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(The Irish Times)

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Lloyds sets issue at discount of nearly 40%
(Financial Times)

S&P raises fears over health of some banks
(Financial Times)

IMF director says uncertainty fuels more risk-taking
(The Wall Street Journal)

Market View

Analyst : Stephen Taylor

European equity markets are lower this morning following a sell off in Asia overnight. Concerns around financials are weighing on markets following speculation that Chinese banks have submitted capital raising plans for the unprecedented loan growth in the country. In addition there is also speculation that Japanese banks may look to raise further capital after an S&P report (detailed below) commented that Sumitomo Mitsui Financial Group and Mitsubishi UFJ Financial are among a number of financials with a need to raise further capital. On a positive note, Hewlett-Packard reported a strong set of quarterly results last night and also increased its share buyback program by \$8bn. The group continued to take market share from Dell and also indicated that demand from China was extremely strong. We take Hewlett-Packard's results as a positive read across for the technology sector in general. In addition to being our preferred PC maker, the positive set of results also bodes well for Microsoft and Intel. As for today there is a host of economic data being released with Germany's IFO closely watched for any further improvement in the Eurozone's largest economy. In the US the first revision of US third quarter GDP is expected to show a downward revision to 2.9% from 3.5%, while Case-Schiller house price and consumer confidence data will also be closely watched.

UK Financials : Lloyds Rights Issue

Analyst Oliver Gilvarry

Lloyds Banking Group (LBG) released the rights price for its record £13.5bn rights issue to avoid the UK Government's Asset Protection Scheme (GAPS). The rights price is 37p and each shareholder on the ex-date, 27th of November, will have the right to buy 1.34 shares. The Theoretical Ex-rights Price (TERP) based on yesterday's closing price is 60.29p. The rights issue is priced at a 38.6% discount to this, guidance by management in early November was for a discount to TERP of between 38 to 42%. The lower discount indicates the strong demand for the rights issue and this was also seen in the demand for the CoCo bonds or Contingent Convertible bond exchange. The ex-rights date for the capital raise is the 27th of November and the new ordinary shares will begin trading on the 14th of December. The capital raise reduces the impact of European Commission sanctions on the group. The divestments the group has undertaken will have limited impact going forward. LBG will still retain a significant percentage of the UK retail market. We recommend any holders of the stock to follow their money in the rights issue.

Irish Financials : Merger talks may begin this week

Analyst Oliver Gilvarry

Statements yesterday by the CEO of EBS indicated that merger talks between Irish Nationwide and EBS could begin this week. EBS would need extra capital of €100m if it merges with Irish Nationwide with the Irish Government owning between 40 and 60% of the new entity. Irish Life and Permanent has released its prospectus regarding the restucturing of the group this morning. In the document the group states it wishes to change the situation where Irish Life and Permanent acts as the holding company for the group and is a licensed credit institution, operating the banking business. The new structure will create a new listed holding company called Irish Life and Permanent Group Holdings that will act solely as the group's holding company. Shareholders will receive one share in the new holding company for each Irish Life and Permanent share they currently hold. The proposal will be put to shareholders at an EGM on the 17th of December with the new company admitted to the London and Irish stock exchanges in January. The creation of the new holding company is the first step for ILP to move its banking business into the new Third Banking force next year.

S&P : Latest study highlights risks to international banks

Analyst : Edward Keeling

Yesterday S&P released the results of its latest study on the financial strength of some of the world's largest banks. The rating agency warned that while some banks may look healthy under normal Tier 1 and leverage targets, its new assessment structure, which is the first global comparison of risk adjusted adequacy for 45 top banks, is more demanding. Its new guidelines are not as accepting of hybrid capital; suggesting more robust capital structures are required. It said the global average for its RAC ratio was 6.7%, with banks such as HSBC and Goldman Sachs ranking at the higher end of those tested with ratios of 9.2% and 8.3% respectively. Our preferred US and UK bank also ranked at the upper end with ratios of c.7%, while AIB and BOI came in at 5% and 6.2%. S&P also released a statement stating that it expects banks to continue strengthening capital ratios over the next 18 months and that failure to achieve this could result in renewed pressures on ratings.



International Equity Markets

| Index | Value | 1-Day | YTD |
|-----------|--------|-------|-------|
| ISEQ | 2,916 | 1.4% | 24.1% |
| FTSE | 5,356 | 2.0% | 20.4% |
| Dow Jones | 10,451 | 1.3% | 19.1% |
| S&P | 1,106 | 1.4% | 22.5% |
| Nikkei | 9,498 | -0.5% | 6.1% |
| Stoxx 50 | 2,898 | 2.3% | 17.6% |

Sector Performances

| Sector | Index | 1-Day | YTD |
|--------------|-------|-------|------|
| Construction | 268 | 2.5% | 1.7% |
| Technology | 182 | 1.3% | 3.5% |
| Oil & Gas | 323 | 2.0% | 2.7% |
| Financials | 233 | 3.0% | 2.2% |
| Retail | 241 | 1.4% | 1.7% |
| Food & Drink | 289 | 1.2% | 4.1% |

