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Market Movers

IRISH PAPERS TODAY

Fewer claim unemployment benefit in September
(The Irish Times)

INM board member warns of difficulty of having minority stakes in firms
(The Irish Times)

Bank lending drops for a sixth consecutive month
(Irish Independent)

INTERNATIONAL PAPERS TODAY

FTSE soars to best-ever quarter on recovery hopes and flood of liquidity

(Financial Times)

M&S reports brighter trading

(Financial Times)

European markets sizzle
(The Wall Street Journal)

Market View

Analyst : Stephen Taylor

European equity markets are slightly higher this morning following weaker closes in the US and Asia overnight. Weakness in economic data was the main reason for the decline in indices although the US market closed well off the low seen in early trade. The US ADP Employment report which is seen as a key read across for Friday's nonfarm payroll figure showed that a further 254,000 job losses during the month of September and was worse than the forecasted 200,000 consensus. While the rate of decline in job losses has fallen the quantum still remains a concern and ties in with the weak consumer confidence readings that we have seen. Manufacturing data out of Chicago also disappointed to the downside unexpectedly falling to 46 signalling a return to contraction for the reading. Both economic data points raise some concerns towards the pace of economic recovery that will be seen, however equity markets are likely to remain strong thanks to the continued liquidity that is being pumped into the financial system and improvement in credit markets. There is a host of economic data out today kicking off with PMI manufacturing data out of Europe and the UK. The main focus however will be in the US with Personal Income and Spending figures for August in addition to weekly jobless claims all due for release at 1.30pm. While at 3pm, ISM Manufacturing data will be the key reading of the day with further improvement expected. Also due for release is pending home sales data and construction spending figures for August.

Irish Banks : Negative watch at S&P

Analyst : Oliver Gilvarry

S&P announced last night it is putting the short term credit ratings of AIB and BOI on negative watch. Both banks have a short-term credit rating of A-1. S&P stated they believe the new Government Guarantee scheme will be narrower than the previous scheme and will not merit an increase in the short-term credit ratings. While this is a negative for the banks in raising short term cash from large corporates and institutional depositors, the recent issuance of unguaranteed by both banks does offset the effect.

UK Banks: Tighter control on bonuses agreed

Analyst : Oliver Gilvarry

The UK's largest five banks have agreed to impose limits on bonus pay in line with proposals put forward at the recent G-20 meeting. The new rules will restrict the amount of profits that can be put into bonus pools and how much can be set aside for deferred payments to executives and traders. Clawback of bonuses will be imposed in the situation where deals go wrong after bonuses have been paid. The UK Chancellor stated the banks were taking "a responsible and long-term approach to remuneration." The only bank to make any comments on the new arrangement was HSBC and it stated their policies were broadly in line with the plan already. The impact on the banking sector in the future will be to make it more difficult to attract high quality candidates and will make banks more risk adverse. This will have the effect of impacting on profitability for the sector as a whole in the future. If such proposals are not implemented worldwide, it will also put UK listed banks at a competitive disadvantage to their competitors.

Irish Economy : September unemployment data

Analyst : Oliver Gilvarry

Live Register figures for September were released yesterday. The total figure showed a decline of 16,417 for the month, the first since October 2007. The increase in males joining the Live Register fell for the first time in over 2-years. The standardised unemployment rate for September remained flat compared to August at 12.6%. The decrease in people joining the live register is a positive sign, but the trend will need to be continued for a number of months before it can be stated the worst has been seen in Irish unemployment.

Munich Re: Share buy back programme

Analyst : Oliver Gilvarry

Munich Re, the German Re-Insurance company, has announced a share buyback programme of up to €1bn. The buyback is scheduled to begin shortly and will continue until April 28th at the latest. The repurchased shares are to be retired once bought. This move is a positive for the company as it indicates its capital position is strong and indicates a positive view towards markets and asset values going forward.



Cisco: Buy Current Price (\$23.50) Price target (Under Review) Analyst : Stephen Taylor

Cisco has agreed to acquire Tandberg for NOK17.2bn or \$2.96bn to increase its focus on video-conferencing products. The acquisition should not come as a surprise as the company has repeated that it plans to grow through acquisitions thanks to its large net cash balance of c. \$25bn. Cisco expects the deal to close in the first half of 2010 and be earnings accretive from 2011. We view the acquisition as a positive for the company as it continues to look for growth opportunities to complement its already mature markets in many of its businesses. Shares in Cisco have risen by over 30% since we initiated coverage of the stock back in June and have surpassed our price target of \$23.00. We are currently updating our price target for the company. Cisco is due to report fiscal first quarter results on November 4th.

