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(The Irish Times)

Aer Lingus reaches deal to defer new Airbus aircraft
(The Irish Times)

Global car makers outlook cautious despite positive results
(Irish Independent)

INTERNATIONAL PAPERS TODAY

GE settles claims of fraud in accounts
(Financial Times)

Pay rises at UBS despite net losses
(The Wall Street Journal)

Market View

Analyst : Stephen Taylor

European equity markets are marginally lower this morning following a 1% decline in Asia overnight. The miners are weighing on the FTSE due to lower commodity prices while Ryanair and financials are helping to lift the ISEQ. Yesterday's better than expected US pending home sales figure provided further evidence that the housing market in the US is showing signs of stabilisation. Meanwhile today's stronger than expected Halifax house price data in the UK showed a 1.1% increase in July, indicating further stabilisation in the UK housing market. The main focus today will be on economic data. In the US the ADP employment figure will be closely watched due to the read through for the all important non-farm payrolls number on Friday. ISM services data will also be key and is expected to edge close to the important 50 level. In Europe retail sales data is expected to show some signs of stabilisation while in the UK PMI services data and industrial production will be important to see further signs of stabilisation. On the corporate front, results from Proctor & Gamble are expected before the US open and will provide a read through for the consumer.

AIB : Neutral **Current Price** (€1.80) **Price target** (€1.55) **Analyst** : Oliver Gilvarry

AIB released weaker than expected results this morning. Operating profit before provisions for the first half of the year was €1.738bn and the loss for the period was €786m with both of these figures helped by the once off gain from the exchange of tier 1 debt which occurred in the last number of months. This gain added €623m to the income statement of AIB. The ROI operation made a loss of €1,522m with operating profits down 33% and AIB UK making a loss of £28m with operating profit falling 17%. The group was loss making in the first half of the year due to loan impairments. AIB has seen credit quality deteriorate further with criticised loans now at 25% of the loan book, up from 11.7% at the end of December. Impaired loans are now 8.1% of the total loan book with construction and property loans 74% of the total impaired loans. Impairment provisions for the half year were €2.4bn or 3.58% of the loan book, higher than most estimates. Again construction and property are the majority of the provisions at 73%. Management have stated the full year bad debt outlook is "more or less" unchanged, but they see downside risks on the bad debt outlook. The deposit portfolio in the group declined 12% from the full year with the largest falls in the Capital Markets division (-23%) and AIB UK (-19%). The loan to deposit ratio has weakened to 1.56x from 1.40x at the end of December. This shows the outflow of funds from the Irish banking system in the early part of the year hasn't returned, at least in AIB. The increased competition for deposits and the higher cost of wholesale funding impacted Net Interest Margin (NIM), which decreased 18bps to 2.03%, better than we expected. Core tier 1 equity was 8.5% at the half year helped by the €3.5bn Government preference shares and the €1.2bn gain from the exchange of tier 1 debt.

The results today show how credit quality is deteriorating at a significant pace in AIB. NIM is falling due to the higher cost of funding and this will become more pronounced as the bank refinances maturing term debt for periods longer than September 2010. Management have stated the establishment of NAMA will be a material event for the group and they expect between €15-25bn of loans to transfer into the agency. We still remain negative on AIB at current levels as we believe a share price above €1.55 over-values the company especially with the risks it faces on NIM and loan losses.

Lloyds : Neutral **Current Price** (88p) **Price target** Under review **Analyst** : Oliver Gilvarry

Lloyds Banking Group (LBG) released results this morning reporting a pro-forma loss of £4bn for the first half of the year. The loss was due to an impairment charge of £13.4bn, at the higher end of expectations. Over 80% of this impairment is due to legacy HBOS loans. Management have stated they see the impairment charge in the second half of the year lower, and they believe the impairment charges have peaked in the first half. Of the £13.4bn impairment charge, 75% of the charge is related to assets to be included in the Government Asset Protection Scheme (GAPS). Net Interest Margin in the group has fallen to 1.72% from 1.97% at the end of last year. In guidance, management have stated that they see a slowdown in the rate of decline in NIM in the second half of the year and see margins increasing in 2010, but not back to 2008 levels. No real details were provided by LBG on the GAPS only that the group is working with the Treasury to finalise the terms. While the impairment charge was at the higher end of expectations, the forward guidance management is providing is positive on credit quality and NIM. The group will be loss making in 2009, but will return to profitability in 2010 helped by the large market share it will have in the UK retail market. Once the GAPS is in place the loan book will also be significantly de-risked.



