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IRISH PAPERS TODAY

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Construction downturn halves profits at CRH
(The Irish Times)

Lenders to follow AIB's 0.5% home loan hike
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Pru shares fall 20% over AIA deal fears
(Financial Times)

Hedge funds to ratchet up euro bets
(Financial Times)

BP lay outs shake-up of production
(The Wall Street Journal)

Market View

Analyst : Stephen Taylor

European equity markets are slightly lower this morning with the FTSE declining for the first time in four trading sessions. Credit Default Swaps (CDS) continued to narrow yesterday with the majority of CDS spreads on peripheral European nations declining now for four straight days. From our analysis credit spreads have the largest correlation with equity markets and are continuing to move in tandem (i.e. narrowing of credit spreads leads to positive equity market return and vice-versa). Speculation that Greece will announce further austerity measures today to curb its budget deficit is being taken positively by the market and should help to support equity markets. Increased merger and acquisition activity further adds weight to our bullish equity market outlook. Yesterday a further two potential deals were announced with CF Industries increasing its offer of Terra Industries to \$4.73bn, while Dow Chemical announced that it was to sell its Styron division to Bain Capital for \$1.63bn. There was also speculation that BP was looking to make a bid for Tullow Oil at £15.00 a share. As for today and in addition to austerity measures expected from Greece, the main focus will be on economic data. In Europe, retail sales will be closely watched. In the US, focus will be on the ADP employment report, while the ISM Services is expected to show further month on month improvement.

BP: Buy **Previous Close** 600p **Target** 680p **Analyst** Brian Gallagher

Yesterday, BP hosted its annual strategy seminar in London and our main takeaway from the conference was that the company had struck the right tone. Going into the event we were concerned that the company might back away from its successful strategy of cost cutting however, management outlined plans to increase underlying profits by \$3bn over the next 2-3 years by rationalising the business further. The main restructuring will take place in the company's downstream business where management hopes to save \$2bn by enhancing the efficiency of its refining and marketing operations. A further \$1.2bn is expected to be saved by better management of project costs. We believe that there is still significant scope for BP to make its business more efficient and we also feel that its low exposure relative to its peers to refining means that BP is better placed to tackle the issues in this part of the industry. Production guidance was conservative at 1-2% growth over the next few years however, we believe that this under sells the company's current projects. CEO Tony Hayward made no new comments in relation to the broader economy, reiterating a cautious stance on the strength of demand in developed economies. Outside of the conference, there were newswire reports linking BP to a possible bid for Tullow Oil. Hayward's rhetoric downplayed these developments, stating he would be "surprised if we found good value at a corporate level". This suggests that if the company is going to be make an acquisition it will be at an asset level. We feel that constructive comments made yesterday by one its partners in Western Africa hold more pertinent information to the value of Tullow Oil than the bid speculation.

IPM: Buy **Previous Close** €2.90 **Target** €5.55 **Analyst** Oliver Gilvarry

Irish Life & Permanent (ILP) have reported a full year loss of €279m compared to an expected loss of €303m. Bank operating loss was €270m compared to a consensus loss of €289m and our expectation of a loss of €320.3m. The beat on our expected loss was due to a lower impairment charge of €376m for the period. Net Interest Margin (NIM) fell to 0.83% in the middle of the range guided by management and better than our estimate of 0.82%. The Loan to Deposit ratio improved to 264% from 309% at the half year and 284% in 2008. The deposit book grew by 12.94% with retail deposits up 23%. Pre provision profits in the bank were €77m, weaker than our estimate of €125.7m, but this was due to weaker Net Interest Income. On credit quality, conditions continue to improve in the UK Buy-to-Let book with 3-month arrears at 2.55% of the loan book compared to 2.86% at the half year mark. The value of cases in arrears greater than 90-days has dropped in the UK loan book from €260m at the half year to €250m for the full year. In Ireland, arrears have moved higher to €1.6bn from €1.41bn at the half year with 1.52% of the ROI mortgage book impaired. The Insurance book performed well with sales falling less than expected and margins on new business sales better. New business was down 32%, less than our estimated 35% decline and margins were better at 11.4%. Margins in ILIM were in line at 5.9%. Operating profit due to both of these factors was higher than we expected at €102m. On the Non-Life business, it reported a loss for the year of €2m which wasn't a surprise due to the poor weather in Q4. On the outlook, management see the group better positioned than in 2009. The banking division will have a similar result to 2009, but the Insurance business will experience a significant improvement in profitability. Guidance is for the group to return to profitability in 2011. The group is willing to participate in the consolidation in the Irish banking system which is a reference to the Third Banking force. The results today were good with no surprises in the credit quality in Ireland, which has stabilised but remains weak. The Insurance business was the positive surprise with a lower fall in sales and higher margins. We remain Buyers of the group as we see it as the less risky of the Irish banks and the re-structure of the group will release the value from the strong Life franchise.

CRH: Buy **Previous Close** €16.73 **Target** €20.50 **Analyst** Stephen Taylor

CRH peer, Holcim, reported fourth quarter net profit of CHF271m compared to CHF297m expected. Similarly to CRH and in line with the continued deterioration, Holcim has continued to focus on cost savings initiatives with reductions of CHF857m exceeding that of CHF600m previously expected. Like CRH yesterday, Holcim remains cautious in relation to its outlook with uncertainty remaining high in the US and Europe.

