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### Market Movers

## IRISH PAPERS TODAY

Bol selects internal candidate Boucher as new CEO  
*(The Irish Times)*

Waterford Wedgwood sale to KPS Capital 'imminent'  
*(The Irish Times)*

€4bn success in debt raising bid  
*(Irish Independent)*

## IRISH PAPERS TODAY

UK near cap plan for losses at banks  
*(The Wall Street Journal)*

Government to insure £300bn of RBS assets  
*(Financial Times)*

## DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	0.0%	-22.0%
BP	2.1%	-10.9%
CRH	3.0%	-11.1%
E.ON	-4.6%	-27.5%
HPQ	1.7%	-17.0%
IL&P	-11.0%	-55.6%
INM *	0.0%	-62.4%
J&J	-1.1%	-9.8%
JPMorgan	3.4%	-31.1%
Microsoft	-1.2%	-12.8%
Paddy Power	4.6%	-15.0%
Vodafone	-2.1%	-9.5%

\* We are currently Neutral on IN&M

## Market View

**Analyst : Stephen Taylor**

The majority of equity markets traded lower again yesterday on the back of weaker than expected housing figures out of the US. Existing home sales for January showed a 5.8% drop to an annual rate of 4,490,000 its lowest level since 1997. A worrying part of the release was that 45% of properties sold were on fore-closed homes an indication that despite increasing foreclosures, sales are not picking up. Inventory levels now stand at 9.6 months and continue to rise. Such high levels of inventory do not bode well for an economic recovery later this year or into 2010. Economic data out of the US will be the main focus again for today's trading. Weekly jobless figures will be closely watched and are expected to remain well above the 600,000 level while Durables goods and new home sales figures are expect to show further declines.

### RBS: Full year results

**Current Price (28p)**

**Analyst : Oliver Gilvarry**

RBS has reported a full year loss after tax that was slightly better than expected at £24.1bn. The loss was due to impairments of £7bn and writedown of goodwill of £16.9bn before tax. A large level of the losses suffered by RBS originated in Global Banking & Markets (GBM). Underlying income in this division was £10.2bn, but this income was wiped out by credit and markets losses with 50% of the losses coming from ABN AMRO originated portfolios. The results while important are not the main focus, the details of the strategic review and the UK Government insurance scheme are. Under the new CEO a strategic review of the operation has been undertaken and in Q2 a new "Non-Core" division which will be separately managed but will remain within the legal structures of the group will be created. Circa £240bn of assets will be moved into this division or 20% of funded assets. The plan is to sell or run down these assets over a 3-5 year period. Approximately 90% of these assets will be from GBM and the capital usage of this division will be reduced by 45%. RBS have a presence in 54 countries across the world and the strategic plan is to reduce this by 36 countries and for the bank to concentrate on the UK market with smaller global operations.

Details of the UK insurance scheme were also released this morning and were better than expected. The level of assets included in the scheme is higher than expected at £302bn, but the cost is lower at £6.5bn or 2.15% compared to an expected cost of 4%. The first loss portion of the insurance scheme is also better than expected at 6.46% with the UK Government taking 90% of any losses on the assets after that and the remainder of the losses taken by RBS. This has a positive read through for Lloyds Banking Group. RBS will pay for the scheme by issuing £19.5bn of B Class shares to the UK Treasury with the option to issue a further £6bn of B shares at RBS's option. The shares will pay a coupon of 7% or 250% of ordinary dividends, whichever is higher. The issue price of the shares will be 50p and are classified as core Tier 1 capital. All or part of the B class shares can be converted into ordinary shares at any time at the conversion price of 50p, but if the share price of RBS trades for 20-days in a 30-day period at or above 65p all of the B class will be automatically converted into ordinary equity. The purchase of ordinary equity will be at 50p per share, but the conversion cannot occur if it will increase the government holding above 75% of the ordinary share capital.

Management have guided 2009 will be a tough year for the world economy, but the year has started positively for the bank. The implementation of the insurance scheme will help the bank deal with the toxic assets on its balance sheet and give it time to de-leverage the balance sheet in an orderly way. The level of potential dilution for ordinary share holders is now limited to 75% due to the terms of the B shares, but the focus for the bank going forward is the UK with smaller overseas operations. In relation to Ireland, Ulster Bank has been included as a core operation and management have stated it has a strong franchise but the economic difficulties faced in the Irish economy will persist for some time. They will continue to manage the balance sheet and increase its deposit base in Ireland.

