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Market Movers

IRISH PAPERS TODAY

Lenihan unveils new financial regulatory system
(The Irish Times)

Rate of decline in retail sales slowing
(The Irish Times)

IMF gloomy on recovery predictions from state
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Retail rents to drop by a fifth
(Financial Times)

Geithner defends revamp
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-0.1%	-2.8%
BP	-1.2%	-6.7%
CRH	-0.5%	8.6%
DCC	-4.8%	43.0%
E.ON	2.3%	-11.7%
HPQ	0.3%	3.5%
IL&P	-2.1%	109.5%
INM	-3.6%	-26.7%
J&J	1.1%	-6.8%
JPMorgan	4.4%	8.4%
Microsoft	-0.8%	20.9%
Vodafone	2.4%	-12.4%

Market View

Analyst : Stephen Taylor

European equity markets are strong this morning boosted by financial and commodity stocks that underperformed earlier in the week. There were further upgrades to GDP forecasts for China last night from Barclays adding to the slew of upgrades from various investment banks in addition to the World Bank yesterday. Such upgrades bode well for the mining sector and while trading the sector can be volatile we remain positive overall with BHP Billiton being our top pick. Yesterday's Philly's Fed index provided further support to the recovery in the US with the index well ahead of expectations. While the index as a whole remains in negative territory, it has reached a nine month high, and new orders showed a particularly strong rebound. While data in the US will remain weak for some period of time, we have seen a real stabilisation in many indicators and expect the US to emerge from the current downturn ahead of Europe. In relation to currency markets, the euro continues to weaken against sterling and has broken through the key 0.85 level. We expect this trend to continue over the next few months as the UK economy shows increased signs of stabilisation. As for today there is little in the way of economic or corporate news flow.

Taylor Wimpey : Trading Statement Current Price (34p) Analyst : Stephen Taylor

UK house builder Taylor Wimpey issued a trading statement this morning commenting that it has seen some stability in the UK housing market. The company did however remain cautious on the economy as whole in particular the impact of increasing unemployment. The unemployment rate in the UK currently stands at 7.2%, a decade high. In relation to its US division, Taylor Wimpey pointed out that trading had improved in recent months with higher reservation rates and fewer cancellations. However in Spain the market remained weak.

United Drug : Buy Current Price (€1.90) Price target (€4.30) Analyst : David Dunk

Yesterday the Minister for Health and Children announced changes to its drug reimbursement schemes. This move by the government has been expected for some time and the cost saving measures are anticipated to claw back €55m for the state in 2009. The new proposals the government will implement on July 1st include the following. i) The retail mark up payable under various community drug schemes will be lowered from 50% to 20%. ii) A higher dispensing fee for all schemes based on a sliding structure relating to volumes which will range from €5.00 to €3.50 per item. iii) An end to the special payments to pharmacists relating to the automatic entitlement of over-70s to a medial card and iv) the reduction from 17.66% to 10% in the ex factory mark-up price reimbursed. While there is clear negative read through for the industry, in terms of margin pressure passed on from pharmacies, we believe United Drug will have been well prepared for this announcement and is well placed to deal with any resulting pricing pressures.

Glanbia : 2010 Earnings growth Current Price (€2.37) Analyst : Oliver Gilvarry

Glanbia's Managing Director John Moloney, in an interview with Reuters late yesterday, reiterated that the group expects earnings to drop to a range between 30 and 32c per share this year from 35.9c in 2008. In 2010 however, the group now anticipates a return closer to earnings growth of around 10% to 14%, the company's original guidance before April's profit warning. In relation to the Irish milk processing industry, Maloney believes it is facing inevitable consolidation in order to compete with countries such as New Zealand. Furthermore he indicated that Glanbia would be open to taking part in such a process.

