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Market Movers

IRISH PAPERS TODAY

Obama plan to buy toxic bank assets rallies world markets
(The Irish Times)

McInerney revenues halve to €300m as downturn hits first time buyers
(The Irish Times)

INTERNATIONAL PAPERS TODAY

Geithner plan fuels rally
(Financial Times)

Markets cheer US bank plan
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-0.3%	-26.8%
BP	2.6%	-9.1%
CRH	3.8%	3.1%
E.ON	3.4%	-25.1%
HPQ	8.1%	-14.1%
IL&P	2.4%	-15.9%
INM *	-8.2%	-59.4%
J&J	3.0%	-11.0%
JPMorgan	24.7%	-8.5%
Microsoft	7.4%	-5.7%
Paddy Power	2.7%	-7.0%
Vodafone	0.2%	-12.8%

* We are currently Neutral on IN&M

Market View

Analyst : Stephen Taylor

European equity markets are slightly higher this morning adding to yesterday's strong gains. Overnight US markets surged by 7% leading the S&P 500 to close 22% higher from its low reached on March 6th. The main catalyst for the move was the unveiling by US Federal Reserve Treasury Secretary Timothy Geithner of the plan to purchase 'toxic assets' through a public-private partnership. While such a move can be taken as a positive step there are still a number of issues to be ironed out which we discuss below. Yesterday's better than expected US housing figures should also be taken as a positive. February's 5.1% rise in existing home sales was well received by the market despite foreclosed homes representing 45% of all sales, while first time buyers accounted for about half of the increase. As we have mentioned before key for stabilisation in markets is for housing data to level off which will be important for placing a value on bank assets. While the recent rally in equity markets is a welcome relief, we remain extremely cautious at current levels and recommend short trading calls in **BMW, Siemens, WPP, BASF, and Thomson Reuters**. As for today the main focus will again be on economic data. Euro-Zone PMI figures will be closely watched and any weakening in the data will further solidify calls for another interest rate cut out of the ECB when it meets April 2nd. While in the US the Richmond Fed reading for March will also be closely watched with a particular focus on employment and inventory levels.

US Treasury announces PPIP:

Analyst : Oliver Gilvarry

Yesterday the US Treasury announced a further plan to clean the balance sheets of US banks. The Public-Private Investment Programme (PPIP) provides a cheap non-recourse way to investors to purchase mortgage and other Asset Backed assets. The aim of the programme is to unfreeze credit markets by reducing the uncertainty surrounding the balance sheets of financial institutions limiting their ability to raise capital and increase lending.

PPIP will be funded using \$75-100bn in TARP capital and including private capital it will generate circa \$500bn in purchasing power to buy legacy assets. Two types of assets will be purchased, Legacy Loans (Toxic Assets) and Legacy Securities and the funding of each will be slightly different.

Legacy loans will be sold using private investors to set the price. Banks will identify the assets they wish to sell and the pool will be analysed by the Federal Deposit Insurance Corporation (FDIC) who will determine the level of funding they will guarantee. The maximum level of leverage allowed will be 6:1 debt to equity. The pool will then be auctioned off to the highest bidder with the bidder only requiring to put up 50% of the equity as the US government will match the private equity one for one.

The FDIC will guarantee the debt issued by the purchaser of the pool with the debt secured on the underlying assets. The private sector purchaser will manage and control the assets until final liquidation with FDIC oversight.

For legacy securities, it is expected these will include RMBS originally rated AAA and CMBS and other ABS that are rated AAA. Fund managers will make a proposal to the Treasury to purchase such assets with government help. The fund manager will then raise private capital which will be matched one for one by the government. Senior debt will also be provided for leverage between 50-100% of the total equity in the fund. Once the funds are raised, the fund manager will begin purchasing assets and will mainly follow a buy and hold strategy.

