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## Market Movers

## IRISH PAPERS TODAY

Decline in public finances slowing, returns show  
*(The Irish Times)*

New equity issue would give INM bondholders 46% stake  
*(The Irish Times)*

EU warns national debt is on course to hit 100pc of output  
*(Irish Independent)*

## INTERNATIONAL PAPERS TODAY

Buffett bets \$26bn on US  
*(Financial Times)*

UBS hit by fresh losses as withdrawals persist  
*(Financial Times)*

New U.K. bank aid: \$51.2 billion  
*(The Wall Street Journal)*

## Market View

**Analyst : Edward Keeling**

European equity markets are trading positively this morning, reversing some of yesterday declines as banks lead indices higher. US markets finished broadly unchanged overnight as news that Warren Buffet's Berkshire Hathaway is to acquire Burlington Northern Santa Fe (BNSF), the largest rail company in the US, helped to lift a declining investor sentiment. Buffet will pay a premium of 31.5% over BNFA's closing stock price on Monday, valuing it at \$34bn or 18 times estimated 2010 earnings. Buffet was quoting as saying that "it's an all-in wager on the economic future of the United States". This optimism was supported by the latest US economic data which showed that US factory orders rose by 0.9% in September, more than economists' expectations of 0.8%. This was the fifth month out of the last six that US manufacturers registered rising orders and further evidence that the US is firmly on the road to recovery. Meanwhile the World Bank has raised its forecasts for Chinese growth this year, indicating it expects China's GDP to increase by 8.4% in 2009, revised upwards from its previous estimate of 7.2%. Looking ahead to today's session, all eyes will be on the US central bank policy meeting after the close. The US Federal Reserve is expected to signal that it will keep interest rates at very low levels for an extended period of time. However speculation has mounted, considering the rebound we have seen in the majority of US economic data, whether US policy makers will begin to issue a more hawkish rhetoric. In addition we will be closely watching to the US ISM services data release, the ADP employment rate, which is traditionally seen as a read through to the all important non-farm payrolls number release on Friday, and MBA mortgage applications. On the corporate front Cisco, one of preferred US companies, will be releasing its Q1 results.

**Bol : Buy**

**Current Price** €1.53

**Price target** €3.35

**Analyst : Stephen Taylor**

BOI reported half year results this morning that were broadly in line with management guidance from the 17<sup>th</sup> of September, but slightly ahead of analysts' expectations. The bank reported an underlying loss of €979m for the first half of the year. Operating profit before loan impairments fell 18% to €787m compared to the first half of last year. This decline can be attributed to a lower Net Interest Margin, which declined by 10bps to 1.61% compared to the same period last year. The main driver on the fall in margins was due to higher cost of customer deposits plus the increased cost of term funding. Higher lending margins helped to offset part of the increase. The impairment charge for the first six months of the year was at the higher end of company guidance at €1.79bn or 2.6% of loans. Management have reiterated guidance on impairments at €6.9bn over the cycle. Challenged loans have continued to increase from €15.7bn at the full year to €23.9bn. Capital ratios have increased with equity tier 1 now at 6.6%, an increase of 40bps. Management stated they are "committed to strengthening our capital ratios in line with revising market norms". But no statement was made on the possibility of a rights issue in the next number of months. A positive surprise in the results was the increase in customer deposits by 4%, with the loan to deposit ratio improving to 1.52x. This was better than the expected figure of 1.61x. On NAMA, the bank stated significant uncertainties exist on the timing or quantum of loans to be transferred to the agency. This uncertainty extends to the actual haircut that will be applied to BOI as this will only be known once due diligence is completed on the loans to be transferred. The release today shows that there are indications of a slowdown in the pace of economic decline in the UK and to some extent in Ireland. We remain positive on BOI and we reiterate our Buy on the bank, along with our preferred Irish financial IPM.