Commodity Prices

| Commodity | Index | 1-Day | YTD |
|-----------|---------|-------|--------|
| Crude Oil | 77.6 | 0.1% | 29.9% |
| Copper | 316.2 | 0.9% | 117.0% |
| Gold | 1,166.1 | 1.3% | 32.4% |
| Silver | 18.6 | 0.9% | 64.2% |
| Wheat | 578.5 | -0.4% | -16.2% |
| Cattle | 85.8 | 0.5% | -6.5% |

Currency Exchange Rates

| Commodity | Index | 1-Day | YTD |
|-----------|---------|-------|--------|
| €/\$ | 1.496 | 0.7% | -6.5% |
| €/£ | 0.901 | 0.0% | 5.6% |
| £/\$ | 1.661 | 0.6% | -11.4% |
| \$/JPY | 88.970 | 0.1% | 2.3% |
| €/JPY | 133.115 | 0.8% | -4.4% |
| €/SFR | 1.511 | -0.1% | -1.2% |

5Yr Credit Spreads

| Commodity | Index | 1-Day | YTD |
|--------------|-------|-------|--------|
| Invest Grade | 85.7 | -1.9% | -50.9% |
| High Yield | 507.4 | -1.8% | -50.0% |
| Financials | 75.2 | -0.7% | -36.0% |
| BoI | 230.6 | 8.2% | -7.6% |
| AIB | 246.9 | 6.4% | 16.1% |
| RBS | 132.0 | -1.4% | -4.0% |

Money Market Rates

| Rate | EUR | UK | US |
|-----------|------|------|------|
| Overnight | 0.4% | 0.5% | 0.2% |
| 3-Month | 0.7% | 0.6% | 0.3% |
| 1-Year | 1.2% | 0.9% | 0.4% |
| 2-Year | 1.8% | 1.8% | 1.1% |
| 5-Year | 2.8% | 3.1% | 2.5% |
| 10-Year | 3.5% | 3.8% | 3.5% |

| Date | Company | Region | Event |
|------------|--------------------------|--------|---------|
| 24/11/2009 | BSS Group Plc | GB | INTERIM |
| 24/11/2009 | Severn Trent Plc | GB | INTERIM |
| 24/11/2009 | SSL International PLC | GB | INTERIM |
| 24/11/2009 | Banca Generali SpA | IT | EGM |
| 25/11/2009 | Remy Cointreau SA | FR | Q2 |
| 25/11/2009 | Porsche Automobil Hold | DE | FINAL |
| 25/11/2009 | Greencore Group PLC | IE | PRELIM |
| 25/11/2009 | Trintech Group PLC (IRI | IE | Q3 |
| 25/11/2009 | French Connection Gro | GB | TRADE |
| 25/11/2009 | GB Group PLC | GB | INTERIM |
| 25/11/2009 | Johnson Matthey PLC | GB | INTERIM |
| 25/11/2009 | United Utilities Plc | GB | INTERIM |
| 25/11/2009 | Britvic Plc | GB | PRELIM |
| 25/11/2009 | Compass Group PLC | GB | PRELIM |
| 25/11/2009 | ING Groep NV | NL | EGM |
| 25/11/2009 | Tiffany & Co. | US | Q3 |
| 25/11/2009 | Deere & Co. | US | Q4 |
| 26/11/2009 | DSG International Plc | GB | INTERIM |
| 26/11/2009 | Daily Mail and General T | GB | PRELIM |
| 26/11/2009 | Antofagasta PLC | GB | Q3 |
| 26/11/2009 | Independent News & Me | IE | EGM |
| 26/11/2009 | Lloyds Banking Group F | GB | MEETING |

| Date | Event | Region | Estimate |
|------------|--------------------------------|--------|----------|
| 24/11/2009 | GDP s.a. (QOQ) | GE | -- |
| 24/11/2009 | IFO - Business Climate | GE | -- |
| 24/11/2009 | Industrial New Orders SA (MoM) | EC | -- |
| 24/11/2009 | GDP QoQ (Annualized) | US | -- |
| 24/11/2009 | Personal Consumption | US | -- |
| 24/11/2009 | GDP Price Index | US | -- |
| 24/11/2009 | Core PCE QoQ | US | -- |
| 24/11/2009 | S&P/CaseShiller Home Price Ind | US | -- |
| 24/11/2009 | Consumer Confidence | US | -- |
| 25/11/2009 | GDP (QoQ) | UK | -- |
| 26/11/2009 | GfK Consumer Confidence Surve | GE | -- |
| 26/11/2009 | GDP (QoQ) | UK | -- |
| 26/11/2009 | Exports | UK | -- |
| 26/11/2009 | Imports | UK | -- |
| 26/11/2009 | MBA Mortgage Applications | US | -- |
| 26/11/2009 | Personal Income | US | -- |
| 26/11/2009 | Durable Goods Orders | US | -- |
| 26/11/2009 | PCE Deflator (YoY) | US | -- |
| 26/11/2009 | Initial Jobless Claims | US | -- |
| 26/11/2009 | U. of Michigan Confidence | US | -- |
| 26/11/2009 | New Home Sales MoM | US | -- |
| 26/11/2009 | Minutes of Nov. 4 FOMC Meeting | US | -- |

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