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Market Movers

IRISH PAPERS TODAY

NAMA to pay €54bn for bank loans of €77bn in rescue plan
(The Irish Times)

Smurfit plans further price increase
(The Irish Times)

Expect amputation, not cosmetic cuts- new Aer Lingus
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Brown accused on spending
(Financial Times)

Barclays hives off bad credit assets
(Financial Times)

Rates are wild card for dollar
(The Wall Street Journal)

Market View

Analyst : Stephen Taylor

European equity markets have opened stronger today following on from gains in the US and Asia overnight. In the UK the FTSE has now risen for five straight days and nine out of the last ten. Yesterday's better than expected industrial production figure in the US was one of the main catalysts for the positive move which saw output at factories, mines and utilities increase for the second month in a row. The data underscores recent comments from Federal Reserve Chairman Ben Bernanke that the recession is more than likely over. Despite this interest rates are likely to remain at historically low levels as inflation remains depressed and the consumer is likely to remain cautious for some time to come. On the corporate front, Oracle released earnings last night. Profitability was in line with expectations, while revenue was slightly below consensus. Weakness in Europe and Asia was the main reason for the revenue miss. Oracle's shares were off c. 2% in after hours trading. While Oracle's results are a slight disappointment we still remain overweight the sector and expect it to continue to outperform over the next 12-months that has already seen the Nasdaq gain 35% this year compared to the S&P of 18%. As for today the main focus will be on economic data. UK retail sales for August are due this morning and expected to show their third straight month of increases. In the US, housing data is expected to show further improvement, with both building starts and housing permits expected to show month on month increases, albeit from still very depressed levels. In addition, the Philadelphia Fed manufacturing index is expected to show further improvement.

AIB : Under Review

Current Price (€3.28)

Analyst : Oliver Gilvarry

AIB released an Interim Management Statement (IMS) last night following the Minister for Finance's speech. They stated that the haircut that will apply to their €24bn of loans to be transferred to the agency will be less than the industry average of 30%. They believe it will be less as their top 25 clients account for 33% of their NAMA eligible loans with 80% of the collateral concentrated in Dublin. They expect their capital ratios to remain resilient, but they intend to raise €2bn of capital over the next 12-18 months. They stated the potential sources of capital include the equity market, strategic investment or asset sales/business disposals. On the government guarantee relating to its liabilities, it is guiding the cost will rise substantially above the current €110m currently being incurred. The current guarantee will increase in cost to €170m in 2010 and the new guarantee is yet to be determined. This will have an impact on the profitability of the group and in turn will increase the cost of credit. BOI is due to release an IMS at midday with a conference call at 14.00. This should provide detail on the impact of NAMA on the bank going forward.

Tullow Oil : Under Review

Current Price (1235p)

Analyst : David Dunk

Yesterdays report in the Financial Times proved correct, with Anadarko announcing a positive drilling result in Sierra Leone, on the Venus prospect. The news was based on the preliminary data from the drill, with more complete results still some weeks away. Thus far the drilling of Venus can be considered a technical success, with commercial viability yet to be determined. Tullow has a small stake in the Venus prospect, 10%, but the implications for the company's other acreage in the area is very significant. Anadarko and Tullow believe that they have confirmed the presence of a viable petroleum system stretching over 1,100km, through the coastal waters of Ghana, Cote D'Ivoire, Liberia, and Sierra Leone. Tullow and Anadarko both have significant stakes in licenses in these countries. Additionally, Tullow has released the test results from Ngassa-2 in Uganda. The drill located 7 metres of oil pay, in 14 metres of gross sand. There is a potential for a significant oil column down-dip which may extend over the entire 150sq km prospect. Tullow believes that Ngassa may be the largest discovery in Uganda to date. Further appraisal wells will be required to further assess the potential for the prospect. The news flow from Uganda and Ghana this week is very positive for Tullow, and justifies the strong move in share price. Despite the moves we still see further upside in Tullow, driven by further exploratory results, a farm-in in Uganda, and the possible sale of Kosmos's stake in the Ghana license

