to prevent deflation taking hold. Weber believes purchasing debt should not be a priority for the Euro-Zone as the economy is mainly bank financed. Compared to the US and even the UK, the vast majority of European corporates finance their activities by borrowing from banks, where in the US corporate bonds are commonly used to finance corporates. Weber believes trying to lower the cost of longer term bank loans and EURIBOR is the best way to support European corporates. He hasn't ruled out QE, but it isn't his first choice. We expect the ECB on the 7th of May to cut interest rates to 1.00% and announce that this is the floor of the current cycle. The decision will be followed by details on extending the maturity of ECB repo operations allowing banks to borrow for longer terms than the current 6-months from the ECB. This will benefit banks, including Irish banks, which have had difficulty sourcing longer term funding due to the closure of term debt markets. By lengthening the funding profile of European banks, this will reduce the risk of liquidity problems and open up inter-bank markets again. There is the possibility the ECB will announce plans for a form of QE, but we believe it will be focused mainly on European Commercial Paper markets and not government debt.

Kerry : Buy **Current Price (€14.37)** **Price target (€19.90)** **Analyst : Oliver Gilvarry**

This morning Danone, the world's largest yogurt maker, released Q1 results. Revenues missed analyst's forecasts and only grew on a like-for-like basis (lfl) by 1% compared to consensus estimates of 2%. Revenues on lfl at the yogurt unit fell 1.2% as demand for healthy alternatives such as Actimel and Activia declined. This highlights how the consumer is moving away from branded products and onto cheaper alternatives. Sales at the water unit were also weak with demand in Western Europe falling by circa 4% on lfl. On a positive note, the baby food unit recorded 11% growth as did the medical-nutritional division. Despite the weak demand for dairy and water products, the CEO of the group reiterated earlier guidance for the full year. The move by consumers from branded products is highlighted in Danone's results. Kerry Group is a beneficiary from this move due to its product mix of branded and private label goods. Its food ingredients division also benefits from supplying flavourings to private label producers. The read through is also positive for Greencore, but its private label bottled water division will come under pressure this year due to the reduction in consumer spending



Diageo : Buy **Current Price (780p)** **Price target (1150p)** **Analyst : David Dunk**

SabMiller has released a trading update for the year ending March 2009. Total beer volumes over the year, were flat, compared to analyst expectations of 1% growth. Unsurprisingly the company saw economic conditions deteriorate, in the second half of the year, with lager volumes down 1% in 2009 so far. Consumer demand has fallen in most markets, but the company expects to deliver financial results that are in line with market expectations. The US market is showing resilience, although demand for imports is softening. China remains very strong, with a 20% volume gain in Q4. Latin America, China and India are all performing well in the current climate. In general Western markets are not holding up as well as developing markets, with regard to the consumption of alcoholic beverages. This is negative for C&C, given its exposure to Ireland & UK, but is already priced in, in our opinion. The resilience of emerging markets has positive implications for premium drinks manufacturer, Diageo, given its geographic exposure.

Johnson & Johnson

BUY

Current Price : \$51.94

Price Target : \$70.00



DOLMEN STOCKBROKERS

Analyst: **Stephen Taylor**

Thursday 16th April 2009

• **Results released:** On Tuesday, Johnson & Johnson (J&J) reported first quarter earnings for the period ending 31/03/2009. The group posted net income that declined by 2.5% to \$3.5bn or EPS of \$1.26 beating analyst expectations of \$1.22. Revenue declined by 7.2% to \$15bn slightly missing expectations of \$15.3bn. The better performance on earnings can be attributed to the increased cost-savings initiatives that the company has implemented including reductions in staff. With revenue expected to stabilise by the end of this year, these cost cutting initiatives will add to profit growth going forward. J&J also reiterated its earnings guidance for the full-year 2009 expecting EPS in the range of \$4.45-\$4.55. We take confidence out of J&J's ability to provide and reiterate earnings guidance given that we have already seen a number of companies including Intel and Philips fail to provide earnings guidance for 2009.

