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### Market Movers

## IRISH PAPERS TODAY

Mainstream given €26m loan for wind farm project  
(*The Irish Times*)

Second US equity fund set to bid for Waterford Wedgwood  
(*The Irish Times*)

Mainstream to tap well-heeled investors  
(*Irish Independent*)

## IRISH PAPERS TODAY

Slump will hit Britain hardest  
(*Daily Telegraph*)

UK to fare worst in recession says IMF  
(*Financial Times*)

## DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	0.3%	-16.5%
BP	-0.9%	-5.2%
CRH	2.7%	4.0%
E.ON	0.2%	-9.0%
HPQ	4.2%	3.1%
IL&P	16.0%	7.9%
INM	7.3%	-17.6%
J&J	1.8%	-2.1%
JPMorgan	2.3%	-12.3%
Microsoft	2.2%	-7.2%
Paddy Power	-0.2%	-16.5%
Vodafone	0.1%	-3.8%

## Market View

**Analyst : Stephen Taylor**

Equities across the board traded higher yesterday as the market reacted positively to the possibility of a 'bad bank' being set up in the US. Wells Fargo's better than expected fourth quarter earnings and maintaining of its dividend also gave some much needed confidence to the banking sector. We would note however the International Monetary Fund's (IMF) assessment yesterday that credit losses from the sub-prime mortgage market may total \$2.2 trillion which compares to total losses to-date of \$1.1 trillion. With only \$970 billion of capital raised by banks so far it looks more likely than not that financials will need additional capital. Our continued cautious stance on markets is due to the fact that we do not believe equity markets can continue to move higher until the financial system is fixed or until there is an end in sight to the write-downs which appears unlikely in the short-term. Focus today will again be on corporate earnings with Dow component 3M due to report before the US market opens. On the Economic side durable goods data and new home sales figures will be closely watched.

## Fed Meeting :

**Analyst : Oliver Gilvarry**

At the Fed meeting last night, interest rates were left at their current range of 0-0.25% as expected and the focus was on the statement they released after the meeting. For the first time in the credit crisis, the Fed commented they were concerned the worldwide economy was weakening significantly and that inflation would remain below "rates that best foster economic growth". There was some expectation in the market, the Fed would release details of their plan to begin purchasing US treasuries, but that did not materialise. As part of the process to prevent deflation, the Fed has examined the possibility of following the Japanese model and purchase US Government debt to increase the money supply and to reduce longer term bond yields. Falling longer term bond yields will help reduce interest rates on mortgages, corporate bonds and municipal debt. The statement highlights they will purchase treasuries if "*evolving circumstances indicate that such transactions would be particularly effective in improving conditions in private credit markets.*"

With 30-year mortgage rates at 5.33% compared to 5.11% in the middle of January and credit markets still not working freely, the Fed is moving closer to purchasing treasuries and that process will begin in the coming months. The next Fed meeting is on the 17<sup>th</sup> of March.

## Legal & General :

**Analyst : Oliver Gilvarry**

Legal & General (L&G) released Q4 new business figures this morning. Worldwide new business sales for the full year were up 3%, with UK new sales increasing by 3% compared to the falls experienced by Standard Life and Friends Provident. L&G stated their UK business has managed the move away from property related business well as it increased individual protections sales by 13% during the year compared to a 39% fall in mortgage approvals. The performance of the international business was mixed with sales in the US increasing by 4%, but French and Dutch sales fell by 21% and 5% respectively. On capital, the company didn't give details of the Insurance Group Directive (IGD) capital surplus position at year end and it will be released with the full year results in March. The last reported figure for IGD capital surplus was £2.9bn and due to the volatility experienced in Q4, a decline in this figure is expected when released. This lack of detail will not eliminate the concern investors have over the dividend in L&G, with fears it could be reduced to conserve capital. On the outlook for 2009, management stated the challenges of the last number of months will continue in 2009, but opportunities exist for L&G to grow its business during the year. The next life company to release an interim management statement is Aviva on the 4<sup>th</sup> of February.

## BHP Billiton : Neutral Current Price (1260p) Price target (1200p) Analyst : David Dunk

Xstrata has announced that it is planning a \$5.9bn, 2 for 1 rights issue. The company is struggling due to the large amount of debt on its balance sheet, relating to a string of acquisitions over the last few years. Declines in commodity prices, have materially impacted earnings. As a result, Xstrata would likely breach debt covenants in the second half of this year. The proposed rights issue will reduce the pressure on its balance sheet. Meanwhile, Rio Tinto is reported to be in talks with Chinalco about a possible capital injection. Failure to reach an agreement with Chinalco is likely to lead to a rights issue for Rio Tinto. Our preferred pick in the sector, BHP Billiton, doesn't have the same pressures on its balance sheet, but we rate it Neutral due to our short/medium term view on commodity prices.

