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*(The Irish Times)*

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*(The Irish Times)*

€4.8 "austerity package" approved by Greece  
*(Irish Independent)*

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Greece prepared to seek IMF aid  
*(Financial Times)*

Banks line up for Pru deal  
*(Financial Times)*

Greek action lifts markets and the euro  
*(The Wall Street Journal)*

## Market View

Analyst : Stephen Taylor

European equity markets are slightly weaker this morning after closing higher for the past four days. Economic data out of the US surprised to the upside yesterday with the all important ISM Services (c. 80% of US GDP) figure coming in better than expected with a reading of 53 a clear sign of expansion for the US economy. Encouragingly the employment component of the index also improved month on month and has helped to ease concerns over tomorrow's non-farm payrolls figure. Expectations have been moving lower for the past two weeks and the market currently forecasts a drop of a further 65,000. The poor weather conditions in the US have added to concerns that there may have been a further contraction in the construction sector employment figures. As for today the main focus will be on economic data. Both the Bank of England and the ECB are expected to leave interest rates on hold at 0.5% and 1.0%, respectively. We expect Jean-Claude Trichet to also make some dovish comments in relation to the interest rate outlook given the continued muted inflation data, in addition to the concerns surrounding peripheral European nations. In the US pending home sales data will be closely watched following the recent disappointing housing figures, jobless figures will also be important ahead of tomorrow's key non-farm payrolls report.

**Aviva: Buy**      **Previous Close** 390p      **Target** 520p      **Analyst** Oliver Gilvarry

Aviva reported full year net profit of £1.01bn for the full year on an IFRS basis. Operating profit on a market consistent embedded value basis was £3.483bn 12.8% ahead of consensus. Life and Funds were stronger than expected with General Insurance and Health weaker. The dividend was 24p, a little higher than consensus. Margins for new business improved to 2.20%, better than the 2.17% expected. General Insurance disappointed with the Combined Ratio (COR) slightly weaker at 99%, due to the poor weather towards the end of last year. As a positive the reserve releases were lower than in 2008. The cost ratio improved in 2009 falling from 13.4% to 12.6%, leaving the group positively positioned to gain from operational leverage in 2010. The mortgage book which was of concern in the past has seen the LTV of the book decline to 94% from 106% at the half year. The corporate bond portfolio performed well with the group detailing its exposure to Spain, Greece and Portugal, only 2% of shareholder debt securities and Greece has reduced by £400m ytd. The group's provision for loans and corporate debt of £1.1bn was unused during the year, helped by the improvement in corporate debt markets and property values in the UK. The EV per share was £4.71 for the year, slightly weaker than what the market expected, with EUR/GBP currency moves part of this. This weak figure in our opinion was offset by the better than expected performance in operating profits, Life margins and dividend. The group reported a ROE of 16%, a strong capital position and is trading at 0.81x EV. This isn't justified in our view and we remain Buyers of the stock. It is also paying a dividend yield for 2009 of 6.3% with the potential for the 2009 dividend of 24p to move higher in 2010.

**Ryanair: Buy**      **Previous Close** €3.53      **Target** €4.30      **Analyst** Edward Keeling

Ryanair reported its February traffic figures yesterday and the airline posted a surprise fall in its load factor. On the back of a 6% increase in its passengers flown to 4.37m, its load factor fell by 3% year on year to 75%. Ryanair's share price did not react well to the result as such load dynamics can often be indicative of a weaker than expected demand environment. Load factor, which measures the fullness on average of Ryanair flights for any given period, is obviously responsive to price and so the market is concerned that Ryanair's pricing power and therefore profitability is not as strong as expected. In our view while this is a possibility, it is more likely the result of the airline attempting to become more aggressive in its fare setting. It is not surprising that there will be an adjusting period as the airline comes to grips with the dynamics or strength of its pricing market. Previously Ryanair's strategy was just to set fares at whatever level it took to fill seats. Now, as signaled at its recent results, it is attempting to become more sensitive in terms of minimum fares. Therefore although the airline may be carrying fewer passengers, this may be more than offset by higher average fares. Regardless it is hard to draw too much from just one month's figures and without the actual average fare data. easyJet reported its February traffic figures this morning and its has also reported a weaker than expected load factor. However this is more easily explained by easyJet's increasing growth rates. For the month of February, the airline carried 3.39m passengers, a 12.3% increase year on year.

