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### Market Movers

## IRISH PAPERS TODAY

Cabinet to continue economic recover talks  
(*Irish Times*)

ECB stands behind stands behind euro despite S&P ratings drop for Portugal  
(*Irish Independent*)

## IRISH PAPERS TODAY

Bank bails outs put public debt at an all time high  
(*The Independent*)

Car production down by nearly a half  
(*The Independent*)

## DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	0.4%	-12.6%
BP	-2.5%	-6.1%
CRH	-2.5%	-4.2%
E.On	-1.0%	12.9%
HP	5.3%	-3.2%
IL&P	16.7%	-9.1%
INM	-13.9%	-52%
J&J	-0.7%	-5.8%
JPMorgan	25.1%	-28.1%
Microsoft	4.8%	-0.3%
Paddy Power	-0.5%	-18%
Vodafone	-2.8%	-4.8%

## Market View

**Analyst : Stephen Taylor**

Equity markets are rallying this morning following a strong finish in the US last night. Better than expected earnings from IBM and Apple have restored some confidence in the corporate earnings outlook while the CEO's at JPMorgan and Bank of America purchased \$11m and \$1m worth of stock in their respective companies. As we have said previously equity markets cannot keep up a sustained rally unless we see some form of stability in the financial sector and while yesterday's strong move in the US KBW banking index which was up 15% is a positive we still remain sceptical as we expect more credit related write-downs over the next few months which will result in the need for further capital raisings. On the economic side today the key focus will be on US weekly jobless claims along with housing starts and building permits data. As the US housing market is the crux of the credit related problems some form of stabilisation is needed. Housing starts are expected to show a decline to 600k. On the earnings front focus will be on Microsoft and Google both of which are due to report earnings after the US close tonight.

## Financials :

**Analyst : Oliver Gilvarry**

M&T Bank, in which AIB has a 24.5% stake, reports Q4 earnings in the US today, with the results due out before noon, Irish time. The market is expecting fourth quarter EPS of \$1.10 and increased loan reserves. The increase is to off-set the credit deterioration in certain portfolios such as Alt-A mortgages and Mid-Atlantic builder construction. Net charge offs (NCO) are expected to increase by 17bps to 0.95%, which is lower than its peers. So far, M&T has managed the credit downturn better than many of its peers, which it credits to a focus on lending within its own geographical area, Northeast/Mid-Atlantic region. Loan growth will have increased slightly after a fall of 2% in Q3, but this loan growth will be in parts of the mortgage book with commercial real estate and construction portfolios falling in size.

On capital, M&T participated in the Capital Purchase Programme where the US Treasury purchased \$600m of preferred stock with warrants to purchase 1.2m shares at \$73.86 each. This has increased Tier 1 to 8.9%, and Tangible Common Equity (TCE) is expected to be 4.7%. Using a metric for leverage in the bank, TCE/Total assets in Q3 was 4.9%, below the bank's own target of between 5.4-5.6%. With TCE/TA below it's own targets, speculation is increasing the bank will announce some form of capital raising today and the market is also looking for some guidance on AIB's plans for it's 24.5% stake. With AIB trying to raise capital at the moment to manage the current slowdown in Ireland, the possibility of it selling its stake in M&T to release capital is high. But selling M&T will not be a solution to all of AIB's problems and further capital will have to be raised by AIB over the next number of months.

Overnight, the Vice President of the Swiss National Bank (SNB), commented that policy makers are prepared to intervene in currency markets to prevent further appreciation of the Swiss Franc. Since the middle of December, the Swiss Franc has appreciated by 15% against the EUR and 10% against GBP. With base rates in the Swiss economy at 0.5%, investors are not concerned with gaining higher yields but the safety of their funds. With interest rates at close to zero, the SNB cannot cut rates to depreciate the value of the Swiss Franc, other methods have to be used. The Vice President stated the SNB is able to sell unlimited Swiss Francs against other currencies to depreciate the currency if required. Implying the Swiss are now joining the group of countries that are putting plans in place for Quantitative Easing. Further appreciation in the Swiss Franc against the EUR and GBP could be limited.