Taylor Wimpey : Current Price (38p)**Analyst : Stephen Taylor**

UK house builder Taylor Wimpey today reported interim results. The group reported a pre-tax loss of £68.9m compared to a loss of £0.3m last year. Revenue declined to £1.13bn from £1.56bn. The group booked a further £527m in land and work in progress write-downs. Net asset value per share declined to 44.1p from 157p last year. Net debt declined to £1.03bn from £1.68bn last year boosted by its successful equity raise of £510m. In relation to its outlook the company indicated that trading in the UK had been encouraging since June 19th while in the US the market continued to strengthen. In the UK the group's order book has increased by 67% with cancellation rates falling from 46% to 19% since the second half of 2008. In the US orders are currently up 23% with cancellation rates of 18% compared with 20% last year. Overall the write-down was worse than expected, however there are positive signs in relation to its order book.

BHP Billiton: Buy Current Price (1576p) Price target (1800p) Analyst : David Dunk

BHP Billiton has announced the appointment of Jacques Nasser as the new chairman for the Australian miner. Mr. Nasser will replace existing CEO Don Argus in early 2010. Mr. Nasser worked for 33 years at Ford Motor Co, including three years as its CEO. He has been a non-executive director of BHP Billiton since 2006. In addition, he is a partner at One Equity Partners, the private equity affiliate of JP Morgan, as well as being a director of British Sky Broadcasting Group. Separately, Ian Ashby, president of BHP Billiton's iron ore unit made some comments at a marketing presentation, earlier today. Mr Ashby is confident in the long term fundamentals of the market, but notes the short term head winds from destocking. Steel production in China appears to be recovering rapidly, and is close to 50% of the global steel market. In the short term, BHP remains cautious on Chinese demand, as it is fuelled by Government stimulus spending.

Ryanair

Neutral

Current Price : €3.20

Price Target : €3.30



DOLMEN STOCKBROKERS

Analyst: **David Dunk**

Wednesday 5th August 2009

- Ryanair released details of its Q1 earnings last week. Net profit was €123m for the period, up from €21m for the same quarter in the previous year. Adjusted net profit was €136.5m for the period, after taking into account a €13.5m write-off relating to Ryanair's stake in Aer Lingus. Adjusted basic EPS was €0.0926 for the quarter.

Descriptive Stats		Shareholders	
Year to date	5%	Micahel O Leary	4.1%
52 Week High	€3.88	Fidelity	4.0%
52 Week Low	€1.80	Deutsche Bank	4.0%
Bloomberg	RYA ID	Bank of Ireland	3.0%

- Total revenues were flat, with an 11% rise in traffic offset by the 13% decline in average fares. Ancillary revenues increased by 13% over the period. As a result of the fall in fuel prices, and better fuel hedges, fuel costs were 42% lower than the previous year, at €214m. This led to a fall in unit costs of 26%, and a fall of 5% excluding fuel.

	Mar-08	Mar-09	Mar-10
Revenue (€m)	2,714	2,942	2,912
Operating Profit	439	93	340
EPS	0.3	0.04	0.18
DPS	N/a	N/a	N/a
P/E	10.3	88.9	18.3
Div Yield	N/a	N/a	N/a

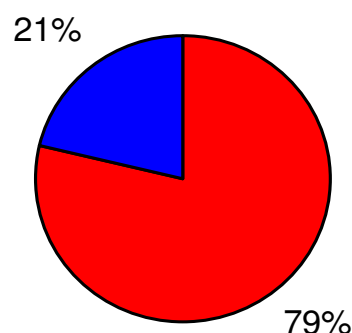
- Ryanair has extended its fuel hedging programme for the current year. As a result the airline is now hedged 90% for Q2 and Q3 at \$613 and \$605, per metric ton, respectively. Ryanair is also 60% hedged for Q4 at \$610. Ryanair estimates that a hedging of the remaining fuel requirement for the current fiscal year would yield savings of approximately €460m.

- Ryanair's balance sheet has continued to strengthen over the quarter. Gross cash was €2.5bn at the end of the quarter, up from €221.9m. In the same period, long term debt increased by €206.5m, to €2604.9m, leaving Ryanair with €104.8m of net debt at the end of the quarter. Cash generated during the period from operating activities was €291.8m. Additionally, the disposal of 3 737-800 aircraft yielded an additional €65.6m. Cash generated, and cash from disposals largely funded capex of €348.6m for the quarter.

- Ryanair's management remains cautious on the outlook for the remainder of the year. Ryanair reiterates its guidance for a 15% increase in passenger numbers to 67 million, in the current fiscal year. Ryanair previously guided for a yield decline of 15%-20% in the current year. This has now been lowered to an expected decline of or slightly greater than 20%. As a result, guidance for full year net profits will be towards the lower end of the €200m-€300m range previously given.

- As a result of the lower yield expectations guidance, we have pulled back on our expectations for current year profitability. We still expect Ryanair to grow traffic numbers by 15% to 67m in the current year. However, profitability for Ryanair in the current year will be lower than we previously estimated. We now expect full year adjusted net profit of €259m EPS of €0.175 in the current year. Consequently, we have lowered our price target from €3.80 to €3.30. Our new price target is based on a 9x multiple of current year EV/EBITDA, and is close to a P/E multiple of 19x. Given the lack of upside to our price target from current levels, we have downgraded Ryanair to Neutral from Buy.

