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(The Wall Street Journal)

Market View

Analyst : Stephen Taylor

European equity markets are lower this morning amid a general sense of risk aversion returning to the market with financial and commodity stocks leading indices lower. This morning there is a clear flight to safety with the US dollar and bonds stronger resulting in equity and commodity prices declining. With further capital raisings announced by UK banks (outlined below) and UBS reporting a fourth straight quarter of losses in addition to making some cautious comments in relation to financial markets, equities could remain under pressure in the short-term. Yesterday's stronger than expected manufacturing figures out of China, the UK and US pushed markets higher; however given the strength of the data it was a surprise not to see further gains. The strong ISM manufacturing figure should be taken as a positive read across for Friday's non-farm payroll figure given the employment component showed signs of strength. The current consensus is for a decline of 175,000. The main risk exists tomorrow with the Federal Reserve due to decide on interest rates. We have already seen a tightening bias with some central banks moving to hike interest rates including Norway last week and the Australian Central Bank overnight increasing interest rates for the second time in as many months. We still expect the Fed to keep rates on hold at near zero for the foreseeable future, however given the strength of economic data out of the US recently there is a chance that the language from their statement could have a less dovish tone. In summary, while markets may remain volatile the next while, we continue to recommend buying large cap blue chip companies on weakness. Such companies include; Microsoft, Intel, General Electric, Vodafone, Tesco, CRH, Kerry Group and GlaxoSmithKline.

CRH : Buy **Current Price (€16.70)** **Price target (€20.30)** **Analyst : Stephen Taylor**

Last night a peer of CRH, Vulcan Materials, posted third quarter results. The group reported EPS from continuing operations of \$0.38 that beat analyst expectations of \$0.37. Revenue of \$778.2m missed consensus by c. \$30m. Aggregates shipments declined by 20%, however pricing remained firm increasing by 2.4%. The group's EBITDA margin increased by 2% to 25%. Vulcan indicated that the construction environment remains challenging; reflecting continued weak private construction activity and uncertainty surrounding the timing and amount of a new multi-year federal highway program. Vulcan anticipates further weakness in aggregates demand during the fourth quarter due to declines in private construction as well as reduced highway construction. We take Vulcan's results as a slight negative read across for CRH. However given the strength of CRH's balance sheet which will allow it to grow its business through acquisitions, we remain buyers of the stock on weakness. CRH will issue an interim management statement on November 10th.

Lloyds Banking Group

Current Price (86.35p)

Analyst : Oliver Gilvarry

Lloyds Banking Group (LBG) announced this morning its long rumoured rights issue and capital raise. The rights issue is fully underwritten and will be for £13.5bn with the UK Government taking up its full allocation to maintain its 43% holding in the group. An exchange offer will also be undertaken to generate at least £7.5bn of "contingent core tier 1 capital". The offer allows holders of eligible existing securities to exchange them for new lower tier 2 debt which will convert into ordinary equity if core tier 1 falls to less than 5%. Another alternative is the conversion of the securities into shares or Exchange Convertible Notes. The rights issue will increase core tier 1 by 2.30% to 8.6% from the current 6.3%. The contingent core capital will add 1.6% to the group's capital position if it falls below 5%. LBG will have to pay £2.5bn to the UK Government for the cover it received from the Government Asset Protection Scheme (GAPS) since March. In the announcement today, details of the sale of businesses required by the European Commission were released with a reduction of 4.6% in its current market share in retail banking plus 19.6% of the group's mortgage book. The EU are also forcing the bank to suspend payments on Tier 1 and Upper Tier 2 debt for two years, dividends on ordinary shares will also be suspended for the same period. The bank made comments on current trading in the release and has stated margins are stabilising and that the impairment run rate has slowed and they are confident that overall impairments have peaked in the first half of 2010. The announcement today is positive for LBG as it limits the UK Government holding in the bank at 43.5% and the sanctions imposed on the group by the EU are better than expected.

