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Market Movers

IRISH PAPERS TODAY

AIB and Bol injection discussions continue
(The Irish Times)

Ryanair shares rise on profit forecast
(The Irish Times)

ECB drawing up guidelines for the establishment of 'bad banks'
(Irish Independent)

INTERNATIONAL PAPERS TODAY

European equity issues set to take off
(Financial Times)

Iberia seeks more in deal with BA
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-2.1%	-16.1%
BP	-2.0%	-11.5%
CRH	-2.0%	-0.8%
E.ON	-2.6%	-12.8%
HPQ	-0.3%	-4.5%
IL&P	-6.5%	-1.0%
INM	0.0%	-35.2%
J&J	0.0%	-3.6%
JPMorgan	-1.2%	-20.1%
Microsoft	4.3%	-8.3%
Paddy Power	0.0%	-19.6%
Vodafone	-1.2%	-1.6%

Market View

Analyst : Stephen Taylor

Equity markets trended lower yesterday with the FTSE falling for its third straight day. Banks and property stocks led the drop as Barclays was downgraded by Moody's while all of the UK REIT stocks lost ground on speculation that equity raisings may be required. In the US Macys lowered its full-year earnings forecasts, slashed its dividend and announced that it was cutting 7,000 jobs a further indication that economic activity will remain weak for a prolonged period of time. Yesterday's ISM manufacturing figure while better than expected still showed extreme weakness among certain areas including autos. We have added Daimler to our list of short stocks and believe that it and BMW will remain under pressure this year as sales of new cars and trucks dry up, while write-downs at their financing divisions increase. On the positive side central banks across the globe are continuing to do what they can to shore up global growth. Last night Australia lowered interest rates by 1% to 3.25% while it also announced a further \$27bn stimulus package aimed at low income earners and infrastructure projects. As for today focus will be again on corporate earnings and economic data. On the earnings side DR Horton, Dow Chemical, Motorola and UPS are all due to report before the US market opens. While on the economic side US pending home sales for December which are due for release at 3pm will be closely watched. The market consensus is for a flat month on month outturn however with new home sales data last week showing a 14% fall, risks to this number are clearly to the downside.

Social partnership talks fail:

Analyst : Oliver Gilvarry

Overnight the Government talks with the social partners ended without agreement. The main sticking point was on the proposal for circa 350,000 civil servants to pay towards their pension contributions. This would have helped achieve the €2bn in spending cuts required by the government. A cabinet meeting will take place today and the plan is to force through spending cuts without the agreement of the civil service unions. Currently the state is borrowing €55m a day and €2bn in spending cuts would reduce that figure to nearly €50m a day. The negative outlook rating agencies have placed on Irish Government debt, is partly due to worries over the government been unable to control public spending. Decisive action is now required by the government to force through the required spending cuts and to quickly deal with the Irish banking crisis. Only quick and appropriate action will prevent Ireland losing its AAA credit rating. At the moment the international bond market has not reacted negatively to the news overnight as the yield on Ireland 4% 2014 has tighten since yesterday. The failure of an agreement with the civil service unions on pay will mean the country is facing its worse period of industrial unrest since the 1980's.

Vodafone : Buy **Current Price** (134p) **Price target** (140p) **Analyst : Stephen Taylor**

Vodafone issued a strong trading statement this morning as it benefited from the recent weakness in sterling along with strong growth from its emerging market divisions and as a result increased its full-year earnings guidance. The group said that revenue increased by 14% to £10.47bn beating analyst expectations of £10.29bn. The group raised its full year revenue forecast to £40.6bn - £41.5bn, operating profit forecast by £0.5bn to £11.5bn - £12.0bn and importantly also raised its free cash flow target by £0.3bn to a range of £5.5bn - £6.0bn. Europe continues to remain subdued with revenue falling by 1%, with Spain in particular showing weakness with revenue declining by 5.8% on an organic basis while emerging market growth remains strong with organic growth of 3.5% in Asia-Pacific and 9.2% in Central Europe / Africa. The group also said that it had made good progress on its cost cutting program and expects £500m to be completed by the end of 2010 with a further £500m to be completed in 2011. We view Vodafone's update today as a positive and reiterate our buy recommendation on the stock. We will be updating estimates and publishing a detailed note tomorrow.

