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Hewlett Packard : Q3 results ahead of consensus estimates

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Market Movers

IRISH PAPERS TODAY

IN&M seeks to extend bondholder deal again
(The Irish Times)

Government raises €1bn after strong demand at bond auction
(The Irish Times)

Further €20bn in bonds needed next year
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Sterling jumps as inflation persists
(Financial Times)

Corporate bond issuance bursts through \$1,000bn
(Financial Times)

Germany weighs crunch measures
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-0.7%	1.3%
BP	0.5%	-4.6%
CRH	-0.1%	6.8%
DCC	1.0%	47.4%
E.ON	1.2%	-4.7%
HPQ	2.0%	21.1%
IL&P	0.0%	132.4%
INM	1.9%	-33.3%
J&J	0.0%	-0.1%
JPMorgan	2.4%	32.3%
Microsoft	1.4%	21.3%
Vodafone	0.7%	-8.7%

Market View

Analyst : David Dunk

The main Chinese index, the Shanghai composite, traded down heavily overnight, finishing almost 5% lower. This marks a 20% decline since the current year peak, technically a bear market, although the index is still up over 50% from the start of the year. Concerns over lower levels of lending which may dampen Chinese growth appear to be the main cause of declines. The sell-off has not carried over into Western markets, with major indices trading down less than 1%. Yesterdays ZEW economic confidence figure from Germany was much better than expected, coming in at 56.1, compared to 45 forecasted, and up from 39.5 the previous reading. News flow today is expected to be light with few scheduled corporate releases. The Bank of England released the minutes of its most recent minutes at 9:30 this morning. The vote was 6:3 to increase QE by £50bn. The dissenting three votes, which included the Governor of the Bank of England, wanted to increase QE by £75bn.

Irish Economy : Government raises another €1bn

Analyst : Oliver Gilvarry

The NTMA bond auction was successful yesterday with €1bn of funding raised. The bonds auctioned were the 4.00% 2014 and the 4.50% 2018. The level of demand for the bonds was good with the 2014 issue covered 3.7x and the 2018 covered 2.7x. The cost of issuing Irish Government debt over equivalent German debt has continued to fall over the last number of weeks. Yesterday's bonds were issued at 0.98% over 5-year German debt and 1.38% over 9-year German debt. The NTMA has now covered Ireland's funding need for 2009 as announced in the Budget in April plus the re-financing of debt maturing this year. The focus for the NTMA will now move towards 2010 with the agency stating yesterday it probably will have to raise another €20bn from international bond markets next year. Three more auctions are planned for this year in September, October and November at which the NTMA will front-load its funding of the national debt for 2010. Irish spreads over 10-year German debt have now moved from 2.80% in March to 1.56% this morning, highlighting investors are more willing to invest in Irish paper. To maintain this positive momentum, the budget in December must make a serious attempt to begin the process of returning the fiscal position of Ireland to a more sustainable base over the next number of years.

Hewlett Packard: Buy Current Price (\$43.96) Price target (\$48) Analyst : Stephen Taylor

Last night, Hewlett-Packard reported third quarter results. The group reported EPS of \$0.91 that was slightly ahead of expectations of \$0.90. Net income declined by 19% to \$1.64bn. Revenue fell by 2.1% to \$27.5bn and also beat expectations slightly by \$200m. The group expects revenue to increase by c. 8% to \$29.6bn with EPS coming in at \$1.12. Expectations on fourth quarter guidance was for revenue of \$29.8bn and EPS of \$1.06. The group indicated that it had seen positive signs in the US and China however in continued to remain cautious.

ThirdForce : Revised proposal Current Price (8c)

Analyst : Stephen Taylor

Yesterday the Independent Directors of ThirdForce confirmed that they have received a revised proposal from LearnVantage that may or may not lead to an offer for the entire share capital of the company. LearnVantage is a special purpose company formed by Brendan O'Sullivan (CEO of ThirdForce) and Pat McDonagh (Chairman of ThirdForce). The Independent Directors had previously rejected an offer from LearnVantage that included a share offer of 1 share in LearnVantage for every 1 share in ThirdForce or a cash offer at 8c per share. The revised potential offer has three options : 1). Shareholders receive 1 share in LearnVantage for each ThirdForce share, 2). Shareholders receive 3 LearnVantage shares and €0.12 in cash for every 4 ThirdForce shares, 3). Shareholders receive 10.5c in cash for each ThirdForce share. In addition ThirdForce announced first half results for the 6 months ending 30/06/09. The group reported a first half net loss of €579,000 compared to €737,000 for the same period last year. Revenue declined to €12.03m from €13.48m. The group indicated that it sees continued negative business sentiment for the remainder of the year.

