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IRISH PAPERS TODAY

Moody's cut Irish debt rating as deficit climbs
(The Irish Times)

INM sells a third of its stake in Indian publisher for €22m
(The Irish Times)

Elan valued at \$5.4bn as J&J buys 18.4% stake
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Rogue oil broker triggered price spike
(Financial Times)

US jobs data scupper lingering optimism over speedy recovery
(Financial Times)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	1.3%	-1.7%
BP	-1.8%	-8.3%
CRH	-1.2%	-2.9%
DCC	-2.6%	41.5%
E.ON	-4.2%	-15.8%
HPQ	-2.1%	4.3%
IL&P	-7.7%	103.2%
INM	2.1%	-38.2%
J&J	-1.9%	-6.4%
JPMorgan	-4.4%	2.3%
Microsoft	-2.8%	20.2%
Vodafone	-3.3%	-17.4%

Market View

Analyst : Stephen Taylor

European equity markets are slightly higher this morning following yesterday's sell off. The key catalyst for the decline was the disappointing non-farm payrolls figure that showed 467,000 American's lost their jobs in June. The drop follows the 322,000 decline in May and has dampened recent talk of Green Shoots in the economy. The unemployment rate increased to 9.5%, a 26-year high. Also troubling in the data was that average weekly hours reduced slightly to 33.0 from 33.1 in May. The decrease has been part of a continuing trend of Americans who are in employment working less hours which will also have a negative effect on take home pay. While unemployment data is often classified as a lagging indicator the extent of the job losses means that the recovery going will take longer than previous recessions. With the US market closed today for the July 4th holiday weekend trading will be relatively quiet. Focus will be on European economic data with retails data due and the final Euro-Zone PMI services figure for June also due for release.

BoI : Neutral **Current Price (€1.51)** **Price target (€1.50)** **Analyst : Oliver Gilvarry**

Bank of Ireland released an Interim Management Statement (IMS) prior to its Annual General Court today. Management have re-iterated guidance on impairments, but still see downside risks to these estimates if economic conditions deteriorate further or if a period of prolonged low levels of activity in residential and commercial property markets occurs. Demand for loans remains "muted" according to the bank with the level of customer loans remaining unchanged from the end of March on a constant currency basis. The group is experiencing significant competition for deposits and due to the lower interest rate environment, liquidity spreads are under pressure. Customer deposits have fallen slightly since the end of March on a constant currency basis and this could be due to a fall in deposits from the UK operation as money that was deposited with the bank after the Government guarantee was put in place in September begins to mature. While customer deposits have fallen slightly for the group, it raised €3bn in term debt since the end of March with a maturity greater than 1-year. The profile of the group's wholesale funding has improved with over 30% of overall wholesale funding having a maturity greater than 1-year compared to 27% at the end of March. While the lengthening the term of its debt is a positive, this is having an impact on Net Interest Margin (NIM). Management stated higher funding costs are having a "significant negative impact on NIM". This will have the result of lowering pre-provision profits, reducing the level of profits available to absorb losses on loans. On capital the buy-back of debt by the bank in the last month has added 0.9% to equity tier 1 on a pro-forma basis. Equity tier 1 would have been 7.1% at the end of March and core tier 1 would have been 10.5% including the gains from the buy-back. On NAMA management believe the enabling legislation will be in place by autumn of this year, but stated it remains uncertain what the effect of its creation will be on the group's operating profit and impairment charges.

Overall, the IMS had no real surprises except for the slight fall in customer deposits. For all Irish banks the cost of funding will increase significantly over the course of this year as they lengthen their maturity profile on their wholesale debt. This will have an impact on profitability as will the decline in their balance sheets as loan growth will be non-existent over the next number of years. The statement also highlights how important NAMA is to the future direction of the Irish financial system and until the details on the operation of the agency are released, a large amount of uncertainty will hang over the Irish banks.

Grafton : Neutral **Current Price (€2.46)** **Price target (€2.45)** **Analyst : Stephen Taylor**

Grafton Group has issued a trading statement this morning for the six month period ending June 30th 2009. The group indicated that its UK operations had traded profitably for the first half of the year, while its Irish operations were loss making. A combination of UK trading profits and a €26m realised profit on investment and property sales has substantially offset Irish trading losses and significant restructuring costs. The company has also increased its costs savings plan to over €70m from its previous estimate of €55m. Grafton is continuing to work hard on maximising cash generation and capital expenditure is now running at under 50% of depreciation. Group turnover for the first half of the year was €990m, with Quarter 2 achieving €520m and Quarter 1 €470m. Overall turnover is down 31% year on year. On the positive front, Grafton indicated that it was starting to see some signs of stabilisation and the recent recovery in the exchange rate between Sterling and euro has significantly improved the strength of its balance sheet. Overall, we take it as a positive that the group is seeing some signs of stabilisation and it's continued approach to cost savings. The stock does however look expensive at current levels. Our preferred housing related stock is Home-Depot in the US as we believe the US will be first of the major economies to come through the current downturn



Elan : Neutral Current Price (\$7.60) Price target (\$7.10) Analyst : David Dunk

Elan announced yesterday that J&J would inject \$1bn into the company. The deal involves a minority equity stake, in addition to a joint venture relating to Elan's Alzheimer's Immunotherapy Program (AIP). J&J will receive 18.4% of the outstanding shares of the expanded capital base of Elan. The assets and rights of the AIP will be acquired by a JV, with a 50.1% stake for J&J and 49.9% stake for Elan. Additionally, J&J has committed up to \$500m for the development and launch of bapineuzumab Alzheimer's treatment. Given Elan's balance sheet weakness, a capital injection was required, and has been expected by the market. A minority investment was the preferred option open to Elan. Prior to yesterday's announcement, Elan had \$1.8bn in outstanding debt. Following the capital injection, the balance sheet pressure has been greatly relieved. We will update our rating and price target in the coming days.