Elan

Neutral

Current Price : \$6.82

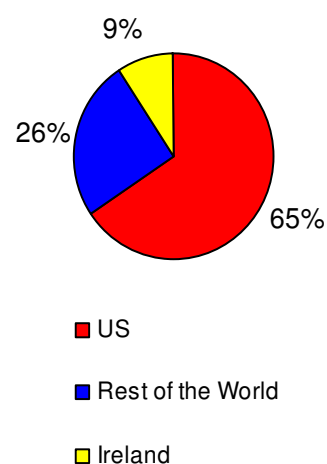
Price Target : \$7.40



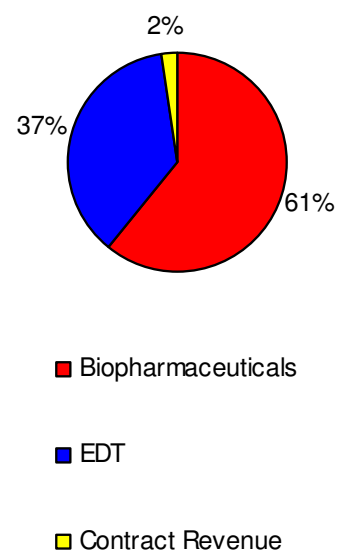
Analyst: **David Dunk**

- Elan and Transition Therapeutics Inc (TTI) presented earlier this week at the International Conference on Alzheimer's Disease (ICAD) data from their phase 1 trial on ELND005. ELND005 is an orally administered Alzheimers treatment, developed jointly by Elan and TTI. Phase 1 data, which was based on testing on 8 people, confirmed that the drug was found in expected amounts in the subjects brain tissue. ELND005 was fast tracked by the FDA for phase 2 trials, which began in October 2008, with results due in the H2 2010. However initial data from this phase of testing should be available before current year end.
- Following on from the proposed J&J investment in Elan, we have undertaken a detailed review of our valuation. The deal comprises a capital injection of \$1bn, in exchange for a minority equity stake, as well as a joint venture of Elan's Alzheimer's Immunotherapy Program (AIP). J&J will own 18.4% of the expanded capital base of Elan. Additionally the assets and rights of the AIP will be acquired by a JV, with a 50.1% stake for J&J and 49.9% stake for Elan. J&J has committed up to \$500m for the development and launch of bapineuzumab Alzheimer's treatment. Under the terms of the deal J&J may not seek to increase its stake in Elan for 5 years.
- The capital injection relieves the pressure on Elan's balance sheet. Net Debt moves from €1,400m to €400m as a result of the investment. Elan now has sufficient liquidity to redeem its \$1,150m of debt, which matures in November 2011. As a result of the lower debt burden, Elan's interest expense will now decline substantially, bringing the company closer to profitability.
- As a result of J&J investment Elan has substantially reduced its exposure to bapineuzumab (including potential upside). However, we take J&J investment as having positive implications for the likely probability of bapineuzumab reaching the market. Additionally, our discount rate has been lowered significantly, reflecting the Elan's stronger balance sheet, and the additional investment commitment by J&J.
- Following the investment by J&J, M&A speculation and balance sheet concerns will no longer dictate share price moves. Still, Elan remains a high risk stock due to the uncertainty of its operations, and future cash flows. Tysabri will once more be the main driver of the stock. Biogen releases its Q2 earnings later today, and will give an update on patient numbers. The market will be looking for 2,000-2,500 new Tysabri patients. Safety concerns for Tysabri are increasing, and a further acceleration of additional PML cases would have serious implications for Elan. There have now been 10 cases of PML diagnosed, although the most recent cases are unlikely to have affected Biogen's Q2 numbers materially. In addition, a recent case of CNS lymphoma could have negative implications
- **Upgrading Price Target:** We have amended our valuation to take into account the recent developments, including the capital injection, the J&J joint venture, a stronger balance sheet, and the ELND005 data. As a result our sum of parts valuation moves to \$7.40 per share, up from \$7.10, and our rating remains on Neutral. While Elan's stake in its API drugs has halved, the higher likely success rate, and lower discount rates mean Elan still has a significant exposure to these drugs. Tysabri remains the largest component of our valuation, contributing \$3.10 to our valuation, and will likely be the main driver of the stock over the next 12 months. Biogen's update on Tysabri figures before US markets open today will be important, as will any details relating to Tysabri's safety. Next Tuesday Elan will release its Q2 update.