Sterling Energy

Speculative Buy

Current Price : £0.033

Price Target : £0.05



Analyst: **David Dunk**

Company description

- Last Friday, Sterling Energy announced that it had conditionally placed 4,807,315,000 new ordinary shares at a price of £0.013 to raise £62.5m. The new issue, if approved, will have a significant dilutive effect on existing shareholders. The new shares will account for 67.4% expanded capital base of Sterling Energy. The placement requires the approval of shareholders, with the EGM date set for 7th September.

- In addition the company proposes, pending completion of the placing, a rights issue for all shareholders. The rights issue would entitle shareholders as of the record date, 8th of September, to purchase 2 new shares for every 9 shares. The new shares are priced at £0.013, the same price as the initial placement. Participants in the placing are limited to participation in the rights issue on a pro rata basis, with any excess allocations being available to other shareholders. Additionally the company intends to undertake a share consolidation in conjunction to the rights issue.

- In April 2009 the company obtained a waiver from lenders which allowed for the postponement of principal loan payments until August 2009. Sterling Energy proposes to repay \$35m of debt from the proceeds. In exchange, the lenders will reschedule the repayment of the remaining principal of the loan obligations until February 2011.

- Sterling Energy believes the strengthening of its balance sheet will improve its negotiating position with regards to the sale of the company's US assets, and potential farm-ins for the assets in Cameroon and Madagascar. Additionally, management see the stronger working capital position as increasing the potential for exploratory activities on the Kurdistan license, and new opportunities. The proposed issuance is dilutive for existing investors, but given the existing fiscal position, and the limited time available, the company may not be able to secure a new agreement with lenders.

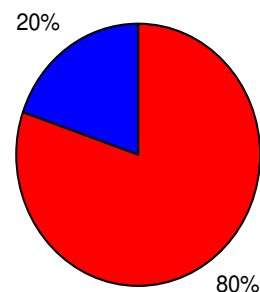
- RISC has conducted at the request an independent technical review on the Sangaw North license at the request of Sterling Energy. Based on the assumption that the Kurdistan Regional Government fully exercises its back-in rights, we have assumed a reduction in Sterling's stake in the Sangaw licence to 40%. We have estimated a value for the Kurdistan license at £0.032 per share. Our value for this license takes into account the risks associated with the license, including exploratory risk and political risk. A potentially game changing exploratory well is scheduled to be drilled on this prospect late this year, for which Sterling will incur no cost. Our core valuation, of £0.018 includes producing assets in the US and Mauritania and the estimated net cash position. Sterling has interests in several other licenses for which we have assigned no value, at this time, but this may change in the future. Based on our value for core assets plus the Sangaw license, we have revised down our price target to £0.05, reflecting shareholder dilution. We now rate this stock a Speculative buy, taking into account the potential upside of the shares but also the volatile nature of the business.

- Sterling Energy, should be considered a highly speculative investment. Our valuation is based on the assumption that the proposed placing and rights issue are approved, and proceed as scheduled. In addition to operational risk and exploratory risk, some of the licenses are subject to political risk. In particular the Sangaw license has been awarded by the Kurdish Regional Government, but has not yet been recognised by the Iraqi government. It worth noting that investment in Sterling Energy has significant currency risk due to dollar denominated revenues.

Descriptive Stats		Shareholders	
Year to date	22%	Invesco	29.5%
52 Week High	£0.0840	Denis O'Brien	15.1%
52 Week Low	£0.0084	Gartmore	6.5%
Bloomberg	SEY LN	Ruffer IM	4.5%

	12/07	12/08
Revenue (\$m)	97,171	103,568
Operating Profit	21,974	16,533
EPS (\$ cent)	-0.140	-8.63
DPS (\$ cent)	0.00	0.00
Div Yield	N/a	N/a

