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Irish Economy: Today's NTMA auction to receive international attention

C&C: Carlsberg Q2 results surpass expectations

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Market Movers

IRISH PAPERS TODAY

Bond yields stay high ahead of auction
(The Irish Times)

China overtakes Japan to become second largest economy
(The Irish Times)

Ireland braced for vital bond auction on today
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Tough targets for benefits reforms
(Financial Times)

BP raises \$5bn in loans against oil revenue to boost its liquidity
(Financial Times)

EU told to lift high-tech tariffs
(Wall Street Journal)

Market View

Analyst: Stephen Taylor

European equity markets have opened slightly higher this morning following broadly flat closes in the US and Asia overnight. On the currency front the Euro is broadly flat versus the US dollar at 1.2832 ahead of today's key bond auction by the NTMA discussed below. We are starting to see some M&A creeping back into the market with RSA's bid for Aviva's UK, Ireland and Canadian general insurance business for £5bn, while Dell announced that it had agreed to buy 3Par for \$1.15bn to increase its growing corporate data-centre business. We believe that M&A will become a key theme over the coming 12-months as companies are forced to acquire revenue and create synergies in the lower growth environment. On a micro level corporates are in a strong position financially with gearing levels significantly down and therefore scope for acquisitions has increased. As for today and apart from the NTMA auction there is a host of data due to be released. On the corporate front second quarter earnings from Home Depot and Wal-Mart will be released before the US market opens. On the economic front, CPI data out of the UK will be in focus, while German business confidence in the form of the ZEW survey will also be closely watched. In the US given the continued weakness in housing, starts and permits data will be key as will industrial production data.

Irish Economy

Analyst Oliver Gilvarry

The Irish bond auction is of international focus today as Irish yields have been under pressure over the last number of days. The NTMA aims to raise €1.5bn in the auction between 4-year and 10-year bonds. The yields on both bonds have fallen back somewhat this morning with the 4% 2014 yielding 3.86% compared to 3.93% yesterday afternoon, with the 5% 2020 currently yielding 5.45% compared to 5.52% yesterday. Spreads over equivalent 10-yr German Government debt is currently 299bps, this was over 300bps at times yesterday. The last auction for 5% 2020 was covered 3.0x with the 4% 2014 auction covered 3.1x. We would expect similar levels of cover in the auction today, but the key will be the yield paid on the issues. The auction results will be released after 10am this morning. The ECB also announced it purchased €10m of Euro-Zone sovereign debt last week, but this only included purchases that settled last week and would exclude any purchases on Thursday or Friday. So we will have to wait till next week to determine how much, if any, Irish debt the ECB was purchasing last week.

C&C: Buy **Previous Close** €3.06 **Target** €3.90 **Analyst** Edward Keeling

Carlsberg have this morning reported net income of DK2.3bn in the second quarter, surpassing analysts expectations of DK2.03bn. The brewer also increased its full year net income growth forecast to 40% from 20%. Today's positive results were driven by "strong" gains in Asian markets and improved trading conditions in northern and eastern Europe. Carlsberg's CEO commenting in a conference call following the results reiterated these trends and also stated that brand volume grew 8% on World Cup promotions. On the whole, the results provide an encouraging read-through for C&C, particularly the confidence shown by Carlsberg in raising its full year guidance.

CRH: Buy **Previous Close** €14.75 **Target** €20.00 **Analyst** Stephen Taylor

This morning, Austrian peer of CRH, Wienerberger, reported better than expected earnings. Sales of €825m beat expectations of €820m, while EBITDA came in at €78.3m ahead of consensus of €70m. In Western-Europe with the exception of the Netherlands revenues were higher, while in the USA the company indicated that the new residential market had stabilised. In relation to its outlook, Wienerberger pointed out that the environment continues to remain cautious, however the positive developments seen in the second quarter should continue towards the second half of the year.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,825	-0.4%	-5.0%
FTSE	5,275	0.0%	-2.1%
Dow Jones	10,302	-0.2%	-1.2%
S&P	1,079	-0.4%	-3.2%
Nikkei	9,197	-0.6%	-13.1%
Stoxx 50	2,698	-0.4%	-8.5%

Sector Performances

Sector	Index	1-Day	YTD
Construction	243	0.5%	-11.6%
Technology	188	0.1%	2.0%
Oil & Gas	300	-0.5%	-9.4%
Financials	217	-0.4%	-2.2%
Retail	261	1.0%	7.6%
Food & Drink	333	0.5%	9.5%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	75.24	-0.2%	-8.9%
Copper	330.05	0.9%	-1.3%
Gold	1,225.15	0.8%	11.9%
Silver	18.48	1.8%	9.6%
Wheat	696.25	-5.2%	16.9%
Cattle	96.18	1.2%	7.2%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.283	0.6%	-10.1%
€/£	0.819	0.1%	-7.2%
£/\$	1.566	0.5%	-3.3%
\$/JPY	85.320	-1.0%	9.1%
€/JPY	109.440	-0.4%	-17.6%
€/SFR	1.333	-0.6%	11.1%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	119.7	2.0%	60.0%
High Yield	513.3	0.5%	4.3%
Financials	143.6	1.6%	80.8%
BoI	325.2	4.8%	34.1%
AIB	438.8	0.6%	56.5%
RBS	201.6	2.6%	32.5%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.5%	0.2%
3-Month	0.9%	0.7%	0.4%
1-Year	1.2%	1.1%	0.5%
2-Year	1.3%	1.3%	0.7%
5-Year	1.8%	2.1%	1.6%
10-Year	0.025	3.1%	2.6%

Date	Company	Region	Event
17/08/2010	Carlsberg A/S	DK	Q2
17/08/2010	Wal-Mart Stores	US	Q2
17/08/2010	Home Depot	US	Q2
17/08/2010	Analog Devices	US	Q2
18/08/2010	Vestas Wind Systems A/S	DK	Q2
18/08/2010	Schuler AG	DE	Q3
18/08/2010	Target Corp.	US	Q2
18/08/2010	Applied Materials.	US	Q3
18/08/2010	Deere & Co.	US	Q3
19/08/2010	Holcim Ltd	CH	Q2
19/08/2010	Travis Perkins PLC	GB	Meeting
19/08/2010	Hewlett-Packard	US	Q3
19/08/2010	GAP	US	Q2
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Date	Event	Region	Estimate
17/08/2010	CPI (MoM)	UK	--
17/08/2010	RPI (MoM)	UK	--
17/08/2010	ZEW Survey	GE	--
17/08/2010	Producer Price Index (MoM)	US	--
17/08/2010	PPI Ex Food & Energy (MoM)	US	--
17/08/2010	Housing Starts	US	--
17/08/2010	Building Permits	US	--
17/08/2010	Industrial Production	US	--
17/08/2010	Capacity Utilization	US	--
18/08/2010	Bank of England Minutes	UK	--
18/08/2010	Construction Output SA MoM	EC	--
18/08/2010	MBA Mortgage Applications	US	--
19/08/2010	Producer Prices (MoM)	GE	--
19/08/2010	Mortgage Approvals	UK	--
19/08/2010	Retail Sales	UK	--
19/08/2010	M4 Money Supply (YoY)	UK	--
19/08/2010	Initial Jobless Claims	US	--
19/08/2010	Continuing Claims	US	--
19/08/2010	Philadelphia Fed.	US	--
19/08/2010	Leading Indicators	US	--
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