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Market Movers

IRISH PAPERS TODAY

IMF stands over claim that state will pay top price for bank plan
(The Irish Times)

Fresh state capital likely to be required for Anglo
(The Irish Times)

ESB faces gaping €2bn pension hole
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Darling gambles on growth
(Financial Times)

The grim outlook for Europe
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	6.9%	-6.5%
BP	0.6%	-14.1%
CRH	1.5%	4.1%
E.ON	0.8%	-20.9%
HPQ	-2.1%	-4.4%
IL&P	-3.8%	11.7%
INM*	11.0%	-44.2%
J&J	-2.4%	-14.5%
JPMorgan	-1.9%	1.2%
Microsoft	-1.0%	-3.4%
Vodafone	-1.0%	-9.5%

* We are currently Neutral on IN&M

Market View

Analyst : Stephen Taylor

European equity markets are lower this morning taking their lead from the late sell off in the US last night. Financials dragged the market lower late in US trading following disappointing results from Morgan Stanley which saw credit losses continuing to increase. After hours we saw further evidence that the technology sector is likely to continue outperforming in the current downturn. Both Apple and eBay reported consensus beating earnings and provided reassuring guidance for the coming year. Logitech, Swiss maker of computer peripheral equipment, also indicated today that they expect to return to growth in the second half of the year. In the UK we are also seeing a stabilisation amongst retailers and homebuilders. This morning Debenhams and Sports Direct both reported that trading had stabilised adding to Tesco's comments earlier on in the week that we may have seen the worst of the recession in the UK. House builder Persimmon also indicated in a trading statement that its 16-week sales were running ahead of expectations. We view all of this data as a major positive and a real indication that we are seeing some stabilisation in activity. However, with unemployment rates continuing to rise we still remain cautious on equity markets as we will need to see further evidence of the improvement in activity over the coming months. As for today, on the economic front US weekly jobless claims will be closely watched for any further improvement on last week's better than expected report. Existing home sales will also be in focus. Comparable housing figures for March in the US will become more difficult this week following the strong rebound in the February figures which showed increases across the board. For economic activity to continue to show signs of recovery a continued stabilisation in the housing report is required. On the corporate side earnings from PepsiCo and UPS are due before the US market opens, while after hours Microsoft are also expected to release results.

UK Budget : Deficit larger than expected

Analyst : Oliver Gilvarry

The UK budget yesterday surprised in the size of the government deficit the UK expects to run in this fiscal year. The market was expecting a deficit between £150-160bn and the target is now £175bn with a target of £173bn in fiscal year 2010-11. To fund these deficits, gilt issuance will increase to circa £265bn in the next three fiscal years or 17.7% of GDP each year. The fiscal stimulus announced by the Chancellor was only £5bn or 0.5% of GDP and included a car scrappage scheme, increased capital allowances to encourage investment, support for people losing jobs and help for pensioners with low savings. Tax rates for high earners were increased with the new tax rate for earners over £150,000 increased to 50% and implementation brought forward to 2010. Tax relief on pension contributions for those earning more than £150,000 will be reduced from 2011 and personal allowances for those earning over £100,000 will be withdrawn in full. The Chancellor downgraded his growth forecasts to a decline of 3.5% this year with the estimate for household spending to fall by 3%. He is positive for economic activity in 2010 and estimates growth will increase by 1.25% compared to a consensus estimate of 0.3%. The budget yesterday has put off a large number of decisions till next year and will be the responsibility of the Chancellor after the election next year. Expenditure cuts announced yesterday amount to £16bn on top of the £26bn announced in the Pre Budget Report, but more cuts will have to be implemented next year. The estimate for UK GDP growth in 2010 by the Chancellor is too bullish in our opinion and the result will be for even greater debt issuance by the UK government over the next number of years. It will also limit room for further fiscal stimulus packages for the UK economy and further spending cuts and tax increases will have to be imposed.