Revenues by Geography 2008



■ North America

■ Africa & Middle East



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,865	0.2%	21.7%
FTSE	4,686	0.9%	4.6%
Dow Jones	9,135	-2.0%	5.0%
S&P	980	-2.4%	9.6%
Nikkei	10,285	0.2%	15.2%
Stoxx 50	2,631	1.0%	6.2%

Sector Performances

Sector	Index	1-Day	YTD
Construction	239	1.2%	2.1%
Technology	174	0.5%	4.4%
Oil & Gas	291	1.4%	3.1%
Financials	220	2.3%	2.7%
Retail	223	0.9%	1.9%
Food & Drink	254	1.1%	4.5%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	69.2	3.7%	22.4%
Copper	151.2	-0.4%	88.8%
Gold	843.0	0.4%	6.0%
Silver	11.1	-0.1%	21.9%
Wheat	613.3	-0.3%	-26.4%
Cattle	85.8	1.2%	-0.5%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.414	0.4%	-0.9%
€/£	0.853	-0.9%	11.5%
£/\$	1.656	1.3%	-11.1%
\$/JPY	94.695	0.2%	-3.8%
€/JPY	133.836	0.6%	-4.7%
€/SFR	1.520	0.2%	-1.6%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	111.2	0.0%	-35.2%
High Yield	151.2	3.9%	-32.5%
Financials	843.0	4.5%	-17.4%
BoI	11.1	3.8%	19.9%
AIB	613.3	0.1%	53.4%
RBS	85.8	1.9%	1.7%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.4%	0.2%
3-Month	0.9%	0.8%	0.4%
1-Year	1.3%	1.1%	0.7%
2-Year	1.8%	2.1%	1.5%
5-Year	2.8%	3.5%	2.9%
10-Year	3.5%	4.1%	3.8%

Date Company Region Event

Date	Company	Region	Event
19/08/2009	Telekom Austria	AT	Q2
19/08/2009	Deere & Company	US	Q3
19/08/2009	Limited Brands	US	Q2
19/08/2009	NetApp, Inc.	US	Q1
20/08/2009	Ormonde Mining	IE	∕HOLDERS
20/08/2009	Holcim	CH	H1
20/08/2009	Swatch	CH	H1
20/08/2009	Rio Tinto	GB	INTERIM
20/08/2009	SIG	GB	INTERIM
20/08/2009	H.J. Heinz	US	Q1
20/08/2009	Aerpostale	US	Q2
20/08/2009	Foot Locker	US	Q2
20/08/2009	Gamestop	US	Q2
20/08/2009	Gap	US	Q2
20/08/2009	Sears	US	Q2
21/08/2009	Rightmove Group	GB	INTERIM
21/08/2009	T Clarke	GB	INTERIM
24/08/2009	Kingspan	IE	INTERIM
24/08/2009	Bovis Homes	GB	INTERIM
25/08/2009	CRH	IE	INTERIM
25/08/2009	Kerry Group	IE	INTERIM
25/08/2009	Burger King	US	Q2

Date Event Region Estimate

Date	Event	Region	Estimate
19/08/2009	Producer Prices (MoM)	GE	-0.20%
19/08/2009	ECB Euro-Zone Current Acc	EC	€-1.2bn
19/08/2009	Bank of England Minutes	UK	--
19/08/2009	Construction Output SA MoM	EC	--
19/08/2009	MBA Mortgage Applications	US	--
20/08/2009	Retail Sales (MoM)	UK	£0.5bn
20/08/2009	Public Sector Net Borrowing	UK	--
20/08/2009	M4 Money Supply (MoM)	UK	--
20/08/2009	Initial Jobless Claims	US	550,000
20/08/2009	Leading Indicators	US	0.60%
20/08/2009	Philadelphia Fed.	US	-2
21/08/2009	PMI Manufacturing	EC	47.5
21/08/2009	PMI Services	EC	46.5
21/08/2009	Existing Home Sales MoM	US	5.0m
24/08/2009	Industrial New Orders SA (M	EC	--
25/08/2009	GDP s.a. (QOQ)	GE	--
25/08/2009	Private Consumption	GE	--
25/08/2009	Capital Investment	GE	--
25/08/2009	BBA Loans for House Purcha	UK	--
25/08/2009	S&P/CS Composite-20 YoY	US	--
25/08/2009	Consumer Confidence	US	--
25/08/2009	Richmond Fed Manufact. Ind	US	--

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