Revenues by Geography



Revenues by Division





International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,772	-0.4%	20.5%
FTSE	4,281	0.1%	-2.5%
Dow Jones	8,556	0.7%	-2.5%
S&P	918	0.8%	1.7%
Nikkei	9,786	0.9%	10.5%
Stoxx 50	2,414	1.3%	-1.1%

Sector Performances

Sector	Index	1-Day	YTD
Construction	210	0.4%	4.4%
Technology	171	0.6%	11.8%
Oil & Gas	288	-0.3%	9.1%
Financials	179	1.6%	19.4%
Retail	206	-0.5%	12.9%
Food & Drink	233	0.5%	1.6%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	71.4	0.5%	32.4%
Copper	228.2	0.6%	58.7%
Gold	933.1	-0.6%	5.9%
Silver	14.2	-0.3%	25.7%
Wheat	560.3	-1.0%	-10.7%
Cattle	81.7	0.4%	-4.6%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.390	-0.3%	-0.4%
€/£	0.851	0.1%	-12.4%
£/\$	1.633	-0.4%	10.7%
\$/JPY	96.55	0.8%	6.4%
€/JPY	134.20	0.5%	6.0%
€/SFR	1.510	0.3%	1.2%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	137.9	-6.3%	-22.0%
High Yield	832.5	1.4%	-18.1%
Financials	120.0	2.2%	0.9%
BoI	366.4	0.4%	51.4%
AIB	366.4	0.4%	76.1%
RBS	178.3	0.3%	33.4%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.9%	0.4%	0.3%
3-Month	1.2%	1.3%	0.6%
1-Year	1.5%	1.5%	1.0%
2-Year	2.0%	2.4%	1.7%
5-Year	3.0%	3.7%	3.3%
10-Year	3.8%	4.3%	4.1%

Date Company Region Event

Date	Company	Region	Event
19/06/2009	Ashtead Group Plc	GB	Q4
19/06/2009	France Telecom SA	FR	S/HOLDERS
19/06/2009	Koenig & Bauer AG	DE	MEETING
19/06/2009	Porsche Automobil Holc	DE	RESULTS
19/06/2009	Taylor Wimpey Plc	GB	AGM
22/06/2009	Escada AG	DE	Q2
22/06/2009	Walgreen	US	Q3
23/06/2009	Chemring Group PLC	GB	INTERIM
23/06/2009	OMG PLC	GB	INTERIM
23/06/2009	Alstom SA	FR	S/HOLDERS
23/06/2009	PGI Group PLC	GB	AGM
23/06/2009	The Kroger Co.	US	Q1
23/06/2009	Oracle	US	Q4
24/06/2009	Irish Continental Group	IE	AGM
24/06/2009	Monsanto Co.	US	Q3
24/06/2009	Nike	US	Q4
24/06/2009	Celsis International Plc	GB	PRELIM
24/06/2009	Kesa Electricals plc	GB	PRELIM
25/06/2009	DSG International Plc	GB	PRELIM
25/06/2009	Bauer AG	DE	AGM
25/06/2009	ConAgra Foods	US	Q4

Date Event Region Estimate

Date	Event	Region	Estimate
19/06/2009	Producer Prices (MoM)	GE	0.00%
22/06/2009	Rightmove House Prices (M)	UK	--
22/06/2009	IFO - Business Climate	GE	--
23/06/2009	GfK Consumer Confidence	SE	--
23/06/2009	PMI Manufacturing	GE	--
23/06/2009	PMI Services	GE	--
23/06/2009	OECD May Economic Outlook	EC	--
23/06/2009	Richmond Fed Manufact. Inc	US	--
23/06/2009	House Price Index MoM	US	--
23/06/2009	Existing Home Sales MoM	US	--
23/06/2009	ABC Consumer Confidence	US	--
24/06/2009	Euro-Zone Current Account r	EC	--
24/06/2009	MBA Mortgage Applications	US	--
24/06/2009	Durable Goods Orders	US	--
24/06/2009	New Home Sales MoM	US	--
24/06/2009	FOMC Rate Decision	US	--
25/06/2009	Industrial New Orders SA (MEC	US	--
25/06/2009	GDP QoQ (Annualized)	US	--
25/06/2009	Personal Consumption	US	--
25/06/2009	Core PCE QoQ	US	--
25/06/2009	Initial Jobless Claims	US	--

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