GSK: Sell Current Price (1010p) Price target (900p) Analyst : David Dunk

GlaxoSmithKline (GSK) released Q1 earnings at midday yesterday. The results were worse than market expectations, and the stock closed down 3%. Net income declined from £1.31bn to £1.13bn. Earnings, excluding exceptional items were 26.3p per share, up from 25.6p for the same quarter a year ago. Market expectations were for earnings, of about 28.9p per share. GSK was impacted by generic competition during the period for five of its products, resulting in a drop in sales of £450m compared with the same quarter last year. GSK continues to focus on increasing its exposure to emerging markets, and consumer products to combat losses in revenues from expiring patents.

Novartis released Q1 results this morning. The Swiss based pharmaceutical company, reports its earnings in US dollars. As a result, the relative strength of the dollar had a negative impact on the translation of earnings from abroad. Net income was ahead of market expectations, \$1.96bn, compared to \$1.89bn expected. EPS for Q1 was \$0.87, down from \$1.02 for the same quarter last year. We retain our negative view on the sector, and our sell rating on GSK. The industry faces numerous headwinds, including generic competition, weak pipelines, and possible regulatory action.



Elan : Sell **Current Price** (\$5.68) **Price target** (\$4.00) **Analyst :** David Dunk

Elan has received patent approval for ELND005 from the FDA. The patent is scheduled to expire in 2025. The treatment is an orally administered treatment for Alzheimer's disease. The drug is currently in Phase 2 clinical trials. Today's announcement does not change our view or estimates on Elan, and we do not anticipate a significant reaction from the market.

Diageo : Buy **Current Price** (778p) **Price target** (1150p) **Analyst :** David Dunk

Media sources have reported that Diageo is planning a share sale to raise as much as £5bn. The money raised would pay for the potential acquisition of LVMH's wines and spirits unit. LVMH has denied that it is in talks with Diageo, but didn't rule out the possibility of a potential deal with Diageo. Diageo is apparently being advised by Credit-Suisse and Goldman Sachs, and has the support of institutional shareholders for the deal. While the prospect for dilution is unwelcome, the market would likely react favourably to any deal that would be earnings enhancing.