**BP : Buy Current Price (499p) Price target (700p) Analyst : David Dunk**

Royal Dutch Shell reported fourth quarter and full year results. Net loss for the quarter was \$2.81bn compared to \$8.4bn for the previous year. The quarterly loss was driven by adjustments to inventories, due to declines in commodity prices, as well as once-off items. Excluding these effects, profit was \$3.89bn compared with \$4.13bn expected. Shell is continuing with its progressive dividend policy with a \$0.40 fourth quarter dividend, an increase of 11% on the dividend for the same period in 2007. BP remains our preferred pick in the sector. The miss in Shell's profits has a slight negative read-through for BP. BP reports full year results on Monday while Chevron and Exxon report tomorrow.



### International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,445	4.7%	3.3%
FTSE	4,295	2.4%	-3.9%
Dow Jones	8,375	2.5%	-4.6%
S&P	874	3.4%	-3.2%
Nikkei	8,251	1.8%	-6.9%
Stoxx 50	2,323	4.4%	-5.7%

### Sector Performances

Sector	Index	1-Day	YTD
Construction	193	4.2%	-5.9%
Technology	155	3.6%	0.3%
Oil & Gas	274	1.3%	2.6%
Financials	141	11.4%	-7.7%
Retail	190	2.8%	3.4%
Food & Drink	231	-0.1%	-0.9%

### Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	42.2	1.4%	-14.2%
Copper	149.6	0.8%	5.1%
Gold	887.6	-1.3%	-0.4%
Silver	12.0	-1.7%	5.1%
Wheat	595.3	1.8%	-3.4%
Cattle	84.4	0.0%	-5.3%

### Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.317	0.0%	6.4%
€/£	0.924	-0.8%	3.2%
£/\$	1.425	0.8%	3.3%
\$/JPY	90.31	1.5%	0.6%
€/JPY	118.90	1.6%	7.0%
€/SFR	1.516	0.8%	-1.2%

### 5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	152.4	-6.3%	-12.6%
High Yield	1,014.2	-2.6%	0.1%
Financials	114.7	-2.4%	-0.4%
BoI	339.9	-1.0%	40.2%
AIB	252.5	-2.5%	27.8%
RBS	129.4	-7.1%	-5.4%

### Money Market Rates

Rate	EUR	UK	US
Overnight	1.2%	1.3%	0.2%
3-Month	2.1%	2.6%	1.2%
1-Year	2.1%	1.7%	1.2%
2-Year	2.3%	2.1%	1.5%
5-Year	3.1%	3.0%	2.3%
10-Year	3.7%	3.8%	2.9%

Date	Company	Region	Event	Date	Event	Region	Estimate
29/01/2009	Ericsson	SE	Q4	29/01/2009	German unemployment	GE	n/a
29/01/2009	Royal Dutch Shell Plc	UK	Q4	29/01/2009	Euro-Zone M3	EU	n/a
29/01/2009	AstraZeneca PLC	UK	Q4	29/01/2009	Euro-Zone Confidence Indicators	EU	n/a
29/01/2009	3M Co.	US	Q4	29/01/2009	Durable Goods	US	-2.00%
30/01/2009	CPL Resources	IE	PRELIM	29/01/2009	Initial Jobless Claims	US	500k
30/01/2009	Chevron	US	Q4	29/01/2009	New Home Sales	US	-2.50%
30/01/2009	Exxon Mobil	US	Q4	30/01/2009	German Retail Sales	GE	n/a
30/01/2009	Proctor & Gamble	US	Q2	30/01/2009	Euro-Zone CPI estimate	EU	1.60%
02/02/2009	Ryanair	IE	Q3	30/01/2009	Euro-Zone Unemployment	EU	7.80%
03/02/2009	SAS	SE	Q4	30/01/2009	US GDP	US	-5.50%
03/02/2009	BP	UK	Q4	30/01/2009	Chicago PMI	US	35
03/02/2009	Vodafone	IE	Trading	02/02/2009	Euro-Zone PMI Manu.	EC	34.5
03/02/2009	DR Horton	US	Q1	02/02/2009	Personal Income	US	-0.40%
03/02/2009	Walt Disney	US	Q1	02/02/2009	Personal Spending	US	0.90%
03/02/2009	Merck & Co.	US	Q4	02/02/2009	PCE Core	US	1.70%
03/02/2009	UPS	US	Q4	02/02/2009	ISM Manufacturing	US	32.5
04/02/2009	Prudential Financial, Inc.	US	Q4	02/02/2009	Construction Spending	US	-1.10%
04/02/2009	Danske Bank A/S	DK	Q4	03/02/2009	PMI Construction	UK	n/a
04/02/2009	Finnair Oyj	FI	Q4	03/02/2009	PPI	EU	n/a
04/02/2009	Zurich Financial Services	CH	FINAL	03/02/2009	Pending Home Sales	US	0.00%
04/02/2009	National Grid Plc	GB	TRADING	04/02/2009	Unemployment Rate	IE	n/a

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