**Aviva : Buy**

**Current Price** 400p

**Target Price** 440p

**Analyst : Oliver Gilvarry**

Aviva released an interim management statement (IMS) this morning. New business sales were weaker than expected at £24.06bn versus £24.06bn but the insurance company's capital position remained strong in the third quarter with its IGD surplus (an insurance equity measure) currently standing at £3.7bn. Furthermore, margins on new business were constant at 2.1% and the combined ratio remains on target at 98%. Management stated that they will continue to focus on margins and not volume in the non life business. In Ireland, new business has fallen by 38% in constant currency terms however, we believe that the stronger than expected capital position and stable margins outweigh this negative. Management were also positive in relation to the company's outlook. They see signs that their UK business is recovering and they noted that they are in a position to make an acquisition with ING assets the most likely target. Following the IMS we are reiterating our buy recommendation on Aviva highlighting the insurer's strong capital position and attractive dividend.

**CRH : Buy**

**Current Price** €17.50

**Target Price** €20.30

**Analyst : Stephen Taylor**

CRH peer HeidelbergCement has reported third quarter results this morning. The group reported net income of €203m compared to €146m expected helped by increased cost cuts. Revenue came in at €3.02bn and slightly below expectations. The company expects fourth quarter operating profit to decline. However in relation to its outlook for 2010 and 2011, the company said that it is 'very optimistic'. We continue to like CRH on any pull backs in its share price as valuation has become more attractive following its recent sell off. While some of its US peers have indicated that stimulus funds have been slow to kick in (Martin Marietta, Vulcan and Cemex have indicated such), we still believe that CRH will be a major beneficiary of this going into next year. CRH will issue a trading statement on November 10<sup>th</sup>.

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**Persimmon : Buy**    **Current Price** 410p    **Price target** 560p    **Analyst :** Stephen Taylor

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UK house builder Redrow has issued a positive trading statement this morning covering the first 18-weeks of its current financial year. Redrow pointed out that homes sales to date have been 'remarkably' stable with net private reservation averaging 45 homes per week, including the normally seasonally weaker months of July and August. Cancellation rates have returned to historic lows. Total net reservations are 47% ahead year on year. In relation to pricing, the group pointed out that achieved prices are slightly ahead of its own expectations averaging £149,000. The company now predicts a trend of increasing average selling prices.

Taylor Wimpey has also issued an interim management statement this morning for the period covering July 1<sup>st</sup> to November 4<sup>th</sup>. The group pointed out that UK market conditions continue to be significantly better than the equivalent period last year. Like Redrow, Taylor Wimpey did not experience the usual industry seasonal slowdown over the summer and sales rates have remained solid into the Autumn. Another positive from Taylor Wimpey's report showed that the average selling price for private homes in its order book is c. 9% a head of the £163k achieved on private completions during the first half of the year.

Overall we take both trading statements today as a positive and provide further evidence of stabilisation in the UK housing market. Persimmon remains our preferred pick and it will issue a management statement on November 16<sup>th</sup>.

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**Tesco : Buy**    **Current Price** 406p    **Price target** 425p    **Analyst :** Stephen Taylor

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Next has issue a positive trading update this morning with the company indicating that sales in the third quarter have been better than expected. Both Next Retail and Next Directory performing ahead of second half guidance the company gave in September. Next pointed out that while the consumer environment remains subdued, it has been more benign than it had anticipated, with October being particularly strong. In light of the pick up in sales, Next raised its sales forecasts and now expects sales on a comparable basis for the second half of the year to be flat to down 3%, compared to its previous expectation for a revenue decline of 3.5% to 6.5%. Next anticipates that analyst estimates for pre-tax profit will increase by c. £30m to £472m.

Marks & Spencer (M&S) has reported first half profit that beat expectations and the company said that it has made a 'good start' to the third quarter. Net income for the first half of the year came in at £224.3m beating expectations of £201m. While the company was more upbeat, it did remain cautious on its outlook for the Christmas selling period and the year ahead.

