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Lloyds Banking Group : LBG issues \$2.4bn of Mortgage Backed Securities

BSkyB : Group continues to see strong demand

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Market Movers

IRISH PAPERS TODAY

Tullow Oil raises £1bn in share placing
(The Irish Times)

Sarkozy backs calls for banking reforms
(The Irish Times)

Obama plan to rein in banks draws fire at economic think-in
(The Irish Independent)

INTERNATIONAL PAPERS TODAY

Chinese whisper hit Greek bonds
(The Financial Times)

Morrison plucks new chief from Canadian retailer
(The Financial Times)

Geithner feels political fury over AIG role
(The Wall Street Journal)

Market View

Analyst : Stephen Taylor

European equity markets are higher this morning following a rebound in US equity markets towards yesterday's close. Asian markets also finished higher following the positive finish in the US. The US Federal Reserve as expected left interest rates on hold at 0% - 0.25% and reaffirmed its pledge to keep rates at exceptionally low levels for 'an extended period of time. There was one dissenter, Kansas City Fed President Thomas Hoenig, arguing that the 'extended period' pledge should now be dropped. His dissenting vote should be not taken as a major surprise given his hawkish comments earlier this month. The Fed was a little more positive on economic growth and noted that the economy has continued to strengthen, however concerns remain about bank lending. Current market expectations are that the Fed will increase interest rates at its November meeting. President Barack Obama's State of the Union address overnight had increasing employment as its main theme. In relation to financials, Obama stated that it was not his intention to punish banks, however financial reform was necessary. As for today the main focus will be on corporate earnings with Nokia, Procter & Gamble, Ford, AT&T and Nokia some of the companies that are due to report. On the economic front, jobless claims figures and durable goods data will also be closely watched.

Lloyds : Buy **Yesterday's Close** 51p **Price Target** 75p **Analyst:** Oliver Gilvarry

Signs the securitisation market is opening can be seen by two successful issues. CIBC issued \$2bn in a covered bond sale yesterday, raising hopes for the creation of a covered bond market in North America, providing another source of funding for financials. In the UK, Lloyds Banking Group (LBG) issued \$2.4bn of mortgage backed securities (MBS) at lower yields than what it issued in September of last year. The €600m portion of the issue was priced at 125bps over EURIBOR compared to 170bps over EURIBOR for a similar issue by LBG in September. The issue is a positive indicator on the securitisation market in Europe as the re-opening of this important source of funding is key to allow banks to lengthen the maturity profile of their debt. One of the reasons for the better pricing for LBG on this issue is the improvement in the UK housing market. Home loan arrears greater than 30-days on UK mortgages dropped to 1.8% in November from 2.1% in August, a positive sign that conditions are improving in prime mortgage books. LBG is the most exposed to the UK mortgage market and is most reliant on wholesale funding in the UK sector. Therefore, an improvement in both of these is a positive for LBG. We re-iterate our Buy on the group.

BSkyB **Yesterday's Close** 554p **Analyst:** Edward Keeling

BSKYB released half year results this morning and the group has continued to see strong demand across the board. With 172,000 new additions during the period, the groups total customer base moves to 9.7 million. Sky+HD had a very strong performance with net additions more than double prior year's level and ahead of analysts estimates. Total revenue for the period was 10% higher year on year at £2.9bn. Free cash at the group also remains robust, rising 5% to £290m. and the group increased its dividend by 5% to 7.8p. Going forward the group acknowledges that the economic environment remains uncertain, but has reiterated that it is in a strong position as it enters 2010.

IL&P : Buy **Yesterday's Close** €3.37 **Price Target** €5.55 **Analyst:** Oliver Gilvarry

Press reports this morning suggest that Irish Life & Permanent is set to increase its standard variable mortgage rate by 0.50%. Any move by the bank will be as a result of the elevated cost of funding. Increased funding costs saw IL&P's interest margin decline from 105bps in 2008 to 87bps currently. The article also notes that the increase in rates will impact 77,000 customers. The newspaper also points out that other mortgage lenders may also increase interest rates.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,951	-2.2%	0.7%
FTSE	5,217	-1.1%	-2.9%
Dow Jones	10,236	0.4%	-1.8%
S&P	1,098	0.5%	-1.6%
Nikkei	10,252	-0.7%	-1.3%
Stoxx 50	2,787	-1.4%	-4.9%

