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C&C : Volumes remain under pressure

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Market Movers

IRISH PAPERS TODAY

Banking shares rise on positive outlook by traders
(The Irish Times)

Department told of Quinn stake in Anglo
(The Irish Times)

C&C shares fall after report foresees problems for Magners
(Irish Independent)

IRISH PAPERS TODAY

Institutional shareholders admit oversight failure on banks
(Daily Telegraph)

Ministers face push to extend car lifeline
(Financial Times)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	0.4%	-15.9%
BP	0.4%	-2.9%
CRH	2.4%	5.9%
E.ON	-0.4%	-9.0%
HPQ	0.9%	-1.1%
IL&P	12.2%	23.8%
INM	8.9%	-18.8%
J&J	1.8%	-3.8%
JPMorgan	2.3%	-20.5%
Microsoft	0.2%	-9.2%
Paddy Power	-1.1%	-14.7%
Vodafone	0.4%	-2.2%

Market View

Analyst : Stephen Taylor

Equity markets are stronger this morning with the FTSE trading just above its key resistance level of 4,222. The market is being boosted by speculation that the US Federal Deposit Insurance Corp (FDIC) may run the so-called 'bad bank' that the Obama administration is reported to be looking at setting up in a further attempt to ease tensions in credit markets. We would view this as a significant positive step as it would remove a percentage of bad assets from bank balance sheets which would free up capital and help them to lend into the economy again. This would be similar to the program that Sweden successfully initiated in the early nineties. In Ireland we still look to be quite away from such a proposal and we do not expect any developments on this front until both AIB and Bank of Ireland have raised further capital. Despite the bounce in markets this morning we remain cautious as we still have a number of major corporate earnings to come out along with the possibility of capital raisings by companies to reduce debt exposure. On the earnings front today the main focus will be on Boeing and ConocoPhillips. ConocoPhillips results will be closely watched as it is the first of the major integrated oil companies to report and will provide an indication of how lower energy prices have impacted earnings.

Legal & General and Standard Life :

Analyst : Oliver Gilvarry

The trading up-dates from life companies continue this morning with Standard Life (SL) releasing a statement this morning. Following on from Friends Provident yesterday morning, SL experienced significant volatility in Q4, but their capital position remained unchanged compared to Q3 levels. On new business sales, worldwide life and pension sales fell 6% with UK sales falling 9%, but sales in Asia and Canada performed well and increased over the year. Profit for the full year is expected to be lower yoy, due to the volatility in markets and falling sales.

Legal & General (L&G) are the next to report, releasing a Q4 Interim Management Statement (IMS) tomorrow morning. With Friends Provident and SL highlighting the fall in life and pension sales in the UK, L&G will have experienced the same falls. The expectation is for life and pension sales to fall 3% in Q4 and for full year sales to be flat yoy. The recent move by S&P to put L&G's AA+ credit rating on negative outlook would have been a negative on annuity sales for the company. The market will also focus on the capital position of the company as it will have been weakened by the volatility in financial markets in Q4 and the funds used for the share buyback during the year. Due to this concern over capital, guidance on the dividend going forward will be of key focus. To preserve capital L&G could reduce the dividend, currently yielding 9.3%, to re-build the capital base going forward.

Vodafone : Buy Current Price (136p) Price target (140p) Analyst : Stephen Taylor

Verizon Communications, the owner of Verizon Wireless in which Vodafone has a 45% stake, reported a strong set of fourth quarter results yesterday. EPS increased to \$0.43 from \$0.37 last year, in-line with analyst expectations. Revenue increased by 3.4% to \$24.7bn. The Verizon Wireless division reported a 12.3% increase in revenue to \$12.8bn helped by growth in data services including text messaging, e-mail and internet access. This helped push up the divisions operating margin to 47.2% from 43.6% previously. Vodafone's stake in Verizon Wireless, estimated to be worth \$40bn-\$50bn, represents c. 20% of the group's operating profit.

