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Market Movers

IRISH PAPERS TODAY

CSO figures show retail sector hit by falling sales
(The Irish Times)

Banks press developers to sell land in UK ahead of Nama
(The Irish Times)

Cabinet prepares legislation to revamp the Central Bank
(The Irish Independent)

INTERNATIONAL PAPERS TODAY

Darling sharpens the axe
(Financial Times)

Buy outs at 25-year low due to lack of credit
(The Financial Times)

Greece unlikely to get EU help
(The Wall Street Journal)

Market View

Analyst : Stephen Taylor

European equity markets are weaker this morning reversing yesterday's gains and following lower closes in Asia overnight. The US market re-opens today after being closed yesterday for Martin Luther King Day. Volumes remain relatively light in markets and from a technical perspective some indicators are pointing towards the possibility of a pull back. We continue to remain positive on equity markets and would view any weakness as an excellent buying opportunity. With interest rates likely to remain at historically low levels for the foreseeable future, improving economic figures and increasing M&A, the outlook for equities remains positive. As for today the main focus will again be on corporate earnings out of the US. Citigroup are due to report before the US market opens, while after the market closes IBM will also issue quarterly results. On the economic front, CPI data out of the UK will be closely watched, while in Europe German business confidence figures in the form of ZEW is expected to show a slight decline month on month.

SAB Miller

Yesterday's Close 1820p

Analyst Edward Keeling

SABMiller issued its Q3 trading statement this morning and the world's second largest brewer posted beer volumes that were slightly below market expectations. Volumes for the period were flat year on year compared with analyst expectations for a 1% increase. Strong growth in Africa, Latin America and Asia was offset by weak volumes in North America and Europe. In Latin America, Columbia was the outstanding performer, growing volumes by 6%. The region benefitted from good weather and an increase in consumer disposal income. In Europe, despite Russia growing 34%, reflecting a significant buy-in ahead of a substantial excise increase in January and the impact of destocking of wholesaler inventories in the prior year, overall volumes declined by 2%.

Kraft/Cadbury

Analyst Oliver Gilvarry

Kraft and Cadbury have both confirmed they are finalizing the terms of the recommended offer for the take over of Cadbury by Kraft. Reports in the media this morning indicate the offer will be £8.40 per share including £5.00 in cash and the remainder in stock which equates to 60% in cash and 40% Kraft shares. Cadbury is also reported to pay its holders an additional 10p dividend as part of the deal. The rumoured offer is 9% higher than Kraft's previous offer of £7.69. It seems unlikely that Hershey will come in with a counterbid with its difficulties in raising equity due to its corporate structure. A debt financed takeover of Kraft is also unlikely by Hershey due to the size of debt raising required. Both Kraft and Cadbury are due to release a statement later on today with regard to the deal and it looks like Kraft have added enough sugar to their offer to finally convince Cadbury to give up its independence.

Citigroup

Yesterday's Close \$3.42

Analyst Oliver Gilvarry

Citigroup is due to report Q4 earnings this afternoon, with the market expecting the group to report a loss of 30c per share. The repayment of TARP is a large part of the reason for the expected loss. Fixed Income Currencies & Commodities (FICC) volumes will be lower in the quarter, but Investment Banking revenues will remain strong, but still weaker than peers. The market will be focused on credit quality in the loan book over the quarter with expectations that the growth in Non Performing Assets (NPA) will continue to decline. Performance of the mortgage and credit card loan books will be key to determine if there is any stabilisation. We expect the results from the main US banks this week to be mixed and it seems unlikely this quarter will indicate the banking system has recovered, but it will indicate it is not far away. Any weakness following banking results this week should be used as an opportunity to pick up some of our key banking calls, Barclays and JP Morgan.

Bank of Ireland

Yesterday's Close €1.52

Analyst Oliver Gilvarry

Bank of Ireland has just announced the suspension of coupons on Tier 1 and Upper Tier 2 bonds following a decision by the European Commission. This follows the announcement by AIB before Christmas. This will include the Government Preference securities plus preference shares in issue by BOI. The Government investment is due for payment on the 20th of Feb this year and if the bank is unable to pay in cash it must pay in shares based on the share price on average over a 30-day period prior to the 20th of Feb. BOI have said in the statement they are in discussions with the Government and EU over the €250m payment due on the Government investment and it is uncertain if this will have to be paid in shares. Based on the current share price of €1.47, this would require the issuance of 170m shares to the Government or 16.9% of the current outstanding shares. In the statement BOI is examining the merits of further liability management or in other words more buybacks of Tier 1 and Upper Tier 2 debt. The announcement today has no impact on instruments where the bank has a binding legal obligation to pay coupons such as senior debt and Lower Tier 2 bonds. Coupons on these instruments will continue to be paid as normal and they remain covered under the Government blanket up to the end of September this year. We expect no significant move in the share price as a result of this news as it was flagged by the AIB announcement before Christmas.