Q1 2010 Revenues by Type



■ Scheduled Revenue

■ Ancillary Revenue



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,898	0.6%	23.6%
FTSE	4,663	-0.2%	5.1%
Dow Jones	9,320	0.0%	6.2%
S&P	1,006	0.0%	11.3%
Nikkei	10,253	0.0%	15.7%
Stoxx 50	2,676	0.0%	9.3%

Sector Performances

Sector	Index	1-Day	YTD
Construction	239	0.2%	17.6%
Technology	178	-0.3%	15.4%
Oil & Gas	285	-3.5%	10.5%
Financials	211	-0.3%	41.1%
Retail	196	0.3%	25.7%
Food & Drink	240	-0.6%	10.5%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	42.6	-0.5%	26.1%
Copper	151.2	-4.5%	92.8%
Gold	843.0	-2.4%	9.5%
Silver	11.1	-3.0%	29.5%
Wheat	613.3	-4.7%	-15.0%
Cattle	85.8	-3.1%	0.2%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.365	80.0%	-2.9%
€/£	0.903	-0.5%	12.3%
£/\$	1.510	1.2%	-13.6%
\$/JPY	92.65	-1.1%	-4.5%
€/JPY	126.43	-0.3%	-7.4%
€/SFR	1.503	-0.3%	-2.3%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	164.1	-1.6%	-40.5%
High Yield	657.8	2.5%	-35.9%
Financials	83.4	2.9%	-27.9%
BoI	330.7	-1.5%	34.8%
AIB	330.4	-1.7%	63.1%
RBS	128.2	0.7%	-4.1%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.4%	0.2%
3-Month	0.9%	2.6%	0.5%
1-Year	1.3%	1.3%	0.8%
2-Year	1.9%	2.3%	1.6%
5-Year	2.9%	3.7%	3.1%
10-Year	3.6%	4.3%	3.9%

Region Irish time Previous

Thursday August 6th

Wednesday August 5th

US	Ameren Corporation	Q2	Nationwide Consumer Confidence	UK	00:01	58
US	CBS Corporation	Q2	PMI Services	GE	08:55	--
US	Prudential Financial, Inc.	Q2	PMI Services	EC	09:00	--
US	MBIA Inc.	Q2	Industrial Production (MoM)	UK	09:30	-0.60%
US	The NASDAQ OMX Group, Inc.	Q2	Manufacturing Production (MoM)	UK	09:30	-0.50%
US	Williams Co. Inc.	Q2	Euro-Zone Retail Sales (MoM)	EC	10:00	-0.40%
BE	KBC Groep NV	Q2	MBA Mortgage Applications	US	12:00	--
FR	Veolia Environnement SA	Q2	ADP Employment Change	US	13:15	-473K
DE	Air Berlin PLC	TRAFFIC	ISM Non-Manf. Composite	US	15:00	47
DE	COMMERZBANK AG	Q2	Factory Orders	US	15:00	1.20%
DE	Deutsche Telekom AG	Q2				
CH	Zurich Financial Services AG	INTERIM				
GB	EasyJet PLC	TRAFFIC				
GB	Aviva Plc	INTERIM	Factory Orders MoM (sa)	GE	11:00	4.40%
GB	Ladbroke PLC	INTERIM	BOE Announces Rates	UK	12:00	0.50%
GB	RSA Insurance Group PLC	INTERIM	ECB Announces Interest Rates	EC	12:45	1.00%
GB	Schroders PLC	INTERIM	Initial Jobless Claims	US	13:30	--
GB	WM Morrison Supermarkets PLC	TRADE				
GB	Unilever PLC	H1				
GB	Thomson Reuters PLC	Q2				

Friday August 7th

Friday August 7th

			Trade Balance	GE	07:00	9.6B
			Current Account (EURO)	GE	07:00	3.7B
			Imports SA (MoM)	GE	07:00	-2.10%
US	Edison Intl.	Q2	Exports SA (MoM)	GE	07:00	0.30%
FI	Finnair Oyj	Q2	PPI Input NSA (MoM)	UK	09:30	1.50%
DE	Allianz SE	Q2	PPI Output n.s.a. (MoM)	UK	09:30	-0.20%
DE	Hypo Real Estate Holding AG	Q2	Industrial Production MoM (sa)	GE	11:00	3.70%
DE	PUMA AG Rudolf Dassler Sport	Q2	Change in Nonfarm Payrolls	US	13:30	-467K
SE	SAS AB	TRAFFIC	Unemployment Rate	US	13:30	9.50%
GB	Royal Bank of Scotland Group PLC	INTERIM	Consumer Credit	US	20:00	-\$3.2B

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