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Market Movers

IRISH PAPERS TODAY

Savings to be achieved through cuts not taxes, says Cowen (*The Irish Times*)

IMF wants more transparency in bank "stress tests" (*The Irish Times*)

Budget will focus on cuts, not reigniting the economy (*Irish Independent*)

INTERNATIONAL PAPERS TODAY

Obama signs bill to overhaul Wall Street (*Financial Times*)

Oil groups in \$1bn spill response unit (*Financial Times*)

Computer virus attacks Siemens control systems (*Wall Street Journal*)

Market View

European equities have opened lower this morning following a late sell off in US markets. US equities had enjoyed some gains earlier in the day after positive results from the likes of United Technologies, Morgan Stanley and Wells Fargo however, optimism was soon tempered when the Fed Chairman Ben Bernanke delivered his twice yearly testimony to Congress. Bernanke, who devoted much of his speech to discussing how the Fed intends to eventually remove its extraordinary policy measures, failed to provide any new catalyst for markets to rally. In fact, he continued to stress the uncertainty surrounding the recovery and announced new measures to stimulate the banking system. Bernanke's comments resulted in a rally for safe haven currencies and assets as the Yen hit a nine month high, and gold pushed back towards \$1200 an ounce. Industrial commodities also softened in the wake of the rhetoric from the Fed chair with copper giving back some of the gains it had made earlier in the day. Looking forward to today, the corporate earnings schedule remains busy with Microsoft, Nokia, Caterpillar and American Express all set to report. On the economic front, the key data point will be US Existing Home Sales as housing figures remain in focus after their recent retrenchment. The weekly US Initial Jobless and Continuing Claims are also scheduled for this afternoon with these numbers providing the latest insight into the state of play in the US employment market. Finally, much attention continues to be paid to the impending release of the EU wide stress test which is due out tomorrow.

Analyst: Brian Gallagher

US and EU Financials

Morgan Stanley and Wells Fargo's Q2 results yesterday were better than expected although revenues came in line with expectations for both. Wells Fargo continues to see improvement in credit quality with \$500m release from reserves and Net Interest Margin (NIM) continues to improve, increasing by 11bps in the quarter to 4.38%. Net charge offs continue to decline, falling by 16% QoQ. For Morgan Stanley the beat was on the back of better trading revenues, but the market took the in-line revenues figure positively as there was concern this could miss following the disappointing GS figures the previous day. This morning Credit Suisse released Q2 results beating consensus estimates on net profit. This was helped by a tax credit of CHF522m along with its own debt gains of CHF922m. Investment Banking equity sales and advisory were good with weak fixed income sales, a negative for Barclays and Deutsche Bank but most of this bad news is built in already. Trading revenues were down 28%, better than most US peers other than Morgan Stanley. M&T Bank also reported yesterday beating estimates with an EPS of \$1.58, due to lower loan losses. On the European stress tests to be released tomorrow, there is some speculation that these may now be released pre-market open tomorrow rather than after the European market close, but this hasn't been confirmed by the Committee of European Banking Supervisors (CEBS).

Analyst Oliver Gilvarry

C&C: Buy **Previous Close** €3.30 **Target** €3.90 **Analyst** Oliver Gilvarry

Mitchells & Butlers, the UK pub group posted an interim management statement this morning. Like-for-like sales in the first 42 weeks of the financial year increased by 1.6% with total sales up 2.1%. Like-for-like sales rose by 1.2% in the group's most recent nine weeks. The month of the World Cup had a negative impact on food sales reducing overall like-for-like sales by approximately 2.0%, indicating an estimated underlying growth rate of 3.2% in the nine week period. Management have said that the outlook for discretionary expenditure remains uncertain and it anticipates continued associated pressure on the UK's eating and drinking out market. Nonetheless, the group is making good progress towards achieving its long term strategic objectives.

Smurfit Kappa: Buy **Previous Close** €7.39 **Target** €9.50 **Analyst** Edward Keeling

Stora Enso, the global paper, packaging and wood products company and peer of Smurfit Kappa reported a strong set of Q2 results this morning. Operating for the period came in at €213m, considerably ahead of consensus estimates of €160m. This represents an operating margin of 8% and an increase of €148m year on year. Sales were €673m higher than the first half of 2009 due to significantly higher delivery volumes and favourable exchange rate trends. Prices for the group's products were generally higher, but newspaper and magazine paper prices in local currencies decreased. Despite this impressive performance the group insists the outlook for Q3 remains mixed and uncertain. These results provide a positive read through for Smurfit Kappa who will report Q2 results on the 11th August.

GSK: Buy **Previous Close** 1186p **Target** 1325p **Analyst** Stephen Taylor

Yesterday, GlaxoSmithKline (GSK) reported a solid set of second quarter earnings yesterday, highlighting the defensive characteristics of the company and the healthcare sector. Excluding restructuring costs and legal expenses total EPS came in a 29.3p compared with expectations of 28.1p. Revenue climbed by 4.1% to £7.02bn. Last week, GSK said it would take a £1.57bn charge during the quarter to settle a number of legal cases including claims that is Avandia diabetes treatment led to heart attacks. GSK indicated that the worst of its patent expirations are over and the company can now turn its focus to expansion in emerging markets and consumer products. GSK also pointed out that it does not intend to pile up cash and as a result it sees the possibility of increased buybacks and dividends.