PPIP is a detailed and complicated scheme that still has a large number of unknowns. The cost of funding for investors has not been determined, minimum loans sizes and duration are still uncertain. Another question relates to how many banks will take part in off-loading legacy loans. The seller of the pool of loans has the right to walk away from the auction if they believe the price is too low, in other words the highest bid doesn't meet the reserve price. If the bids are too low, banks will be un-willing to suffer the writedowns and will hold onto the loans resulting in uncertainty over balance sheets continuing. Some banks may be forced to take further writedowns on their loan books if similar loans are sold through PPIP at prices lower than what they hold them at on their balance sheet. This would put pressure on capital ratios and profitability for those banks.

The announcement and detail provided was a positive and did help the market rally last night, but investors will remain cautious until full details of the plan are released and clarity over the pricing of the assets appears

Irish government bond auction:

Analyst : Oliver Gilvarry

Today the European Commission will formally announce they will allow Ireland until 2013 to bring its current account deficit below the 3% limit. The Commission is expected to focus on Ireland's target for a 9.5% current account deficit in 2009 and state that it cannot be allowed slip. It is important for the Irish government to ensure this target is not exceeded as such a result will make it more difficult and expensive to fund the deficit on international markets. Comments over the weekend by government ministers did indicate the deficit could move closer to 10%, but this must be avoided. The budget on the 7th of April is key for the economic outlook for the economy over the next number of years with tax increases and spending cuts of €4-6bn needed to achieve a deficit of 9.5% and to start the process to reduce this figure from 2010 on. The Irish government bond auction this morning will indicate investor's belief on the ability of the government to solve the fiscal issues facing the economy.



BHP Billiton : Neutral Current Price (£14.91) Price target (£12.00) Analyst : David Dunk

Rio Tinto said this morning that a proposed deal with the Aluminium Corp. of China (Chinalcoa) would not have any influence on annual iron ore price talks. Iron prices are not actively traded through financial contracts, and are instead negotiated between suppliers and customers annually. Iron prices will almost certainly be significantly lower than recent years, due to the oversupply in the industry. Concerns being raised regarding the iron ore pricing reflects the stiffening opposition of the Australian authorities towards this deal in particular, and increasing levels of protectionism in general. It is our opinion that the deal with Chinalcoa is unlikely to proceed. An alternative deal involving a rights issue and asset sales would likely be much more palatable for major shareholders and regulators alike. Our ratings and price targets are unchanged following today's announcement.

Tesco : Buy Current Price (£3.31) Price target (£4.00) Analyst : Stephen Taylor

Metro, the worlds fourth largest retailer and Germany's biggest, has posted 2008 full year sales in line with market expectations, rising 5.8% year on year to €68bn. EBIT rose 7.1% to €2.2bn from €2.1bn in 2007 and the group has proposed an unchanged dividend for 2008 of €1.18. It did say however that due to lower opening of new stores, negative currency effects and the consumer downturn, it expects sales growth this year to come below its medium term growth target. In an effort to combat the impact of slowing sales the company has cut investments and launched a restructuring programme that aims to add €1.5bn of profits by 2012 and involves 15,000 job cuts. The group also said that due to a high level of uncertainty precise profit and loss forecasts for 2009 are impossible at this point. We will not be changing our Tesco estimates following Metro results and Tesco remains our top pick in the UK retail sector given its defensive characteristics and international exposure particularly with the increasing focus on emerging markets.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,163	0.8%	-5.8%
FTSE	3,953	2.9%	-10.4%
Dow Jones	7,776	6.8%	-11.4%
S&P	823	7.1%	-8.9%
Nikkei	8,488	3.3%	-4.2%
Stoxx 50	2,122	3.5%	-12.0%