• **Pharmaceutical:** The group's largest division saw a 10.1% drop in sales with the largest pressure on international sales that declined by 10.7%, while domestic sales declined by 9.7%. Sales of Concerta, a treatment for ADD, Remicade and inflammation treatment along with Velcade, treatment for myeloma had strong sales performances. On the negative front sales of Risperdal and antipsychotic medication, was negatively impacted by generic competition.

• **MD&D:** The group's medical devices & diagnostics division, a key area of growth for the company going forward, put in a robust performance with revenue only declining by 2.9%. Primary contributors to the division included Ortho-Clinical diagnostics, Ethicon's surgical care products, Endo-Surgery's minimally invasive products along with DePuy's orthopaedic joint reconstruction, spine, sports medicine and trauma businesses. We expect that the group's MD&D division will continue to perform well over the coming year despite the current slowdown.

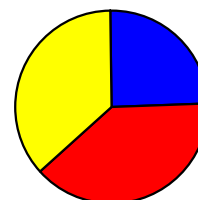
• **Consumer :** Consumer sales declined by 5.6% with international sales falling by 10.7% and US sales declining by 11.6%. The group's Listerine antiseptic mouthrinse and the skin care lines of Neutrogena and Aveeno had strong sales performance during the quarter. Also contributing to sales during the quarter was Dabao, the leading moisturizer in China. J&J acquired Dabao in 2008 and we expect the company to continue to focus on high growth economies to drive profit over the next number of years.

• **Balance sheet:** J&J benefits from having one of the strongest balance sheets in the world with a net cash position of c. \$1bn which is expected to increase to c. \$4bn by the end of 2009. J&J also has one of the strongest credit ratings amongst corporates in the world with rating agencies S&P, Moody's and Fitch providing it with their strongest possible credit rating of AAA, or equivalent.

• **Reiterate buy rating:** J&J's results and guidance provide us confidence that the group will be able to weather the current downturn and emerge stronger than its peers. We reiterate our buy rating and price target of \$70 which is based on the stock trading at 14.5x 2010 earnings. The stock also provides an attractive dividend yield of 3.8%.

Descriptive Stats		Shareholders	
Price (\$)	51.94	State Street	5.26%
52 Week High	72.76	Barclays Global	4.26%
52 Week Low	46.25	Vanguard Group	3.29%
Bloomberg	JNJ US	Fidelity Mgmt	2.30%
Reuters	JNJ.N	BONY	1.66%
		FY08	FY09
		FY10	
Revenue (\$m)	63,747	61,216	63,984
EBITDA (\$m)	19,001	19,549	20,759
EPS (c)	4.55	4.50	4.88
DPS (c)	1.80	1.97	2.06
P/E	11.4	11.5	10.6
Div Yield	3.47%	3.79%	3.97%
Peer Analysis		P/E 09	P/E 10
		Div Yield 09	
Johnson & Johnson	11.5	10.6	3.79%
Procter & Gamble	11.2	11.6	3.60%
Pfizer	6.7	5.8	5.40%
GlaxoSmithKline	8.7	8.2	5.50%
Unilever	10.3	9.6	4.20%

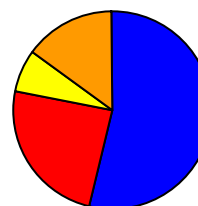
Q1 2009 Revenue Breakdown



■ Consumer 25%

■ Pharmaceutical 38%

■ Med Devices & Diagnostics 37%



■ US 54%

■ Europe 24%

■ Western Hemisphere 7%

■ Asia-Pacific, Africa 15%



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,336	-3.2%	0.7%
FTSE	3,968	-0.5%	-10.3%
Dow Jones	8,030	1.4%	-8.5%
S&P	852	1.3%	-5.7%
Nikkei	8,755	0.1%	-1.2%
Stoxx 50	2,263	-0.7%	-7.4%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	49.3	-0.3%	-4.4%
Copper	220.9	3.8%	54.6%
Gold	891.1	0.0%	1.2%
Silver	12.8	0.3%	12.9%
Wheat	527.0	-1.3%	-16.6%
Cattle	84.8	1.2%	-0.9%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	176.7	-6.3%	-2.8%
High Yield	1,079.3	-1.1%	4.5%
Financials	152.4	0.3%	26.7%
BoI	465.4	2.0%	94.4%
AIB	459.4	-1.6%	121.8%
RBS	189.9	0.4%	40.2%