Commodities : Oil spikes on rogue trader

Analyst : David Dunk

PVM Oil Associates, a privately owned oil brokerage in London announced yesterday that it had suffered a "rogue trader" incident. Apparently, a senior broker at the firm built up an unauthorised trading position in oil futures. The position was believed to be somewhere between 1,800 and 9,000 lots of Brent ICE futures. The firm began to unwind the position, when discovered on Tuesday morning. It is understood that the unwinding of the position was responsible for the spike in oil above \$73 on Tuesday, an eight month high. Oil is currently trading close to the \$67 mark after a sharp pullback since Tuesday. PVM is believed to have realised a \$10m loss on the unwinding of the position.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,666	-1.0%	13.9%
FTSE	4,234	-2.5%	-4.6%
Dow Jones	8,281	-2.6%	-5.6%
S&P	896	-2.9%	-0.8%
Nikkei	9,816	-0.6%	10.8%
Stoxx 50	2,370	-3.3%	-3.4%

Sector Performances

Sector	Index	1-Day	YTD
Construction	208	-3.3%	1.5%
Technology	169	-2.4%	10.1%
Oil & Gas	283	-2.5%	5.8%
Financials	176	-2.8%	16.9%
Retail	211	-2.0%	14.6%
Food & Drink	240	-1.0%	3.5%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	66.7	-3.7%	20.3%
Copper	230.6	-1.1%	58.5%
Gold	929.8	-1.2%	5.7%
Silver	13.4	-2.6%	18.6%
Wheat	500.3	-1.0%	-21.1%
Cattle	84.9	-1.0%	-0.7%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.400	-1.0%	0.2%
€/£	0.854	-0.5%	-11.5%
£/\$	1.639	-0.5%	10.5%
\$/JPY	95.94	-0.7%	5.4%
€/JPY	134.34	-1.7%	5.6%
€/SFR	1.519	-0.1%	2.0%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	127.9	-6.3%	-26.3%
High Yield	815.8	2.4%	-19.8%
Financials	108.4	1.4%	-7.3%
BoI	367.0	0.9%	52.1%
AIB	368.4	0.3%	79.0%
RBS	166.4	0.6%	23.0%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.4%	0.3%
3-Month	1.1%	1.2%	0.6%
1-Year	1.3%	1.3%	0.8%
2-Year	1.7%	2.2%	1.4%
5-Year	2.8%	3.6%	2.8%
10-Year	3.6%	4.2%	3.7%

Date Company Region Event

Date	Company	Region	Event
03/07/2009	British Airways	GB	TRAFFIC
03/07/2009	Bank of Ireland	IE	AGM
03/07/2009	Big Yellow Group	GB	AGM
03/07/2009	Tesco	GB	AGM
06/07/2009	EasyJet	GB	TRADE
06/07/2009	Caledonia Investments	GB	TRAFFIC
07/07/2009	CRH PLC	IE	TRADE
07/07/2009	ALCOA Inc	US	Q2
07/07/2009	Finnair Oyj	FI	TRAFFIC
07/07/2009	Air Berlin PLC	DE	TRAFFIC
07/07/2009	SAS AB	SE	TRAFFIC
07/07/2009	Michael Page Internatio	GB	TRADE
07/07/2009	Persimmon PLC	GB	TRADE
08/07/2009	Tullow Oil PLC	IE	TRADE
08/07/2009	Family Dollar	US	Q3
08/07/2009	Axis AB	SE	Q2
08/07/2009	Touchstone Group PLC	GB	PRELIM
08/07/2009	Laurent-Perrier SA	FR	S/HOLDERS
08/07/2009	Schwarz Pharma AG	DE	AGM
09/07/2009	Holcim Ltd	CH	EGM
09/07/2009	3i Group Plc	GB	AGM
09/07/2009	Marks and Spencer Gro	GB	AGM

Date Event Region Estimate

Date	Event	Region	Estimate
03/07/2009	PMI Services	GE	44.3
03/07/2009	PMI Services	EC	44.5
03/07/2009	PMI Services	UK	51.5
03/07/2009	Euro-Zone Retail Sales (MoM)	EC	-0.20%
06/07/2009	Sentix Investor Confidence	EC	--
06/07/2009	ISM Non-Manf. Composite	US	--
07/07/2009	Industrial Production (MoM)	UK	--
07/07/2009	Manufacturing Production (M	UK	--
07/07/2009	Factory Orders MoM (sa)	GE	--
07/07/2009	ABC Consumer Confidence	US	--
08/07/2009	Nationwide Consumer Confic	UK	--
08/07/2009	Euro-Zone GDP s.a. (QoQ)	EC	--
08/07/2009	Industrial Production MoM (s	GE	--
08/07/2009	MBA Mortgage Applications	US	--
09/07/2009	Trade Balance	GE	--
09/07/2009	Current Account (EURO)	GE	--
09/07/2009	CPI - EU Harmonised (MoM)	GE	--
09/07/2009	Imports SA (MoM)	GE	--
09/07/2009	Exports SA (MoM)	GE	--
09/07/2009	ECB July Monthly Report	EC	--
09/07/2009	Total Trade Balance (GBP/M	UK	--
09/07/2009	BOE ANNOUNCES RATES	UK	--

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