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Market Movers

IRISH PAPERS TODAY

INM plans to raise new bond as final dividend cancelled
(The Irish Times)

Ulster Bank to cut 750 jobs and merge Fist Active
(The Irish Times)

Regulator sought Quinn's Anglo stake be unwound
(Irish Independent)

IRISH PAPERS TODAY

BA's £150m loss could threaten Iberia talks
(Daily Telegraph)

Barcalys' open letter sparks banking rally
(Financial Times)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-0.85%	-16.7%
BP	4.21%	-3.66%
CRH	3.00%	2.87%
E.On	4.4%	-8.09%
HP	-0.61%	-1.98%
IL&P	10.95%	-1.01%
INM	35.5%	-36.3%
J&J	1.04%	-5.48%
JPMorgan	0.22%	-22.3%
Microsoft	2.50%	-9.31%
Paddy Power	2.56%	-14%
Vodafone	-0.33%	-2.59%

Market View

Analyst : Stephen Taylor

Despite c. 76,000 jobs cuts announced globally yesterday by some of the largest companies in the world equity markets managed to post strong gains with European markets rising by c. 3%. While it is certainly a positive that equities can rise on such bad corporate news-flow and a relief rally may be in place we do not see markets significantly adding to these gains and would look to sell into strength. Taking the FTSE 100 as our benchmark we see it as unlikely that the index will break through 4,222, a key resistance level, unless a positive catalyst emerges. Yesterday we added German chemicals group BASF and advertiser WPP to our top short list which includes BMW, Wolseley and Thomson Reuters. We believe that both companies are highly exposed to the current downturn and will face significant pressures over the coming months. Key focus for the markets today will again rest on corporate earnings out of the US. Both Verizon and chemicals group Du Pont are due to report before the US market opens. On the economic front US consumer confidence data and the S&P Case Shiller housing price index will also be closely watched.

IL&P: Buy **Current Price (€1.73)** **Price target (€7.05)** **Analyst : Oliver Gilvarry**

Friends Provident (UK listed Life and Pension company) released a trading up-date for the period ending the 31st December 2008. The company experienced very difficult trading conditions in Q4 with new life and pensions business down 4% yoy. For the full year, new life and pensions business fell 11% with UK sales down 27% over the year due to large falls in income protection, life and critical illness business.

Over the last number of months investors have been concerned over the capital positions of life companies with rumours of share issues to increase capital ratios. Friends Provident stated this morning, dividend policy will remain unchanged and capital ratios are strong. While their capital surplus has fallen from £1bn in Q3 to £850m in Q4, the main drivers of this were the payment of the interim dividend and the 30% purchase of Amlife, a Malaysian life business. The capital surplus will be unchanged if equity markets fell another 30% from end of December levels and would only decrease by £100m if corporate bond spreads widen by 150bps from current levels.

The lower volume of business experienced by Friends Provident indicates Irish Life and Permanent (ILP) will report lower sales of life products for the full year impacting earnings, but this is fully priced into the share price at current levels. With ILP trading at 29% of the last reported Embedded Value, the company offers attractive value and remains our favoured Irish financial.

McDonalds : Buy **Current Price (\$58.40)** **Price target (\$70)** **Analyst : Stephen Taylor**

McDonalds reported a strong set of fourth quarter results yesterday and indicated that it will continue to expand its business despite the global slowdown. The group reported EPS that fell to \$0.87 from \$1.06 a year earlier that beat analyst expectations of \$0.84. The decline in earnings was due to a larger than expected tax credit the group had received in the prior year. McDonalds pointed out that the stronger US dollar against currencies such as Canadian dollar, Sterling and the € had a negative effect on EPS by \$0.07. Global same-store sales for the group increased by 7.2% during the quarter. Same-store sales increased by 10% in Asia/Pacific, Middle East and Africa markets, 7.6% in Europe and 5% in the US. For 2009, McDonalds said it will spend \$2.1bn, with about half of the total being invested in existing restaurants and the rest being used to open new restaurants including 245 in Europe, 165 in the US and 175 restaurants in China. We view McDonalds' continued expansion plans as a significant positive for the group as it demonstrates the management's confidence going forward. We continue to like McDonalds as a solid defence stock that we believe will outperform the market.