Sector Performances

Sector	Index	1-Day	YTD
Construction	200	-1.7%	-1.1%
Technology	164	-1.7%	5.8%
Oil & Gas	255	-0.5%	-3.9%
Financials	153	-1.8%	2.6%
Retail	197	0.9%	6.8%
Food & Drink	216	0.9%	-7.4%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.323	-0.2%	6.1%
€/£	0.882	-0.9%	8.4%
£/\$	1.500	0.7%	-2.2%
\$/JPY	99.37	0.4%	-8.1%
€/JPY	131.45	0.2%	-2.6%
€/SFR	1.512	0.1%	-1.1%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.9%	0.4%	0.3%
3-Month	1.4%	1.5%	1.1%
1-Year	1.6%	1.5%	1.1%
2-Year	1.9%	2.2%	1.4%
5-Year	2.8%	3.2%	2.3%
10-Year	3.5%	3.7%	2.9%

Date	Company	Region	Event
16/04/2009	Experian PLC	IE	TRADE
16/04/2009	Rio Tinto PLC	GB	Q1 OUTPUT
16/04/2009	BP Plc	GB	AGM
16/04/2009	Baxter Intl. Inc.	US	Q1
16/04/2009	Harley-Davidson	US	Q1
16/04/2009	JP Morgan Chase & Co.	US	Q1
16/04/2009	Nokia Oyj	FI	Q1
16/04/2009	Carrefour SA	FR	Q1 SALES
16/04/2009	SABMiller PLC	GB	TRADE
16/04/2009	Saab AB	SE	S/HOLDERS
17/04/2009	BB&T Corporation	US	Q1
17/04/2009	Citigroup Inc.	US	Q1
17/04/2009	General Electric	US	Q1
17/04/2009	Swiss Reinsurance Cor	CH	S/HOLDERS
20/04/2009	Trinity Biotech PLC	IE	Q1
20/04/2009	Alliance Trust PLC	GB	PRELIM
20/04/2009	Sports Direct Internatio	GB	TRADE
20/04/2009	Bank of America Corpor	US	Q1
20/04/2009	Eli Lilly	US	Q1
20/04/2009	Hasbro, Inc.	US	Q1
20/04/2009	IBM	US	Q1
20/04/2009	Texas Instruments	US	Q1

Date	Event	Region	Estimate
16/04/2009	Total Trade Balance (GBP/M	UK	--
16/04/2009	Euro-Zone CPI (MoM)	EC	0.40%
16/04/2009	Euro-Zone Ind. Prod. sa (Mo	EC	-2.70%
16/04/2009	Housing Starts	US	543K
16/04/2009	Initial Jobless Claims	US	--
16/04/2009	Building Permits	US	549K
16/04/2009	Philadelphia Fed.	US	-32
17/04/2009	Euro-Zone Trade Balance	EC	--
17/04/2009	Construction Output SA MoM	EC	--
17/04/2009	U. of Michigan Confidence	US	58.5
20/04/2009	Rightmove House Prices (Mk	UK	--
20/04/2009	Leading Indicators	US	--
21/04/2009	Producer Prices (MoM)	GE	--
21/04/2009	CPI (MoM)	UK	--
21/04/2009	RPI (MoM)	UK	--
21/04/2009	ZEW Survey (Econ. Sentime	GE	--
22/04/2009	Bank of England Minutes	UK	--
22/04/2009	Jobless Claims Change	UK	--
22/04/2009	ILO Unemployment Rate (3n	UK	--
22/04/2009	Public Sector Net Borrowing	UK	--
22/04/2009	M4 Money Supply (MoM)	UK	--
22/04/2009	MBA Mortgage Applications	US	--

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