

CONTENTS

Market View:

Lloyds : Full year results

Thomson Reuters : Upgrading to Neutral

Vodafone : Deutsche Telekom posts fourth quarter loss

William Hill: Announces rights issue

Irish Financials: Private equity group interested in Anglo?

Graton : Reiterate Neutral view post full year results

Market Movers

IRISH PAPERS TODAY

New budget and higher taxes likely as consensus emerges
(The Irish Times)

Consumer sentiment in Europe hits all-time low
(Irish Independent)

Ulster profits plunge 76pc as property debts mount
(Irish Independent)

IRISH PAPERS TODAY

UBS removes CEO amid big losses, tax probe
(The Wall Street Journal)

RBS set for £25bn rescue
(Financial Times)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-0.7%	-23.3%
BP	-1.1%	-12.5%
CRH	-0.7%	-12.5%
E.ON	-0.7%	-28.4%
HPQ	0.4%	-16.7%
IL&P	7.7%	-59.4%
INM *	1.6%	-62.4%
J&J	-2.8%	-12.4%
JPMorgan	6.1%	-26.9%
Microsoft	-3.2%	-15.5%
Paddy Power	1.8%	-15.9%
Vodafone	3.9%	-10.4%

* We are currently Neutral on IN&M

Market View

Analyst : Stephen Taylor

European equity markets are lower again this morning falling on average by 2% across the board. The sell off is again related to weakening economic data around the world particularly in the US. New homes sales in the US declined by 10% during January to an annual pace of 309,000 its lowest level since the records began in 1963. The significant decline in sales has led to a further increase in inventory levels to 13.3 months. With inventories of new and existing homes continuing to rise, house prices will have further to fall and current consensus estimates for a 25% decline are likely to be revised lower. Durable Goods and weekly jobless figures were also dismal and have now firmly put the potential of seeing the early signs of an economic recovery that had been talked about by many market commentators clearly off the table. With such negative economic newsflow continuing to be released we expect selling pressure on equities to remain. Focus today will again be on economic data out of the US. The first revision of fourth quarter US GDP will be the most closely watched figure with a revision downwards to -5.4% from -3.8% previously expected.

Lloyds: Full year results

Current Price (59p)

Analyst : Oliver Gilvarry

The new Lloyds Banking Group (LBG) released full year results this morning. The results were broken into two with separate disclosures for Lloyds TSB and HBOS. The impairment levels for HBOS were £9.9bn, an increase of 390% yoy and underlying loss before tax was £8.5bn. The weak funding position of HBOS can be seen in the results as customer deposits fell by 8.6% over the year and core tier 1 at year end was 4.1%, excluding the UK Government's capital injection in January. The majority of the impairments for HBOS came from its corporate loan portfolio.

Lloyds TSB reported a profit for the full year of £807m and EPS of 14.3p. Impairments increased within Lloyds TSB to £3.012bn, an increase of 68%. As a percentage of the loan book it was 1.13%. Capital ratios for Lloyds TSB were significantly stronger than HBOS; core tier 1 ended the year at 5.6%.

Management stated Lloyds is in advanced negotiations with the UK Treasury on participating in the Asset Insurance Scheme, but no further details were provided. Investors were also concerned an announcement would be made on the conversion of the government preference shares into ordinary equity, but that hasn't materialised. The capital position of the new group was stronger than expected at 6.4% compared to estimates of 6.1%. The group is unable to pay a cash dividend while the UK Government's preference shares are in place, but the Board has approved a capitalisation issue of 1 for 40 ordinary shares held. Guidance for 2009 is for the new banking group to make a loss in 2009 excluding negative goodwill from the HBOS deal. Impairments on the retail book are guided to increase due to higher unemployment and further house price falls. The level of impairments experienced in the corporate portfolio in 2008 will continue in 2009. Write downs on treasury assets and investment portfolio write-downs are guided lower than 2008. While capital ratios were better than expected, the lack of detail on the insurance scheme is a negative and further details will be required by the market in the next number of weeks.

