

## CONTENTS

### Market View :

**Tesco** : Interim Results

**Financials** : SocGen in €4.8bn rights issue

**Financials** : FSA announces new liquidity rules

**Ryanair** : easyJet traffic figures

**GSK** : Wins more government orders for swine flu vaccine

### Market Movers

## IRISH PAPERS TODAY

Rising exports boost confidence in prospects of recovery  
*(The Irish Times)*

Anglo forced to write off €4.7m loan linked to Madoff fraud  
*(The Irish Times)*

Service sector exports show first growth in 23 months  
*(Irish Independent)*

## INTERNATIONAL PAPERS TODAY

Tories and Labour match talk of cuts  
*(Financial Times)*

FSA's new liquidity regime for banks steals march on other regulators  
*(Financial Times)*

Telenor, Alfa agree to telecoms merger  
*(The Wall Street Journal)*

## Market View

Analyst : Stephen Taylor

European equity markets are higher this morning adding to yesterday's gains and strong finish in the US overnight. The main driver of yesterday's rally was the stronger than expected ISM Services data that accounts for almost 90% of the US economy. The index increased to 50.9 from 48.7 in August and beating expectations of 50. A reading of 50 is the dividing line between expansion and contraction. The positive economic data point comes as a welcome relief to the market that has been weak over the last number of trading days due to some disappointing economic readings. Overnight the Australian central bank unexpectedly raised interest rates by 0.25% to 3.25% and is the first of the G-20 countries to increase interest rates since the financial crisis began. The Australian central bank also indicated that it plans future rate increases. We do not expect the Federal Reserve, ECB or Bank of England to move on rates any time soon as despite an improvement in economic data, unemployment rates are continuing to rise. As for today it is relatively quiet on the economic and corporate front. The main focus will be on industrial production and manufacturing production data for August out of the UK with month on month increases in both readings expected.

**Tesco** : Buy    Current Price (387p)    Price target (425p)    Analyst : Stephen Taylor

Tesco has reported a solid set of interim results for the 6-month period ending 29th August. The group reported pre tax profits that increased by 8.6% to £1.57bn beating analyst expectations for £1.48bn. Net profit increased to £1.03bn from £1.01bn last year. Revenue ex vat increased by 9.3% to £27.8bn compared to £28bn expected. UK like for like sales were slightly disappointing increasing by 2.7% compared to 3.2% expected, however it did indicate that the UK consumer was beginning to become more confident. The group's international division continued to put in a robust performance with Asia showing particular strength. In the US, Tesco said that it is 'on track' to produce a loss in line with last year and will open a new store at the rate of 1 per week. Tesco sees prolonged weakness in California, Nevada and Arizona. In its continued push into financial services Tesco renamed its personal finance division Tesco Bank. We see a significant potential for Tesco in its financial services division over the coming years. In relation to its balance sheet the group expects net debt to fall to £8.5bn by the end of the year. Tesco results this morning are reassuring and we remain buyers of the stock.

**Financials: SocGen launches €4.8bn rights issue**

Analyst : Oliver Gilvarry

SocGen has announced it will raise €4.8bn in a rights offer to repay the French Government and to purchase a stake in Credit du Nord. The rights issue will be a 2 for 9 at €36 a share, a 31% discount to yesterday's closing price. The bank is in discussions with Dexia to buy its 20% stake in Credit du Nord and the deal should be completed by the end of the year. Core tier 1 will increase to 8.0% from 7.3% following the equity raise and repayment of Government preference shares. The rights issue is underwritten by a syndicate of banks. The trend of European banks going to the market to raise equity continues with RBS and Lloyds Banking Group looking likely to come to the market in the next number of weeks. The Irish banks seem to be hamstrung as they wait for the final version of NAMA to be passed, but the risk is that they could miss the window to raise equity this year. Of the two Irish clearers, our preference is for BOI due to its lower capital requirement compared to AIB.

**Financials: FSA announces new liquidity rules**

Analyst : Oliver Gilvarry

In the UK the FSA announced details of new liquidity rules that will affect UK banks. Under the new rules the UK banks could be required to increase their holdings of government bonds by £110bn in the first year of implementation. The level of government bonds to be held by a bank can be reduced if exposure to risky areas is reduced and reliance on short-term funding is lowered. The new proposals will only come into effect in the middle of next year at the earliest. The larger holdings of government bonds and other liquid assets will potentially be a positive for UK Gilts, as banks will have to increase their holdings of the same. At a time of increased issuance due to the current recession this will provide increased demand for UK Government debt. For banks, the new proposals will impact on profitability as they will be forced to hold more assets in liquid low risk bonds. Our preferred play in the UK banking sector is **Barclays** and they have been increasing their holdings of liquid assets over the last year and will be in a strong position to implement the new FSA rules. The implementation of the scheme will take a number of years to be fully applied.



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**Ryanair : Neutral**   **Current Price (€3.45)**   **Price target (€3.30)**   **Analyst : Edward Keeling**

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easyJet reported its September traffic figures this morning and the airline carried 4.4m passengers, up from 4.2m passengers last year. Its load factor, which represents the number of passengers as a proportion of the number of seats available, came in at 88%, up 1% from last year. This compares with Ryanair yesterday who announced it carried 6.1m passengers for the month of September, a 17% increase from 2008. It posted a load factor of 84%, flat year on year. Ryanair is continuing to expand aggressively into the downturn. Despite depressed consumer demand, it is aggressively pursuing market share and as a result sacrificing some short term profitability. However with the lowest cost base, superior hedging and the fact that price sensitive consumers continue to trade down from long haul carriers, we would anticipate Ryanair's full year earnings will rebound strongly.

