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Market Movers :

IRISH PAPERS TODAY

AIB raises 2009 bad debt forecast to €5.3bn
(The Irish Times)

New chief executive NTMA by Minister
(The Irish Times)

Glanbia to cut 65 jobs amid earnings gloom
(Irish Independent)

INTERNATIONAL PAPERS TODAY

M&S poaches chief from Morrison
(Financial Times)

Rival groups weigh up Cadbury counter-bid
(Financial Times)

Iranian move jeopardizes nuclear deal
(The Wall Street Journal)

Market View

Analyst : Stephen Taylor

European equity markets are slightly lower this morning after relatively muted trading sessions in the US and Asia overnight. Yesterday's dismal US housing data highlights the challenges facing the US economy and a further indication that the recovery may take longer than previous recessions. That being said, equity markets remain well supported at the moment with favourable monetary policy in addition to a further pick up in M&A activity. Yesterday, Hershey and Ferreros indicated that they are reviewing the potential of making a bid for Cadbury to trump's Kraft's recent bid. There has also been press speculation that Reckitt Benckiser and Colgate may be seeking some form of merger. This comes on the back of a number of other takeover deals announced recently including Hewlett-Packard's proposed deal to buy 3Com, Berkshire-Hathaway's deal with Burlington Northern in addition to Cisco's increased takeover offer for Tandberg. This increase in M&A activity has the potential to keep markets moving higher despite some disappointing economic reports. As for today, the main focus will be on economic data. UK retail sales will be closely watched with a month on month increase expected. In the US jobless claims will be key and the market will be looking for further improvements in the figure, while manufacturing data in the form of the Philly Fed will also be important.

FBD : IMS Update

Yesterday's Close €6.40

Analyst : Oliver Gilvarry

FBD released an Interim Management Statement (IMS) for the period covering July 1st to date. The company stated it has maintained a solid trading performance. Demand for insurance has declined due to the economic conditions in Ireland, premium increases have come through offsetting some of this fall. The company doesn't believe premiums have moved to levels at which they feel comfortable to increase business volumes. The company is continuing to increase its presence in urban areas with its on-line offering performing well. The loss ratio has also improved in the second half due to reductions in road accidents. Non-underwriting continues to face a challenging environment but property and leisure continues to generate positive operating profits. Over-supply in the Irish hotel market is referred to in the statement. Guidance by management is for full year EPS to be higher than consensus of 86c per share. FBD seems to be managing the current downturn through strict management of costs. While the rate of decline in insurance premiums is a positive in the 2H, no indication of premiums hitting a trough is yet apparent in the Irish non-life market.

Lloyds : IMS Update

Yesterday's Close 90p

Analyst : Oliver Gilvarry

Lloyds Banking Group (LBG) released the price the Contingent Convertible Capital notes (CoCos) will convert into equity at if the bank's core tier 1 drops below 5%. The share price is 89.7246p and this will be adjusted to take into account the issuance of new shares under the rights issue in the next number of weeks. The European Commission announced yesterday that it has approved the UK Government bailout of the group. This was after LBG agreed to sell insurance units, reduce its share of current accounts and mortgages plus sell a number of branches. We remain positive on LBG and recommend holding the stock to take up their rights as the market share the group will have in the UK retail market even after divestments is attractive.

Ryanair : Buy **Yesterday's Close** €2.88 **Price Target** €3.20 **Analyst** : Edward Keeling

Air France KLM reported its Q2 results after the close last night and it posted a net loss of €147m for the period. This reflects continued weakness in air travel demand and is compared with a €27m net profit the previous year. Revenues came in at 5.6bn, broadly in line with consensus estimates of €5.7bn. It reduced passenger capacity by 4.4% in the second quarter, greater than the 3.3% reduction in traffic. However the trend in unit revenues was similar to the first quarter, with still a marked deterioration in premium. There is encouraging signs from its cargo division, traditionally seen as lead indicator of passenger demand, as unit revenues here appeared to have bottomed out. Unit revenues declined by 27.8% during Q2 compared with a 30% fall in Q1. Going forward the airline said it will pursue further cost cutting strategies in an effort to return to break even at the operating level by the beginning of the next financial year, excluding the impact of fuel hedges. We anticipate Air France and other network carriers will continue to reduce capacity and lose market share to low cost carriers including Ryanair.



C&C : Neutral **Yesterday's Close** €2.47 **Price Target** €2.16 **Analyst :** Oliver Gilvarry

SABMiller has reported first half results this morning and the world's second largest brewer posted profits that were ahead of market expectations. Earnings per share for the period was \$0.80, compared with analysts' estimates of 71 cents. The group also increased its dividend by 6% to \$0.17. In terms of outlook the group has reiterated that its financial position remains strong and that it's well positioned to take advantage of future improvements in the market environment. It anticipates that current trading conditions will continue into the second half with unemployment and retail spending lagging the reported stabilisation of economic growth in many of its markets.