LBG Irish subsidiary, Bank of Scotland (Ire) (BOSI) also released full year results this morning. BOSI reported a full year loss of €250m for the year with a large increase in loan impairments to 1.79% of the loan book from 0.12% in 2007. The other key figure was in deposits with the deposit book falling 32% over the course of the year to €6.6bn.

Thomson Reuters : Neutral

Current Price (1470p)

Analyst : Stephen Taylor

We have upgraded our rating on Thomson Reuters to neutral from sell on a short-term basis following yesterday's disclosure that the Woodbridge family and controlling shareholder in the company is again looking to transfer part of its holding from the Canadian line of the shares to the UK shares. The Woodbridge family said that it plans to exchange 10 million Thomson Reuters Corporation shares (Canadian line) for a similar amount of the UK PLC line (TRIL LN). The amount represents c. 2% of Thomson Reuters Corporation. The filing does not commit the Woodbridge family to undertake such a transactions. The Woodbridge family have 30 days from today's date to complete acquisition of shares. The Woodbridge family previously completed such a transaction in 4Q08. **We are advising clients to close short positions in Thomson Reuters for the short-term (next 30 days).** Given their slightly better than expected results on Tuesday and the fact that UK listing will now be supported in the short-term there is a little chance of a sell off in shares and there is risk of short cover rally. We are still negative on stock and see warnings coming down the line. We will revisit the stock after the period with which Woodbridge family can buy shares expires.

Vodafone : Buy Current Price (125p) Price target (150p) Analyst : Stephen Taylor

Vodafone peer, Deutsche Telekom, reported a fourth quarter loss that narrowed to €730m from €750m last year. Analysts had expected a profit of €763m. Revenue increased 16.1% to €16.1bn and beat expectations of €15.9bn. Profits were hurt by one time costs of €500m related to an impairment charge as well as €600m in expenses related to job cuts. The group also said it plans to pay a dividend of €0.78 in line with 2007 and representing a dividend yield of 8%. In relation to 2009, Deutsche Telekom expects to report EBITDA in line with 2008 of €19.3bn. Earnings from telecom companies have held up reasonably well despite the current downturn. All companies continue to generate strong cashflow and dividends that remain well covered. We reiterate our overweight stance on the telecom sector with Vodafone being our top pick.

William Hill : Full year results

Analyst : Edward Keeling

William Hill posted its full year results this morning and as expected the group announced strategic plans to deleverage its balance sheet. The company has announced a 1 for 1 fully underwritten rights issue and the shares will be issued at a price of 105p, representing a deep discount of 58% to the shares closing price yesterday. The rights issue is subject to shareholder approval and is expected to raise approximately £350m. In addition the group has obtained commitments for new bank facilities which, in aggregate, will provide funding of £838.5m. It will also scrap its final dividend, but it intends to resume the payment of such at the group's half year results next year. Aside from the restructuring strategy, it posted an EBIT of £275m, very much in line with the group's guidance issued in January. EPS was slightly ahead of expectations at 45p, while its online is said to performing well, which taking into account the acquired businesses, had a net revenue increase of 54%. Paddy Power remains our top pick within the sector and we will update our forecasts post results on Monday.

Irish Financials:

Analyst : Oliver Gilvarry

A report this morning on Morning Ireland indicated a private equity group was interested in purchasing Anglo Irish Bank from the government. The private equity group is Mallabraca and is the same group that was linked to BOI before Christmas. The details of the deal according to RTE include the government agreeing to insure part of the loan losses in Anglo. The management team is rumoured to have been assembled with the new CEO to be David Morgan, a former CEO of Australian bank Westpac. The transaction seems to be currently on hold while the investigations into Anglo continue, but the prospect of private equity wishing to invest in the Irish economy and financial sector would be positive.

