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IRISH PAPERS TODAY

AIB and Bol fuelling credit flow – Central Bank
(The Irish Times)

Value of Irish exports down 8% in year to May
(The Irish Times)

Banks get just one shot to fight toxic loan values
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Search alliance under fire
(Financial Times)

Mittal predicts 10% pick-up in global demand for steel in 2010
(Financial Times)

Europe's banks still lending shy
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-0.3%	5.1%
BP	0.2%	-3.9%
CRH	2.1%	4.3%
DCC	0.5%	43.5%
E.ON	1.4%	-5.9%
HPQ	0.5%	16.3%
IL&P	3.7%	106.5%
INM	-1.1%	-47.3%
J&J	0.4%	2.2%
JPMorgan	-0.8%	19.8%
Microsoft	1.4%	22.4%
Vodafone	0.4%	-12.4%

Market View

Analyst : Edward Keeling

European equity markets are higher this morning, boosted by a raft of better than expected earnings releases including VISA, Siemens, France Telecom and **BSky**. However in the US overnight, weaker than expected US durable goods orders, often seen as a leading indicator of activity in manufacturing and a gloomy Fed Beige book sent markets lower. US durable goods posted their biggest decline for five months in June, and while the Beige book indicated the pace of economic decline had slowed, it pointed towards a prolonged period of job weakness and the associated risks to consumer spend. We would share these concerns regarding future consumer strength but would note with regard to durable goods that non-defence capital goods orders excluding aircraft actually rose 1.4%. US crude prices declined sharply yesterday as an unexpected rise in crude inventories and concerns over Chinese bank lending restrictions sent the commodity almost 6% lower to \$63.35. In terms of currencies, sterling has continued to strengthen against the euro this morning, as a report by the Nationwide Building Society showed house prices rose in Britain for the third consecutive month. Looking ahead towards today's session, we expect further consolidation amongst most indices and we will be paying close attention to Q2 earnings releases from MasterCard, Dow Chemical, Kelloggs and Colgate. In terms of economics releases, US weekly jobless claims will as always be in focus at 13:30.

Irish Financials: NAMA legislation details

Analyst : Oliver Gilvarry

The details of the bill putting the National Asset Management Agency (NAMA) on a legislative basis will be released at circa five this evening. The key part of NAMA, the haircut that will be applied on the transfer of the loans, will not be included in the bill and it will be another number of months before this detail is released. While the haircut will not be revealed today, the market will be looking for other information such as the coupon that will be paid on the Government bonds the Irish banks will receive in return for the loans sold to NAMA. The coupon on these bonds will have an impact on the banks as the coupon will have to compensate for the loss of income on the performing assets. Reports in the Irish Independent this morning indicate, banks will only have one chance to challenge the price NAMA is prepared to pay for their loans and this appeal can only occur once all loans have been transferred into NAMA. With Dáil Eireann (Irish Parliament) coming back early in September, the bill could be passed shortly afterwards. There is still the concern over a constitutional challenge to NAMA, and it is being speculated that the President may refer the bill to the Supreme Court to copper fasten NAMA and prevent lengthy court challenges. With the Supreme Court not due to sit again until the 5th of October and a review of a bill taking between six-weeks and three months, the target for moving assets into NAMA before the end of this year doesn't leave much room for error. On the release of the bill today, with no details on the level of haircuts to be applied or how they are calculated, the uncertainty surrounding the Irish banks will continue. The positive for the banks is that NAMA is moving forward and for the Irish economy it is a step closer to stabilising the banking system, creating the foundations for an economic recovery. On a separate note at an Oireachtas Committee yesterday, AIB and BOI stated they had no immediate plans to increase interest rates on their standard variable mortgages.

Vodafone: Buy Current Price (121p) Price target (150p) Analyst : Stephen Taylor

This morning a number of peers of Vodafone have reported results this morning. Overall the results were strong and should be taken as a positive read across for Vodafone.

France Telecom

France Telecom the owner of Orange reported first half EBITDA that declined to €8.82bn from €9.29bn last year beating analyst expectations of €8.6bn. Revenue declined by 3.2% to €25.46bn. The group said that the level of business in the second half of the year is likely to be lower. Similar to Vodafone, France Telecom confirmed its free cash flow target and the company expects to maintain the level at €8bn. France Telecom has also been focussing on cost cutting measures and expects €1.5bn in savings by the end of 2011.