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**GSK : Buy**   **Current Price (1212p)**   **Price target (1250p)**   **Analyst : David Dunk**

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Glaxosmithkline received positive news yesterday regarding its experimental renal cancer drug Votrient (Pazpanib) which passed advisory committee level by a vote of 10-0. Such an unanimous decision was unexpected considering recent remarks made by analysts and regulators who stated that the drug had significant risks. The company's ADR reacted positively to the decision rising 14 cents. Final approval by the US PDUFA is due on the 18th of Oct while the EU's decision will be announced in the first quarter of 2010. In other news, Glaxo revealed that it had received orders for 440 million shots of its swine flu vaccine Rolenza since the start of August. The number of orders was slightly ahead analysts expectations.

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### International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,231	0.0%	38.0%
FTSE	5,024	0.7%	13.9%
Dow Jones	9,488	-0.2%	9.4%
S&P	1,025	-0.5%	15.2%
Nikkei	9,674	-0.6%	9.4%
Stoxx 50	2,791	1.1%	14.4%

### Sector Performances

Sector	Index	1-Day	YTD
Construction	257	1.6%	1.6%
Technology	187	0.9%	3.8%
Oil & Gas	296	0.2%	2.9%
Financials	227	0.9%	2.4%
Retail	222	1.0%	1.6%
Food & Drink	265	0.3%	4.1%

### Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	70.4	0.7%	22.3%
Copper	272.7	1.7%	91.0%
Gold	1,017.3	1.4%	15.5%
Silver	16.5	1.9%	48.7%
Wheat	442.8	0.3%	-33.4%
Cattle	83.9	-0.1%	-7.7%

### Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/€	1.465	0.5%	-5.1%
€/£	0.919	0.6%	3.6%
£/\$	1.594	-0.1%	-8.5%
\$/JPY	89.535	-0.3%	1.6%
€/JPY	131.141	0.2%	-3.6%
€/SFR	1.512	0.2%	-1.1%

### 5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	101.2	-4.1%	-43.6%
High Yield	553.9	-2.9%	-46.2%
Financials	78.9	-4.6%	-34.3%
BoI	180.1	0.5%	-27.6%
AIB	183.0	-0.5%	-12.3%
RBS	113.7	-0.6%	-16.6%

### Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.4%	0.2%
3-Month	0.7%	0.5%	0.3%
1-Year	1.2%	0.8%	0.6%
2-Year	1.7%	1.7%	1.2%
5-Year	2.7%	3.1%	2.6%
10-Year	3.4%	3.7%	3.4%

Date	Company	Region	Event
06/10/2009	Air Berlin PLC	DE	TRAFFIC
06/10/2009	Tesco PLC	GB	INTERIM
06/10/2009	Northern Foods Plc	GB	TRADE
06/10/2009	IG Group Holdings plc	GB	AGM
07/10/2009	Finnair Oyj	FI	TRAFFIC
07/10/2009	SAS AB	SE	TRAFFIC
07/10/2009	J Sainsbury PLC	GB	Q2 TRADE
07/10/2009	Michael Page Internatio	GB	Q3 TRADE
07/10/2009	Sportingbet PLC	GB	PRELIM
07/10/2009	ALCOA Inc	US	Q3
07/10/2009	Costco Wholesale Corp	US	Q4
07/10/2009	Family Dollar	US	Q4
07/10/2009	Monsanto Company	US	Q4
08/10/2009	C&C Group	IE	H1
08/10/2009	Bang & Olufsen A/S	DK	Q1
08/10/2009	Business Post Group Pl	GB	TRADE
08/10/2009	Vedanta Resources PLC	GB	H1 OUTPUT
08/10/2009	Halfords Group Plc	GB	TRADE
08/10/2009	Ted Baker PLC	GB	INTERIM
08/10/2009	Carphone Warehouse C	GB	Q2 TRADE
08/10/2009	Hays PLC	GB	Q3 TRADE

Date	Event	Region	Estimate
06/10/2009	Industrial Production (MoM)	UK	0.20%
06/10/2009	ABC Consumer Confidence	US	--
07/10/2009	Nationwide Consumer Confic	UK	68
07/10/2009	Euro-Zone GDP s.a. (QoQ)	EC	-0.10%
07/10/2009	Factory Orders MoM (sa)	GE	1.10%
07/10/2009	MBA Mortgage Applications	US	--
07/10/2009	Consumer Credit	US	-\$10.0B
08/10/2009	Industrial Production MoM (s	GE	1.40%
08/10/2009	BOE ANNOUNCES RATES	UK	0.50%
08/10/2009	BOE Asset Purchase Target	UK	175B
08/10/2009	ECB Announces Interest Rat	EC	1.00%
08/10/2009	Initial Jobless Claims	US	541K
08/10/2009	Wholesale Inventories	US	-0.90%
09/10/2009	Trade Balance	GE	12.0B
09/10/2009	Consumer Price Index (MoM)	GE	-0.40%
09/10/2009	Imports SA (MoM)	GE	0.90%
09/10/2009	Exports SA (MoM)	GE	2.00%
09/10/2009	PPI Input NSA (MoM)	UK	-0.80%
09/10/2009	Total Trade Balance (GBP/M	UK	-£2300
09/10/2009	PPI Output n.s.a. (MoM)	UK	0.10%
09/10/2009	Trade Balance	US	-\$33.0B

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