**Ryanair : Buy**    **Current Price (€2.98)**    **Price target (€3.45)**    **Analyst : Edward Keeling**

easyJet released its first quarter management statement this morning and the low cost carrier reported a better than expected performance for the three months from October through December. Total revenue grew 32% to £550m, while total revenue per seat grew 23% to £45.57. The airline carried 10.1% more passengers versus last year, with a 20% growth in passengers originating in mainland Europe. This is an important feature of its market demand as a weaker sterling, despite providing a significant benefit in terms of translating euro denominated revenues, will surely deter many tourists originating from the UK travelling to Europe. Even with the difficult macro backdrop, forward bookings are in line with last year and revenues are expected to be ahead of expectations for the first half of the year. easyJet reiterated that at currency exchange rates and fuel prices, it expects to be profitable for the full year 2008/09. This is certainly a positive read across for Ryanair as it will too benefit from easyJet's management so called flight to value. Furthermore, Ryanair stands to gain from capacity exiting the market through consolidation, retrenchment or airline bankruptcies. With the lowest cost base and a very favourable hedging position, we reiterate our Buy recommendation.

**C&C : Buy**    **Current Price (€0.96)**    **Price target (€2.10)**    **Analyst : David Dunk**

Enterprise Inns reported an interim management statement this morning. Like for like average beer sales per pub fell 6% for the 16 weeks up to January 17<sup>th</sup>. Trading for the company remains very challenging and spending in pubs is under pressure. This has a negative read through for C&C, but is not unexpected.

# Tullow

## Buy

Current Price : 626p

Price Target : 900p



DOLMEN STOCKBROKERS

Analyst: David Dunk

- Tullow Oil Plc released a trading statement yesterday, ahead of the full year financials, scheduled for release 11<sup>th</sup> March. The statement contained an operational update as well as updates on Tullow's financing efforts and an unexpected equity placement. The company expects to upgrade reserves from 550mln barrels to just over 800mln. Tullow's proposed divestment of the M'Boundi asset, has fallen through as a result of delays in receiving government approval within a reasonable timeframe.

- **Production in-line:** Working interest production during 2008 was in line with expectations of 66,600 barrels of oil per day. The company is guiding for lower production levels in 2009, of roughly 60,000 barrels per day. This is primarily a result of Tullow and its operating partners reducing the amount of capital expenditure below that required to compensate for natural reservoir declines in mature fields. This is unsurprising given the current energy prices, and the state of credit markets. Tullow has stated that it intends to focus its capital expenditure on its major development projects.

- **Financing on-track:** As we noted in previous research notes, Tullow has been seeking to arrange a \$2bn bank loan facility from a number of International banks. This amount would be sufficient to cover the \$550mln loan facility that expires this month, as well as the first phase of the Jubilee development in Ghana. Tullow have stated that they expect to have the loan facility in place by February. Thus far Tullow has received approvals for 60% of the required amount from the various credit committees, and they are expecting to have the remaining approvals by the end of January. Today's announcement goes a long way to reduce the financing risk associated with Tullow.

- **£400mln equity placing:** Tullow also announced details of an equity placement for 66.9mln shares at £6 per share, raising just over £400mln in equity. The shares issued represents 8.4% of the expanded capital base. Although shareholder dilution is never welcome, the equity placement relieves pressures on Tullow's balance sheet, as well as funding high impact exploratory and appraisal work in Ghana and Uganda.

- **Maintain Buy Rating:** We have adjusted our NAV calculation taking into account the details from the trading update and recent exploratory successes. After adjusting for the dilutive affect of the equity placing our NAV increases marginally from £9.65 to £9.80 per share. Our 12 month price target is unchanged at £9.00 per share. This offers almost 50% upside from current levels.

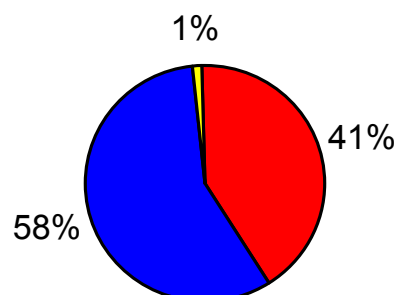
- **Next catalyst :** Tullow will drill exploratory wells on three significant prospects over the next 6 months. Tweneboa and Teak in Ghana, and Ngassa in Uganda. Tweneboa is to be spudded in the next few days, with results due by the end of February. We continue to see potential for an acquisition of Tullow by one of the major oil companies once markets normalise.

