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### Market Movers

## IRISH PAPERS TODAY

Shrinking tax take signals weak recovery and tough budget  
*(The Irish Times)*

AIB reports pretax loss of €2bn  
*(The Irish Times)*

Doherty hints at branch and job cuts as AIB losses mount  
*(Irish Independent)*

## INTERNATIONAL PAPERS TODAY

Obama says BP oil spill "close to an end"  
*(Financial Times)*

Goldman to shut down key unit  
*(Financial Times)*

U.S. sees end to long battle with BP spill  
*(Wall Street Journal)*

## Market View

**Analyst: Stephen Taylor**

European equity markets are trading flat this morning following gains made into the close in the US and Asia overnight. The strong finishes were a result of better than anticipated economic data out of the US in the form of ISM services and the ADP employment report. These data points provided further evidence that the US economy is not entering a double dip recession and gave the market greater confidence heading into tomorrow's important Non Farm Payrolls. Analysts are expecting private payrolls to expand by 90,000 however, the headline figure is expected to be negative as the government scales back its seasonal census hiring. In Asia, Chinese authorities announced that they will test their banks for using a more severe housing shock scenario. In recent months this kind of news would have unnerved equity investors, but it is becoming more apparent that the market is comfortable with China's attempts to slow its economy to avoid asset bubbles. As for today, the main focus will be on interest rate decisions from the Bank of England and the ECB. We expect no moves in rates from both central banks with the BoE leaving rates on hold at 0.5%, while the ECB will keep rates unchanged at 1%. Furthermore, we do not expect any surprises from the ECB press conference as recent European data has been constructive, with little inflationary pressure evident. Finally, in the US Weekly Initial and Continuing claims will be released with the market anticipating 455,000 and 4,515,000 respectively.

**Barclays: Buy**      **Previous Close** 340p      **Target** 415p      **Analyst** Oliver Gilvarry

Barclays released half year results this morning and the group posted a profit before tax of £3,947m in the first half of 2010. This is an increase of 44% on 2009 and ahead of consensus estimates of £3,400m. Excluding movements on its own credit, gains on acquisitions and gains on debt buy-backs, profit before tax increased by 22% to £2,963m from £2,425m. Barclays Capital reported a 30% increase in total income to £7,912m, up from £6,089m in 2009. This reflects a substantial reduction in losses taken through income relating to credit market exposures which fell to just £65m and a gain relating to its own credit of £851m. Impairment charges as a proportion of Group loans and advances as at 30th June 2010 improved to 118 bps, compared to 156 bps for the full year 2009. The Group's cost:net income ratio improved from 75% to 72%, with operating expenses up £1,669m to £9,720m, a 21% increase compared to the 25% increase in net income. Net asset value per share was 412p (31st December 2009: 414p), while Net tangible asset value per share was broadly flat at 338p (31st December 2009: 337p). At 30th June 2010, on a Basel II basis, the Group's Core Tier 1 ratio was 10.0% (31st December 2009: 10.0%). The group will pay an interim cash dividend of 1p per share on 10th September 2010 giving a declared dividend for the first half of 2010 of 2p per share. Although the market and economic environment in which it operate remains uncertain, management are encouraged by the strength of its income generation, the flexibility in its cost base and the performance of its risk management. The trends that Barclays has seen during July are broadly similar to the first half, with each of its retail, commercial and wealth management businesses performing in line. Investment banking volumes picked up in the second half of July matching the second quarter run rate which was resilient. The group will continue to maintain its total capital, leverage and liquidity around current levels in anticipation of likely regulatory change over years to come.

**Aviva: Buy**      **Previous Close** 368p      **Target** 500p      **Analyst** Oliver Gilvarry

Aviva reported half year results this morning and IFRS operating profits rose to £1,270 million, up 21% year on year. This result was supported by good performances from Aviva's composite portfolio, including its life businesses in the UK and Europe, and improved results in its fund management and non-insurance businesses. Net operating capital generated in the period was £0.9 billion, which is good progress towards its expectation of £1.5 billion for the year. IFRS new business income improved to £465 million (HY09: £379 million) driven by increased volumes and improved profitability of annuity sales in UK and increased European sales volumes. IFRS NAV has increased to 394p (FY09: 374 pence) driven by strong operating profit and positive investment variances. These have been partially offset by the adverse impact of movements in FX rates, an increase in the pension scheme deficit and payment of the final dividend for 2009. The group continues to boost a strong liquidity position with direct access to £1.8 billion of liquid assets £2.1 billion of undrawn committed credit facilities provided by a range of leading international banks. Aviva has confirmed an interim dividend of 9.5p, an increase of 6% on the 2009 interim dividend. In terms of outlook, it remains alert to the macroeconomic environment and risks in financial markets and it is confident about its future.



