

CONTENTS

Market View

Barclays : Full year results preview

BMW : Reiterate Sell

Aer Lingus : Traffic figures

Daily Note : Irish Life & Permanent fixed rate bond issue

Market Movers

IRISH PAPERS TODAY

ECB hints at interest rate cut next month
(Irish Times)

NIB warns more to come after €552m pretax loss
(Irish Times)

Bank of England slashes rates to record 1pc low
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Economists predict further rate reductions
(Financial Times)

Gloom drives central - bank actions
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-4.9%	-18.3%
BP	0.4%	-4.1%
CRH	-1.1%	1.3%
E.ON	0.6%	-8.8%
HPQ	-2.6%	-3.3%
IL&P	6.9%	14.3%
INM *	-1.1%	-44.2%
J&J	0.3%	-2.9%
JPMorgan	2.1%	-22.2%
Microsoft	2.2%	-2.1%
Paddy Power	-3.5%	-20.3%
Vodafone	-1.1%	-2.3%

* We are currently Neutral on IN&M

Market View

Analyst : Stephen Taylor

Equity markets had a big turnaround yesterday on speculation that US Treasury Secretary Tim Geithner is close to announcing details of the formation of a 'bad bank' in which US banks' most 'toxic' assets would be placed. We would view such a move as a positive development for the economy as a whole as it would increase confidence among banks lending to each other and ease credit market pressures. Such a move is not without drawbacks however as the 'toxic' assets will be difficult to value and could potentially result in further capital raisings for the banks. There has been no detail on how the bank would be funded given the original TARP bailout fund has only \$350bn remaining of the \$700bn originally announced. Uncertainty in the US banking system continues to place pressure on credit markets with 30-year mortgage rates in the US rising and now stand at 5.42% the highest level since November. Meanwhile, economic data yesterday continued to show further deterioration and that will be the main focus for today's trading session. The key event will be on US employment data which is due for release at 1.30pm. Consensus estimates are for nonfarm payrolls to show a decline of 540,000 for January and would mark 13 straight months of job losses in the US. The unemployment rate is expected to rise to 7.5% from 7.2% in December. With the continuing decline in weekly jobless figures, the risks of this number lay firmly on the downside.

Barclays Preview:

Analyst : Oliver Gilvarry

The UK bank reporting season begins on Monday morning with Barclays. The release date was brought forward after the large falls in its share price following the second round of recapitalisations of UK banks. As well as bringing forward the release date from the 17th of February, an open letter was issued to shareholders providing more guidance on the level of credit mark downs. The disclosure on mark downs indicate the bank has taken £8bn of gross marks in 2008, with £4.7bn in the second half of the year. Profits for the full year are guided significantly ahead of £5.3bn and market consensus for EPS is £0.34. On capital ratios, Tier 1 capital is expected at 9.5% and equity Tier 1 at 6.5%. These ratios reflect the conversion of the mandatory convertible notes issued to foreign investors in October.

The open letter gave a large level of guidance on credit marks that reassured markets, but investors will be looking for detail on its commercial property portfolio, corporate loan portfolio and Barclaycard. In relation to Barclaycard, the higher level of bad debts facing such portfolios in the US will begin to appear in the UK due to increased unemployment. The fall in commercial property prices in the UK and Europe and increased corporate defaults, will also result in higher bad debts for Barclays.

Barclays is well positioned to benefit from market consolidation as its competitors disappear or scale back operations. The market has become more comfortable with the level of credit mark downs, but in 2009 bad debts will arise from the real economy. Under the terms of the capital raise from Middle Eastern investors, any further capital raise before June will result in large dilution of other shareholders. Due to this risk and the uncertainty of bad debts on its corporate, commercial and credit card portfolio, we remain cautious on the stock going into these results and want to see further guidance on bad debts affecting the loan portfolios.

BMW : Sell **Current Price (€20.60)** **Price target (€16.00)** **Analyst : Stephen Taylor**

Shares in BMW are up 6% this morning following its announcement that it will report 'clearly positive' group earnings for 2008. The group pointed out that it expects to report revenue of €53.2bn down from €56bn in 2007 and broadly in line with analyst expectations. We believe that today's move up is a short squeeze and continue to recommend selling shares in the company as we expect profit warnings to come. With the majority of revenue generated in the sharply slowing economies in Europe and the US in addition to a significant exposure to financial services we believe the company will come under renewed pressure. Our short call on BMW has worked well over the last year with the stock falling from €38.00 to current levels.

Aer Lingus : Buy **Current Price (€0.97)** **Price target (€1.73)** **Analyst : David Dunk**

Aer Lingus has released traffic figures this morning. January passenger's numbers were down 6.4%. Passenger's numbers declined 6.1% for short haul versus 8.6% for long haul. Load factor's for long haul was 63.8% and 64.6% for short haul.

Meanwhile British Airways has released a trading statement for the first nine months of its current fiscal year. The company is reiterating its full year revenue guidance. Economic weakness is impacting results, and the difficult operating conditions are likely to continue. Full year overall guidance for operating loss is £150m. January traffic figures were down 1.3% with load factor at 73.2%.