**Grafton Group: Neutral**      **Previous Close** €2.60      **Analyst** Stephen Taylor

Grafton Group has reported full year 2009 results this morning. Pretax profit declined to €13.6m from €64.1m in 2008, with revenue declining by 26% to €1.98bn and in line with expectations. In the UK, revenue declined by 20% to €1.34bn, while in Ireland revenue fell by 35% to €638m. Grafton has been aggressively cutting costs in light of the downturn that has resulted in annual savings of €85m. Grafton was able to reduce net debt over the period by €113m to €322m with its debt to equity ratio falling to 35%. In relation to its outlook, Grafton gave an upbeat assessment of the UK housing market commenting that it is seeing a strong recovery in UK housing, while if Irish sales continue to stabilise, the unit is likely to break even.



### International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,940	0.3%	-1.5%
FTSE	5,533	0.9%	1.8%
Dow Jones	10,397	-0.1%	-0.3%
S&P	1,119	0.0%	0.3%
Nikkei	10,253	0.3%	-3.8%
Stoxx 50	2,823	0.9%	-5.5%

### Sector Performances

Sector	Index	1-Day	YTD
Construction	264	1.4%	-4.6%
Technology	200	0.9%	8.0%
Oil & Gas	322	0.8%	-3.3%
Financials	211	1.5%	-5.4%
Retail	248	0.0%	2.0%
Food & Drink	316	-0.6%	3.6%

### Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	80.9	1.5%	-0.3%
Copper	343.5	0.7%	1.4%
Gold	1,139.9	0.5%	3.6%
Silver	17.3	1.6%	1.7%
Wheat	515.8	2.2%	-8.5%
Cattle	92.9	0.1%	3.5%

### Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.370	0.6%	4.9%
€/£	0.907	-0.2%	-2.4%
£/\$	1.510	0.8%	7.6%
\$/JPY	88.480	-0.4%	5.2%
€/JPY	121.150	0.2%	10.4%
€/SFR	1.463	-0.1%	1.4%

### 5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	79.7	-3.2%	13.2%
High Yield	447.5	-1.7%	5.3%
Financials	84.1	-4.2%	17.7%
BoI	221.8	-1.9%	-12.2%
AIB	233.7	-2.3%	-15.3%
RBS	142.7	-4.0%	3.6%

### 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%	0.9%	0.5%
2-Year	1.5%	1.6%	1.0%
5-Year	2.5%	3.0%	2.5%
10-Year	3.4%	3.9%	3.7%

Date	Company	Region	Event
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
04/03/2010	Whitbread PLC	GB	TRADE
05/03/2010	Veolia Environnement SA	FR	Q4
05/03/2010	Air Berlin PLC	DE	TRAFFIC
05/03/2010	SAS AB	SE	TRAFFIC
05/03/2010	Michael Page International Plc	GB	PRELIM
05/03/2010	WPP Group plc	GB	PRELIM
08/03/2010	Banca Generali SpA	IT	Q4
08/03/2010	Bovis Homes Group PLC	GB	PRELIM
08/03/2010	Petrofac Ltd	GB	PRELIM
08/03/2010	Tullett Prebon Plc	GB	PRELIM
09/03/2010	Audi AG	DE	FINAL
09/03/2010	Aer Lingus Group Plc	IE	FINAL
09/03/2010	Antofagasta PLC	GB	PRELIM

Date	Event	Region	Estimate
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	--
08/03/2010	Industrial Production MoM (sa)	GE	--
09/03/2010	RICS House Price Balance	UK	--
09/03/2010	Total Trade Balance (GBP/Mln)	UK	--
09/03/2010	ABC Consumer Confidence	US	--
10/03/2010	Trade Balance	GE	--
10/03/2010	Imports SA (MoM)	GE	--
10/03/2010	Current Account (EURO)	GE	--
10/03/2010	Exports SA (MoM)	GE	--

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Dolmen Stockbrokers, 75 St. Stephen's Green, Dublin 2, Ireland.



## DOLMEN SECURITIES LTD

75 St. Stephen's Green, Dublin 2, Ireland.  
45 South Mall, Cork, Ireland  
Theatre Court, Mallow St, Limerick, Ireland.

Tel : +353 1 633 3800/1890 400 300  
Tel : +353 21 422 2122  
Tel : +353 61 436 500

E-mail: info@dsl.ie  
E-mail: cork@dsl.ie  
E-mail: Limerick@dsl.ie