

CONTENTS

Market Comment : US manufacturing sector grows at its fastest pace in nearly four years

Irish Economy : Lenihan to stay in office despite illness

CRH : Pre close trading statement released this morning

IFG : James Hay acquisition passed at EGM

Market Movers

IRISH PAPERS TODAY

Lenihan to stay on as cancer treatment begins this week
(The Irish Times)

Novartis seeks to buy out minority Alcon shareholders for \$11.2bn in stock
(The Irish Times)

Brian's battle cry lifts the country
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Darling and Brown at odds over deficit
(Financial Times)

Sharp rise in factory orders spurs stock markets
(Financial Times)

Europe banks on U.S. model for financing
(The Wall Street Journal)

Market Comment

Analyst : Edward Keeling

European equity markets are slightly lower this morning reflecting some profit taking post Monday's strong moves. Investor confidence was boosted yesterday amid news that the US manufacturing sector grew at its fastest pace in nearly four years in December, its fifth consecutive month of expansion. We expect economic conditions in the US will continue to improve at a faster pace than is currently anticipated by the market. Although there remains a lack of credit for small businesses and consumer spending will continue to remain under pressure as the deleveraging process accelerates, we believe unemployment has peaked. In addition we see concerns over the US fiscal imbalances as overdone. When one considers that all of the major US banks have or are able to pay back TARP through ordinary equity placements and excess liquidity, its deficit from 2010 onwards will be much more manageable. Meanwhile crude oil prices have continued their move higher and our target of \$90 remains intact. Exceptionally cold weather in the United States and other big consuming nations helped pushed oil prices up for a ninth straight session overnight to near \$82 a barrel. Looking ahead towards today's trading, we will pay close attention to US pending home sales data at 15:00.

Irish Economy : Lenihan to stay in office despite illness

Analyst Oliver Gilvarry

The Minister for Finance, Brian Lenihan, made a statement yesterday concerning reports he is suffering from pancreatic cancer. He confirmed he will begin treatment for the cancer towards the end of this week. In his statement, announced he will continue to hold the Finance portfolio and during treatment will continue to work in the department, answer ministerial questions in the Dáil and take part in cabinet meetings. The Minister's statement is a positive for Irish Government debt as the actions he has taken to stabilise the fiscal position of the country have been well received by the markets. Irish Government debt spreads over German bonds have continued to tighten and we believe this will continue in 2010 as the market reflects on the tough decisions implemented over the last 15-months to restore fiscal stability. Finally, the latest Exchequer figures will be released today

CRH : Buy

Yesterday's Close €19.50

Analyst Stephen Taylor

CRH has issued a pre-close trading statement this morning for its 2009 financial year. In line with its guidance provided in November, CRH expects to report pretax profit of c. €750m, resulting in a decline of c. 55% year on year. CRH also provided an update in relation to its acquisition and development spend that amounted to €450m for the year with the majority of the development spend in the second half of the year focused on its materials division in the US. CRH indicated that its net debt fell below €4bn by the end of the year which resulted in net debt to EBITDA of just over 2x and leaves the company well placed to make further acquisitions. CRH indicated that it has €1.5bn to spend on acquisitions over the next 18 months. CRH has also continued to focus on its cost savings initiatives and has raised its target to €1.65bn from its previous estimate of €1.45bn. The cost reductions cover the period 2007 – 2010 and the additional €200m in projected savings will cost an additional €55m to implement. CRH remained predictably cautious regarding its outlook providing no specific guidance. The group did acknowledge that while economic data had improved recently it was still unclear when construction demand is likely to pick up. We will have a full updated note on CRH tomorrow.

IFG : James Hay acquisition passed at EGM

Analyst Oliver Gilvarry

IFG held its EGM yesterday regarding the acquisition of James Hay Holdings Ltd. All resolutions were passed, allowing the acquisition to proceed. The open offer will close at 11.00am on the 7th of January 2010. We are recommending shareholders to take up the open offer as the deal will be earnings accretive and will be a significant driver of profitability for the group.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,098	4.1%	3.8%
FTSE	5,500	1.6%	1.4%
Dow Jones	10,584	1.5%	1.5%
S&P	1,133	1.6%	1.6%
Nikkei	10,655	1.0%	1.3%
Stoxx 50	3,018	1.7%	1.5%

Sector Performances

Sector	Index	1-Day	YTD
Construction	282	1.6%	1.3%
Technology	188	2.2%	1.9%
Oil & Gas	338	2.1%	1.8%
Financials	227	2.5%	2.1%
Retail	246	1.6%	0.1%
Food & Drink	308	1.2%	0.5%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	81.5	2.7%	3.0%
Copper	340.6	1.8%	1.7%
Gold	1,121.2	2.2%	2.6%
Silver	17.5	3.7%	5.0%
Wheat	557.8	3.0%	3.0%
Cattle	85.4	-0.9%	-0.7%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.441	0.5%	-0.6%
€/£	0.896	1.1%	-1.3%
£/\$	1.609	-0.4%	0.8%
\$/JPY	92.505	-0.6%	1.0%
€/JPY	133.335	0.1%	0.4%
€/SFR	1.484	0.1%	-0.1%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	67.9	-2.9%	-3.0%
High Yield	413.0	-3.4%	-4.7%
Financials	69.3	-1.8%	-6.1%
BoI	243.8	-0.8%	-1.3%
AIB	270.8	-1.1%	-1.3%
RBS	136.4	-2.4%	-0.8%

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	1.9%	2.0%	1.3%
5-Year	2.8%	3.3%	2.9%
10-Year	3.6%	4.1%	3.9%