Royal Bank of Scotland

Current Price (37.25p)

Analyst : Oliver Gilvarry

Royal Bank of Scotland (RBS) has announced details of its participation in the GAPS. It has reduced the size of the pool of assets to be included from £325bn to £282bn. The first loss on the pool has increased from £42.2bn to £60bn, which the bank doesn't believe will be exceeded except in stress scenarios. As part of the agreement, RBS has received a commitment from the UK Government to subscribe for an additional £8bn of B shares at £0.50 per share if core tier 1 equity falls below 5%. The UK Government's economic interest in the bank will increase to 84.4% as previously announced. Details of the re-structuring plan have also been announced with RBS selling branches in England, Wales and Scotland. The bank will also reduce its percentage of the SME market across the UK. RBS will also sell RBS Insurance, Global Merchant Services and part of its commodity business. It must suspend coupons on Tier 1 and Upper Tier 2 debt for 2-years with payments on ordinary dividends suspended for a similar period. The disposal of business is greater than what we expected and this seems to be due to the bank remaining part of GAPS.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,867	0.0%	22.6%
FTSE	5,105	1.2%	13.7%
Dow Jones	9,713	-2.5%	11.5%
S&P	1,036	-2.8%	15.5%
Nikkei	10,035	1.5%	10.6%
Stoxx 50	2,763	0.7%	11.5%

Sector Performances

Sector	Index	1-Day	YTD
Construction	251	1.4%	1.7%
Technology	177	0.4%	3.8%
Oil & Gas	312	0.7%	2.9%
Financials	224	0.5%	2.4%
Retail	227	-0.3%	1.6%
Food & Drink	284	0.6%	4.3%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	78.1	1.5%	32.4%
Copper	294.5	-0.4%	104.2%
Gold	1,059.5	1.3%	20.3%
Silver	16.4	1.1%	45.8%
Wheat	516.8	4.6%	-24.0%
Cattle	86.2	0.6%	-4.7%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.478	0.4%	-5.3%
€/£	0.901	0.7%	5.5%
£/\$	1.641	-0.2%	-10.3%
\$/JPY	90.220	0.1%	0.7%
€/JPY	133.308	0.5%	-4.7%
€/SFR	1.510	-0.1%	-1.1%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	91.8	0.4%	-48.1%
High Yield	507.7	2.1%	-49.8%
Financials	75.7	-0.2%	-36.0%
BoI	161.8	1.2%	-33.4%
AIB	170.9	-0.1%	-15.6%
RBS	116.3	2.4%	-14.5%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.4%	0.2%
3-Month	0.7%	0.6%	0.3%
1-Year	1.3%	1.0%	0.6%
2-Year	1.8%	2.0%	1.3%
5-Year	2.8%	3.3%	2.7%
10-Year	3.5%	3.9%	3.6%

Date	Company	Region	Event
03/11/2009	Danske Bank A/S	DK	Q3
03/11/2009	Beiersdorf AG	DE	Q3
03/11/2009	BMW Bayerische Motor	DE	Q3
03/11/2009	Metro AG	DE	Q3
03/11/2009	Endesa SA	ES	Q3
03/11/2009	Swiss Reinsurance Cor	CH	Q3
03/11/2009	UBS AG	CH	Q3
03/11/2009	Hammerson PLC	GB	TRADE
03/11/2009	Associated British Food	GB	PRELIM
03/11/2009	France Telecom SA	FR	S/HOLDERS
03/11/2009	Independent News & Me	IE	EGM
03/11/2009	Polo Ralph Lauren Corp	US	Q2
03/11/2009	Kraft Foods	US	Q3
03/11/2009	Marathon Oil Corp.	US	Q3
03/11/2009	MasterCard Incorp.	US	Q3
03/11/2009	Rowan Co.	US	Q3
03/11/2009	Viacom	US	Q3
03/11/2009	Emerson	US	Q4
03/11/2009	Rockwell Collins	US	Q4
03/11/2009	Cablevision Systems Cc	US	Q3

Date	Event	Region	Estimate
03/11/2009	PMI Construction	UK	--
03/11/2009	Factory Orders	US	1.10%
03/11/2009	ABC Consumer Confidence	US	--
04/11/2009	Nationwide Consumer Confidenc	UK	--
04/11/2009	PMI Services	GE	--
04/11/2009	PMI Services	EC	--
04/11/2009	PMI Services	UK	--
04/11/2009	Euro-Zone PPI (MoM)	EC	--
04/11/2009	MBA Mortgage Applications	US	--
04/11/2009	ADP Employment Change	US	--
04/11/2009	ISM Non-Manf. Composite	US	51.5
04/11/2009	FOMC Rate Decision	US	0.25%
05/11/2009	Industrial Production (MoM)	UK	--
05/11/2009	Manufacturing Production (MoM)	UK	--
05/11/2009	Euro-Zone Retail Sales (MoM)	EC	--
05/11/2009	BOE ANNOUNCES RATES	UK	0.50%
05/11/2009	BOE Asset Purchase Target	UK	--
05/11/2009	ECB Announces Interest Rates	EC	--
05/11/2009	Initial Jobless Claims	US	--
05/11/2009	Continuing Claims	US	--

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