Dolmen Daily
DOLMEN STOCKBROKERS
Friday Aug 6th 2010

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IRISH PAPERS TODAY

Future civil servants may be second rate, warns pay chief *(The Irish Times)*

Figures show rise in number of white-collar unemployed *(The Irish Times)*

Jobless total tops 450,000 for the first time (*Irish Independent)*

INTERNATIONAL PAPERS TODAY

Barclays warns on break-up of banks (*Financial Times)*

Google and Verizon eye web service agreement (*Financial Times)*

Trichet says "double dip" not a danger *(Wall Street Journal)*

Market View — Analyst: Brian Gallagher

European equity markets are trading higher this morning as investors await today's crucial non farm payrolls figure. Analysts are expecting private payrolls to expand by 90,000 however, the headline figure is forecasted to be negative as the government scales back its seasonal census hiring. The employment situation is a key barometer of the pace of the recovery in the US and is also one of the parameters of which the Federal Reserve constructs its monetary policy. Consequently, today's release is likely to have a heavy influence on discussions next week when the Federal Open Market Committee meets. European central bankers met yesterday with both the ECB and the BoE producing no surprises in relation to interest rates or rhetoric. ECB President, Jean Claude Trichet, noted that Q3 data had exceeded the Central Bank's predictions so far and that he does not foresee the global economy entering a "double dip" recession. In commodities, Russia's decision to impose a ban on grain exports precipitated into sharp rallies in soft commodity futures. The Kremlin's decision was taken in response to a recent drought that devastated crops and caused wildfires in producing regions. Oil and copper gave back some of their recent gains nevertheless, we still see the commodities moving higher again having traded through important technical levels over the last week. Finally, corporate newsflow is expected to be light and trading volumes low ahead of the 13.30 non farm release.

Lloyds: Buy **Previous Close** 76p **Target** Under Review **Analyst** Oliver Gilvarry

Royal Bank of Scotland (RBS) reported first half earnings this morning with net incomer of £9m exceeding analyst's expectations of a loss of £47m. The beat was due to lower impairment charges in the quarter. Group impairment charges were £2.49bn, lower than estimates with UK retail impairments down by 22% in the quarter. Net interest margin improved from 1.92% at the end of 2009 to 2.03% at the half year. Core retail and commercial businesses was the driver here, increasing its NIM by 14bps. Core Tier one for the period was 10.5%, a decline of 50bps since the end of December. On outlook management are confident in delivering the 2009-2013 plan. The group is meeting or exceeding targets for decreases in non-core assets. NIMs are also expected to increase further in the second half from the good performance in Q2. On Ireland, Ulster Bank is seeing margin stabilisation and the business is showing growth pre-impairment.

Ryanair: Buy **Previous Close** €3.95 **Target** €4.70 **Analyst** Edward Keeling

Air France released its July traffic figures this morning. On a 1.2% increase in traffic, the group's passenger load factor rose 1.1%. The company also makes reference to a further recovery in unit revenues. In its cargo division, often considered a lead indicator, traffic rose 1.7% on the month. In addition unit revenue was up strongly and its load factor was up 2.4 percentage points to 66.2%. Management have said the improvement reflects both an upturn in demand as well as prudent capacity management.

C&C: Buy **Previous Close** €3.17 **Target** €3.90 **Analyst** Edward Keeling

Accompanying its AGM yesterday, C&C issued a small trading update. Overall the statement lacked any specific details and was relatively bland. However management were more cautious on its volume performance than the market would have liked. It noted that while the favourable weather and the soccer world cup had a positive impact on volumes, the accompanying level of promotional activity was significant. This implies that despite the catalysts the weather and the world cup provided, demand still need to be stimulated with promotions and pricing may have been subdued. Similar to the IMS in May, conditions in Ireland & the UK remain challenging, particularly in the on-trade. Nonetheless, they're pleased with the performance YTD in both Bulmers in Ireland and Magners in the UK. One positive was in relation to the integration of Tenants & Gaymers which is said is processing well. There had been some concerns over the pace of this previously. In terms of outlook, it expects to deliver operating profit in line with market expectations. We would anticipate no increase to consensus estimates post this statement, but also no downgrades. We believe the share price weakness has been overdone.

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Market Movers

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International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,968	0.1%	0.1%
FTSE	5,366	-0.4%	-0.3%
Dow Jones	10,675	0.4%	2.4%
S&P	1,126	0.6%	1.0%
Nikkei	9,654	1.7%	-8.6%
Stoxx 50	2,819	-0.2%	-4.5%

Sector Performances

Sector	Index	1-Day	YTD
Construction	258	0.4%	-6.3%
Technology	195	-0.1%	6.7%
Oil & Gas	306	-0.3%	-6.3%
Financials	228	-0.5%	3.5%
Retail	263	-0.4%	8.2%
Food & Drink	326	-2.5%	6.0%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	82.01	-0.6%	-0.5%
Copper	335.35	-1.5%	0.1%
Gold	1,194.95	0.0%	9.2%
Silver	18.32	0.2%	8.9%
Wheat	815.25	7.9%	42.0%
Cattle	96.28	0.5%	6.9%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/$	1.319	0.2%	-7.9%
€/£	0.830	0.2%	-6.5%
£/$	1.590	0.1%	-1.6%
$/JPY	85.820	-0.5%	8.1%
€/JPY	113.200	-0.3%	-14.8%
€/SFR	1.380	-0.5%	7.3%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	119.7	2.3%	41.7%
High Yield	513.3	1.9%	-6.2%
Financials	143.6	4.1%	51.8%
BoI	325.2	1.3%	17.4%
AIB	438.8	0.9%	39.5%
RBS	201.6	1.9%	22.0%

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	0.028	3.3%	2.9%

Date	Company	Region	Event
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
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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Dolmen Stockbrokers, 75 St. Stephen's Green, Dublin 2, Ireland.

DOLMEN SECURITIES LTD

75 St. Stephen's Green, Dublin 2, Ireland. Tel : +353 1 633 3800/1890 400 300 E-mail: info@dsl.ie
45 South Mall, Cork, Ireland Tel : +353 21 422 2122 E-mail: cork@dsl.ie
Theatre Court, Mallow St, Limerick, Ireland. Tel : +353 61 436 500 E-mail: Limerick@dsl.ie