Elan : Neutral **Current Price (\$6.97)** **Price target (\$9.00)** **Analyst : David Dunk**

Pfizer announced yesterday that it would takeover rival Wyeth, in a deal worth \$68bn. The mixed offer of cash and stock values Wyeth at \$50.19 per share. Following the deal Pfizer will halve its dividend, and cut the combined workforce of the firm by 15%. Pfizer like many of the major pharmaceutical firms faces declining revenues in the coming years as patents expire. As a result of this deal, further M&A activity in the sector is likely, increasing the likelihood of Elan attracting a strategic partner. It is not yet clear if Elan's partnership with Wyeth in relation to a developmental Alzheimer treatment will be affected. Our recommendation on Elan is unchanged.

Ryanair : Buy **Current Price (€3.03)** **Price target (€3.45)** **Analyst : Edward Keeling**

British Airways has issued a profit warning in a trading update released yesterday afternoon. The network carrier has said that continued economic weakness in January and the outlook for February and March, combined with the fall in the value of sterling against other major currencies are hurting the outlook for the year ending March 31st. In November BA had guided that it was "on track and focused on achieving a small profit for the financial year". Now the airline expects to post a fiscal year operating loss of about £150m. It did however leave its revenue guidance unchanged, maintaining that it should rise by at least 4% year on year. However with c.40% of BA's costs denominated in dollars, and only 20% of revenue in dollars, BA said the loss takes account of a £56m non cash charge for the translation of certain currency obligations. There is no doubt the news flow from long haul air network carriers will continue to weaken. With the consumer environment deteriorating, we maintain the view that short haul low cost carriers will benefit from a 'flight to value'. We see Ryanair gaining significant market share as it aggressively grows capacity to take advantage of price sensitive travellers trading down to cheaper short haul alternatives.

Irish Treasuries

Buy



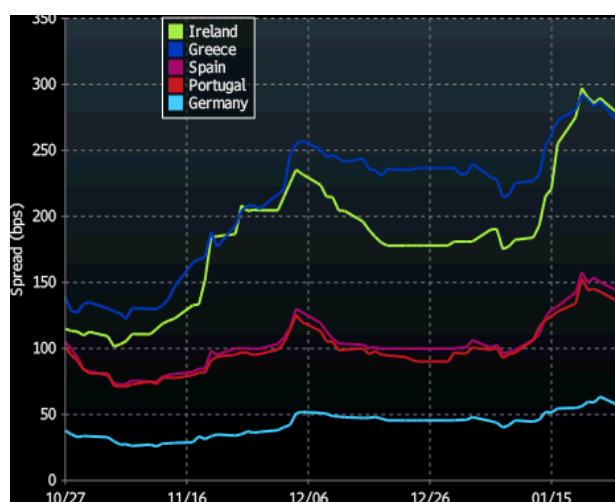
DOLMEN STOCKBROKERS

Analyst: **Oliver Gilvarry**

- Since the Irish Government issued a new 5-year bond a number of weeks ago, investor sentiment towards Ireland has weakened. Following the nationalisation of Anglo Irish Bank, Irish sovereign credit default swap (CDS) spreads (an indicator of credit risk) have risen to 278bps compared to 184bps on the 12th of January, but off the high of 297bps. 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.
- 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.
- Historically, countries such as Italy and Greece devalued their currencies to support their economies, but their participation in the Euro prevents this. The other alternatives facing these countries are to decrease salaries to increase competitiveness and/or increase taxes to support government spending. Neither of these alternatives is attractive to voters or politicians. This adds to concerns that larger deficits will be run by the weaker Euro-zone economies.
- 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. The discussions with the social partners are currently underway to begin this process and some announcement on reducing spending is expected within the next week.
- While international investors have been negative in their commentary on Ireland, the economic fundamentals of the country are sound as we have a young, well educated population and the actions that must be taken to ensure the stability of the country's finances are within our own control. Once public expenditure is reduced in line with lower tax revenues, and the re-capitalisation of the Irish financial system is begun, Irish Government yields will fall from their current elevated levels.
- The recent Irish Treasury issue maturing in 2014 is trading at 95.70, achieving a yield to maturity of 5.00%. 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.