NAMA

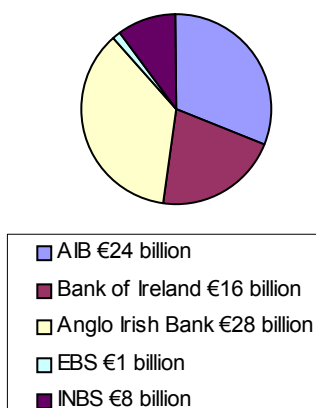
Date: **17/09/09**

Analyst: **Oliver Gilvarry**

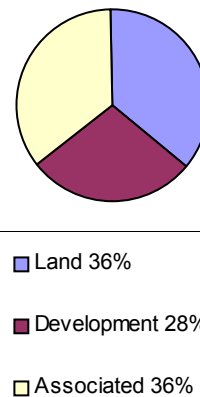


- The Minister for Finance presented the NAMA bill to the Dáil for the second time yesterday afternoon. The Minister stated the economy needs a healthy and functioning banking system to ensure businesses are able to benefit from a recovery in our major exporting markets. He also commented that the “resolution of the banks’ difficulties involves risk; risk the private sector will not take” and that is why the Government has stepped in to support the banks.
- Total loans to be transferred to NAMA is €77m, slightly lower than what we were expecting with an average LTV of 77%. The breakdown of the loans to be transferred from each bank is in the graph to the right. As a percentage of the loan book, Anglo Irish Bank and Irish Nationwide have transferred in 42% and 76% of their loan books respectively. Land and associated loans are 36% of the loans each, with development land 28% of the loans. Of these loans 40% are cashflow producing. Of the loan balance being transferred, €9bn is on interest roll-up.
- On the haircut, the Minister has applied a 30% discount to the loans to be transferred, paying €54bn in NAMA bonds. The estimated market value for the loans is €47bn, therefore the long term economic value adjustment to the loans is €7bn.
- The proportion of the payment for the loans in subordinated NAMA bonds will only be 5% of the total consideration. Taking into account the subordinated debt part of the payment, the Minister has estimated a 10% up-lift in property prices are required over a 10-year period for the agency to break-even.
- The speech made reference to the fact that any borrowers transferring into NAMA will continue to owe the face value of their loans. The speech also implied defaulting borrowers will be pursued by the agency and made reference that in some cases personal assets will be taken.
- On capital the Minister stated “some institutions will require additional capital in order to absorb the losses arising from the transfer of their impaired assets to NAMA.” Government preference is for such banks to source all options to raise this capital, but the Government will supply capital if required.
- No specific comments were made in relation to Super Mutual or the re-structure of the Irish banking system, but any institution participating in NAMA must re-structure its operations. It was stated that it is too early to outline a definitive shape to the new system, but it will be a focus of the Minister over the next few weeks. The creation of Super Mutual will be part of this new system and it seems likely the broad outlines will be given in the next number of weeks.
- The details of the extension of the Government Guarantee on bank liabilities was also announced yesterday. Debt issuance out to 5-years can be guaranteed as will customer deposits within that time period. Banks will have the option to issue unguaranteed debt and take deposits on an unguaranteed basis under the scheme. AIB have guided the cost of these guarantees is to increase significantly impacting further on pre-provision profits.
- The details released yesterday were not surprising following the leaks over the last number of days. The announcement is a step forward for the Irish banking system, but AIB’s Interim Management Statement (IMS) stating they are aiming to raise €2bn of capital highlights the capital issues still facing AIB and BOI. The impact on pre-provision profits and the impact on capital ratios from the removal of loans from their balance sheets is still uncertain, giving no visibility to future earnings. BOI is releasing an IMS today at 12.00 with a conference call at 2.00pm which may answer some of these questions. Our recommendation remains the same, we are buyers of IPM with BOI as our next preferred Irish Bank.

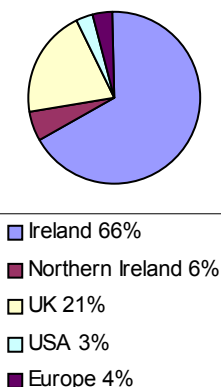
Loan breakdown per bank



Sectoral breakdown



Geographical breakdown





International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,364	1.7%	47.9%
FTSE	5,124	1.6%	16.5%
Dow Jones	9,683	0.6%	11.6%
S&P	1,053	0.3%	18.3%
Nikkei	10,271	0.5%	17.9%
Stoxx 50	2,882	1.4%	18.5%