Grafton : Neutral Current Price (€1.38) Price target (€2.45) Analyst : Stephen Taylor

Grafton group has reported full year results for 2008. EPS declined to €0.32 from €0.84 in 2007. EPS was slightly better than the €0.31 expected. Revenue declined by 17% to €2.67bn. Cashflow generated from operations came in at €252.7m down from €303.8m previously. Net debt for the group stood at €435.6m down €114.8m over the year. Net debt was reduced by €45.5m due to the weakness of sterling having a positive translation effect. The final dividend has been cut to €0.05 from €0.12 representing a total dividend for the year of €0.22. In relation to its outlook for 2009, the company remained cautious commenting that trading in January and February continued to decline. Grafton also said that analyst estimates for EPS of €0.10 for 2009 appear reasonable. This would place the stock on a forward price to earnings ratio of 14x. Grafton's results today provide us with confidence that the group will weather the current economic downturn. We retain our neutral rating on the group as we believe it is still too early to talk about a significant recovery in the stock.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,050	-0.1%	-12.9%
FTSE	3,916	1.7%	-13.2%
Dow Jones	7,182	-1.2%	-18.2%
S&P	753	-1.6%	-16.7%
Nikkei	7,568	1.5%	-14.6%
Stoxx 50	2,021	2.8%	-18.8%

Sector Performances

Sector	Index	1-Day	YTD
Construction	166	1.0%	-19.1%
Technology	138	0.9%	-11.4%
Oil & Gas	262	0.5%	-2.6%
Financials	118	8.2%	-24.5%
Retail	186	1.3%	0.5%
Food & Drink	215	-0.8%	-7.8%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	45.2	6.4%	-12.1%
Copper	157.9	2.7%	9.9%
Gold	946.2	-0.8%	7.2%
Silver	13.0	-6.7%	16.0%
Wheat	525.0	-2.0%	-16.3%
Cattle	85.8	1.1%	-3.6%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.274	0.1%	10.1%
€/£	0.890	-0.6%	6.9%
£/\$	1.432	0.8%	3.1%
\$/JPY	98.51	1.1%	-7.0%
€/JPY	125.53	1.3%	2.4%
€/SFR	1.484	-0.3%	0.5%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	174.8	-6.3%	-0.4%
High Yield	1,049.2	-1.2%	3.6%
Financials	147.0	-4.6%	24.9%
BoI	609.2	-0.9%	152.3%
AIB	595.8	-1.6%	189.1%
RBS	165.5	-16.6%	16.8%

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	2.1%	2.3%	1.7%
5-Year	2.8%	3.1%	2.7%
10-Year	3.5%	3.8%	3.3%

Date	Company	Region	Event
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
27/02/2009	Lloyds Banking Group PL	GB	PRELIM
27/02/2009	William Hill PLC	GB	PRELIM
27/02/2009	The Progressive Corpora	US	Q4
02/03/2009	Allied Irish Banks PLC	IE	PRELIM
02/03/2009	Kingspan Group PLC	IE	PRELIM
02/03/2009	Paddy Power PLC	IE	PRELIM
02/03/2009	HSBC Holdings PLC	GB	FINAL
02/03/2009	Pearson PLC	GB	PRELIM
02/03/2009	WSP Group PLC	GB	PRELIM
02/03/2009	Whitbread PLC	GB	TRADE
02/03/2009	Vivendi SA	FR	FINAL
02/03/2009	American Capital Ltd.	US	Q4
02/03/2009	Edison Intl.	US	Q4
02/03/2009	Pepeco Hldngs, Inc.	US	Q4
03/03/2009	C&C Group Plc	IE	TRADE

Date	Event	Region	Estimate
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	--
02/03/2009	Euro-Zone CPI Estimate (Yo`	EC	--
02/03/2009	Personal Income	US	--
02/03/2009	PCE Core (MoM)	US	--
02/03/2009	ISM Manufacturing	US	--
02/03/2009	Construction Spending MoM	US	--
03/03/2009	PMI Construction	UK	--
03/03/2009	Euro-Zone PPI (MoM)	EC	--
03/03/2009	Pending Home Sales MoM	US	--
03/03/2009	ABC Consumer Confidence	US	--
04/03/2009	Live Register (MoM)	IE	--
04/03/2009	Unem[p]loyment Rate	IE	--
04/03/2009	Nationwide Consumer Confid	UK	--

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