Elsewhere, Dutch Peer of Vodafone, KPN, reported a strong set of fourth quarter results and maintained its earnings targets through 2010. For the fourth quarter the company reported sales that increased by 1.6% to €3.72bn and the company also increased its final dividend by 10% to €0.40. KPN also indicated that the current economic downturn was having a limited impact on business activity.

Both results have positive read through for Vodafone. Vodafone is due to issue a trading statement on 3rd March 2008 and we expect the group to reiterate its recently raised free cash flow target for 2009 of £5.2bn - £5.7bn. We also expect the company to update the market in relation to its current cost cutting initiatives. Vodafone remains our preferred pick in the telecom sector given its geographical diversity in particular its exposure to emerging markets. Vodafone also has one of the lowest geared balance sheets in the sector which is key advantage in the current environment.

BHP Billiton : Neutral Current Price (1268p) Price target (1200p) Analyst : David Dunk

The board of Rio Tinto has issued a statement regarding recent market speculation of an equity issue at the Australian miner. Rio is struggling to reduce its debt levels following the 2007 takeover of Alcan. The company has just under \$39bn in debt and is committed to a \$10bn debt reduction in 2009. Efforts to dispose of non-core assets have been disappointing as appetite for mining assets is low for at anything other than distressed pricing levels. An equity issue would likely be for approximately \$5bn.

C&C : Buy Current Price (€0.85) Price target (€2.10) Analyst : David Dunk

Greene King has released a trading update for the end of 2008. Trading was in-line with forecasts with an annual decline in tenanted pub profits of 5.3%. Unsurprisingly the company is very cautious on 2009. The company expects the outlook to remain very challenging for the year ahead. Results from Greene King and its peers suggest that C&C's volumes sales are likely to remain under pressure for 2009.

Irish Treasuries

Buy



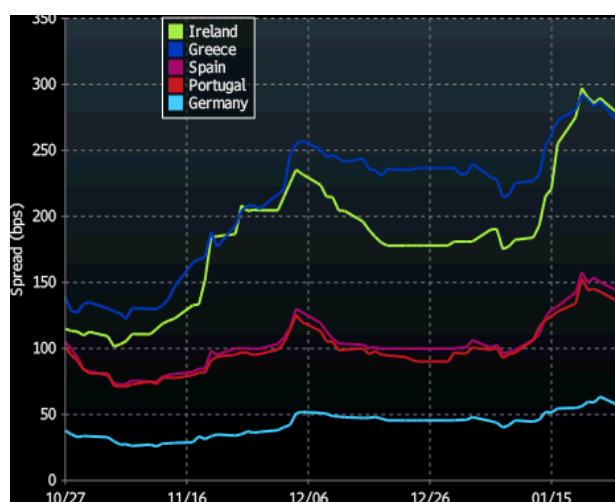
DOLMEN STOCKBROKERS

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 96.20, achieving a yield to maturity of 4.88%. 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	102.1	4.0%	2.2%
01/10/2010	109.1	8.5%	2.9%
11/11/2011	100.5	4.0%	3.8%
30/09/2012	115.4	8.8%	4.2%
18/04/2013	100.9	5.0%	4.7%
15/01/2014	96.2	4.0%	4.9%
18/08/2015	117.8	8.3%	5.0%
18/04/2016	95.4	4.6%	5.4%
18/10/2018	91.2	4.5%	5.7%
18/06/2019	89.6	4.4%	5.8%
18/04/2020	88.9	4.5%	5.9%

EU Sovereign 5 Year CDS spreads





International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,334	1.2%	2.5%
FTSE	4,194	-0.3%	-4.2%
Dow Jones	8,175	0.7%	-6.9%
S&P	846	1.1%	-6.4%
Nikkei	8,106	0.6%	-8.5%
Stoxx 50	2,225	-0.1%	-7.3%