### Vodafone : Buy Current Price (124p) Price target (155p) Analyst : Stephen Taylor

Vodafone peer, Telefonica, has reported 4Q net profit of €2bn slightly ahead of the €1.98bn consensus. Revenue increased to €14.8bn from €14.4bn last year. The group maintained its 2010 earnings growth targets and is forecasting 1%-3% growth in OIBDA (Operating Income Before Depreciation and Amortisation) for 2009. Telefonica also importantly reiterated its goal of €2.87 cash flow per share for 2010. Like Vodafone, Telefonica, is benefitting from expansion into emerging markets such as Latin America to make up for slower growth in Europe. Vodafone's expansion has been mainly related to India and Africa. The defensive nature of the telecom sector has been further highlighted by Telefonica's report today. We reiterate our buy rating on Vodafone and it remains our top pick in the telecom sector. Vodafone's shares also provide an attractive dividend yield of c. 6.2%.

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**E.ON : Buy**    **Current Price (€20.17)**    **Price target (€40.00)**    **Analyst : Stephen Taylor**

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E.ON's closest peer RWE reported full year net profit of €2.56bn down from €2.67bn in 2007. Revenue increased to €48.95bn from €42.51bn. For 2009 the group expects revenue to be higher than 2008 and expects EBITDA, operating & net profit to be on a par with last year. RWE raised its medium term operating profit forecast to rise by 5% -10% through 2012 up from 5% previously. The group said that its previously announced cost cutting and efficiency improvement program to save €1.2bn through 2012 will help achieve the targeted earnings increases. RWE also plans to invest an average of €6.5bn a year between 2008 – 2012. RWE's results today should be taken as positive read across for E.ON. Shares in the utility sector as a whole have been harshly treated over the last number of months on concern that lower demand for energy will heavily impact earnings. While such concerns are valid, utility companies such as E.ON remain highly cash generative. Two weeks ago E.ON announced a full-year dividend of €1.50 per share, a 10% increase on 2007. The company is now yielding c. 7.2%. E.ON's dividend will trade ex on 07/05/09. We continue to recommend buying shares in E.ON on weakness. E.ON will release full year results on 10/03/09.

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**IN&M : Neutral**    **Current Price (15.5c)**    **Price target (45c)**    **Analyst : Stephen Taylor**

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Trinity Mirror, a UK peer of Independent News & Media, has reported a pretax loss of £73.5m for 2007. This is down from a profit of £21m a year earlier as the company warns it expects the economy to remain difficult and uncertain for 2009. Advertising revenues for the first two months of the year declined 30% on the year, with regionals falling 37% and Nationals falling by 16%. On a positive note, the group did deliver annualised cost savings of £30m, exceeding the company's target of £20m and remains confident of implementing 2009 annualised cost savings of £25m. We recently downgraded IN&M to Neutral from Buy in light of INM's inability to sell APNI. Given the highly leveraged nature of its balance sheet, we need to see further information on asset sales along with the refinancing of its €200m bond due in May before we could become more positive on the stock.

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**Allianz and Royal & Sun Alliance : Full year results**                      **Analyst : Edward Keeling**

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Allianz, Europe's largest insurer has posted a full year net loss of €2.44bn, down from a profit of €7.97bn a year earlier and worse than the €1.86bn loss the market had been forecasting. Allianz did however take a substantial charge on Dresdner bank upon exiting the business. Allianz sold Dresdner to Commerzbank in an accelerated transaction completed in January and now Allianz holds a 13.8% stake in the "new Commerzbank". The German government holds a 25% in entity. Allianz will pay a dividend of €3.50 for the period, down from €5.50 in 2007 and the company has refrained from giving earnings guidance. Meanwhile UK non-life insurer Royal & Sun Alliance has reported a robust set of 2008 full year results. It has posted an operating profit of £814m, up 7% from £814m last year and better than the £834m analysts' had been anticipating. Net premiums were up 11% at £6.5bn and the group raised its dividend by 10%. Despite net profit being down 3.7% from 2007, due in part to higher net claims and benefits and higher income-tax expense, the group has strengthened its capital position. Its capital surplus at the end of December was £1.7bn, up 13% from £1.4bn at the end of September. The group has said it is optimistic about its outlook despite significant challenges ahead and it remains confident of delivering substantial profitability for the year ahead. The company has raised its dividend to 7.71p, up from 7.01p previously.

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**Bank of Ireland : Hold**    **Current Price (26c)**    **Price target (145c)**    **Analyst : Oliver Gilvarry**

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Yesterday evening Bank of Ireland named Richie Boucher, the head of its retail Irish division, as CEO. This has accelerated the departure of former CEO Brian Goggin who was due to retire in the summer. The 50 year old joined Bank of Ireland in 2003 from Royal Bank of Scotland where he was managing director of corporate banking in London and South East England. He has also worked for Ulster Bank, Royal Bank of Scotland's Irish subsidiary.

