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## IRISH PAPERS TODAY

Salary of incoming AIB head to exceed State cap on bank pay  
*(The Irish Times)*

Pressure on financial stocks brings ISEQ down  
*(The Irish Times)*

Eurozone interest rate rise "off radar for now"  
*(Irish Independent)*

## INTERNATIONAL PAPERS TODAY

Bernanke reassures market on dollar  
*(Financial Times)*

EADS hit by weak dollar and airline downturn  
*(Financial Times)*

Bernanke moves to defend dollar  
*(The Wall Street Journal)*

## Market View

**Analyst : Stephen Taylor**

European equity markets are slightly weaker this morning on what is likely some profit taking after the recent strong run. Yesterday, Federal Reserve Chairman Ben Bernanke painted a relatively weak outlook for the US economy and labour market a further indication that interest rates are likely to remain lower for an extended period of time. Bernanke also commented that US central bank policy will ensure that the US dollar is strong and that he did not see asset prices been out of line with underlying values. Bernanke's comments in relation to the economy further highlight the fact that monetary policy is likely to remain accommodative for an extended period of time which in turn will be positive for equity markets. As for today, US retailers will be in focus on the corporate front with both Home Depot and Target due to report earnings before the US market opens. On the economic side, inflation data is due out of the UK this morning, while in the US producer price data is expected show some uplift month on month. More importantly however will be industrial production figures in addition to capacity utilisation data that are expected to show month on month increases. Capacity utilisation is a one of the key parameters that US Federal Reserve has stated it will be monitoring when deciding on monetary policy.

**IL&P : Buy** Yesterday's Close €4.45 Target Price €6.90 Analyst : Oliver Gilvarry

Irish Life and Permanent (IPM) released a weaker than expected Interim Management Statement (IMS) this morning. Life and Pension sales for the full year are now guided to decline 35% following a fall of 43% in the first half of the year. Lack of employment growth, no salary increases and lower SME profitability are the main drivers of the fall. The positive is that the decline has begun to slow in the second half of the year. New business margins were weaker than we expected, with full year guidance now 9-10% from 10.5% at the half year. Short-term investment fluctuations (STIF) have also deteriorated with full year guidance now falling to - €105m marking an increase of £35m from the - €80m guided at half year. The decline is driven by steep declines in property fund values. In the banking division, the positive news came from the lower reliance on ECB funding, dropping from €12bn at the half year to €7bn currently. The retail deposit book is expected to increase by 20% for the full year to €10.2bn and strong growth is being experienced in the Irish corporate deposit book. The increase in deposits has come at a cost and Net Interest Margin (NIM) has fallen further since the half year and is now guided to be in a range of 80-85bps for the full year. Arrears in the UK mortgage book have continued to improve with cases over 3-months in arrears, 20% below the peak hit in March of this year of 3.27% of cases. In Ireland arrears continue to grow but at a slower pace than experienced in August, where the increase in arrears cases was 8%. For September and October the average increase was 3%. Despite the positive experience on arrears, impairment charges for the second half of the year will be in line with the first half charge of €189m, higher than management's guidance in August. Impairment guidance by the group from 2009 to 2011 has been increase to a range of 200-225bps or €800 to €900m from 170-180bps previously. The main driver of the increase is due to falling values in commercial property. On costs the group is on target to reduce costs by €50m this year, a reduction of 10% yoy. On the restructure of the group tan EGM approving the creation of a new holding company is due to be held on the 17<sup>th</sup> of December, with the listing of the new company's shares in mid-January. The statement this morning is disappointing due to lower banking and life margins plus the increase in impairment guidance. The reduction of the group's reliance on ECB funding and slowing decline in mortgage arrears are positives. We still believe the creation of the third banking force will be the key catalyst for releasing value in the group. Management are holding a conference call at 9.30 this morning.

**Ryanair : Buy** Yesterday's Close €2.98 Target Price €3.20 Analyst : Edward Keeling

easyJet, the UK low cost carrier and peer of Ryanair, reported its full year results this morning. It posted an underlying profit of £43m which was at the top end of its guidance and in line with consensus expectations. Total revenue per seat carried was up 10.9% reflecting the strength of easyJet's route network, its conservative growth strategy and competitor capacity reductions of up to 6%. Total passengers carried increased by 3.4% to 45.2 million, while total cost per seat, excluding fuel and currency effects, rose 6.2%. This is the result of increased sector length and lower aircraft utilisation. In terms of outlook, the group has reiterated that economic conditions remain challenging and that it expects some yield attrition (few percentage points) over the winter period. Nevertheless with 66% of its jet fuel requirements for the full year hedged at c.\$75 a barrel, it expects to make a substantial profit improvement next year. Overall, as expected by the market, this is an impressive performance by the UK airline and provides some support to our positive stance on Ryanair.