Sector Performances

Sector	Index	1-Day	YTD
Construction	264	-2.3%	-3.5%
Technology	188	-0.4%	3.2%
Oil & Gas	324	-1.2%	-1.4%
Financials	207	-2.4%	-5.0%
Retail	245	-0.1%	2.3%
Food & Drink	304	0.7%	0.4%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	73.7	-1.4%	-7.3%
Copper	322.3	-3.5%	-3.7%
Gold	1,087.9	-0.9%	-0.5%
Silver	16.4	-2.5%	-1.4%
Wheat	483.8	-2.1%	-10.2%
Cattle	89.0	-0.4%	-0.6%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/€	1.402	-0.3%	2.1%
€/£	0.867	-0.5%	2.7%
£/\$	1.617	0.2%	-0.5%
\$/JPY	90.000	0.4%	2.9%
€/JPY	126.230	0.0%	5.1%
€/SFR	1.473	0.0%	0.7%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	75.9	0.7%	5.5%
High Yield	451.5	2.5%	4.0%
Financials	80.3	4.8%	12.0%
BoI	199.5	-1.8%	-15.2%
AIB	233.0	-0.7%	-15.4%
RBS	130.4	0.9%	-5.4%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.5%	0.2%
3-Month	0.7%	0.6%	0.2%
1-Year	1.2%	0.9%	0.5%
2-Year	1.7%	1.7%	1.2%
5-Year	2.6%	3.1%	2.7%
10-Year	3.5%	3.9%	3.8%

Date	Company	Region	Event
28/01/2010	Nokia Oyj	FI	Q4
28/01/2010	Areva SA	FR	Q4 SALES
28/01/2010	JCDecaux SA	FR	Q4 SALES
28/01/2010	Loewe AG	DE	PRELIM
28/01/2010	CPL Resources PLC	IE	TRADE
28/01/2010	Bulgari SpA	IT	NAL OUTPUT
28/01/2010	AstraZeneca PLC	GB	FINAL
28/01/2010	British Sky Broadcasting Group F	GB	INTERIM
28/01/2010	Petropavlovsk PLC	GB	TRADE
28/01/2010	Rockwell Collins	US	Q1
28/01/2010	Microsoft	US	Q2
28/01/2010	Procter & Gamble Co.	US	Q2
28/01/2010	3M Co.	US	Q4
28/01/2010	Altria Grp	US	Q4
28/01/2010	Apache Corp.	US	Q4
28/01/2010	AT&T	US	Q4
28/01/2010	Ball Corp.	US	Q4
28/01/2010	Baxter Intl.	US	Q4
28/01/2010	Bristol-Myers Squibb	US	Q4
28/01/2010	Chubb Corp.	US	Q4
28/01/2010	Danaher	US	Q4
28/01/2010	Eastman Kodak Co.	US	Q4

Date	Event	Region	Estimate
28/01/2010	Unemployment Rate (s.a)	GE	--
28/01/2010	Business Climate Indicator	EC	--
28/01/2010	Euro-Zone Indust. Confidence	EC	--
28/01/2010	Euro-Zone Consumer Confidence	EC	--
28/01/2010	Chicago Fed Nat Activity Index	US	--
28/01/2010	Durable Goods Orders	US	1.60%
28/01/2010	Initial Jobless Claims	US	--
29/01/2010	GfK Consumer Confidence Surve	UK	--
29/01/2010	Euro-Zone M3 s.a. (YoY)	EC	--
29/01/2010	Euro-Zone Unemployment Rate	EC	--
29/01/2010	GDP QoQ (Annualized)	US	4.20%
29/01/2010	Personal Consumption	US	--
29/01/2010	Core PCE QoQ	US	--
29/01/2010	Chicago Purchasing Manager	US	--
29/01/2010	U. of Michigan Confidence	US	--
01/02/2010	Hometrack Housing Survey (MoM)	UK	--
01/02/2010	PMI Manufacturing	GE	--
01/02/2010	PMI Manufacturing	EC	--
01/02/2010	Net Consumer Credit	UK	--
01/02/2010	M4 Money Supply (MoM)	UK	--
01/02/2010	PMI Manufacturing	UK	--
01/02/2010	Personal Income	US	0.30%

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