Irish Life & Permanent

Fixed Rate Bond Issue



DOLMEN STOCKBROKERS

Analyst: **Oliver Gilvarry**

- Irish Life and Permanent (IPM) announced they are issuing a new Irish Government guaranteed fixed rate bond. Books are currently closed with an order size of circa €1bn in line with the targeted issue size. The final maturity of the bond is 28th September 2010, maturing inside the Irish Government guarantee period.
- The coupon on the bond will be paid annually on the 28th of September and is expected to yield 170bps over mid swaps or circa 3.80%. The spread over mid-swaps for IPM is higher than for AIB and BOI when they issued in November. At that stage, the spread was circa 65-70bps, but the increase in Irish Government bond yields has in turn increased the cost of issuing debt for IPM. Due to the government guarantee the rating on the bond is expected to be AAA.
- IPM has experienced significant falls in its share price since the beginning of 2008, but it has performed better than the other two listed Irish banks. The concerns over Irish banks having sufficient capital to weather the current recession does not apply to IPM. The reasons for this lack of concern are two factors, the loan portfolio and the availability of capital from the life business.
- The loan portfolio in ILP is €41.2bn, focused mainly on residential mortgages. The percentage of the loan portfolio in residential mortgages is 88% and this is broken down as follows, €27.6bn Irish residential mortgages and €8.65bn UK buy-to-let residential mortgages. The remainder of the loan portfolio is commercial investment property (€2.47bn) let to long-term tenants and personal loans (€2.47bn) including asset finance. The loan portfolio includes no commercial and residential development loans that are of concern in AIB and BOI.
- These types of loans are historically the area where the greatest levels of bad debts are experienced. The exposure in AIB and BOI to this type of loan is €27.6bn and €13bn respectively. The levels of bad debts on residential mortgages will be significantly lower than on speculative property development. Thus, the level of bad debts IPM will experience on its loan portfolio will be significantly lower than AIB and BOI.
- The other strength for IPM is its capital position as it has completed a capital raise at the end of 2008. The capital raise was achieved by releasing excess capital from the life assurance book and €250m of new capital will be released in total between 2009 - 2012. The capital release will enable IPM in words of management to absorb whatever the market throws at it. While investors are concerned over the level of dilution they may face from the recapitalisation of AIB and BOI, IPM does not have this issue due to the release of capital from its life book.
- While the ECB left rates on hold yesterday, interest rates in the Euro-Zone will continue to fall. Our estimate is for ECB rates to hit 1.50% in March and could go lower towards the end of the year. As the liquidity issues for Irish banks and others recede due to government and central bank action, deposit rates will fall. Over recent weeks deposit rates offered for 3-month cash has fallen from above 4% to below 3% with further falls to come in the next few months.
- The IPM bond will pay a coupon of circa 3.70% annually up to the 28th of September 2010. In the case of a pension or private client, this is an attractive yield to lock in for less than 2-years with a government guarantee for your principal and interest plus a capital gain at maturity as the bond matures at par.

Descriptive Stats		Shareholders	
Price (€)	1.84	Cominvest Asset I	5.10%
52 Week High	13.62	Morgan Stanley	4.14%
52 Week Low	0.94	Capital Group	4.01%
Bloomberg	IPM ID	BoI Asset Mgt	3.81%
Reuters	IPM LN	UBS Inv. Mgt.	3.65%
	FY08	FY09	
Revenue (€m)	830	760	
Net Profit (€m)	350	288	
EPS (c)	1.1	0.83	
DPS (c)	0	0	
P/E	1.7	2.2	
Div Yield	0.00%	0.00%	

Financial & Government Bonds				
Name	Maturity	Price	Coupon	Yield
Bank of Ireland	03-Sep-10	100.6	3.8%	3.4%
AIB	16-Sep-10	100.8	3.6%	3.1%
Irish Treasuries	11-Nov-11	102.5	4.0%	3.0%
Irish Treasuries	30-Sep-12	117.0	8.8%	3.7%
Irish Treasuries	18-Apr-13	102.8	5.0%	4.3%
Irish Treasuries	15-Jan-14	98.0	4.0%	4.5%



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,387	-0.3%	2.3%
FTSE	4,229	0.0%	-4.6%
Dow Jones	8,063	1.3%	-8.1%
S&P	846	1.6%	-6.4%
Nikkei	8,077	1.6%	-8.8%
Stoxx 50	2,293	-0.2%	-6.4%

Sector Performances

Sector	Index	1-Day	YTD
Construction	194	-0.1%	-3.8%
Technology	158	0.5%	3.2%
Oil & Gas	283	1.5%	6.4%
Financials	133	-1.4%	-10.7%
Retail	197	0.5%	7.9%
Food & Drink	224	-2.8%	-3.6%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	41.2	2.1%	-16.7%
Copper	150.0	-2.0%	10.1%
Gold	914.6	1.0%	3.6%
Silver	12.8	2.2%	13.1%
Wheat	561.8	3.6%	-7.7%
Cattle	86.5	0.6%	-2.8%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.279	-0.4%	8.4%
€/£	0.875	-1.4%	9.0%
£/\$	1.461	1.0%	-0.7%
\$/JPY	91.23	2.0%	-0.8%
€/JPY	116.66	1.5%	7.6%
€/SFR	1.497	0.6%	-0.4%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	156.1	-6.3%	-11.8%
High Yield	1,048.7	1.2%	1.8%
Financials	120.0	-1.3%	0.4%
BoI	334.6	-1.6%	41.6%
AIB	251.3	-1.6%	26.5%
RBS	132.6	-1.0%	-2.4%

