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Market View

Analyst : Brian Gallagher

European equity markets are higher this morning after a strong close in the US and solid gains on Asian exchanges overnight. Volatility continues to permeate equity markets as traders weigh up the conflicting headwinds of soft economic data & sovereign risk against resilient corporate earnings & commitments by central bankers to keep monetary policy accommodative. This was evident yesterday as weak jobless claims in the US pushed markets sharply lower before recovering later in the session. On the currency front, the euro remains under pressure against the major currency pairs with the threat of further downgrades to Greece's credit ratings undermining the single currency. Today, the market will once again look to the US for direction with a raft of data expected out of the world's largest economy. The second reading on US Q4 GDP is due to be released however we believe the main focus will be on January's Existing Home Sales figure particularly after the weak New Home Sales earlier in the week. Recent Housing data has been very weak since the withdrawal of tax incentives for first time buyers and investors will be hoping to see an improvement in January's figures. Today's other releases include Chicago Purchasing Managers Index and University of Michigan Consumer Confidence.

Lloyds Banking Group: Buy Previous Close 55p Target 75p Analyst Oliver Gilvarry

Lloyds Banking Group (LBG) reported full year results that were mixed. The pre-tax loss of £6.3bn was ahead of expectations of a loss of £6.7bn. Total income was higher at £23.964bn versus £22.8bn expected. The impairment charge was slightly worse than estimated by the market at £23.988bn, compared to the estimate of £23.5bn, still a 21% drop on the first half of the year. The capital position remains strong with Core Tier 1 at 8.1% for the full year following the recapitalisations and the liability management exercises undertaken during the year. On funding, the group has over 50% of its term funding greater than 1-year compared to 47% at the half year. This terming out of LBG wholesale funding in the second half was off-set by higher Net Interest Margins (NIM). NIM for the half year was 1.83% and for the full year was 1.77%, better than the circa 1.71% expected. On the outlook, management are guiding NIM moving to 2.00% this year and higher again in 2011. The expected synergies from the takeover of HBOS have been increased to £2bn by the end of 2011. Management are confident impairments have peaked in 1H09 and expect a decline of a similar magnitude in 2010 as seen between the first and second half of this year. They remain cautious on the outlook for Ireland where an impairment charge of £2.95bn was taken for the full year or 10% of gross loans. The results this morning as we have stated were mixed, with the impairment charge slightly worse than expected. We remain positive on the stock and would use any weakness to build a position. The guidance on impairments and margins for this year and next are very positive. The large market share the group will have in the UK will drive profitability over the next number of years. For Irish bank the large impairments charge taken by LBG in Ireland is negative read-through for the Irish system.

Paddy Power: Buy Previous Close €23.15 Target €27.50 Analyst Edward Keeling

William Hill reported full year results this morning and its performance was broadly in line with expectations. EBITA for the period came in at £258m, compared company guidance of £250m and £278m for the same period last year. Group net revenue was 4% higher at £997.9m, while its Gross Win margin was in line with its historical range at 17.7%. Its retail division delivered a reasonably robust performance, with just an 8% decline in the amounts wagered reflecting a 3% fall in the number of bets and a 5% reduction in the average amount wagered. This was partly offset by an 8% increase in machine Gross Win. Its online division continues to make progress with its Partech integration and net revenue was up 8% on a pro forma basis. In terms of trading since the start of the year, group net revenue was down 0.4%, comprising of a 6% fall in retail and a 22% increase in its online offering. Going forward the group expects conditions will remain challenging in 2010.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,873	-1.5%	-2.6%
FTSE	5,278	-1.2%	-1.7%
Dow Jones	10,321	-0.5%	-1.0%
S&P	1,103	-0.2%	-1.1%
Nikkei	10,102	-0.9%	-4.0%
Stoxx 50	2,684	-1.8%	-8.8%