Irish Life & Permanent

BUY

Current Price : €3.73

Price Target : €5.55 Previous €6.90 19th November 09

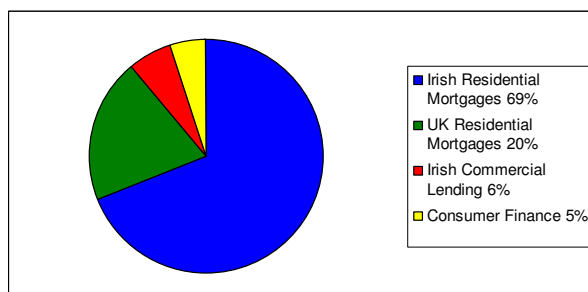


Analyst: **Oliver Gilvarry**

- Irish Life & Permanent (ILP) released an Interim Management Statement earlier this week. The statement was weaker than expected with impairment provisions increased from previous guidance. The move higher in impairments was due to the commercial investment portfolio with management guiding an impairment charge of circa €150m on this portfolio between 2009 and 2010.
- Lending on the banking book remains weak with new advances for the full year down 80% yoy. Arrears on the UK mortgage book continue to improve with arrears cases 20% below the peak experienced in March.
- In Ireland, arrears continue to rise, but at a slower pace than previously. In August the rate of increase in new arrears cases was 8%, this had fallen to 3% in September and October. According to the statement arrears continue to remain within managements expectations. On the commercial investment loan book arrears have not increased since the half year, but the increased impairment provision is due to the fall in commercial property prices.
- Impairment guidance has been increased to between €800-€900m over the cycle from €678m to €718m with the increase was mainly due to commercial investment loans as property values continue to decline.
- Funding for the group has improved with reliance on ECB funding falling from €12bn to €7bn currently. Retail deposits are guided to increase by 20% yoy to €10.2bn. Corporate deposits are also increasing after the outflows experienced earlier this year and the loan to deposit ratio is guided at 2.5x from over 3.0x at half year.
- The negative side of the improvement in the funding profile of the group is the fall in the Net Interest Margin (NIM). Guidance is now for full year NIM of between 80-85bps from previous guidance of 90bps.
- Sales of life and pension products are now guided to decline by 35% over the year from a 43% decline at the half year. The rate of decline in life products has slowed, but new business margins will be weaker during the course of the year and are guided at between 9-10% excluding ILIM.
- The non-life JV with Allianz is continuing to find trading conditions difficult with premium increases hard to achieve. The outcome for the full year is expected to be €4m.
- Another surprise in the release was the significant decline in Short Term Investment Fluctuations (STIF) for the full year. Guidance is now for a decline of €105m driven by revaluations in the property portfolio. This included a large writedown of circa €40m in a project that IPM have committed to invest in. This is on top of further writedowns in properties the company uses itself plus a number of properties taken over following the exit of policyholders. Management believe these adjustments are aggressive, but it could increase the percentage of shareholder funds invested in property from the 20% reported at the half year.
- The securitisation of part of the Value in Force book is continuing and should be completed by year end, releasing circa €200m of capital to the group.
- The take on of property by IPM onto its own balance sheet is a negative for the group. Currently shareholder equity is 20% invested in property. This could potentially move up to 50% of shareholder equity by next year due to the potential commitments outlined earlier
- By increasing the group's exposure to property this will have the impact of increasing volatility in STIF and limits the room for the Life company to provide capital to the banking arm.
- Due to this transaction which only became apparent after the IMS release we are downgrading our price target on the group. We continue to value the life company at 0.7x our now estimated EV of €1.65bn, but we estimate the banking arm will report a loss of €275m this year. . Due to the heavy reliance on wholesale funding, we value the bank at 0.7x NAV. Adding in the JV, brings a sum of the parts valuation of €5.55 taking into account the losses the book will make this year.
- We are maintaining our BUY rating on the stock due to its strong life franchise in Ireland and it remains the lowest risk in the Irish financial sector. Despite these positives, investor confidence will be impacted over the property transactions. The sale of some of the properties taken onto the Life book or an up-date negotiations on the Third Banking Force are the next catalysts, but these will in 2010.