Telefonica

Telefonica the owner of O2 reported net profit that declined to €1.93bn from €2.06bn with revenue declining by 2.6% to €13.9bn. Analysts had predicted profit of €1.88bn and revenue of €13.96bn. Telefonica reiterated its goal for 2009 on increasing operating cash flow by 8% to 11% boosting revenue and generating 1% to 3% growth in Oibda. Telefonica had already indicated in January that it would boost its dividend by 15% to €1.15.

BT Group

BT Group shares are up 12% this morning after reporting better than expected first quarter results. The group posted a net profit that declined to £214m from £381m last year well ahead of the market consensus of £118.2m. Revenue increased by 1.1% to £5.24bn versus £5.04bn expected. The group also indicated that it is on track to cut costs and capital expenditure by 'well over £1bn and generate £1bn in free cash-flow this year'. BT also reiterated that it expects sales to drop between 4% and 5% this year. Group CEO Ian Livingston said that its problematic Global Service division is making progress although there is still a lot to do

CRH: Buy **Current Price (€16.93)** **Price Target (€19.00)** **Analyst : Stephen Taylor**

HeidelbergCement has reported second quarter net profit that declined to €364m from €443m while revenue declined to €3.01bn from €3.87bn last year. Similar to CRH the company continues to focus on cost cutting measures to take account of falling revenue. In light of this it also raised its cost cutting goal to €470m from its previous target of €250m. In relation to its outlook for the rest of the year, HeidelbergCement said that it sees revenue and operating profit declining, however given current economic uncertainty would not provide a precise forecast. Overall there is no major negative surprise in the results. On a trading basis we would look to buy CRH sub €16.00.

Siemens: Q2 earnings **Current Price (€56.03)** **Analyst : Stephen Taylor**

Siemens reported second quarter sector profit for the group of €1.67bn beating expectations of €1.52bn. Revenue declined by 4% to €18.3bn. Siemens order intake came in below expectations at €17.16bn versus market consensus of €18.19bn. While the company was understandably cautious on the current macro environment it did reiterate full year guidance for the year, beating last years sector profit of €6.6bn. We like Siemens as a long-term recovery play and will be publishing a detailed note on the company next week

BATS: Buy **Current Price (1840p)** **Price Target (1950p)** **Analyst : Edward Keeling**

British American Tobacco have reported better than expected half year results this morning with revenues coming in at £6.787bn up from £5.46bn last year and ahead of consensus estimates of £6.57bn. Profit from operations was £2.11bn increasing 22% from 2008 and ahead of forecasts of £2.08bn. Adjusted EPS for the period was 77p, rising 26% year on year and better than estimates of 72p. The group continues to benefit from strong pricing power, resulting from the inelasticity of demand for its product, the consolidated nature of the industry and brand innovation. In addition the acquisitions BATS made in the middle of last year (ST and Tekel) and favourable exchange rate movements boosted performance. We continue to believe BATS is a compelling investment given its defensive earnings growth and attractive dividend yield of 5.1%. Its balance sheet is sound, and while there are risks of tax shocks, we believe these fears have been overdone. Moreover, its strong pricing power and cost savings potential will help support its bottom line.

BP: Buy **Current Price (505p)** **Price target (600p)** **Analyst : David Dunk**

Royal Dutch Shell has released its second quarter results this morning. Production during the period was 2.96m barrels of oil equivalent per day. Net income for the second quarter was \$3.8bn, down from \$11.6bn from the same quarter last year. The oil sands division generated a profit of \$50m, and the Gas & Power division generated \$705m in profit. Excluding exceptional items, earnings of \$3.15bn were better than consensus expectations of \$2.4bn. Earnings per share for the period were \$0.62, down from \$1.87. Shell will pay a quarterly dividend of \$0.42 per share, an increase of 5%. Shell was affected by the weak global economy in the second quarter, and expects conditions to remain challenging. Shell reduced costs by \$0.7bn in the first half of the year, compared with same period in 2008.