Sector Performances

Sector	Index	1-Day	YTD
Construction	248	-2.1%	-9.2%
Technology	190	-1.6%	3.7%
Oil & Gas	310	-2.7%	-5.9%
Financials	203	-1.3%	-7.7%
Retail	241	-1.4%	-1.0%
Food & Drink	310	-1.5%	2.0%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	78.2	-2.3%	-3.2%
Copper	321.0	-1.3%	-4.3%
Gold	1,106.4	0.8%	1.3%
Silver	16.1	1.1%	-4.4%
Wheat	503.8	-1.9%	-8.8%
Cattle	91.8	-0.2%	2.4%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.355	0.1%	5.6%
€/£	0.888	1.0%	-0.3%
£/\$	1.527	-0.9%	6.0%
\$/JPY	89.080	-1.2%	4.1%
€/JPY	120.700	-1.1%	10.0%
€/SFR	1.463	0.0%	1.4%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	88.6	3.6%	25.9%
High Yield	495.2	2.7%	14.3%
Financials	99.2	2.6%	36.9%
BoI	235.9	-0.8%	-3.1%
AIB	250.5	0.3%	-8.8%
RBS	164.4	-1.3%	20.9%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.5%	0.2%
3-Month	0.7%	0.6%	0.3%
1-Year	1.1%	0.8%	0.5%
2-Year	1.5%	1.5%	1.1%
5-Year	2.4%	2.9%	2.6%
10-Year	3.3%	3.9%	3.7%

Date	Company	Region	Event
26/02/2010	Bayer AG	DE	FINAL
26/02/2010	Telefonica SA	ES	FINAL
26/02/2010	BRIT Insurance Holdings PLC	GB	FINAL
26/02/2010	Lloyds Banking Group PLC	GB	PRELIM
26/02/2010	William Hill PLC	GB	PRELIM
26/02/2010	Serco Group PLC	GB	Q4
26/02/2010	Novartis AG	CH	AGM
26/02/2010	Integrus Energy Grp	US	Q4
26/02/2010	Pepco Hldngs	US	Q4
01/03/2010	Kingspan Group PLC	IE	FINAL
01/03/2010	Vivendi SA	FR	FINAL
01/03/2010	Allergy Therapeutics Plc	GB	INTERIM
01/03/2010	Amlin Plc	GB	PRELIM
01/03/2010	Pearson PLC	GB	PRELIM
01/03/2010	WSP Group PLC	GB	PRELIM
01/03/2010	El Paso Corp.	US	Q4
01/03/2010	Rowan Co.	US	Q4
02/03/2010	CRH PLC	IE	FINAL
02/03/2010	Allied Irish Banks PLC	IE	PRELIM
02/03/2010	Paddy Power PLC	IE	PRELIM
02/03/2010	Admiral Group Plc	GB	PRELIM
02/03/2010	Cookson Group Plc	GB	PRELIM

Date	Event	Region	Estimate
26/02/2010	GfK Consumer Confidence Surve	UK	--
26/02/2010	GDP (QoQ)	UK	--
26/02/2010	Private Consumption	UK	--
26/02/2010	Government Spending	UK	--
26/02/2010	Exports	UK	--
26/02/2010	Imports	UK	--
26/02/2010	Euro-Zone CPI (MoM)	EC	--
26/02/2010	GDP QoQ (Annualized)	US	5%
26/02/2010	Personal Consumption	US	--
26/02/2010	Core PCE QoQ	US	--
26/02/2010	Consumer Price Index (MoM)	GE	--
26/02/2010	Chicago Purchasing Manager	US	--
26/02/2010	U. of Michigan Confidence	US	--
26/02/2010	Existing Home Sales MoM	US	--
01/03/2010	Hometrack Housing Survey (MoM)	UK	--
01/03/2010	PMI Manufacturing	GE	--
01/03/2010	PMI Manufacturing	EC	--
01/03/2010	Net Consumer Credit	UK	--
01/03/2010	M4 Money Supply (MoM)	UK	--
01/03/2010	PMI Manufacturing	UK	--
01/03/2010	Euro-Zone Unemployment Rate	EC	--
01/03/2010	Personal Income	US	--

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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