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## IRISH PAPERS TODAY

Bank shares plunge as Lenihan signals delay over Nama  
*(The Irish Times)*

New Home Sales in US fall for first time in six months  
*(The Irish Times)*

EU's tough stance on bailouts triggers huge bank sell-off  
*(Irish Independent)*

## INTERNATIONAL PAPERS TODAY

Lloyds to be cleared for capital test-plan  
*(Financial Times)*

Wary investors await signals from central bankers  
*(Financial Times)*

Eurozone credit crunch is easing  
*(The Wall Street Journal)*

## Market View

**Analyst : Edward Keeling**

European equity markets are trading lower this morning adding to yesterday's declines and following their lead from the US and Asia overnight. Both the S&P and the Nasdaq fell for the fourth straight day amid weaker than anticipated economic data. New home sales unexpectedly fell 3.6% to a 402,000 annual rate, weaker than economists' forecasts of 440,000. A separate report showed that demand for mortgages has fallen for the past three weeks, reflecting concerns that the existing home buyers' tax credit will not be extended before its expiry on November 30<sup>th</sup>. The Dow Jones US home construction index fell 5.5%, its worst one day performance since May. Investor sentiment was also hit by the news that Goldman Sachs cut its US Q3 GDP forecast to 2.7% from 3% ahead of the data release today. On a positive note, US durable goods orders were in line with market estimates, rising 1% in September. Durable good orders are traditionally seen as a lead indicator of manufacturing activity and encouragingly this is their second increase in the last three months. While we remain positive on equity markets, we do anticipate some consolidation over the short term. In our view this will provide investors with attractive entry levels with which to build positions for the medium term. Looking ahead to today's session, there are plenty of corporate earnings releases, with AstraZeneca, Procter & Gamble, Colgate-Pamolive and Exxon all reporting results. On the economic front, we will be paying close attention to the US Q3 GDP release and the US weekly jobless claims report.

**Irish Financials: Lenihan comments weigh on Irish bank shares Analyst: Oliver Gilvarry**

Minister for Finance Brian Lenihan has indicated this morning that the government may still be able to meet its deadline of transferring loans to NAMA by the end of the year. Mr. Lenihan pointed out that in relation to his comments yesterday that if debate in the Dail was too protracted this could potentially cause a delay in the set up of NAMA and therefore the process for transferring the loans. Global bank shares have remained under pressure this week following the bankruptcy of commercial real estate financial firm Capmark Financial in addition to the fund raising of Dutch financial ING. The fact that the European Commission is requiring ING to split its banking and insurance arms has been taken negatively by the market particularly to those financial firms that have received state aid. The EC has already indicated its approval towards NAMA, however with the number of equity raises by financial firms likely to increase, the ability of Irish financials to raise capital in private markets has been put into question. We maintain Irish Life & Permanent as our preferred Irish financial.

**Vodafone: Buy Current Price:(137p) Target Price:(150p) Analyst : Stephen Taylor**

Vodafone peer France Telecom has reported a solid set of third quarter results this morning. The group reported EBITDA that declined to €4.56bn from €4.95bn last year, however was slightly ahead of analyst expectations. Sales declined to €12.7bn from €13.6bn and in line with consensus. France Telecom said its cost-savings plan will limit any decline in 2009 EBITDA margin, which fell by 0.7% to 35.9% in the third quarter. It also reiterated its cash flow target of €8bn in line with last year's target. The group also indicated that it should be able to 'rapidly take advantage of an improving economic environment'. We take the results as a positive read across for Vodafone in particular its European operations. Vodafone also benefits from strong emerging market exposure particularly in India and an increased focus on Africa. Vodafone is due to issue interim results on November 10<sup>th</sup>.