Aer Lingus: Neutral Current Price (€0.75) Price target (€0.65) Analyst : David Dunk

It has been reported that British Airways and Iberia have set an end of year deadline for their proposed merger. Iberia is scheduled to hold an extraordinary board meeting tomorrow, to discuss the proposed deal. The two main issues that have delayed the merger, have been the equity split for each company in the new combined entity, as well as the issue of British Airways large pension deficit. British Airways CEO Willie Walsh is reported as saying that the company's pension deficit was not a major issue in the merger talks. A merger between the two companies would result in significant cost and revenue synergies for the two firms. Separately, Deutsche Lufthansa has announced that it will acquire 20% of BMI from SAS Group for £19m, plus an additional £19m for the cancellation of SAS's rights from a shareholder agreement. Following the closing of this deal, Lufthansa will own BMI in its entirety. British Airways recently expressed interest in purchasing BMI from Lufthansa. The news today should be taken as a mild positive for British Airways and Iberia. We expect that the merger will go ahead before the end of the year.

ICG

BUY

Current Price : €11.50

Price Target : €14.20



Analyst: **Edward Keeling**

Date: **01/10/09**

- Profile :** ICG is a shipping and transport group principally engaged in the transport of passengers and cars, roll-on roll-off freight and container lift-on lift-off freight on routes between Ireland, the United Kingdom and Continental Europe. The company also offers travel and holiday packages primarily in France, Britain and Ireland. The Group comprises two main divisions; Ferries and Container & Terminal. Within these divisions there are a number of subsidiary companies. In the unitised freight market, ICG's positioning is to facilitate the "just-in-time" RoRo (Roll on Roll off freight) market, through its state of the art ferries serving key short sea routes while also catering for the cost sensitive container freight market through its extensive container route network.

- Interim Results :** Last month the group reported its interim results. As a result of depressed tourism and trade both nationally and internationally, the group's first half performance was down heavily on last year. Within the groups' Ferries division, total cars and passengers carried were down 7% year on year, despite lowering fares in an attempt to stimulate demand. While the Freight segment not only suffered from lower economic activity, but also from additional capacity as competitors entered the market. Within its Container & Terminal division, total containers were down 32% to 187,000 units reflecting a sharp reduction in construction related activity into Ireland and a significant fall in transshipment trade from the Far East. The number of units lifted at the division's port facilities in Dublin and Belfast were down 30% to 78,000. As a result total turnover for the group fell 27.9% to €120m from the previous year, while EBITDA was €19m. However significant cost cuttings, falling fuel prices and capacity management helped to protect its bottom line somewhat and the group reported an interim profit of €7m or an eps of 19.9c, down from €17m and 97c respectively.

- Costs :** In terms of fuel prices the group remained unhedged for the period and as a result benefited fully from the decline in spot prices. Its total fuel bill declined by €11.3m to €13.6m and now represents just 13.5% of total costs, down from 18.2% in 2008. It aggressively approached labour costs, reducing its average number of direct staff from 465 in 2008 to 423 currently. These cost reductions combined with some others, such as a weaker time charter market, helped reduce the total cost base by 26% to €101m. Overall the financial position of the group remains robust, with total net debt down over 30% to €48m, its lowest level since 1994. The group remains highly cash generative with operating cash flow of €31m and free cash flow of €25m.

- Valuation :** We believe ICG is undervalued at current values and represents an attractive investment opportunity. On an EV/EBITDA basis it is currently trading at a 40% discount to the sector average. Given that we forecast the group will be close to a net cash position by the end of the next year and it offers a dividend yield of over 8%, which is close to 2x covered on free cash flow per share basis, we believe a discount of this magnitude is unjustified. While we do acknowledge some discount is appropriate considering its large exposure to the Irish economy, we believe this is fairly represented by a multiple of 8x, in line with its historic average. This is even more reasonable when one considers that ICG's net debt is now at its lowest for 15 years and its market share growth opportunities. This produces a fair value of €14.20 and is the basis for our 12 month price target. With over 20% upside to our price target our recommendation is Buy.

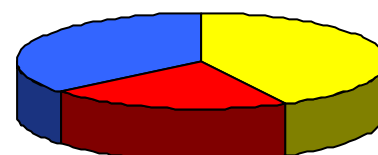
- Shareholder composition :** It is important to note the nature of the shareholder composition and the liquidity issues this presents. With South Mortonson currently owning 29%, Moonduster 25%, ICG management holding 17% and Sandell having 6%, the free-float of the company is small and may be troublesome for short term traders.