Sector Performances

Sector	Index	1-Day	YTD
Construction	269	1.9%	1.7%
Technology	197	0.6%	3.7%
Oil & Gas	314	1.0%	2.9%
Financials	236	2.7%	2.4%
Retail	230	0.9%	1.8%
Food & Drink	268	0.5%	4.0%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	72.5	2.2%	26.5%
Copper	293.7	3.2%	103.2%
Gold	1,017.3	1.0%	15.6%
Silver	17.4	2.5%	54.8%
Wheat	467.3	-0.7%	-30.5%
Cattle	86.7	-0.2%	-4.5%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.471	0.4%	-5.2%
€/£	0.892	0.4%	7.2%
£/\$	1.649	0.0%	-11.6%
\$/JPY	90.934	-0.1%	0.1%
€/JPY	133.772	0.2%	-5.1%
€/SFR	1.518	0.1%	-1.7%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	94.5	-3.8%	-47.6%
High Yield	582.1	-3.0%	-44.3%
Financials	76.7	-4.1%	-36.5%
BoI	207.0	-2.5%	-16.1%
AIB	218.5	-1.2%	-2.6%
RBS	112.1	-1.3%	-18.3%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.4%	0.2%
3-Month	0.8%	0.6%	0.3%
1-Year	1.2%	0.8%	0.6%
2-Year	1.7%	1.8%	1.3%
5-Year	2.8%	3.3%	2.8%
10-Year	3.5%	3.9%	3.7%

Date Company Region Event

Date	Company	Region	Event
15/09/2009	Austrian Airlines AG	AT	TRAFFIC
15/09/2009	Volvo AB	SE	TRAFFIC
15/09/2009	Debenhams Plc	GB	TRADE
15/09/2009	Energetix Group Plc	GB	INTERIM
15/09/2009	Ashmore Group Ltd	GB	PRELIM
15/09/2009	Oxford Instruments PLC	GB	AGM
15/09/2009	Best Buy Co., Inc.	US	Q2
15/09/2009	Kroger	US	Q4
15/09/2009	Pall Corp.	US	Q4
15/09/2009	Adobe Systems	US	Q3
16/09/2009	Aeroports de Paris SA	FR	TRAFFIC
16/09/2009	Alkane Energy PLC	GB	INTERIM
16/09/2009	Cape PLC	GB	INTERIM
16/09/2009	Next Plc	GB	INTERIM
16/09/2009	Northgate PLC	GB	TRADE
16/09/2009	Synergy Health Plc	GB	AGM
16/09/2009	Oracle	US	Q1
17/09/2009	French Connection Gro	GB	INTERIM
17/09/2009	Kingfisher PLC	GB	INTERIM
17/09/2009	Investec Plc	GB	TRADE
17/09/2009	FedEx	US	Q1
18/09/2009	Fortis SA/NV	BE	EGM

Date Event Region Estimate

Date	Event	Region	Estimate
15/09/2009	RICS House Price Balance	UK	-0.50%
15/09/2009	CPI (MoM)	UK	0.30%
15/09/2009	RPI (MoM)	UK	0.20%
15/09/2009	ZEW Survey (Econ. Sentime	GE	60
15/09/2009	ZEW Survey (Econ. Sentime	EC	59
15/09/2009	Producer Price Index (MoM)	US	0.80%
15/09/2009	Advance Retail Sales	US	1.70%
15/09/2009	Empire Manufacturing	US	14.5
15/09/2009	Business Inventories	US	-0.80%
16/09/2009	Jobless Claims Change	UK	23.0K
16/09/2009	ILO Unemployment Rate (3m	UK	8.00%
16/09/2009	Euro-Zone CPI (MoM)	EC	0.30%
16/09/2009	MBA Mortgage Applications	US	--
16/09/2009	Consumer Price Index (MoM)	US	0.30%
16/09/2009	Current Account Balance	US	-\$92.0B
16/09/2009	Industrial Production	US	0.70%
16/09/2009	Capacity Utilization	US	69.10%
16/09/2009	NAHB Housing Market Index	US	19
17/09/2009	Retail Sales (MoM)	UK	0.30%
17/09/2009	Euro-Zone Trade Balance	EC	6.4B
17/09/2009	Construction Output SA MoM	EC	--
17/09/2009	Housing Starts	US	595K

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