Irish Treasuries			
Maturity	Price	Coupon	Yield
18/04/2009	100.3	3.3%	1.7%
18/04/2010	102.0	4.0%	2.3%
01/10/2010	108.8	8.5%	3.1%
11/11/2011	100.1	4.0%	3.9%
30/09/2012	114.3	8.8%	4.5%
18/04/2013	100.5	5.0%	4.8%
15/01/2014	95.7	4.0%	5.0%
18/08/2015	116.1	8.3%	5.3%
18/04/2016	93.5	4.6%	5.7%
18/10/2018	89.0	4.5%	6.0%
18/06/2019	87.2	4.4%	6.1%
18/04/2020	87.5	4.5%	6.1%

EU Sovereign 5 Year CDS spreads





International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,307	1.3%	-0.3%
FTSE	4,209	3.9%	-5.1%
Dow Jones	8,116	0.5%	-7.5%
S&P	837	0.6%	-7.4%
Nikkei	8,061	4.9%	-9.0%
Stoxx 50	2,227	3.7%	-8.7%

Sector Performances

Sector	Index	1-Day	YTD
Construction	187	3.3%	-8.9%
Technology	148	1.2%	-3.3%
Oil & Gas	269	4.4%	1.1%
Financials	126	7.3%	-16.0%
Retail	184	0.7%	0.7%
Food & Drink	231	1.2%	-0.8%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	45.7	-1.6%	-3.1%
Copper	158.7	7.8%	13.4%
Gold	903.4	0.4%	1.3%
Silver	12.1	1.4%	7.0%
Wheat	592.5	1.7%	-2.1%
Cattle	85.6	-0.2%	-3.5%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.319	1.7%	4.8%
€/£	0.942	0.2%	1.8%
£/\$	1.399	1.4%	3.0%
\$/JPY	89.09	0.4%	1.1%
€/JPY	117.50	2.0%	5.8%
€/SFR	1.500	0.2%	-1.0%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	164.5	-6.3%	-9.5%
High Yield	1,063.2	-2.5%	1.6%
Financials	119.1	-6.9%	-3.1%
BoI	346.0	1.0%	41.0%
AIB	264.4	4.2%	28.8%
RBS	150.7	-2.6%	0.7%

Money Market Rates

Rate	EUR	UK	US
Overnight	1.2%	1.2%	0.2%
3-Month	2.1%	2.6%	1.2%
1-Year	2.2%	1.7%	1.2%
2-Year	2.4%	2.1%	1.5%
5-Year	3.1%	3.0%	2.3%
10-Year	3.8%	3.8%	2.8%

Date	Company	Region	Event	Date	Event	Region	Estimate
27/01/2009	Siemens	GE	Q1	27/01/2009	German IFO	GE	n/a
27/01/2009	Verizon	US	Q4	27/01/2009	Case-Shiller Housing Index	US	n/a
27/01/2009	Yahoo	US	Q4	27/01/2009	Consumer Confidence	US	38
28/01/2009	SAP	GE	Q4	27/01/2009	Richmond Fed	US	n/a
28/01/2009	BSkyB	UK	Interim	28/01/2009	FOMC	US	0-0.25%
28/01/2009	Standard Life	UK	Q4	29/01/2009	German unemployment	GE	n/a
28/01/2009	Starbucks	US	Q1	29/01/2009	Euro-Zone M3	EU	n/a
28/01/2009	AT&T	US	Q4	29/01/2009	Euro-Zone Confidence Indicators	EU	n/a
28/01/2009	ConocoPhillips	US	Q4	29/01/2009	Durable Goods	US	-2.00%
28/01/2009	Pfizer	US	Q4	29/01/2009	Initial Jobless Claims	US	500k
29/01/2009	Ericsson	SE	Q4	29/01/2009	New Home Sales	US	-0.50%
29/01/2009	Royal Dutch Shell Plc	UK	Q4	30/01/2009	German Retail Sales	GE	n/a
29/01/2009	AstraZeneca PLC	UK	Q4	30/01/2009	Euro-Zone CPI estimate	EU	1.60%
29/01/2009	3M Co.	US	Q4	30/01/2009	Euro-Zone Unemployment	EU	7.80%
30/01/2009	CPL Resources	IE	PRELIM	30/01/2009	US GDP	US	
30/01/2009	Chevron	US	Q4	30/01/2009	Chicago PMI	GE	
30/01/2009	Exxon Mobil	US	Q4				
30/01/2009	Proctor & Gamble	US	Q2				

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