Irish Treasuries

BUY



DOLMEN STOCKBROKERS

Analyst: **Oliver Gilvarry**

Thursday 23rd April 2009

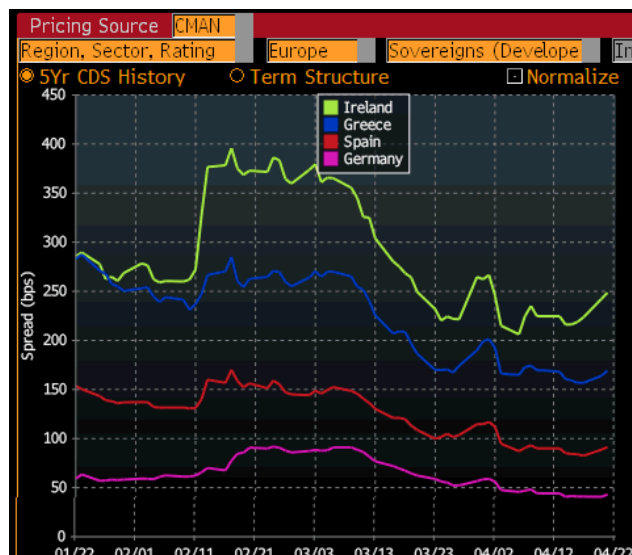
- The Irish government auctioned two bonds on Tuesday the 21st. The two bonds offered were the 4.5% Treasury 2018 and the 4% Treasury 2014. The 2018 bond only had a bid:cover 1.1x and was issued at an average yield of 5.082%. For the 2014 bond the bid:cover was better at 1.6x and it was issued at an average yield of 4.20%. These lower bid:cover ratios indicate lower investor demand at these yield levels, but the issuance was still successful and the NTMA reached the higher end of its target range of €1bn from the auction.
- This bond auction was the first longer-term auction since the budget on the 7th of April. In the budget tax increases were announced which will raise €1.8bn this year, with spending cuts of €886m. Plans for further spending cuts and tax increases were also disclosed. Government forecasts for 2009 GDP was lowered with a decline of 7.7% now expected and for the national debt to increase to circa 60% of GDP this year.
- The budget was relatively well received by the bond markets, but there was criticism of the focus on tax increases rather than spending cuts. The announcement by the government of planned tax increases and spending cuts over the next number of years was seen as a positive despite the lack of detail on how it will be achieved.
- During his budget speech the Minister announced details of "Bad Bank" or NAMA. The property loans from domestic Irish banks would be purchased by this agency, and payment would be in government bonds. Depending on the price paid for the €80-90bn of loans, the size of the national debt could double.
- Irish government spreads over equivalent German government bonds tightened in the run up to the budget as investors started to believe the Irish government was serious about dealing with the fiscal and banking issues facing the country. On the day of the budget the Irish yield spread over German bonds was 182bps and while it has widened since to the current 204bps over German 10-year bonds, it is still well below the 273bps spread in late January.
- The tightening in bond spreads can be seen in the Credit Default Swap CDS spreads, as the cost of insuring against an Irish government default has fallen from 386bps in February to the current 250bps. The recent moves can be seen in the graph to the right.
- Due to the large deficits the government will run over the next three years, issuance by the NTMA will increase. To fund the large debt issuance, NTMA will hold bond auctions during the year and it has also launched a Treasury Bill programme.
- Bond auctions in Q2 will be held on the third Tuesday of each month and the next auctions are on the 19th of May and 16th of June. Details for Q3 and Q4 will be released in the next number of months. The Treasury Bill programme will issue short-term debt with maturities between 1- month and 1-year.
- Concerns for the Irish economy highlighted by international investors are not without foundation, but comments about the Irish government defaulting on its debt are unrealistic. The budget and announcement of NAMA has shown Ireland is tackling the problems facing the economy.
- With Ireland having a track record of dealing and resolving fiscal problems as per the 1980's and early 1990's, unlike other Euro-Zone members such as Italy and Greece, the current spreads over German bonds provide an attractive yield for investors as interest rates move lower and lower.

Irish Treasuries			
Maturity	Price	Coupon	Yield
18/04/2010	102.5	4.0%	1.4%
01/10/2010	108.7	8.5%	2.3%
11/11/2011	102.2	4.0%	3.1%
05/03/2012	101.2	3.9%	3.4%
18/04/2013	103.6	5.0%	4.0%
15/01/2014	99.1	4.0%	4.2%
18/08/2015	120.4	8.3%	4.5%
18/04/2016	99.6	4.6%	4.7%
18/10/2018	95.6	4.5%	5.1%
18/06/2019	93.4	4.4%	5.3%
18/04/2020	93.1	4.5%	5.4%

Government Fiscal Positions			
Government Spreads			
Country	Debt/GDP*	deficit/GDP*	over Bund
Italy	105.8%	-2.7%	1.08%
Ireland	43.2%	-7.1%	2.04%
Greece	97.6%	-5.0%	2.12%
Belgium	89.6%	-1.2%	0.68%
Germany	65.9%	-0.1%	0.00%
France	68.0%	-3.4%	0.37%
Portugal	66.4%	-2.6%	1.20%
UK	52.0%	-5.5%	0.29%
Average	73.6%	-3.5%	0.97%

* As at the end of 2008

EU Sovereign 5 Year CDS spreads





International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,446	2.5%	4.0%
FTSE	4,031	1.1%	-9.2%
Dow Jones	7,887	-1.0%	-10.1%
S&P	844	-0.8%	-6.6%
Nikkei	8,847	1.4%	-0.1%
Stoxx 50	2,286	1.9%	-7.2%