Sector Performances

Sector	Index	1-Day	YTD
Construction	185	-1.0%	-6.8%
Technology	149	1.2%	0.6%
Oil & Gas	271	0.8%	2.2%
Financials	126	0.5%	-12.4%
Retail	185	0.5%	2.2%
Food & Drink	231	0.1%	-0.5%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	41.6	-9.1%	-13.5%
Copper	148.5	-6.4%	5.3%
Gold	899.2	-0.5%	1.2%
Silver	12.2	0.5%	7.2%
Wheat	584.8	-1.3%	-4.5%
Cattle	84.4	-1.4%	-5.0%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.316	-0.2%	5.0%
€/£	0.931	-1.2%	2.6%
£/\$	1.413	1.0%	2.5%
\$/JPY	88.96	-0.1%	1.6%
€/JPY	117.09	-0.3%	6.5%
€/SFR	1.504	0.2%	-0.9%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	157.3	-6.3%	-12.6%
High Yield	1,041.1	-2.1%	0.3%
Financials	117.5	-1.4%	-1.8%
BoI	343.2	-0.8%	37.5%
AIB	259.1	-2.0%	27.8%
RBS	139.4	-7.5%	-3.7%

Money Market Rates

Rate	EUR	UK	US
Overnight	1.2%	1.3%	0.2%
3-Month	2.1%	2.6%	1.2%
1-Year	2.2%	1.7%	1.2%
2-Year	2.3%	2.1%	1.4%
5-Year	3.1%	3.0%	2.2%
10-Year	3.7%	3.8%	2.7%

Date	Company	Region	Event
28/01/2009	SAP	GE	Q4
28/01/2009	BSkyB	UK	Interim
28/01/2009	Standard Life	UK	Q4
28/01/2009	Starbucks	US	Q1
28/01/2009	AT&T	US	Q4
28/01/2009	ConocoPhillips	US	Q4
28/01/2009	Pfizer	US	Q4
29/01/2009	Ericsson	SE	Q4
29/01/2009	Royal Dutch Shell Plc	UK	Q4
29/01/2009	AstraZeneca PLC	UK	Q4
29/01/2009	3M Co.	US	Q4
30/01/2009	CPL Resources	IE	PRELIM
30/01/2009	Chevron	US	Q4
30/01/2009	Exxon Mobil	US	Q4
30/01/2009	Proctor & Gamble	US	Q2
02/02/2009	Ryanair	IE	Q3
03/02/2009	SAS	SE	Q4
03/02/2009	BP	UK	Q4
03/02/2009	Vodafone	IE	Trading
03/02/2009	DR Horton	US	Q1
03/02/2009	Walt Disney	US	Q1
03/02/2009	Merck & Co.	US	Q4
03/02/2009	UPS	US	Q4

Date	Event	Region	Estimate
28/01/2009	FOMC	US	0-0.25%
29/01/2009	German unemployment	GE	n/a
29/01/2009	Euro-Zone M3	EU	n/a
29/01/2009	Euro-Zone Confidence Indicators	EU	n/a
29/01/2009	Durable Goods	US	-2.00%
29/01/2009	Initial Jobless Claims	US	500k
29/01/2009	New Home Sales	US	-2.50%
30/01/2009	German Retail Sales	GE	n/a
30/01/2009	Euro-Zone CPI estimate	EU	1.60%
30/01/2009	Euro-Zone Unemployment	EU	7.80%
30/01/2009	US GDP	US	-5.50%
30/01/2009	Chicago PMI	US	35
02/02/2009	Euro-Zone PMI Manu.	EC	34.5
02/02/2009	Personal Income	US	-0.40%
02/02/2009	Personal Spending	US	0.90%
02/02/2009	PCE Core	US	1.70%
02/02/2009	ISM Manufacturing	US	32.5
02/02/2009	Construction Spending	US	-1.10%
03/02/2009	PMI Construction	UK	n/a
03/02/2009	PPI	EU	n/a
03/02/2009	Pending Home Sales	US	0.00%

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