**INM: Spec Buy Current Price: (€0.205) Target Price: (€0.26) Analyst : Stephen Taylor**

Independent News & Media (INM) has this morning issued an interim management statement on its performance year to date while updating its outlook for the rest of the year. INM indicated that group revenue in the 43 weeks to 23<sup>rd</sup> October is down by c.14% year on year with group advertising revenue down 19% and circulation revenue down by c.2%. Revenue for the first half of the year was down 14.9%. The company pointed out that the improved year to date revenue performance demonstrates a stabilising revenue trend, with each region experiencing similar advertising momentum. INM noted that operating profit is 37% lower year on year, compared to a fall of 44.8% in the first half of the year. For the full year 2009, INM expects operating profit to be in the region of €170m to €180m. Recall that at its interim results in August the group indicated that it expects operating profit to be at the lower end of its €180m - €210m targeted range. In relation to its asset disposal program INM indicated that its disposal of Veriox, the German online utility price comparator business is ongoing and is expected to be completed shortly. In relation to the group's financial restructuring, INM indicated that a further standstill period is currently being negotiated with the current period expected to expire on October 30<sup>th</sup>. We continue to remain cautious on INM until the full restructuring of the company takes place and is approved in full by bondholders.

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## **Miners Update : Kazakhmys IMS & Q3 Production Update**

**Analyst : David Dunk**

The FTSE listed Kazakhmys released a production update this morning. The results were broadly in line with expectations but the market focused in on Q4 production comments. CEO Oleg Novachuk stated that the company intends to "carry out some maintenance work and may see a rebuild of inventory". This will mean that Q4 production is likely to be at a lower run rate than Q3. No details of the maintenance work have emerged yet. The report showed that Q3 copper production came in at 82 kilo tonnes and benefitted from the continued use of stockpile material. The copper miner also cited rising prices which allowed the company to reduce its debt from \$1,568 million to \$1,398 million. Finally Kazakhmys increased gold production by 13% compared to Q3 09.

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## **UK Financials : Lloyds refinancing set to get go ahead**

**Analyst : Oliver Gilvarry**

The Financial Times has reported this morning that Lloyds Banking Group is to get the go ahead by Chancellor of the Exchequer Alistair Darling to test its plan for a £25bn refinancing, signalling that the government is willing to release the bank from its toxic asset insurance play. The report suggests that Lloyds will be told in days that it can formally appoint underwriters and test the market, however Darling will reserve the right to withdraw approval for the plan if he concludes that the move is too risky.

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## **GSK: Buy    Current Price : (1235p)    Target Price:(1325p)    Analyst : Oliver Gilvarry**

Yesterday, GlaxoSmithKline (GSK) reported a solid set of third quarter results further highlighting the defensiveness of the healthcare sector. Net profit increased by 30% to £1.34bn, with EPS rising to 28.5p from 25.2p a year earlier and slightly ahead of expectations of 28p. Revenue increased by 15% to £6.76bn slightly ahead of expectations for £6.75bn. Sales for Relenza more than doubled to £182m as governments expanded stockpiles for the swine flu. GSK has made over 10 deals including licensing or acquisitions over the last two years to make up for revenue lost to generic versions of its drug. In addition the company has increased its exposure to emerging markets that saw sales in the quarter increase by 25%. We take GSK's results yesterday as a positive and given the increased volatility in equity markets at the moment we see its share price benefitting to a move into more defensive companies.

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## **Aviva: Buy    Current Price : (404p)    Target Price:(440p)    Analyst : Oliver Gilvarry**

Axa has reported Q3 results this morning and the French insurer has reported sales of €68.1bn, down from €69.5bn last year and behind expectations of €68.36. Overall its top line trends are in line with the first half of 2009 and it has continued to achieve positive net insurance inflows. Revenue from Axa's assets under management business fell more than 26% to €2.25bn, however this was in line with analysts' forecasts. Commenting at current market conditions, management have made some positive comments, stating that the market environment have improved a lot compared with the first half of the year.

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### International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,859	-6.5%	22.0%
FTSE	5,080	-2.3%	14.3%
Dow Jones	9,882	0.1%	11.2%
S&P	1,063	-0.3%	15.4%
Nikkei	10,075	-1.3%	11.6%
Stoxx 50	2,778	-2.0%	13.4%

### Sector Performances

Sector	Index	1-Day	YTD
Construction	247	-4.2%	1.7%
Technology	178	-3.0%	3.8%
Oil & Gas	317	-1.9%	2.9%
Financials	220	-2.9%	2.4%
Retail	226	-0.6%	1.6%
Food & Drink	280	-0.2%	4.2%

### Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	77.5	-2.6%	32.1%
Copper	293.1	-2.3%	104.0%
Gold	1,028.1	-1.1%	17.2%
Silver	16.2	-1.8%	44.3%
Wheat	494.8	-1.7%	-26.1%
Cattle	86.9	-0.2%	-3.7%

### Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.471	-0.7%	-5.2%
€/£	0.898	-0.7%	6.4%
£/\$	1.637	0.0%	-10.9%
\$/JPY	90.720	-1.2%	0.0%
€/JPY	133.405	-1.8%	-5.3%
€/SFR	1.510	-0.2%	-1.1%

### 5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	93.8	4.4%	-46.8%
High Yield	504.6	4.7%	-49.8%
Financials	71.8	4.5%	-37.6%
BoI	160.8	3.2%	-35.1%
AIB	167.7	3.8%	-19.6%
RBS	114.2	3.7%	-15.6%

### Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.5%	0.2%
3-Month	0.7%	0.6%	0.3%
1-Year	1.2%	0.9%	0.6%
2-Year	1.8%	1.9%	1.3%
5-Year	2.8%	3.2%	2.7%
10-Year	3.5%	3.9%	3.6%

Date	Company	Region	Event
29/10/2009	Austrian Airlines AG	AT	Q3
29/10/2009	Finnair Oyj	FI	Q3
29/10/2009	Axa SA	FR	Q3 SALES
29/10/2009	Renault SA	FR	Q3 SALES
29/10/2009	BASF SE	DE	Q3
29/10/2009	Continental AG	DE	Q3
29/10/2009	Deutsche Bank AG	DE	Q3
29/10/2009	Deutsche Lufthansa AG	DE	Q3
29/10/2009	MAN SE	DE	Q3
29/10/2009	Volkswagen AG	DE	Q3
29/10/2009	Royal Dutch Shell Plc	NL	Q3
29/10/2009	Arriva PLC	GB	TRADE
29/10/2009	AstraZeneca PLC	GB	Q3
29/10/2009	Standard Life Plc	GB	Q3 TRADE
29/10/2009	Procter & Gamble Co.	US	Q1
29/10/2009	Colgate-Palmolive	US	Q3
29/10/2009	Exxon Mobil Corp.	US	Q3
29/10/2009	Kellogg Co.	US	Q3
29/10/2009	McAfee	US	Q3
29/10/2009	Motorola	US	Q3
29/10/2009	Southwestern Energy Co	US	Q3

Date	Event	Region	Estimate
29/10/2009	Unemployment Change (000's)	GE	--
29/10/2009	Net Consumer Credit	UK	--
29/10/2009	Mortgage Approvals	UK	--
29/10/2009	M4 Money Supply (MoM)	UK	--
29/10/2009	Euro-Zone Consumer Confidence	EC	--
29/10/2009	GDP QoQ (Annualized)	US	3.20%
29/10/2009	Personal Consumption	US	--
29/10/2009	GDP Price Index	US	--
29/10/2009	Core PCE QoQ	US	--
29/10/2009	Initial Jobless Claims	US	--
30/10/2009	GfK Consumer Confidence Surve	UK	--
30/10/2009	Retail Sales (MoM)	GE	--
30/10/2009	Euro-Zone CPI Estimate (YoY)	EC	--
30/10/2009	Euro-Zone Unemployment Rate	EC	--
30/10/2009	Personal Income	US	--
30/10/2009	Personal Spending	US	--
30/10/2009	PCE Deflator (YoY)	US	--
30/10/2009	PCE Core (YoY)	US	--
30/10/2009	Chicago Purchasing Manager	US	--
30/10/2009	U. of Michigan Confidence	US	--

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Dolmen Stockbrokers, 75 St. Stephen's Green, Dublin 2, Ireland.



## DOLMEN SECURITIES LTD

75 St. Stephen's Green, Dublin 2, Ireland.  
45 South Mall, Cork, Ireland  
Theatre Court, Mallow St, Limerick, Ireland.

Tel : +353 1 633 3800/1890 400 300  
Tel : +353 21 422 2122  
Tel : +353 61 436 500

E-mail: info@dsl.ie  
E-mail: cork@dsl.ie  
E-mail: Limerick@dsl.ie