Descriptive Stats		Shareholders	
Year to date	-32.58%	South Morston	29.25%
52 Week High	18.34	Moonduster	24.92%
52 Week Low	9.20	Eamonn Rothwell	16.00%
Reuters	ICG_u.l	Sandell	5.75%
Bloomberg	IR5A ID		

	FY08	FY09e	FY10e
Revenue €m	343	277	277
EBITDA	66	52	54
Pre Tax profit	43	23	25
EPS €	1.62	0.85	0.95
DPS	1.00	1.00	1.00
P/E	7.28	13.88	12.42
Div Yield	8.47%	8.47%	8.47%

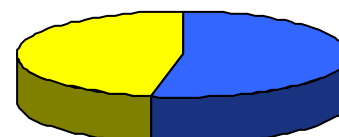
Peer Analysis	EV/EBITDA 09	EV/EBITDA 10	Div Yield
Finn Lines	21.6	11.9	0.50%
Attica	12.9	11.8	1.30%

2008 Revenue by Region



- Ireland 42%
- UK 21%
- Continental Europe 36%

Revenue by Division



- Ferries 53%
- Containers & Terminal 47%



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,347	0.2%	43.9%
FTSE	5,134	-0.5%	16.5%
Dow Jones	9,742	-0.5%	10.7%
S&P	1,061	-0.2%	17.0%
Nikkei	10,133	0.3%	12.6%
Stoxx 50	2,873	-0.7%	18.1%

Sector Performances

Sector	Index	1-Day	YTD
Construction	264	-0.2%	1.7%
Technology	191	-0.3%	3.7%
Oil & Gas	306	-0.7%	2.9%
Financials	236	-1.0%	2.4%
Retail	225	-0.3%	1.6%
Food & Drink	270	0.1%	4.0%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	70.6	5.8%	21.3%
Copper	281.9	3.3%	95.2%
Gold	1,007.7	1.5%	14.4%
Silver	16.7	3.0%	46.8%
Wheat	457.5	2.2%	-33.0%
Cattle	86.1	0.6%	-4.6%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.464	0.3%	-4.3%
€/£	0.916	0.2%	4.6%
£/\$	1.598	0.1%	-8.5%
\$/JPY	89.695	-0.4%	0.7%
€/JPY	131.314	-0.1%	-3.6%
€/SFR	1.517	0.4%	-1.6%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	96.4	1.6%	-44.4%
High Yield	545.9	1.9%	-46.6%
Financials	71.4	-0.7%	-38.6%
BoI	176.3	0.5%	-28.3%
AIB	178.8	2.3%	-13.3%
RBS	103.7	-1.6%	-24.6%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.4%	0.2%
3-Month	0.8%	0.5%	0.3%
1-Year	1.2%	0.9%	0.6%
2-Year	1.7%	1.8%	1.3%
5-Year	2.7%	3.2%	2.7%
10-Year	3.5%	3.9%	3.5%

Date Company Region Event

Date	Company	Region	Event
01/10/2009	Domino's Pizza UK & IR	GB	TRADE
01/10/2009	Constellation Brands, In	US	Q2
02/10/2009	Helphire Group plc	GB	PRELIM
02/10/2009	Hammerson PLC	GB	INTERIM
05/10/2009	British Airways PLC	GB	TRAFFIC
05/10/2009	PZ Cussons Plc	GB	TRADE
05/10/2009	Hypo Real Estate Holdir	DE	S/HOLDERS
05/10/2009	Friends Provident PLC	GB	S/HOLDERS
06/10/2009	Air Berlin PLC	DE	TRAFFIC
06/10/2009	Tesco PLC	GB	INTERIM
06/10/2009	Northern Foods Plc	GB	TRADE
06/10/2009	IG Group Holdings plc	GB	AGM
07/10/2009	Finnair Oyj	FI	TRAFFIC
07/10/2009	SAS AB	SE	TRAFFIC
07/10/2009	J Sainsbury PLC	GB	Q2 TRADE
07/10/2009	Michael Page Internatioi	GB	Q3 TRADE
07/10/2009	Sportingbet PLC	GB	PRELIM
07/10/2009	ALCOA Inc	US	Q3
07/10/2009	Costco Wholesale Corp	US	Q4
07/10/2009	Family Dollar	US	Q4
07/10/2009	Monsanto Company	US	Q4

Date Event Region Estimate

Date	Event	Region	Estimate
01/10/2009	PMI Manufacturing	GE	49.6
01/10/2009	PMI Manufacturing	EC	49
01/10/2009	PMI Manufacturing	UK	50.1
01/10/2009	Euro-Zone Unemployment R	EC	9.60%
01/10/2009	Challenger Job Cuts YoY	US	--
01/10/2009	Personal Income	US	0.10%
01/10/2009	Personal Spending	US	1.10%
01/10/2009	PCE Deflator (YoY)	US	-0.60%
01/10/2009	Initial Jobless Claims	US	531K
01/10/2009	ISM Manufacturing	US	54
01/10/2009	Pending Home Sales MoM	US	0.90%
01/10/2009	PMI Construction	UK	48.1
01/10/2009	Euro-Zone PPI (MoM)	EC	--
01/10/2009	Non Farm Payrolls	US	-188k
01/10/2009	Unemployment Rate	US	9.80%
01/10/2009	Factory Orders	US	1.10%
05/10/2009	PMI Services	GE	--
05/10/2009	PMI Services	EC	--
05/10/2009	PMI Services	UK	--
05/10/2009	Sentix Investor Confidence	EC	--
05/10/2009	Euro-Zone Retail Sales (MoM)	EC	--

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