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**Cove Energy: Buy**   Previous Close 61p   Target Under Review   Analyst Brian Gallagher

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Yesterday, Anadarko Petroleum who is the operator on Cove Energy's offshore license in Mozambique, provided an update on the progress of Ironclad at its Q2 results conference call. When asked during a Q&A section about its operations in Mozambique management stated that they were making slow progress with Ironclad due to strong subsea currents that were hindering the stability of the rig's riser. As a result of this delay, management are not anticipating a result on the well for potentially another month. It is important to note that the slow progress does not have any bearing on the prospectivity of Ironclad. Nevertheless, the delay at Ironclad will add approximately \$6million to Cove Energy's portion of the costs as a typical rig costs approximately \$1 million a day to operate (Cove Energy pays 10% of costs) and the well is nearly two months overdue. Anadarko did make positive comments in relation to the size of the resources in the offshore licence which it shares with Cove Energy, stating they have fairly good confidence that they have "a lot of gas" in the area around Windjammer, a successful exploration well which was drilled in the first half of 2010. Anadarko's management went on further to say that they have much work to do to prove up this licence but they did guide that they will keep the rig currently drilling Ironclad in the area until at least the middle of next year so that it can perform further exploration and appraisal.

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### International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,963	0.0%	0.1%
FTSE	5,386	-0.2%	-0.5%
Dow Jones	10,680	-0.4%	2.4%
S&P	1,127	-0.5%	1.1%
Nikkei	9,489	-2.1%	-8.5%
Stoxx 50	2,825	0.2%	-4.6%

### Sector Performances

Sector	Index	1-Day	YTD
Construction	257	-0.3%	-7.0%
Technology	196	0.0%	6.1%
Oil & Gas	307	0.6%	-6.7%
Financials	230	-0.4%	3.4%
Retail	264	-0.7%	7.6%
Food & Drink	334	0.4%	8.6%

### Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	82.47	-0.1%	-0.8%
Copper	340.45	1.4%	0.1%
Gold	1,194.95	0.7%	9.1%
Silver	18.28	-0.8%	8.6%
Wheat	755.50	6.4%	28.4%
Cattle	95.78	1.6%	7.0%

### Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.316	-0.5%	-8.1%
€/£	0.828	-0.1%	-6.4%
£/\$	1.588	-0.4%	-2.0%
\$/JPY	86.270	0.6%	7.7%
€/JPY	113.540	0.0%	-14.8%
€/SFR	1.386	0.8%	7.3%

### 5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	119.7	1.4%	40.8%
High Yield	513.3	1.0%	-7.0%
Financials	143.6	3.9%	48.9%
BoI	325.2	1.5%	10.1%
AIB	438.8	1.1%	36.3%
RBS	201.6	1.4%	20.4%

### Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.5%	0.2%
3-Month	0.9%	0.7%	0.4%
1-Year	1.2%	1.1%	0.5%
2-Year	1.4%	1.4%	0.7%
5-Year	2.1%	2.4%	1.8%
10-Year	0.029	3.3%	2.9%

Date	Company	Region	Event
05/08/2010	COMMERZBANK AG	DE	Q2
05/08/2010	Deutsche Telekom AG	DE	Q2
05/08/2010	Unilever NV	NL	Q2
05/08/2010	EasyJet PLC	GB	TRAFFIC
05/08/2010	Rio Tinto PLC	GB	H1
05/08/2010	Smith & Nephew PLC	GB	H1
05/08/2010	Aviva Plc	GB	INTERIM
05/08/2010	Barclays PLC	GB	INTERIM
05/08/2010	Ladbrokes Plc	GB	INTERIM
05/08/2010	Schroders PLC	GB	INTERIM
05/08/2010	Unilever PLC	GB	Q2
05/08/2010	C&C Group Plc	IE	AGM
05/08/2010	Kraft Foods	US	Q2
05/08/2010	Time Warner Cable	US	Q2
05/08/2010	Viacom	US	Q2
06/08/2010	AIR France-KLM	FR	TRAFFIC
06/08/2010	Allianz SE	DE	Q2
06/08/2010	Royal Bank of Scotland	GB	INTERIM
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Date	Event	Region	Estimate
05/08/2010	Factory Orders MoM (sa)	GE	--
05/08/2010	BOE Asset Purchase Target	UK	--
05/08/2010	BOE ANNOUNCES RATES	UK	--
05/08/2010	ECB Announces IRates	EC	--
05/08/2010	Initial Jobless Claims	US	--
05/08/2010	Continuing Claims	US	--
06/08/2010	Industrial Production (MoM)	UK	--
06/08/2010	Manufacturing Production	UK	--
06/08/2010	Industrial Production MoM	GE	--
06/08/2010	Change in Private Payrolls	US	--
06/08/2010	Change in Nonfarm Payrolls	US	--
06/08/2010	Avg Hourly Earning	US	--
06/08/2010	Unemployment Rate	US	--
06/08/2010	Change in Manufact. Payrolls	US	--
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