Grafton Group: Neutral

Previous Close €2.82

Analyst Stephen Taylor

UK peer of Grafton Group, Kingfisher, issued a trading statement this morning for the 10-week period to July. The company reported a 0.8% decline in total group sales on a like for like basis. On a geographic basis UK and Ireland put in a slightly disappointing performance with sales declining by 4.4% over the period, while France saw an increase of 2.6%. The group pointed out that the economic environment across Europe remains uncertain with consumer spending in the UK remaining under pressure. As a result of the group's cost containment plans, Kingfisher has reiterated its first half cash and profit forecasts.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,873	1.9%	-3.2%
FTSE	5,215	1.5%	-3.9%
Dow Jones	10,121	0.7%	-2.9%
S&P	1,070	1.1%	-4.1%
Nikkei	9,279	-0.2%	-12.6%
Stoxx 50	2,640	0.5%	-11.2%

Sector Performances

Sector	Index	1-Day	YTD
Construction	245	1.9%	-11.5%
Technology	196	1.1%	6.0%
Oil & Gas	290	1.1%	-12.9%
Financials	205	1.0%	-7.6%
Retail	259	1.3%	5.8%
Food & Drink	339	1.5%	11.1%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	76.56	-1.3%	-7.6%
Copper	309.30	3.0%	-8.3%
Gold	1,185.05	-0.6%	8.1%
Silver	17.80	0.6%	4.8%
Wheat	588.25	1.9%	1.0%
Cattle	94.93	0.4%	5.8%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.275	-1.0%	-10.5%
€/£	0.841	-0.3%	-5.1%
£/\$	1.516	-0.6%	-5.9%
\$/JPY	87.050	-0.5%	7.5%
€/JPY	111.020	-1.5%	-16.8%
€/SFR	1.341	-1.1%	10.9%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	119.7	-3.5%	66.9%
High Yield	513.3	-3.8%	6.0%
Financials	143.6	-5.5%	80.9%
BoI	325.2	-0.9%	52.1%
AIB	438.8	-0.1%	79.8%
RBS	201.6	-1.1%	47.8%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.5%	0.5%	0.3%
3-Month	0.9%	0.7%	0.5%
1-Year	1.2%	1.1%	0.6%
2-Year	1.4%	1.4%	0.8%
5-Year	2.0%	2.4%	1.9%
10-Year	0.029	3.4%	2.9%

Date	Company	Region	Event
20/07/2010	Accor SA	FR	SALES
20/07/2010	Ryanair Holdings PLC	IE	Q1
20/07/2010	Iberdrola Renovables SA	ES	H1
20/07/2010	Enterprise Inns PLC	GB	TRADE
20/07/2010	Severn Trent Plc	GB	TRADE
20/07/2010	William Hill	GB	TRADE
20/07/2010	Altera Corp.	US	Q2
20/07/2010	Bank of New York Mellon	US	Q2
20/07/2010	Goldman Sachs	US	Q2
20/07/2010	Johnson & Johnson	US	Q2
20/07/2010	PepsiCo	US	Q2
20/07/2010	State Street Corp.	US	Q2
20/07/2010	Yahoo	US	Q2
20/07/2010	Apple	US	Q3
21/07/2010	Fiat SpA	IT	Q2
21/07/2010	TomTom NV	NL	Q2
21/07/2010	Iberdrola SA	ES	H1
21/07/2010	Land Securities Group PLC	GB	Q1
21/07/2010	BHP	GB	Q2
21/07/2010	Cable & Wireless Plc	GB	Q1
21/07/2010	GlaxoSmithKline PLC	GB	Q2
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Date	Event	Region	Estimate
20/07/2010	Producer Prices (MoM)	GE	--
20/07/2010	Public Sector Net Borrowing	UK	--
20/07/2010	M4 Money Supply (MoM)	UK	--
20/07/2010	Housing Starts	US	--
20/07/2010	Building Permits	US	--
20/07/2010	ABC Consumer Confidence	US	--
21/07/2010	Bank of England Minutes	UK	--
21/07/2010	MBA Mortgage Applications	US	--
22/07/2010	Retail Sales Ex Auto	UK	--
22/07/2010	Industrial New Orders	EC	--
22/07/2010	Initial Jobless Claims	US	--
22/07/2010	Continuing Claims	US	--
22/07/2010	Leading Indicators	US	--
22/07/2010	House Price Index MoM	US	--
22/07/2010	Existing Home Sales MoM	US	--
22/07/2010	€Zone Consumer Confidence	EC	--
23/07/2010	IFO - Business Climate	GE	--
23/07/2010	GDP (QoQ)	UK	--
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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