Sector Performances

Sector	Index	1-Day	YTD
Construction	180	2.4%	-10.3%
Technology	144	0.9%	-4.3%
Oil & Gas	262	2.6%	-0.8%
Financials	130	7.7%	-11.6%
Retail	180	1.3%	0.1%
Food & Drink	201	3.0%	-12.0%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	53.8	3.3%	2.8%
Copper	184.1	2.5%	28.9%
Gold	939.5	-1.3%	5.8%
Silver	13.9	0.3%	20.1%
Wheat	549.3	-0.2%	-11.8%
Cattle	83.4	0.7%	-2.9%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.363	0.4%	2.8%
€/£	0.936	-0.3%	3.0%
£/\$	1.457	0.7%	-0.2%
\$/JPY	96.95	1.0%	-7.5%
€/JPY	132.16	1.5%	-4.9%
€/SFR	1.533	0.1%	-2.4%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	184.4	-6.3%	-1.4%
High Yield	1,126.9	-1.5%	7.1%
Financials	163.9	-7.5%	35.5%
BoI	596.7	-2.2%	142.9%
AIB	581.3	0.1%	186.5%
RBS	187.5	-6.9%	27.4%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.9%	0.4%	0.3%
3-Month	1.6%	1.8%	1.2%
1-Year	1.7%	1.6%	1.3%
2-Year	1.9%	2.1%	1.5%
5-Year	2.8%	3.0%	2.3%
10-Year	3.5%	3.6%	2.9%

Date	Company	Region	Event
24/03/2009	Deutsche Bank AG	Q4	DE
24/03/2009	Severn Trent Plc	TRADE	GB
24/03/2009	Sportech PLC	PRELIM	GB
24/03/2009	McCormick & Co., Inc.	Q1	US
24/03/2009	Volvo AB	TRAFFIC	SE
25/03/2009	Imperial Tobacco Group	TRADE	GB
25/03/2009	Smiths Group PLC	INTERIM	GB
25/03/2009	J Sainsbury PLC	Q4 TRADE	GB
25/03/2009	Legal and General Group	PRELIM	GB
26/03/2009	Hypo Real Estate Holding	FINAL	DE
26/03/2009	Northern Foods Plc	TRADE	GB
26/03/2009	Kingfisher PLC	PRELIM	GB
26/03/2009	Next Plc	PRELIM	GB
26/03/2009	Premier Oil PLC	PRELIM	GB
26/03/2009	Scisys Plc	PRELIM	GB
26/03/2009	United Utilities Group Plc	TRADE	GB
26/03/2009	Best Buy Co., Inc.	Q4	US
26/03/2009	Dr Pepper Snapple Group	Q4	US
26/03/2009	Gamestop Corp	Q4	US
27/03/2009	BNP Paribas	EGM	FR
27/03/2009	Wendell	Q4	FR
30/03/2009	Air Berlin PLC	Q4	DE

Date	Event	Region	Estimate
24/03/2009	PMI Manufacturing	GE	35
24/03/2009	PMI Services	GE	40.2
24/03/2009	ECB Euro-Zone Current Accc	EC	--
24/03/2009	PMI Manufacturing	EC	33.5
24/03/2009	PMI Services	EC	39.2
24/03/2009	CPI (MoM)	UK	0.30%
24/03/2009	RPI (MoM)	UK	-0.20%
24/03/2009	Industrial New Orders SA Mo	EC	-6.00%
24/03/2009	House Price Index MoM	US	--
24/03/2009	Richmond Fed Manufact. Indi	US	--
24/03/2009	ABC Consumer Confidence	US	--
25/03/2009	Import Price Index (MoM)	GE	--
25/03/2009	IFO - Business Climate	GE	82.2
25/03/2009	MBA Mortgage Applications	US	--
25/03/2009	Durable Goods Orders	US	-2.20%
25/03/2009	New Home Sales MoM	US	--
26/03/2009	GfK Consumer Confidence S	GE	2.5
26/03/2009	Euro-Zone M3 s.a. (YoY)	EC	5.50%
26/03/2009	Retail Sales (MoM)	UK	-0.40%
26/03/2009	GDP QoQ (Annualized)	US	-6.50%
26/03/2009	Personal Consumption	US	--
26/03/2009	Core PCE QoQ	US	--

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