Dolmen Daily

DOLMEN STOCKBROKERS

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Market Movers

IRISH PAPERS TODAY

Ryanair to scale back at Dublin and Shannon
(The Irish Times)

IL&P appoints Kevin Murphy as new chief executive
(Irish Independent)

Stockbrokers promote SSIA-style scheme to boost recapitalisation
(Irish Independent)

INTERNATIONAL PAPERS TODAY

King calls for tighter regulation
(Financial Times)

Obama turns page on oversight
(*The Wall Street Journal)*

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	0.5%	-0.7%
BP	-2.4%	-6.7%
CRH	-2.5%	6.7%
DCC	-3.8%	49.3%
E.ON	-2.4%	-14.2%
HPQ	1.6%	3.1%
IL&P	-6.6%	103.2%
INM	1.5%	-16.4%
J&J	1.1%	-7.7%
JPMorgan	-2.3%	3.8%
Microsoft	1.0%	21.8%
Vodafone	3.7%	-14.2%

Market View — Analyst : Stephen Taylor

European equity markets are slightly lower this morning compounding to losses already seen this week. Overnight, US and Asian markets were pressured by the financial sector on Standard & Poor's warning over a number of US financials on increased regulatory pressures from the Obama administration. On the positive front, the World Bank has raised its growth forecast for China this year and has advised policy makers to delay until 2010 any additional stimulus plans to further boost the economy. The World Bank now expects China's economy to expand by 7.2% in 2009 up from its previous estimate of 6.5%. We take the upgrade as a positive for the global economy. There has been a suggestion that the recent economic data out of China cannot be trusted, however the World Bank's upgrade puts more weight behind the recent improvement in Chinese data. The data is also consistent with comments recently from Caterpillar's CEO that demand for excavation equipment had returned to record levels. The mining sector will be one of the largest beneficiaries from higher growth in China and we recommend buying shares in BHP Billiton on pull backs. As for today's trade the main focus will again be on the macroeconomic front. In the UK, retail sales data for May is expected to show a month on month increase of 0.3%, while in the US weekly jobless claims will be key in addition to the Philly Fed manufacturing survey which is again expected to show signs of improvement. Given the strong rally we have seen in equity markets since their March lows it is important that economic data continues to show signs of improvement.

UK Economy : Budget Deficit — Analyst : Oliver Gilvarry

In the UK, Chancellor of the Exchequer, Allistair Darling, commented yesterday that the UK Government must make tough decisions to curb the budget deficit. He stated the UK "must live within our means." The UK plans to borrow £220bn from investors this year to fund the country's deteriorating government finances. In his speech, Darling said businesses and the rich will make "the greatest contribution" to curbing the budget deficit. The Governor of the Bank of England, Mervyn King, also spoke at the same dinner and his speech focused on how UK banks may need to raise further capital to finance the economic recovery. He believes it may take "further additions to equity capital before the banking system will be able to supply credit at a price and on a scale to finance a sustained recovery." He sees the current crisis having some way still to go and banks have more work to do to reduce the leverage they have on their balance sheets. On interest rates, King stated they will be raised from 0.50% when appropriate and it is too soon to reverse the extraordinary policy stimulus that has been injected into the UK economy. The comments from Darling highlight the fiscal position facing the UK, a government deficit of 12.4% of GDP, is not sustainable and must be dealt with. The UK economy is facing a situation of higher taxes, which in turn will hamper consumer spending. King's comments on the banks indicate their ability to lend into the economy is limited due to their capital position, which will also impact on the recovery of the UK economy, as lack of credit restricts growth.

UK Financials : Regulatory Reform — Analyst : Oliver Gilvarry

Last night President Obama released a 90-page white paper on US regulatory reform. The proposed reforms to regulation are to correct a "cascade of mistakes" in financial regulation. The paper gives the Federal Reserve (Fed) responsibility to oversee all systemically risky financial firms. The Fed will monitor all large financial companies such as insurers and hedge funds, whose failure could endanger the entire financial system. Some of the Fed's powers will be removed under the plan with its ability to supply emergency lending reduced. The Treasury Secretary will be required to approve in writing any emergency funding. The plan was expected to announce a significant reduction in the number of regulatory bodies in the US, but only one is to be removed, the Office of Thrift Supervision. On capital, the paper proposes to enforce higher capital and prudential requirements on banks, but the exact details of these requirements are not outlined. A working group will be formed to conduct a fundamental re-assessment of existing capital requirements for financial institutions, but no further details are given. The paper also states financial regulators should issue standards and guidelines on executive compensation to prevent actions that "threaten the safety and soundness of supervised institutions." Obama wants to sign the legislation by the end of this year, but a large level of lobbying will occur to try and change the regulation by vested interest before then. The key point to take from the paper is that banks in the US will be required to hold more capital than in the past and the regulatory burden will increase on the sector to prevent the issues faced over the last couple of years.

In a separate development, Standard & Poor (S&P) reduced its credit rating on 18 US banks last night including Wells Fargo and Keycorp due to tighter regulation and increased market volatility. S&P stated "financial institutions are now shedding balance-sheet risk and altering funding profiles and strategies for the marketplace's new reality" and this justifies lower credit ratings as banks implement these changes.