BP : Buy **Current Price** (475p) **Price target** (700p) **Analyst : David Dunk**

BP has announced full year and Q4 results. The company has posted a quarterly loss for the first time in seven years. This was largely due to impairments charges and write-offs on inventory. Excluding these exceptional items, BP reported a profit of \$2.6bn, lower than consensus estimates of \$3.1bn. The miss in earnings expectations seems primarily attributable to an increase in tax charges over the period. Operational performance was strong, with production ahead of expectations at 3.945 million barrels of oil equivalent per day. This compares to expectations of 3.85mln boe expected by the market. The company achieved a reserve replacement of greater than 100% over the period, as expected. BP will pay a dividend of \$0.14 cent for the quarter. This represents an annual yield of approximately 8%. BP remains our preferred pick in the oil sector. We will update our estimates for BP following today's announcement, but do not anticipate a change in rating or target price.

DCC : Buy **Current Price** (€11.26) **Price target** (€17.00) **Analyst : David Dunk**

DCC issued an interim management statement this morning for its third quarter, to 31st December. The company had a strong performance, in constant currency terms with revenue and profit growth over the period. However, the company faces major headwinds from Sterling weakness. Assuming Sterling doesn't weaken further, full year profit for the year would be in-line with previous year's performance. Furthermore, the company has guided that Sterling at current levels would result in a €10m hit to profits for the year ending March 2010, assuming constant levels of Sterling profits. Despite this, the company sees itself as well placed to take advantage of opportunities that arise in the current climate.

GlaxoSmithKline: Buy Current Price (1228p) Price target (1300p) Analyst : David Dunk

GlaxoSmithKline will report Q4 results on Thursday. The market is expecting an EPS increase of 8% year on year. Sterling weakness has had a major positive contribution to earnings. On a constant currency basis we are expecting an EPS decline of 4-6%. The probability of earnings differing from expectations is quite low. Sales pressure due to increased generic competition likely increased in the final quarter of 2008. Among the drugs under pressure, Lamictal, Requip and Imitrex likely saw the largest erosion of market share. We remain neutral on GlaxoSmithKline, the pharmaceutical industry has defensive qualities, but we are concerned about long term growth prospects.

BHP Billiton: Neutral Current Price (1128p) Price target (1200p) Analyst : David Dunk

BHP Billiton will report its first half results tomorrow. Although rated Neutral, BHP is our preferred pick in the sector due to the strength of its balance sheet and diversity of its operations. The market will be paying close attention to management's comments. In particular, any comments on commodity prices or global economic outlook. Guidance from BHP has been more accurate than its peers over the last 18 months, so tomorrow's statement could have a significant effect on the mining sector.

United Drug : Buy Current Price (€2.28) Price target (€4.30) Analyst : David Dunk

Celesio, peer of United Drug, has released full year results. The company met its EBITDA targets for 2008, and will continue with dividend payout levels. This has positive read-through for United Drug, although the two companies do operate in separate geographies, with differing regulatory environment. We rate United Drug a buy, due to its defensive nature, but note that the company is vulnerable to changes in government healthcare policies.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,324	0.5%	0.2%
FTSE	4,078	-1.7%	-7.8%
Dow Jones	7,937	-0.8%	-9.6%
S&P	825	-0.1%	-8.6%
Nikkei	7,826	-0.6%	-11.7%
Stoxx 50	2,199	-1.7%	-9.4%