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# Irish Treasuries

**Buy**



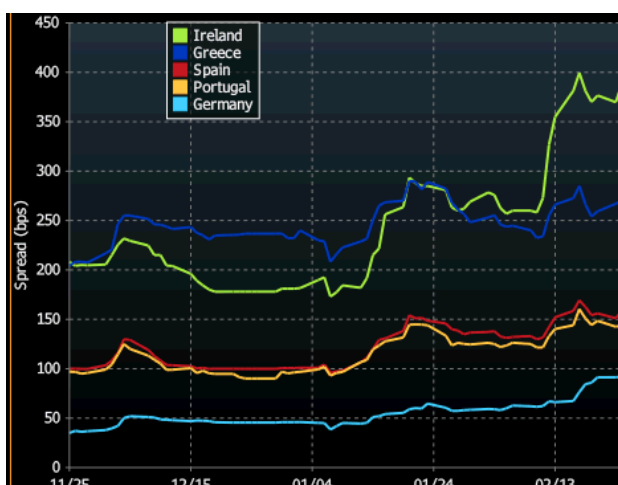
**DOLMEN STOCKBROKERS**

Analyst: **Oliver Gilvarry**

- The Irish Government has issued €4bn of a new 3-year bond. The maturity date for the bond is the 5<sup>th</sup> of March 2012 and is currently trading at 99.80, achieving a yield to maturity of 4.00%. This issue provides an attractive return in the current low interest environment, especially with interest rates available for monies on deposit in the large Irish banks continuing to fall.
- Investor sentiment towards Ireland has continued to weaken. Following the nationalisation of Anglo Irish Bank, and subsequent revelations, sovereign credit default swap (CDS) spreads (an indicator of credit risk) have risen to 383bps compared to 184bps on the 12<sup>th</sup> of January. The reasons for the rise have been attributed to recent speculation with regard to the stability of the single currency project, weakness of the Irish banks and falling tax revenues. The level of concern over government risk can be seen by looking at the CDS of Austria, which increased from 146bps at the beginning of February to 272bps this week due to worries over Austrian banks exposures to Central and Eastern Europe.
- Over the last number of months yields of Euro-Zone countries such as Spain, Portugal, Greece, Italy and Ireland have increased compared to equivalent German Government bonds. These countries will have current account deficits of between 8-12% in 2009 compared to the average for the Euro-Zone of 6.5%. It is this larger current account deficit that is forcing investors to demand a premium over German Government bonds for holding these countries' debt.
- For Ireland, the current account deficit will be close to 10% of GDP this year, at the higher end of the Euro-Zone average, but our Debt:GDP ratio will be much lower than average. The average Debt:GDP ratio in the Euro-Zone is 66% and the Irish ratio is currently 38%. While this ratio will increase, it will remain well below the Euro-Zone average once the Irish Government takes control of spending.
- Steps have been made in this direction due to the imposition of a pension levy on public sector workers and other expenditure cuts in the last number of weeks. This has reduced government expenditure by €2bn and the government announced further cuts in 2010 and 2011. The issues facing Ireland in relation to its fiscal position is that it is within our own control to manage the problems once spending is cut and tax revenues increased. We believe the government will realise this and put through further cuts and tax increases before Autumn. The recapitalisation of the banks has begun and unlike the UK, the capital injections did not need to be borrowed, but were taken from the National Pension Reserve. Preventing an increase in national debt to re-capitalise the banking sector.
- While international investors have been negative in their commentary on Ireland, the economic fundamentals, as we have stated before, of the country are sound. We have a young, English speaking, well educated population and the actions that must be taken to ensure the stability of the country's finances are still within our own control. Once public expenditure is reduced in line with lower tax revenues, Irish Government yields will fall from their current elevated levels.

Irish Treasuries			
Maturity	Price	Coupon	Yield
18/04/2009	100.3	3.3%	1.2%
18/04/2010	101.4	4.0%	2.7%
01/10/2010	108.3	8.5%	3.1%
11/11/2011	101.4	4.0%	3.4%
05/03/2012	99.8	3.9%	4.0%
30/09/2012	116.1	8.8%	3.9%
18/04/2013	101.9	5.0%	4.5%
15/01/2014	97.0	4.0%	4.7%
18/08/2015	118.8	8.3%	4.8%
18/04/2016	97.0	4.6%	5.1%
18/10/2018	93.3	4.5%	5.4%
18/06/2019	91.1	4.4%	5.6%
18/04/2020	90.8	4.5%	5.6%