Sector Performances

Sector	Index	1-Day	YTD
Construction	212	6.0%	3.7%
Technology	174	1.3%	13.6%
Oil & Gas	258	0.4%	-2.9%
Financials	157	4.0%	4.0%
Retail	200	1.4%	10.0%
Food & Drink	211	-1.4%	-9.3%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	48.9	0.6%	-8.3%
Copper	206.1	-0.9%	44.2%
Gold	889.8	0.7%	1.4%
Silver	12.3	2.0%	9.4%
Wheat	528.0	1.4%	-17.0%
Cattle	83.2	-0.2%	-3.8%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.301	0.5%	-7.4%
€/£	0.897	1.7%	-6.9%
£/\$	1.449	-1.2%	-0.5%
\$/JPY	98.03	-0.7%	7.6%
€/JPY	127.47	-0.3%	0.8%
€/SFR	1.513	0.1%	1.6%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	178.4	-6.3%	-0.7%
High Yield	1,033.7	-0.6%	0.5%
Financials	157.5	-2.1%	32.0%
BoI	405.6	-3.7%	66.5%
AIB	403.4	-0.6%	95.6%
RBS	200.0	-0.4%	44.5%

Money Market Rates

Rate	EUR	UK	US
Overnight	1.0%	0.4%	0.2%
3-Month	1.4%	1.5%	1.1%
1-Year	1.7%	1.6%	1.2%
2-Year	2.0%	2.3%	1.6%
5-Year	2.8%	3.3%	2.5%
10-Year	3.5%	3.8%	3.1%

Date	Company	Region	Event
23/04/2009	Fiat SpA	IT	Q1
23/04/2009	Credit Suisse Group AG	CH	Q1
23/04/2009	Novartis AG	CH	Q1
23/04/2009	Debenhams Plc	GB	INTERIM
23/04/2009	WH Smith Plc	GB	INTERIM
23/04/2009	Legal and General Grou	GB	Q1 TRADE
23/04/2009	Persimmon PLC	GB	TRADE
23/04/2009	Schroders PLC	GB	Q1 TRADE
23/04/2009	Amazon	US	Q1
23/04/2009	Black & Decker	US	Q1
23/04/2009	Amgen	US	Q1
23/04/2009	Supervalu	US	Q4
23/04/2009	CIT Group	US	Q1
23/04/2009	ConocoPhillips	US	Q1
23/04/2009	Marriott Intl.	US	Q1
23/04/2009	Yum! Brands	US	Q1
23/04/2009	PepsiCo	US	Q1
23/04/2009	Philip Morris Intl.	US	Q1
23/04/2009	United Parcel Service, I	US	Q1
23/04/2009	Microsoft	US	Q3
30/04/2009	Independent News & Me	IE	FY

Date	Event	Region	Estimate
23/04/2009	ECB Euro-Zone Current Acc	EC	--
23/04/2009	Industrial New Orders SA Mc	EC	-2.50%
23/04/2009	Initial Jobless Claims	US	610K
23/04/2009	Existing Home Sales MoM	US	-1.00%
24/04/2009	IFO - Business Climate	GE	82.3
24/04/2009	GDP (QoQ)	UK	-1.50%
24/04/2009	Retail Sales (MoM)	UK	-0.50%
24/04/2009	Durable Goods Orders	US	-1.50%
24/04/2009	New Home Sales MoM	US	0.90%
27/04/2009	GfK Consumer Confidence S	GE	--
27/04/2009	Dallas Fed Manf. Activity	US	--
28/04/2009	U.K. CBI April Distributive Tr	UK	--
28/04/2009	S&P/CaseShiller Home Price	US	--
28/04/2009	Consumer Price Index (MoM)	GE	--
28/04/2009	Consumer Confidence	US	--
28/04/2009	Richmond Fed Manufact. Inc	US	--
28/04/2009	ABC Consumer Confidence	US	--
29/04/2009	GfK Consumer Confidence S	UK	--
29/04/2009	Euro-Zone M3 s.a. (YoY)	EC	--
29/04/2009	Euro-Zone Consumer Confid	EC	--
29/04/2009	MBA Mortgage Applications	US	--

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