Money Market Rates

Rate	EUR	UK	US
Overnight	1.2%	1.4%	0.3%
3-Month	2.0%	2.6%	1.2%
1-Year	2.0%	1.8%	1.3%
2-Year	2.2%	2.2%	1.6%
5-Year	3.0%	3.1%	2.5%
10-Year	3.7%	3.8%	3.2%

Date	Company	Region	Event
06/02/2009	British Airways PLC	GB	Q3
06/02/2009	Biogen Idec Inc.	US	Q4
06/02/2009	Weyerhaeuser Co.	US	Q4
07/02/2009	Hasbro, Inc.	US	Q4
07/02/2009	Lincoln National	US	Q4
07/02/2009	Loews Corp.	US	Q4
07/02/2009	Elan Corp PLC	IE	Q4
09/02/2009	Hasbro, Inc.	US	Q4
09/02/2009	Lincoln National	US	Q4
09/02/2009	Loews Corp.	US	Q4
10/02/2009	Elan Corp PLC	IE	Q4
10/02/2009	Cable & Wireless	GB	TRADE
10/02/2009	Unisys	US	Q4
10/02/2009	Vulcan Materials	US	Q4
10/02/2009	UBS	CH	Q4
11/02/2009	Smurfit Kappa Group	IE	FINAL
11/02/2009	Allegheny Energy	US	Q4
11/02/2009	Credit Suisse	CH	Q4
11/02/2009	Groupe Danone	FR	FINAL
11/02/2009	Peugeot	FR	PRELIM
11/02/2009	France Telecom	FR	Q4
11/02/2009	Daily Mail and General	GB	IMS

Date	Event	Region	Estimate
06/02/2009	Industrial Production (MoM)	UK	-1.20%
06/02/2009	Manufacturing Production	UK	-1.40%
06/02/2009	Industrial Production MoM	GE	-2.50%
06/02/2009	Change in Nonfarm Payrolls	US	-500
06/02/2009	Unemployment Rate	US	7.50%
06/02/2009	Consumer Credit	US	n/a
09/02/2009	NIESR GDP Estimate	UK	n/a
09/02/2009	Trade Balance	GE	n/a
09/02/2009	Current Account (EURO)	GE	n/a
09/02/2009	Imports SA (MoM)	GE	n/a
09/02/2009	Exports SA (MoM)	GE	n/a
09/02/2009	Sentix Investor Confidence	EC	n/a
10/02/2009	RICS House Price Balance	UK	n/a
10/02/2009	Total Trade Balance (GBP/Mli	UK	n/a
10/02/2009	Wholesale Inventories	US	n/a
10/02/2009	ABC Consumer Confidence	US	n/a
11/02/2009	Consumer Price Index (MoM)	GE	n/a
11/02/2009	Consumer Price Index (YoY)	GE	n/a
11/02/2009	Jobless Claims Change	UK	n/a
11/02/2009	ILO Unemployment Rate (3m)	UK	n/a
11/02/2009	BoE Quarterly Inflation Report	UK	n/a
11/02/2009	MBA Mortgage Applications	US	n/a

Disclosures

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes only to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor.

Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgment as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuers(s) in advance of publication.

Past performance is not necessarily a guide to future returns. The value of investments and the income from them can fall as well as rise. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

This report may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

Dolmen Securities Limited is regulated by the Financial Regulator. Dolmen Securities Limited is a member firm of the London Stock Exchange.

Dolmen Stockbrokers is regulated by the Financial Regulator. Dolmen Stockbrokers Limited is a member firm of the Irish Stock Exchange and the London Stock Exchange.

Conflicts of Interest & Share Ownership Policy

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments/ derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in issuers they publish research, views and recommendations on and accordingly analysts involved in the production of this report may own stocks in a company covered in it. Any own account staff trading is undertaken in strict compliance with Dolmen's own account internal rules and therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

Analyst Certification

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Oliver Gilvarry, David Dunk, Stephen Taylor and Edward Keeling are responsible for the production of this report. Oliver Gilvarry is Head of Research and David Dunk, Stephen Taylor & Edward Keeling are equity analysts.

For US Persons Only

This report is only provided in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.



DOLMEN SECURITIES LTD

75 St. Stephen's Green, Dublin 2, Ireland.
45 South Mall, Cork, Ireland
Theatre Court, Mallow St, Limerick, Ireland.

Tel : +353 1 633 3800/1890 400 300
Tel : +353 21 422 2122
Tel : +353 61 436 500

E-mail: info@dsl.ie
E-mail: cork@dsl.ie
E-mail: Limerick@dsl.ie