Ryanair : Under Review **Current Price (€3.14)** **Analyst : David Dunk**

Deutsche Lufthansa has released results for the first half of the year. The German airline will report a net loss of €216m for the first half of the year, compared to a profit of €381 last year. Operating profit for the period was €8m, compared to €677m last year. Revenue for the period was €10.2bn, below consensus expectations for €10.6bn. Lufthansa is still targeting an operating profit for the full year, but sees considerable risks to this goal from fuel prices, and possibly weaker than expected demand. Lufthansa are looking to reduce operating costs by €1bn by the year 2011. Overall the results were disappointing, but hardly surprising given the difficult operating conditions in the sector.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,759	0.0%	18.5%
FTSE	4,548	-1.2%	3.2%
Dow Jones	9,071	-0.3%	3.4%
S&P	975	-0.5%	8.0%
Nikkei	10,165	0.5%	14.7%
Stoxx 50	2,600	1.1%	6.8%

Sector Performances

Sector	Index	1-Day	YTD
Construction	228	1.5%	12.6%
Technology	170	1.5%	12.6%
Oil & Gas	294	-0.1%	10.8%
Financials	199	0.9%	32.2%
Retail	226	0.8%	24.2%
Food & Drink	255	0.9%	11.2%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	63.4	-5.8%	12.4%
Copper	247.8	-1.7%	74.1%
Gold	930.0	-0.8%	5.5%
Silver	13.3	-3.5%	17.8%
Wheat	511.5	-0.9%	-21.1%
Cattle	89.3	-1.5%	0.1%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.405	-0.8%	0.6%
€/£	0.858	-0.5%	-12.0%
£/\$	1.638	-0.3%	11.3%
\$/JPY	94.99	0.5%	4.6%
€/JPY	133.45	-0.4%	5.2%
€/SFR	1.527	0.2%	2.4%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	109.6	-6.3%	-39.7%
High Yield	691.7	-0.3%	-31.5%
Financials	84.9	0.4%	-31.8%
BoI	348.8	-0.3%	42.9%
AIB	355.9	-0.6%	74.5%
RBS	131.5	-0.3%	-2.9%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.4%	0.2%
3-Month	0.9%	0.9%	0.5%
1-Year	1.3%	1.2%	0.8%
2-Year	1.8%	2.2%	1.5%
5-Year	2.9%	3.7%	3.0%
10-Year	3.6%	4.3%	3.9%

Date Company Region Event

Date	Company	Region	Event
30/07/2009	L'Oreal SA	FR	INTERIM SALES
30/07/2009	AIR France-KLM	FR	Q1
31/07/2009	Alcatel-Lucent	FR	Q2
31/07/2009	Electricite de France SA	FR	Q2
31/07/2009	France Telecom SA	FR	Q2
31/07/2009	Renault SA	FR	Q2
31/07/2009	Vallourec SA	FR	Q2
31/07/2009	BASF SE	FR	Q2
31/07/2009	Continental AG	DE	Q2
31/07/2009	Deutsche Lufthansa AG	DE	Q2
31/07/2009	Deutsche Postbank AG	DE	Q2
31/07/2009	MAN SE	DE	Q2
31/07/2009	Volkswagen AG	DE	Q2
31/07/2009	Siemens AG	DE	Q3
31/07/2009	Covidien plc	DE	Q3
31/07/2009	Royal Dutch Shell Plc	IE	Q2
31/07/2009	Telefonica SA	NL	H1
31/07/2009	British Sky Broadcasting	ES	FINAL
31/07/2009	BAE Systems PLC	GB	INTERIM
31/07/2009	Next Plc	GB	TRADE
31/07/2009	British American Tobacco	GB	INTERIM
31/07/2009	Centrica Plc	GB	INTERIM

Date Event Region Estimate

Date	Event	Region	Estimate
30/07/2009	Retail Sales (MoM)	GE	--
30/07/2009	Unemployment Rate (s.a)	GE	8.40%
30/07/2009	Business Climate Indicator	EC	-2.86
30/07/2009	Euro-Zone Consumer Confid	EC	-24
30/07/2009	Initial Jobless Claims	US	588K
31/07/2009	GfK Consumer Confidence S	UK	-23
31/07/2009	Euro-Zone CPI Estimate (Yo	EC	-0.40%
31/07/2009	Euro-Zone Unemployment R	EC	9.70%
31/07/2009	GDP QoQ (Annualized)	US	-1.50%
31/07/2009	Personal Consumption	US	-0.50%
31/07/2009	Core PCE QoQ	US	2.40%
31/07/2009	Chicago Purchasing Manage	US	42
03/08/2009	PMI Manufacturing	GE	--
03/08/2009	PMI Manufacturing	EC	--
03/08/2009	PMI Manufacturing	UK	--
03/08/2009	ISM Manufacturing	US	--
03/08/2009	Construction Spending MoM	US	--
03/08/2009	Total Vehicle Sales	US	--
04/08/2009	PMI Construction	UK	--
04/08/2009	Euro-Zone PPI (MoM)	EC	--
04/08/2009	Personal Income	US	--
04/08/2009	PCE Deflator (YoY)	US	--

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