**EU Sovereign 5 Year CDS spreads**





## International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,053	0.9%	-12.1%
FTSE	3,849	0.9%	-11.1%
Dow Jones	7,271	-1.1%	-17.2%
S&P	765	-1.1%	-15.3%
Nikkei	7,458	0.0%	-15.8%
Stoxx 50	1,965	-0.6%	-17.8%

## Sector Performances

Sector	Index	1-Day	YTD
Construction	165	0.3%	-18.2%
Technology	137	0.4%	-9.7%
Oil & Gas	261	0.5%	-0.7%
Financials	109	2.0%	-23.2%
Retail	184	0.8%	2.4%
Food & Drink	217	0.4%	-6.5%

## Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	42.5	6.4%	-15.6%
Copper	153.7	2.5%	8.0%
Gold	953.8	-0.9%	8.0%
Silver	13.9	-0.9%	21.1%
Wheat	535.8	1.8%	-14.8%
Cattle	84.9	-0.6%	-4.8%

## Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.272	-0.9%	9.6%
€/£	0.896	1.0%	6.8%
£/\$	1.420	-1.9%	2.6%
\$/JPY	97.40	0.8%	-7.2%
€/JPY	123.93	-0.2%	1.7%
€/SFR	1.488	-0.1%	0.3%

## 5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	179.3	-6.3%	-1.5%
High Yield	1,062.5	-1.6%	2.2%
Financials	154.0	-6.5%	24.3%
BoI	615.0	0.0%	150.2%
AIB	605.4	0.3%	191.6%
RBS	198.4	-5.5%	37.3%

## Money Market Rates

Rate	EUR	UK	US
Overnight	1.3%	0.7%	0.3%
3-Month	1.8%	2.6%	1.3%
1-Year	1.9%	1.9%	1.4%
2-Year	2.0%	2.2%	1.7%
5-Year	2.7%	3.0%	2.7%
10-Year	3.4%	3.7%	3.2%

Date	Company	Region	Event
26/02/2009	Dell, Inc.	US	Q4
26/02/2009	Gap Inc.	US	Q4
26/02/2009	King Pharma.s	US	Q4
26/02/2009	Kohls Corporation	US	Q4
26/02/2009	The NASDAQ OMX Grou	US	Q4
26/02/2009	Dexia SA	BE	Q4
26/02/2009	Allianz SE	GE	Q4
26/02/2009	BASF SE	GE	Q4
26/02/2009	Deutsche Post AG	GE	Q4
26/02/2009	Telefonica SA	ES	FINAL
26/02/2009	Hays PLC	GB	INTERIM
26/02/2009	British American Tobacc	GB	PRELIM
26/02/2009	National Express Group F	GB	PRELIM
26/02/2009	Royal Bank of Scotland C	GB	PRELIM
26/02/2009	OMG PLC	US	AGM
27/02/2009	HBOS Plc	GB	PRELIM
27/02/2009	Deutsche Telekom AG	GE	Q4
27/02/2009	Grafton Group PLC	IE	PRELIM
27/02/2009	Qualceram Shires PLC	IE	PRELIM
27/02/2009	Telecom Italia SpA	IT	Q4
27/02/2009	Iberia Airlines	ES	Q4

Date	Event	Region	Estimate
26/02/2009	ECB's Trichet Speaks	EU	--
26/02/2009	BoE's King Speaks	UK	--
26/02/2009	ILO Unemployment Rate	GE	--
26/02/2009	GfK Consumer Confidence S	GE	2.0
26/02/2009	Unemployment Rate (s.a)	GE	7.90%
26/02/2009	Euro-Zone M3 s.a. (YoY)	EC	6.90%
26/02/2009	Business Climate Indicator	EC	-3.20
26/02/2009	Euro-Zone Consumer Confid	EC	-31
26/02/2009	Durable Goods Orders	US	-2.30%
26/02/2009	Initial Jobless Claims	US	--
26/02/2009	Consumer Price Index	GE	0.40%
26/02/2009	New Home Sales MoM	US	-1.40%
27/02/2009	Trade Balance	IE	--
27/02/2009	GfK Consumer Confidence S	UK	-39
27/02/2009	Euro-Zone CPI (MoM)	EC	-0.80%
27/02/2009	GDP QoQ (Annualized)	US	-5.40%
02/03/2009	PMI Manufacturing	GE	--
02/03/2009	PMI Manufacturing	EC	--
02/03/2009	Net Consumer Credit	UK	--
02/03/2009	PMI Manufacturing	UK	--
02/03/2009	M4 Money Supply (MoM)	UK	--

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