Greek Fiscal Concerns

Analyst : Oliver Gilvarry

European Finance Chiefs have said overnight that Greece may have to step up its efforts to solve its current fiscal crisis. EcoFin discussed Greece's budget plan and commented afterwards it is a step in the right direction. The latest plan from the Greek Government calls for €10bn in spending cuts to bring the budget deficit from 12.7% of GDP to 8.7% of GDP by year end. Comments from the Dutch Finance Minister stated that the Greek plan leans heavily on one-time measures and needs to be more substantial. The comments from EcoFin members indicate they are not fully convinced about the Greek plan and this will mean the uncertainty over the Greek fiscal position will continue to weigh on the Euro over the next week.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,108	0.3%	4.1%
FTSE	5,494	0.7%	1.0%
Dow Jones	10,610	-0.9%	1.7%
S&P	1,136	-1.1%	1.9%
Nikkei	10,855	-1.2%	2.1%
Stoxx 50	2,958	0.6%	-0.9%

Sector Performances

Sector	Index	1-Day	YTD
Construction	284	0.4%	1.6%
Technology	192	0.1%	3.4%
Oil & Gas	342	0.7%	2.8%
Financials	227	0.2%	1.1%
Retail	249	1.5%	1.5%
Food & Drink	305	0.9%	-0.2%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	78.0	-1.8%	-1.7%
Copper	336.6	-0.6%	3.1%
Gold	1,133.6	0.2%	3.9%
Silver	18.4	-1.2%	11.8%
Wheat	510.0	-3.4%	-5.4%
Cattle	90.5	0.0%	0.9%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.438	0.0%	-0.5%
€/£	0.880	-0.5%	1.0%
£/\$	1.634	0.5%	-1.5%
\$/JPY	90.785	0.0%	2.9%
€/JPY	130.580	0.0%	2.4%
€/SFR	1.474	-0.1%	0.5%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	66.9	-1.6%	-1.4%
High Yield	397.8	-1.3%	-5.4%
Financials	69.2	1.3%	-2.1%
BoI	185.1	0.2%	-23.8%
AIB	204.1	-2.4%	-25.1%
RBS	123.2	-1.6%	-10.5%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.5%	0.2%
3-Month	0.7%	0.6%	0.3%
1-Year	1.2%	0.9%	0.5%
2-Year	1.7%	1.8%	1.1%
5-Year	2.6%	3.2%	2.7%
10-Year	3.5%	4.0%	3.8%

Date	Company	Region	Event
19/01/2010	Alstom SA	FR	Q3 SALES
19/01/2010	Accor SA	FR	Q4 SALES
19/01/2010	SEB SA	FR	Q4 SALES
19/01/2010	Burberry Group PLC	GB	Q3 TRADE
19/01/2010	IG Group Holdings plc	GB	INTERIM
19/01/2010	Land Securities Group PLC	GB	Q3 TRADE
19/01/2010	Carphone Warehouse Group PLC	GB	Q3 TRADE
19/01/2010	Parker Hannifin Corp.	US	Q2
19/01/2010	CitiGrp	US	Q4
19/01/2010	CSX Corp.	US	Q4
19/01/2010	Fastenal	US	Q4
19/01/2010	First Horizon National Corp.	US	Q4
19/01/2010	IBM	US	Q4
20/01/2010	Ingenico SA	FR	Q4 SALES
20/01/2010	Covidien plc	IE	Q1
20/01/2010	Kesa Electricals plc	GB	TRADE
20/01/2010	Amdocs Ltd	GB	Q1
20/01/2010	JD Wetherspoon PLC	GB	TRADE
20/01/2010	Xilinx	US	Q3
20/01/2010	Bank of America Corp.	US	Q4
20/01/2010	BNY Mellon Corp	US	Q4

Date	Event	Region	Estimate
19/01/2010	CPI (MoM)	UK	--
19/01/2010	RPI (MoM)	UK	--
19/01/2010	ZEW Survey (Econ. Sentiment)	GE	--
19/01/2010	Zew Survey (Current Situation)	GE	--
19/01/2010	Construction Output SA MoM	EC	--
19/01/2010	ZEW Survey (Econ. Sentiment)	EC	--
19/01/2010	ABC Consumer Confidence	US	--
20/01/2010	Producer Prices (MoM)	GE	--
20/01/2010	Bank of England Minutes	UK	--
20/01/2010	Jobless Claims Change	UK	--
20/01/2010	ILO Unemployment Rate (3mths)	UK	--
20/01/2010	MBA Mortgage Applications	US	--
20/01/2010	Producer Price Index (MoM)	US	--
20/01/2010	Housing Starts	US	--
20/01/2010	Building Permits	US	--
21/01/2010	ECB Publishes Jan. Monthly Rep	US	--
21/01/2010	Public Sector Net Borrowing	US	--
21/01/2010	M4 Money Supply (MoM)	US	--
21/01/2010	Initial Jobless Claims	EC	--
21/01/2010	Philadelphia Fed.	EC	--
21/01/2010	Leading Indicators	US	--

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Dolmen Stockbrokers, 75 St. Stephen's Green, Dublin 2, Ireland.



DOLMEN SECURITIES LTD

75 St. Stephen's Green, Dublin 2, Ireland.
45 South Mall, Cork, Ireland
Theatre Court, Mallow St, Limerick, Ireland.

Tel : +353 1 633 3800/1890 400 300
Tel : +353 21 422 2122
Tel : +353 61 436 500

E-mail: info@dsl.ie
E-mail: cork@dsl.ie
E-mail: Limerick@dsl.ie