Sector Performances

Sector	Index	1-Day	YTD
Construction	182	-2.4%	-9.8%
Technology	149	-2.1%	-1.6%
Oil & Gas	267	-2.5%	-1.1%
Financials	129	-5.3%	-13.9%
Retail	187	-3.2%	3.3%
Food & Drink	226	-2.7%	-1.9%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	40.1	-3.8%	-16.8%
Copper	143.1	-2.6%	4.7%
Gold	905.5	-2.4%	2.4%
Silver	12.4	-1.2%	8.9%
Wheat	563.8	-0.7%	-7.3%
Cattle	86.8	2.0%	-2.6%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.284	0.2%	8.1%
€/£	0.900	2.2%	5.5%
£/\$	1.427	-1.9%	2.8%
\$/JPY	89.45	-0.5%	1.3%
€/JPY	114.89	-0.3%	9.3%
€/SFR	1.491	0.3%	0.0%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	165.8	-6.3%	-8.1%
High Yield	1,107.6	2.6%	6.5%
Financials	126.5	2.5%	5.3%
BoI	343.3	0.4%	41.6%
AIB	259.2	1.7%	27.5%
RBS	139.3	0.6%	-1.7%

Money Market Rates

Rate	EUR	UK	US
Overnight	1.3%	1.3%	0.3%
3-Month	2.1%	2.6%	1.2%
1-Year	2.1%	1.7%	1.3%
2-Year	2.3%	2.1%	1.6%
5-Year	3.0%	3.0%	2.4%
10-Year	3.7%	3.7%	2.9%

Date	Company	Region	Event
03/02/2009	Mattel	US	Q4
03/02/2009	SAS	SE	Q4
03/02/2009	BP	UK	Q4
03/02/2009	Vodafone	IE	Trading
03/02/2009	DR Horton	US	Q1
03/02/2009	Walt Disney	US	Q1
03/02/2009	Merck & Co.	US	Q4
03/02/2009	UPS	US	Q4
04/02/2009	Prudential Financial	US	Q4
04/02/2009	Danske Bank	DK	Q4
04/02/2009	Finnair Oyj	FI	Q4
04/02/2009	Zurich Financial	CH	FINAL
04/02/2009	National Grid Plc	GB	TRADING
05/02/2009	Prudential Financial	US	Q4
05/02/2009	Danske Bank A/S	DK	Q4
05/02/2009	Finnair Oyj	FI	Q4
05/02/2009	Kellogg Co.	US	Q4
05/02/2009	National Grid Plc	GB	TRADING
05/02/2009	Yell Group PLC	GB	Q3
05/02/2009	Unilever PLC	GB	Q4
05/02/2009	BG Group plc	GB	Q4
05/02/2009	GlaxoSmithKline PLC	GB	Q4

Date	Event	Region	Estimate
03/02/2009	PMI Construction	UK	29
03/02/2009	Euro-Zone PPI (MoM)	EC	-1.20%
03/02/2009	Pending Home Sales MoM	US	n/a
03/02/2009	ABC Consumer Confidence	US	n/a
04/02/2009	Unemployment Rate	IE	n/a
04/02/2009	Live Register	IE	n/a
04/02/2009	Consumer Confidence	UK	n/a
04/02/2009	PMI Services	GE	45.4
04/02/2009	PMI Services	EC	42.5
04/02/2009	PMI Services	UK	40.3
04/02/2009	Euro-Zone Retail Sales	EC	-0.20%
04/02/2009	MBA Mortgage Applications	US	-38.80%
04/02/2009	ADP Employment Change	US	n/a
04/02/2009	ISM Non-Manf. Composite	US	39.1
05/02/2009	Factory Orders MoM (sa)	GE	-2.50%
05/02/2009	BOE announces rates	UK	1.00%
05/02/2009	ECB announces rates	EC	2.00%
05/02/2009	Initial Jobless Claims	US	592
05/02/2009	Factory Orders	US	-3.00%
06/02/2009	Industrial Production (MoM)	UK	-1.20%
06/02/2009	Manufacturing Production	UK	-1.40%
06/02/2009	Industrial Production MoM	GE	-2.50%

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