Kingspan : Neutral Current Price (€4.26) **Price target** (€3.60) **Analyst :** Stephen Taylor

Kingspan peer, SIG, has released its second trading statement in just over a month warning that earnings will fall at the lower end of its expectations. The company said that since its previous update on May 13th trading conditions across all businesses have remained challenged with lower volumes and pricing pressures holding back performance. SIG highlighted that its UK interiors business has been particularly affected, while its European markets have not achieved the usual level of improvement in the last four weeks. Another area of concern for UK companies in general, were comments around the recent strength in sterling impacting on profits. This is the first UK company we have seen warn on currency effects, a trend that we expect to continue over the next number of months as sterling continues to strengthen in our view. Overall we view the results as a negative read across for Kingspan and while we like the company as a long-term recovery play, in the short-term trading will continue to remain difficult.

CRH : Buy Current Price (€17.32) **Price target** (€19.00) **Analyst :** Stephen Taylor

German cement maker and peer of CRH HeidelbergCement has announced the successful refinancing of its €8.7bn debt. It now has until the end of 2011 to sell assets and cut costs to overhaul its strained finances. The group's banks have also granted more lenient covenants to account for the expected slump in demand. HeidelbergCement has said it will continue to pursue its 2-3 year programme of divesting non-strategic businesses. CEO Bernd Scheifele has said the deal has now ensured a stable base to confront the extremely challenging economic environment

Aer Lingus : Neutral Current Price (€0.52) **Price target** (€0.65) **Analyst :** David Dunk

Air France has announced that it is going to sell approximately €575m of convertible bonds. The company plans on using the money to fund its fleet, and extend its debt maturity profile. The size of the deal could potentially be increased to €661m. The French government will avoid dilution of its 15.7% stake in the airline, by buying bonds in line with its holding. The bond sale will take place between the 18th and 22nd of June. BNP Paribas, Calyon, Lazard-Natixis, SocGen and UBS are managing the issue. The bond will have a maturity date of April 1st, 2015. Separately, British Airways CEO Willie Walsh has made some negative comments relating to the airline industry, noting that the worst of the recession is still to come for the industry, and that demand for business travel may never recover

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Market Movers

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International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,785	-3.6%	18.1%
FTSE	4,278	-1.2%	-3.3%
Dow Jones	8,497	-0.1%	-3.2%
S&P	911	-0.1%	0.8%
Nikkei	9,704	-1.4%	9.5%
Stoxx 50	2,384	-1.7%	-2.1%

Sector Performances

Sector	Index	1-Day	YTD
Construction	209	-3.6%	2.9%
Technology	170	-1.3%	11.5%
Oil & Gas	289	-2.9%	8.8%
Financials	176	-2.9%	17.2%
Retail	207	-1.6%	13.1%
Food & Drink	232	-0.5%	-0.2%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	71.0	0.8%	31.7%
Copper	227.0	0.2%	59.1%
Gold	938.9	0.4%	6.6%
Silver	14.3	1.1%	26.7%
Wheat	566.0	0.0%	-10.6%
Cattle	81.4	1.2%	-5.2%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/$	1.394	0.8%	0.1%
€/£	0.850	0.8%	-12.3%
£/$	1.640	-0.1%	11.1%
$/JPY	95.75	-0.7%	5.5%
€/JPY	133.52	0.1%	5.5%
€/SFR	1.506	0.0%	0.9%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	134.5	-6.3%	-23.6%
High Yield	821.0	1.5%	-20.1%
Financials	117.4	3.6%	-0.2%
BoI	365.0	1.9%	50.1%
AIB	365.0	2.2%	76.1%
RBS	177.8	2.4%	33.9%

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%	1.4%	1.0%
2-Year	1.9%	2.3%	1.6%
5-Year	3.0%	3.6%	3.1%
10-Year	3.7%	4.1%	3.9%

Date	Company	Region	Event
18/06/2009	Arcandor AG	DE	Q2
18/06/2009	Cadbury PLC	GB	TRADE
18/06/2009	Go-Ahead Group PLC	GB	TRADE
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

Date	Event	Region	Estimate
18/06/2009	Retail Sales(Volume) (MoM)	IE	--
18/06/2009	Retail Sales (MoM)	UK	0.40%
18/06/2009	Public Sector Net Borrowing	UK	18.8B
18/06/2009	M4 Money Supply (MoM)	UK	- -
18/06/2009	Initial Jobless Claims	US	- -
18/06/2009	Leading Indicators	US	0.90%
18/06/2009	Philadelphia Fed.	US	-18
19/06/2009	Producer Prices (MoM)	GE	0.00%
22/06/2009	Rightmove House Prices (Mc	UK	--
22/06/2009	IFO - Business Climate	GE	--
23/06/2009	GfK Consumer Confidence S	GE	- -
23/06/2009	PMI Manufacturing	GE	- -
23/06/2009	PMI Services	GE	- -
23/06/2009	OECD May Economic Outlo	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	- -

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