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**British Land : Neutral**

**Yesterday's Close 494p**

**Analyst : Stephen Taylor**

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UK commercial property company British Land reported quarterly net profit of £161m compared to a loss of £747m a year earlier. The group's net asset value climbed by 3.1% to 372p, broadly in line with expectations. The total value of the portfolio increased by 1.4% to £5.5bn, its first increase since 2007. The current group loan to value ratio was 29%. Retail occupancy was 98% during the quarter, while office occupancy was 86%. The increase in British Land's NAV can be taken as a positive, however with the stock trading at a 24% premium to its NAV, we believe the stock is overvalued at current levels and retain a neutral rating.

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### International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,957	-1.0%	25.2%
FTSE	5,383	1.6%	20.9%
Dow Jones	10,270	0.7%	18.6%
S&P	1,093	0.6%	22.8%
Nikkei	9,791	0.2%	9.8%
Stoxx 50	2,926	1.5%	19.1%

### Sector Performances

Sector	Index	1-Day	YTD
Construction	272	2.1%	1.7%
Technology	186	1.3%	3.6%
Oil & Gas	326	1.6%	2.6%
Financials	238	1.4%	2.2%
Retail	245	0.1%	1.7%
Food & Drink	290	1.2%	3.9%

### Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	78.9	3.3%	33.9%
Copper	312.9	4.3%	115.6%
Gold	1,139.2	1.8%	28.4%
Silver	18.4	5.9%	60.9%
Wheat	583.8	4.3%	-15.7%
Cattle	85.1	0.0%	-7.1%

### Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.497	0.4%	-6.5%
€/£	0.890	-0.4%	7.6%
£/\$	1.682	0.9%	-13.1%
\$/JPY	89.049	-0.7%	2.1%
€/JPY	133.319	-0.2%	-4.5%
€/SFR	1.509	0.0%	-1.1%

### 5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	84.4	-2.6%	-51.9%
High Yield	500.2	-1.7%	-51.3%
Financials	70.4	-2.3%	-40.0%
BoI	174.6	0.6%	-29.1%
AIB	191.0	1.8%	-7.5%
RBS	129.7	-1.0%	-5.9%

### Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.5%	0.2%
3-Month	0.7%	0.6%	0.3%
1-Year	1.2%	0.9%	0.5%
2-Year	1.7%	1.9%	1.1%
5-Year	2.7%	3.3%	2.5%
10-Year	3.5%	3.9%	3.4%

Date	Company	Region	Event
17/11/2009	Fortis SA/NV	BE	Q3 TRADE
17/11/2009	Irish Life & Permanent F	IE	TRADE
17/11/2009	Covidien plc	IE	Q4
17/11/2009	Avis Europe plc	GB	TRADE
17/11/2009	Barratt Developments P	GB	TRADE
17/11/2009	British Land Co Plc	GB	H1
17/11/2009	Burberry Group PLC	GB	INTERIM
17/11/2009	ICAP PLC	GB	INTERIM
17/11/2009	ITV Plc	GB	TRADE
17/11/2009	EasyJet PLC	GB	PRELIM
17/11/2009	Home Depot Inc	US	Q3
17/11/2009	Target Corp.	US	Q3
18/11/2009	AIR France-KLM	FR	Q2
18/11/2009	United Drug PLC	IE	PRELIM
18/11/2009	Volvo AB	SE	TRAFFIC
18/11/2009	Bovis Homes Group PL	GB	TRADE
18/11/2009	Close Brothers Group P	GB	Q1 TRADE
18/11/2009	Land Securities Group F	GB	INTERIM
18/11/2009	Mothercare PLC	GB	INTERIM
18/11/2009	Wolseley plc	GB	TRADE
18/11/2009	Kenmare Resources PL	IE	EGM
18/11/2009	Limited Brands	US	Q3

Date	Event	Region	Estimate
17/11/2009	CPI (MoM)	UK	--
17/11/2009	RPI (MoM)	UK	--
17/11/2009	Euro-Zone Trade Balance	EC	--
17/11/2009	Producer Price Index (MoM)	US	--
17/11/2009	Industrial Production	US	0.40%
17/11/2009	Capacity Utilization	US	70.90%
18/11/2009	Euro-Zone Current Account nsa	EC	--
18/11/2009	Bank of England Minutes	UK	--
18/11/2009	Construction Output SA MoM	EC	--
18/11/2009	MBA Mortgage Applications	US	--
18/11/2009	Consumer Price Index (MoM)	US	0.20%
18/11/2009	Housing Starts	US	--
18/11/2009	Building Permits	US	--
19/11/2009	Retail Sales (MoM)	UK	0.50%
19/11/2009	Public Sector Net Borrowing	UK	6.8B
19/11/2009	M4 Money Supply (MoM)	UK	1.00%
19/11/2009	Initial Jobless Claims	US	502K
19/11/2009	Leading Indicators	US	0.40%
19/11/2009	Philadelphia Fed.	US	12
20/11/2009	BOJ Target Rate	JN	0.10%
20/11/2009	Producer Prices (MoM)	GE	0.10%

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