Descriptive Stats		Shareholders	
52 Week High	€6.35	UBS Inv. Bank	3.75%
52 Week Low	€0.59	Capital Research	3.34%
Reuters	IPM.I	Fundamental Investor	3.16%
Bloomberg	IPM ID	Cominvest Asset Mgt.	2.97%
		ADIG Inv.	2.28%

	FY08	FY09e	FY10e
Operating PBT	341	-159	26
Profit Before Tax	-364	-298	23
EPS €	-1.56	-0.95	0.08
DPS	0.00	0.00	0.00





International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,906	0.2%	24.3%
FTSE	5,342	-0.1%	20.4%
Dow Jones	10,437	0.3%	18.8%
S&P	1,110	0.1%	22.9%
Nikkei	9,677	-0.5%	7.8%
Stoxx 50	2,909	0.1%	18.6%

Sector Performances

Sector	Index	1-Day	YTD
Construction	270	0.3%	1.8%
Technology	186	0.2%	3.8%
Oil & Gas	325	-0.4%	2.7%
Financials	234	-0.4%	2.2%
Retail	243	-1.1%	1.7%
Food & Drink	288	-1.2%	4.0%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	79.6	0.6%	34.6%
Copper	313.6	0.1%	115.3%
Gold	1,145.5	0.4%	29.0%
Silver	18.4	0.2%	62.0%
Wheat	588.0	-1.4%	-15.4%
Cattle	85.0	-0.8%	-7.0%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.496	0.6%	-6.0%
€/£	0.894	1.0%	7.0%
£/\$	1.675	-0.4%	-12.2%
\$/JPY	89.315	0.1%	1.9%
€/JPY	133.628	0.6%	-4.2%
€/SFR	1.511	0.0%	-1.3%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	84.8	-0.9%	-52.2%
High Yield	502.1	-1.3%	-51.2%
Financials	71.8	1.6%	-39.5%
BoI	185.4	1.5%	-23.9%
AIB	208.1	2.2%	3.1%
RBS	128.8	-1.3%	-6.3%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.4%	0.2%
3-Month	0.7%	0.6%	0.3%
1-Year	1.2%	0.9%	0.4%
2-Year	1.7%	1.8%	1.0%
5-Year	2.7%	3.2%	2.5%
10-Year	3.5%	3.9%	3.5%

Date	Company	Region	Event
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19/11/2009	Air Berlin PLC	DE	Q3
19/11/2009	Kerry Group PLC	IE	TRADE
19/11/2009	Halfords Group Plc	GB	INTERIM
19/11/2009	Pennon Group Plc	GB	INTERIM
19/11/2009	National Grid Plc	GB	INTERIM
19/11/2009	Investec Plc	GB	INTERIM
19/11/2009	SABMiller PLC	GB	INTERIM
19/11/2009	WM Morrison PLC	GB	TRADE
19/11/2009	Premier Oil PLC	GB	TRADE
19/11/2009	Deutsche Telekom AG	DE	EGM
19/11/2009	Gap	US	Q3
20/11/2009	Suez Environnement SA	FR	S/HOLDERS
20/11/2009	J. M. Smucker Co.	US	Q2
20/11/2009	D.R. Horton	US	Q4
23/11/2009	Electricite de France SA	FR	S/HOLDERS
23/11/2009	Analog Devices	US	Q4
23/11/2009	Hewlett-Packard	US	Q4
23/11/2009	Tyson Foods	US	Q4
24/11/2009	BSS Group Plc	GB	INTERIM
24/11/2009	Severn Trent Plc	GB	INTERIM
24/11/2009	SSL International PLC	GB	INTERIM
24/11/2009	Banca Generali SpA	IT	EGM

Date	Event	Region	Estimate
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19/11/2009	Retail Sales (MoM)	UK	0.50%
19/11/2009	M4 Money Supply (MoM)	UK	1.00%
19/11/2009	Initial Jobless Claims	US	502K
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%
23/11/2009	PMI Manufacturing	GE	--
23/11/2009	PMI Services	GE	--
23/11/2009	PMI Manufacturing	EC	--
23/11/2009	PMI Services	EC	--
23/11/2009	Chicago Fed Nat Activity Index	US	--
23/11/2009	Existing Home Sales MoM	US	--
24/11/2009	GDP s.a. (QOQ)	GE	--
24/11/2009	IFO - Business Climate	GE	--
24/11/2009	Industrial New Orders SA (MoM)	EC	--
24/11/2009	GDP QoQ (Annualized)	US	--
24/11/2009	Personal Consumption	US	--
24/11/2009	GDP Price Index	US	--
24/11/2009	Core PCE QoQ	US	--
24/11/2009	S&P/CaseShiller Home Price Ind	US	--
24/11/2009	Consumer Confidence	US	--
24/11/2009	Richmond Fed Manufact. Index	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