FBD: Full year results **Previous Close** €5.60 **Analyst** Oliver Gilvarry

FBD released its full year results this morning and the Irish insurance group reported operating earnings per share of €0.75. This is compared with €1.72 last year and is at the lower end of the company's guided range. Profitability in the underwriting business was lower principally because of lower premium income, FBD's decision not to grow volume in certain areas at uneconomic rates and a lower longer term investment return. The group also suffered severe weather claims with the cost of unprecedented flooding amounting to €13.5m, net of reinsurance. Despite a profitable operational contribution from all divisions, the group recorded an overall loss before tax of €34m. This is primarily explained by a once off writedown of €57.8m following the revaluation of assets in line with market values in Spain and Ireland. As a result net assets per share came in at €5.76, down from €6.30 at the half year and €7.09 at FY08. The group's combined ratio for the period was 104.1%, up from 96.1% in 2008 and resulting in an underwriting loss of €12.9m. The board has recommended a final dividend of 20c a share, bringing the full 2009 dividend to 30c. This compares with 40.25c last year and equates to a dividend payout ratio of 46%, up from 25% in 2008. In terms of outlook, FBD has indicated that the rate of Irish economic contraction has slowed considerably. It now expects that in 2010, the rate of FBD's volume decline to slow, if not reverse. To that end it is guiding for earnings per share of 95c – 100c.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,933	1.2%	-1.3%
FTSE	5,484	1.4%	1.1%
Dow Jones	10,406	0.0%	-0.2%
S&P	1,118	0.2%	0.3%
Nikkei	10,222	0.5%	-2.8%
Stoxx 50	2,796	0.9%	-5.9%

Sector Performances

Sector	Index	1-Day	YTD
Construction	260	1.2%	-6.1%
Technology	198	1.5%	7.3%
Oil & Gas	320	0.6%	-3.6%
Financials	208	1.4%	-6.7%
Retail	248	0.6%	1.7%
Food & Drink	318	0.3%	4.1%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	79.7	1.2%	-1.1%
Copper	341.2	1.8%	0.7%
Gold	1,134.7	1.4%	3.4%
Silver	17.1	3.6%	0.7%
Wheat	504.5	0.0%	-9.1%
Cattle	92.8	1.1%	3.5%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.361	0.4%	5.3%
€/£	0.909	0.5%	-2.3%
£/\$	1.497	-0.1%	7.8%
\$/JPY	88.850	-0.3%	4.8%
€/JPY	120.950	0.1%	10.3%
€/SFR	1.463	0.0%	1.4%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	82.3	-2.3%	17.2%
High Yield	455.4	-2.3%	7.1%
Financials	87.8	-4.5%	25.5%
BoI	226.2	-1.7%	-10.1%
AIB	239.1	-1.9%	-14.2%
RBS	148.6	-3.7%	12.6%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.5%	0.2%
3-Month	0.7%	0.6%	0.3%
1-Year	1.1%	0.8%	0.5%
2-Year	1.4%	1.6%	1.0%
5-Year	2.4%	2.9%	2.6%
10-Year	3.3%	3.9%	3.7%

Date	Company	Region	Event
03/03/2010	Vinci SA	FR	Q4
03/03/2010	adidas AG	DE	FINAL
03/03/2010	Irish Life and Permanent	IE	PRELIM
03/03/2010	Babcock & Brown Air Ltd	IE	Q4
03/03/2010	Trintech Group PLC (IRE)	IE	Q4
03/03/2010	Adecco SA	CH	FINAL
03/03/2010	Holcim Ltd	CH	FINAL
03/03/2010	British Airways PLC	GB	TRAFFIC
03/03/2010	Arriva PLC	GB	PRELIM
03/03/2010	Standard Chartered PLC	GB	PRELIM
03/03/2010	Taylor Wimpey Plc	GB	PRELIM
03/03/2010	ITV Plc	GB	Q4
03/03/2010	The Progressive Corp.	US	Q4
04/03/2010	Anheuser-Busch InBev NV	BE	Q4
04/03/2010	GDF Suez SA	FR	FINAL
04/03/2010	EasyJet PLC	GB	TRAFFIC
04/03/2010	Kazakhmys PLC	GB	TRADE
04/03/2010	Aggreko PLC	GB	PRELIM
04/03/2010	Aviva Plc	GB	PRELIM
04/03/2010	Balfour Beatty PLC	GB	PRELIM
04/03/2010	AMEC plc	GB	PRELIM
04/03/2010	DS Smith Plc	GB	TRADE

Date	Event	Region	Estimate
03/03/2010	Nationwide Consumer Confidence	UK	--
03/03/2010	PMI Services	GE	--
03/03/2010	PMI Services	EC	--
03/03/2010	PMI Services	UK	--
03/03/2010	Euro-Zone Retail Sales (MoM)	EC	--
03/03/2010	MBA Mortgage Applications	US	--
03/03/2010	ADP Employment Change	US	--
03/03/2010	ISM Non-Manf. Composite	US	--
04/03/2010	Euro-Zone GDP s.a. (QoQ)	EC	--
04/03/2010	BOE ANNOUNCES RATES	UK	0.50%
04/03/2010	BOE Asset Purchase Target	UK	--
04/03/2010	ECB Announces Interest Rates	EC	--
04/03/2010	Initial Jobless Claims	US	--
04/03/2010	Factory Orders	US	--
04/03/2010	Pending Home Sales MoM	US	--
05/03/2010	PPI Input NSA (MoM)	UK	--
05/03/2010	PPI Output n.s.a. (MoM)	UK	--
05/03/2010	Factory Orders MoM (sa)	GE	--
05/03/2010	Change in Nonfarm Payrolls	US	--
05/03/2010	Unemployment Rate	US	--
05/03/2010	Consumer Credit	US	--
08/03/2010	Sentix Investor Confidence	EC	--

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