Tesco remains our preferred pick in the UK retail sector given its low cost product offering in addition to its international exposure. We believe significant opportunities exist for Tesco Bank to grow over the coming years as both RBS and Lloyds are forced to divest branch networks in the overhaul of the UK financial system

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### International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,812	-2.1%	23.3%
FTSE	5,037	-1.3%	14.4%
Dow Jones	9,789	0.8%	11.3%
S&P	1,043	0.6%	15.7%
Nikkei	9,803	-2.3%	11.1%
Stoxx 50	2,712	-1.8%	12.1%

### Sector Performances

Sector	Index	1-Day	YTD
Construction	248	-0.9%	1.7%
Technology	176	-0.5%	3.7%
Oil & Gas	311	-0.3%	2.9%
Financials	217	-3.0%	2.4%
Retail	228	0.7%	1.6%
Food & Drink	281	-1.3%	4.2%

### Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	79.6	1.9%	36.3%
Copper	295.6	0.4%	108.9%
Gold	1,084.4	2.4%	23.7%
Silver	17.2	4.5%	52.9%
Wheat	515.8	-0.2%	-22.2%
Cattle	85.7	-0.6%	-5.4%

### Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.472	-0.3%	-5.3%
€/£	0.896	-0.5%	6.8%
£/\$	1.644	0.2%	-11.4%
\$/JPY	90.335	0.1%	0.0%
€/JPY	133.007	-0.2%	-5.4%
€/SFR	1.510	0.1%	-1.2%

### 5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	93.3	1.6%	-48.2%
High Yield	526.8	3.8%	-49.3%
Financials	76.1	0.6%	-37.3%
BoI	166.1	2.6%	-33.5%
AIB	173.5	1.5%	-15.3%
RBS	117.8	1.3%	-13.8%

### Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.4%	0.2%
3-Month	0.7%	0.6%	0.3%
1-Year	1.2%	1.0%	0.6%
2-Year	1.8%	2.0%	1.3%
5-Year	2.8%	3.4%	2.7%
10-Year	3.6%	4.0%	3.6%

Date	Company	Region	Event
04/11/2009	Carlsberg A/S	DK	Q3
04/11/2009	JCDecaux SA	FR	Q3
04/11/2009	Societe Generale	FR	Q3
04/11/2009	Total SA	FR	Q3
04/11/2009	Ubisoft Entertainment S.	FR	Q2 SALES
04/11/2009	adidas AG	DE	Q3
04/11/2009	HeidelbergCement AG	DE	Q3
04/11/2009	Bank of Ireland	IE	INTERIM
04/11/2009	Babcock & Brown Air Ltd	IE	Q3
04/11/2009	Banca Generali SpA	IT	Q3
04/11/2009	Aviva Plc	GB	Q3 TRADE
04/11/2009	Cobham Plc	GB	TRADE
04/11/2009	Firstgroup PLC	GB	INTERIM
04/11/2009	Marks & Spencer PLC	GB	INTERIM
04/11/2009	Legal & General PLC	GB	Q3
04/11/2009	JD Wetherspoon PLC	GB	TRADE
04/11/2009	WSP Group PLC	GB	Q3 TRADE
04/11/2009	Cisco Systems	US	Q1
04/11/2009	News Corp.	US	Q1
04/11/2009	Pulte Homes	US	Q3
04/11/2009	Time Warner	US	Q3
04/11/2009	QUALCOMM	US	Q4

Date	Event	Region	Estimate
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	--
06/11/2009	PPI Input NSA (MoM)	UK	--
06/11/2009	PPI Output Core NSA (MoM)	UK	--
06/11/2009	Change in Nonfarm Payrolls	US	-175K
06/11/2009	Unemployment Rate	US	9.90%
06/11/2009	Wholesale Inventories	US	--
06/11/2009	Consumer Credit	US	--

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