

## CONTENTS

**Market View:** Fed's Bullard calls for further QE

**Michelin:** The world's second largest tiremaker, beats estimates on first half profits

**Irish Financials:** Fitch Ratings releases report on the strength of Irish financials

**CRH:** Construction peers reports results

**Ryanair:** British Airways IMS

## Market Movers

## IRISH PAPERS TODAY

Aer Lingus strike vote could cause travel disruption  
*(The Irish Times)*

Anglo unhappy at regulator's role in Quinn loan talks  
*(The Irish Times)*

11,000 new houses built as 300,000 still lie empty  
*(Irish Independent)*

## INTERNATIONAL PAPERS TODAY

FSA widens scope of pay limits  
*Financial Times*

Strong results underline strength of Europe's corporate recovery  
*(Financial Times)*

BP's Hayward defends reign, spill response  
*(Wall Street Journal)*

## Market View

Analyst: Brian Gallagher

European equities are trading marginally lower this morning as investors assimilate mixed macro and corporate signals. Remarks from The President of the Federal Reserve of St Louis unnerved markets yesterday when James Bullard stated that "The U.S. is closer to a Japanese-style outcome today than at any time in recent history". The central banker was referring to a period in Japan's economic history, that continues today, where an economy experiences low growth coupled with falling asset prices. Bullard went on to recommend further quantitative easing to counter such an environment which sparked renewed speculation that the Federal Reserve has not ruled additional unconventional measures. On the corporate front, newsflow remains largely positive. Royal Dutch Shell, Total, ConocoPhillips and Exxon Mobil have all beaten analysts expectations this week signalling that the global recovery remains on track. Furthermore, emerging market growth was reinforced by Anglo American's results this morning and as well the continued strength in base metals. The major macro data point of the day will be the first reading on Q2 US GDP. This figure, although not forward looking, will provide confirmation that US recovery continued in the second quarter and will assuage fears that the US economy is at risk of a double dip. Corporate announcements will be lighter as we head into the weekend however, Chevron and Merck are both scheduled to report results to the exchange this afternoon.

**Michelin: Buy**      **Previous Close** €59.35      **Target** €60.00      **Analyst** Stephen Taylor

Michelin, the world's second largest tiremaker, beat estimates on first half profits, reporting net income of €504m. Sales in the period rose 17% to €8.35bn with the group pledging to maintain profitability by passing on rising raw-material costs to consumers through price hikes. The group reported that demand has rebounded in Europe and North America faster than expected. In South America, the replacement tire business returned to growth with strong performances in Brazil, Argentina and Colombia. In Asia, sales continued to be strong with a 17% growth in China. The growth in South America and Asia show the global footprint of the group and its exposure to more developing markets. On outlook, the group maintained its full year target of 10% plus growth in sales volumes, maintaining its objective of generating positive free cash flow with operating margins of 9%.

## Irish Financials

Analyst Oliver Gilvarry

Fitch Ratings released a report yesterday stating that funding is the most important challenge facing Irish banks and they remain "dependent on the ECB and state guarantees." The reported said funding remains tight and there is uncertainty over how the banks will refinance when the blanket guarantee ends. Fitch do say they believe the funding situation will remain manageable helped by the extension of a less comprehensive guarantee scheme and access to ECB funding. The report by Fitch has not highlighted anything new within the Irish banking system, but it is positive that despite the funding issues facing the Irish banks it sees the problem as manageable.

**CRH: Buy**      **Previous Close** €16.26      **Target** €20.00      **Analyst** Stephen Taylor

Lafarge has posted half year earnings and its numbers are in line with expectations. Q2 sales were down by 2% on a like for like basis to €4436m, slightly higher than consensus at €4431m. In cement, the volume decline improved to 4% in Q2, from 5% in Q1. This was supported by a return to volume growth of +10% for North America. Cement pricing was stable overall. In aggregates & concrete, like for like sales were +1% during Q2 or -5% for H1 reflecting volume growth for aggregates and slower rates of volume declines in ready mix concrete. The sales increase was supported by volume growth in North America and the UK.

In terms of outlook, based on demand trends seen through the second quarter, the Group has reduced its growth estimates and expects cement demand to be between -1 to +3 percent in 2010 as compared to 2009. Based on second quarter activity, it has lowered its full year volume estimates for Western and Eastern Europe and increased its volume estimates for North America. Continued market growth is expected in the Asia, Latin America and Middle East Africa regions. The negative read through for CRH is limited given it recently just issued a cautious update.

Meanwhile, HeidelbergCement, another peer of CRH bucked industry trends and posted Q2 operating income ahead of analysts' estimates of €670m. The Worlds fourth largest cement maker reported that Q2 operating income rose 9.1% to €693m, which was buoyed in particular by demand from North America, Asia and Africa. Q2 sales rose 10% to €3.3bn, ahead of expectations at €3.1bn. The group reiterated its guidance that it expects to grow faster than the overall economy this year and next.



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**Ryanair: Buy**      **Previous Close** €3.75      **Target** €4.70      **Analyst** Edward Keeling

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British Airways released an interim management statement this morning for the three months ending June 30<sup>th</sup>. The airline reported an operating loss of £72m, This is better than analysts' forecasts and is compared with a loss of £94m for the same period last year. The outperformance reflects a stronger revenue environment which despite the impact from the volcanic ash disruptions was down just 2.3%. Passenger revenue was down 3.4%, on capacity down 11.2%. Passenger yields improved by 13.5% and excluding the ash impact would have increased by some 11% year on year. Its cargo business, often seen as a lead economic indicator, delivered a very strong performance. Cargo volumes rose by 2.1%, while cargo yields were 34% higher. On current trading and outlook management noted that the steady recovery continues and, on that basis, it continues to target a break even result at a profit before tax level for the full year.

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