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Market Movers

IRISH PAPERS TODAY

State to proceed with plan to recapitalise AIB and B of I
(The Irish times)

Bloodbath sparks new fears over main banks
(Irish Independent)

Lenihan drops plan to limit withdrawals
(The Irish Times)

UK PAPERS TODAY

RBS slides despite lifeline
(FT)

Diageo rethinks Dublin plans
(FT)

Blue Monday
(Daily Telegraph)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-4.3%	-14.7%
BP	-0.6%	-6.0%
CRH	-0.6%	-0.5%
E.ON	-0.0%	-9.7%
HP	0.0%	-4.19%
IL&P	-50.0%	-23.8%
INM	-21.1%	-34.4%
J&J	0.0%	-3.99%
JPMorgan	0.0%	-27.6%
Microsoft	0.0%	1.4%
Paddy Power	-0.4%	-15.5%
Vodafone	1.2%	1.65%

Market View

Analyst : Stephen Taylor

Financials led equity markets lower yesterday as RBS indicated it will post the largest loss in UK corporate history while the government looks set to increase its stake in the bank to 70%. As we said last week equities will not begin to rebound in the short term until there is some form of stability among financials. On a more positive note however the sell off in markets has led to good opportunities for clients to build up positions in some of the defensive companies that we like including BP, E.ON, Aryzta, Kerry Group and Paddy Power all of which have strong balance sheets, a prerequisite for investing in stocks in the current environment. As for today, earnings season in the US gets into full swing with Dolmen Dozen constituent Johnson & Johnson due to report before the market opens, while IBM will release results after the US close tonight. Markets will also be focused on the inauguration of President Obama which is due to take place at 5pm.

Financials :

Analyst : Oliver Gilvarry

After the large falls yesterday in Irish and UK financials share prices, they have moved up slightly this morning in early trading. For Irish financials, concerns over the potential dilution of government investment continue to put pressure on share prices. The need for RBS to convert preference shares into ordinary equity highlights that markets are not looking favourably on efforts to recapitalise banks through the use of preference shares. To retain investor confidence, banks need to focus on capital based on ordinary equity. Uncertainty continues over the form of capital injection in AIB and BOI, with a concern it will be through a shareholder dilutive ordinary share issue. Until this uncertainty is removed, AIB and BOI share prices will find it difficult to move forward.

Later today, the Houses of the Oireachtas will debate the bill on the nationalisation of Anglo Irish Bank. The Government wish to get the legislation through the Dáil and Seanad today and pass into law by this evening. While the debate in the houses will be heated, the Government majority in both houses will see it passed into law this evening.

Wolseley : Sell **Current price** (£3.10) **Price target** (£2.40) **Analyst** : Stephen Taylor

The Sunday Times reported that Wolseley is in talks to raise as much as £400m from private equity groups and investors by offering new shares with a decision to be made on the fund raising in the next few weeks. The reason for our negative stance on Wolseley and short trading call has been due to its weak balance sheet and the valuation premium that it currently trades at when compared to its peers. It would appear from the press report that Wolseley is now close to breaching its net debt/EBITDA covenant that currently stands at 3.5x. This is likely due to adverse currency movements and a continued downturn in business activity. If the company does breach its covenants it could push up its interest bill by 2% and further impact earnings. A fund raising or rights issue of this magnitude could potentially dilute EPS by 10%-15%. With uncertainty likely to remain around potential covenant breaches we continue to remain negative on the stock. The group is due to issue a trading update on 26/01/09. Note : always place stop-losses when shorting a stock

Elan : Neutral **Current price** (\$7.06) **Price target** (\$10.00) **Analyst** : David Dunk

Elan has declined to comment on speculation that Danish pharmaceutical group Lundbeck may be interested in acquiring the company. Given Lundbeck's significant interest in Alzheimers treatments, there is a strategic rationale for a deal with Elan. However, if a deal with Lundbeck is being considered, we see a full takeover as less likely than other strategic options. Elan's is unlikely to make any statement regarding potential suitors, until a deal is completed. Elan announced last week that it had hired Citigroup Global Markets to aid the company in raising additional research funds. Our view on Elan is unchanged following the latest reports.