Descriptive Stats		Shareholders	
Year to date	-5%	Blackrock	10.9%
52 Week High	1002	Prudential	9.9%
52 Week Low	406	IFG	5.3%
Bloomberg	TLW LN	Standard Life	4.7%

	FY07	FY08e	FY09e
Revenue (£m)	613	752	623
EBITDA (£m)	198.00	631	416
Operating Profit	254	465	245
EPS	16.0	24.0	15.1
DPS	5.0	6.0	6.2
P/E	39.1	26.1	41.5
Div Yield	0.8%	1.0%	1.0%

Peer Analysis	P/E 08	P/E 09	Div Yield
BP	4.3	4.6	6.1%
Total	5.4	5.8	6.1%

2007 Revenues by Geography



■ Europe

■ Africa

■ Asia



## International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,192	-1.7%	-2.4%
FTSE	4,060	-0.8%	-7.1%
Dow Jones	8,228	3.5%	-6.2%
S&P	840	4.3%	-7.0%
Nikkei	8,052	1.9%	-9.1%
Stoxx 50	2,188	-0.6%	-9.4%

## Sector Performances

Sector	Index	1-Day	YTD
Construction	186	-0.2%	-7.4%
Technology	151	3.0%	-1.5%
Oil & Gas	255	-2.5%	-2.0%
Financials	118	2.5%	-18.6%
Retail	182	-0.3%	-0.8%
Food & Drink	232	-0.9%	-1.6%

## Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	43.6	6.6%	-8.0%
Copper	143.4	-4.7%	2.6%
Gold	854.3	-0.3%	-3.5%
Silver	11.3	1.3%	-0.6%
Wheat	571.8	4.0%	-5.6%
Cattle	85.2	-0.2%	-3.7%

## Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.302	0.9%	6.9%
€/£	0.933	0.7%	1.4%
£/\$	1.396	0.2%	5.6%
\$/JPY	89.48	-0.3%	1.9%
€/JPY	116.53	0.6%	8.7%
€/SFR	1.502	1.6%	-0.6%

## 5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	172.3	-6.3%	-4.6%
High Yield	1,053.5	3.3%	1.0%
Financials	125.9	1.0%	3.1%
BoI	334.9	1.3%	41.6%
AIB	245.4	5.6%	23.6%
RBS	152.7	1.1%	10.5%

## Money Market Rates

Rate	EUR	UK	US
Overnight	2.1%	1.3%	0.1%
3-Month	2.3%	2.6%	1.1%
1-Year	2.1%	1.6%	1.1%
2-Year	2.2%	2.1%	1.4%
5-Year	2.9%	2.9%	2.2%
10-Year	3.6%	3.6%	2.7%

Date	Company	Region	Event
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
27/01/2009	SAP	GE	Q4
27/01/2009	BSkyB	UK	Interim
27/01/2009	Standard Life	UK	Q4
27/01/2009	Starbucks	US	Q1
28/01/2009	AT&T	US	Q4
28/01/2009	ConocoPhillips	US	Q4
28/01/2009	Pfizer	US	Q4

Date	Event	Region	Estimate
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%
27/01/2009	German IFO	GE	n/a
27/01/2009	Case-Shiller Housing Index	US	n/a
27/01/2009	Consumer Confidence	US	38
27/01/2009	Richmond Fed	US	n/a
28/01/2009	FOMC	US	0-0.25%
29/01/2009	German unemployment	GE	n/a
29/01/2009	Euro-Zone M3	EU	n/a
29/01/2009	Euro-Zone Confidence Indicators	EU	n/a
29/01/2009	Durable Goods	US	-2.00%
29/01/2009	Initial Jobless Claims	US	500k
29/01/2009	New Home Sales	US	-0.50%

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