Ryanair : Buy **Current price** (€3.10) **Price target** (€3.45) **Analyst** : Edward Keeling

Air France, the Franco-Dutch airline, has issued an profit warning this morning indicating that it now expects to post an operating loss for the third quarter. The airline cited weakening passenger unit revenues, a strong decline in cargo revenue and unfavourable hedging positions. It did maintain however, assuming there is no further significant deterioration in the operating environment, that it will post an operating income clearly in profit for the full year 2008-2009. We are not surprised by this negative sector news flow and have already factored in such revenue weakness into our forecasts. Nevertheless, with a superior unit cost base and a more successful fuel hedging policy, Ryanair is well placed to grow capacity and aggressively compete on fares. The airline will continue to under-price its competitors and position itself to ensure it emerges even stronger when markets recover.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,274	-7.4%	-2.2%
FTSE	4,108	-0.9%	-5.7%
Dow Jones	8,281	0.8%	-5.6%
S&P	850	0.8%	-5.9%
Nikkei	8,066	-2.3%	-9.0%
Stoxx 50	2,252	-1.3%	-6.8%

Sector Performances

Sector	Index	1-Day	YTD
Construction	192	-1.3%	-5.1%
Technology	152	-0.8%	-0.5%
Oil & Gas	264	-1.4%	-0.8%
Financials	124	-8.2%	-18.0%
Retail	186	-0.2%	1.6%
Food & Drink	233	0.4%	1.2%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	36.5	3.1%	-25.9%
Copper	152.8	5.1%	7.0%
Gold	835.9	-0.9%	-6.0%
Silver	11.2	7.4%	-2.5%
Wheat	578.3	1.7%	-5.3%
Cattle	87.7	0.4%	-1.6%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.307	-1.5%	7.2%
€/£	0.906	0.5%	2.8%
£/\$	1.442	-2.1%	4.5%
\$/JPY	90.65	-0.1%	-0.3%
€/JPY	118.48	-1.6%	6.9%
€/SFR	1.483	-0.2%	0.6%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	162.9	-6.3%	-7.1%
High Yield	992.3	0.8%	-3.0%
Financials	116.0	0.0%	-1.1%
BoI	323.9	1.4%	33.4%
AIB	216.8	-5.7%	12.0%
RBS	122.5	16.8%	-4.6%

Money Market Rates

Rate	EUR	UK	US
Overnight	2.1%	1.3%	0.1%
3-Month	2.4%	2.6%	1.1%
1-Year	2.2%	1.7%	1.1%
2-Year	2.3%	2.3%	1.3%
5-Year	3.0%	3.1%	1.9%
10-Year	3.6%	3.7%	2.4%

Date	Company	Region	Event
20/01/2009	Cairn Energy	IE	TRADING
20/01/2009	JD Weatherspoon	UK	TRADING
20/01/2009	Bank of America	US	Q4
20/01/2009	IBM	US	Q4
21/01/2009	GM	US	Q4
22/01/2009	Enterprise Inns	GB	AGM
22/01/2009	WM Morrison Supermark	GB	TRADE
22/01/2009	Nokia	FI	Q4
22/01/2009	Microsoft	US	Q2
22/01/2009	Bank of New York Mellon	US	Q4
22/01/2009	Lockheed Martin	US	Q4
22/01/2009	Southwest Airlines	US	Q4
23/01/2009	General Electric	US	Q4
23/01/2009	McInerney	IE	TRADING
23/01/2009	Xerox	US	Q4
26/01/2009	Philips	NE	Q4
26/01/2009	WH Smith	UK	TRADING
26/01/2009	Wolseley	UK	TRADING
26/01/2009	American Express	US	Q4
26/01/2009	McDonald's	US	Q4
26/01/2009	Texas Instruments	US	Q4

Date	Event	Region	Estimate
20/01/2009	UK CPI	UK	-0.10%
20/01/2009	German ZEW	GE	-45.2
21/01/2009	German Producer Prices	GE	-1.50%
21/01/2009	Bank of England Minutes	UK	9-0
21/01/2009	UK Unemployment Rate	UK	6.00%
21/01/2009	MBA Mortgage Applications	US	n/a
21/01/2009	NAHB Housing Index	US	9
22/01/2009	European Industrial New Orders	EU	-6.50%
22/01/2009	Housing Starts	US	610k
22/01/2009	Building Permits	US	615k
22/01/2009	Initial Jobless Claims	US	540k
23/01/2009	German PMI	GE	46
23/01/2009	Euro-Zone PMI	EC	33.5
23/01/2009	GDP	UK	n/a
23/01/2009	Retail Sales	UK	n/a
26/01/2009	Leading Indicators	US	-0.30%
26/01/2009	Existing Home Sales	US	-2.00%

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