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Bailout rolls on for banks but no help on mortgages (*Irish Independent*)

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Reduced wealth of KKR duo revealed (*Financial Times*)

RBS to offload £3bn of property loans (*Financial Times*)

ECB homes in on stress tests, banks' liquidity (*Wall Street Journal*)

Market View

Analyst: Edward Keeling

European equities are trading lower this morning, taking their lead from Asia overnight. Concerns surrounding the momentum behind the global economic recovery are continuing to weigh on investor sentiment. Markets remain focused on the downside risk to growth from reduced government spending, the slowdown in the US and the continued sovereign debt crisis in Europe. The resurgence in economies over the last 9 months is increasingly being perceived as a normalisation of inventory levels as opposed to a demand led recovery. This is being followed by government and consumer deleveraging resulting in the threat of deflation. Yesterday the U.S. service sector expanded in June for a sixth straight month but growth was at the slowest pace since February. The data on business activity in the service sector, which dominates the U.S. economy, follows weak reports in recent weeks on U.S. consumer spending, factory activity, employment and the housing market. U.S. stocks did rebound post the number, with all three major indexes closing moderately higher. Prices of safe-haven US Treasuries rose as bond investors continued to bet the Federal Reserve will keep interest rates at exceptionally low levels for an extended period of time. It is a relatively quiet day on the economic front today with US mortgage applications providing the latest insight to the US housing market.

Tullow Oil: Buy **Previous Close** 1083p **Target** 1470p **Analyst** Brian Gallagher

Tullow Oil has this morning released an RNS confirming government approval for the purchase of Heritage Oil's assets in Uganda's Lake Albert. This announcement had been well flagged by management at yesterday's trading update however, confirmation today means that Tullow Oil can now start the farmdown of its share to Total and CNOOC. Management have guided that this will take place over the next 2 weeks.

CRH: Buy **Previous Close** €17.12 **Target** €21.50 **Analyst** Stephen Taylor

CRH's Interim Trading Statement which was released this morning, has shown that the company continues to face a challenging economic environment. Like for like sales continue to decline which means that the company now expects EBITDA in the first half of 2010 to be 20% lower than the same period last year. In addition, management also expect operating profits to have dropped by circa 50% when compared to the same period in 2009. First half profit before tax is expected to be breakeven and management also confirmed this morning some €30million in restructuring cost savings. First half cash outflow is expected to be higher than in 2009 and but inline with 2008. The higher first-half cash outflow, coupled with a c.€0.5 billion translation impact on debt, has resulted in net debt at end-June 2010 being approximately €1 billion higher than the €3.7 billion reported at year-end 2009. In relation to the company's outlook, CRH noted the increased concerns relating to fiscal deficits across Eurozone which they believe is adding to uncertainty regarding the pace of economic progress in Europe. In the United States, management made reference to the fact that economic growth indicators have to date been more positive than in Europe; however, recent data releases suggest some softening in the pace of recovery. It continues to expect ongoing improvements in the cumulative rate of like-for-like sales decline through the second half, although the full year decline is now likely to be somewhat greater than previously anticipated. Despite this, CRH expects that EBITDA in the seasonally more important second half will be ahead of last year. CRH's trading update this morning is slightly disappointing due to the negative outlook on revenue. However the company remains well positioned operationally to benefit when there is sustained economic recovery.. We will be updating our earnings estimates in a detailed note tomorrow.

Smurfit Kappa: Buy **Previous Close** €6.95 **Target** €9.50 **Analyst** Edward Keeling

DS Smith, a UK peer of Smurfit Kappa has submitted a binding offer of €247m for the proposed acquisition of Otor, a leading corrugated packaging company in France. The offer is equivalent to €8.97 per share, which represents a 73% premium to yesterday's closing price of €5.17. The board believes that the combination of DS Smith and Otor satisfies a number of key strategic objectives, in particular the development of a strong continental European corrugated packaging business focused on the fast moving consumer goods sector. This is a positive development for Smurfit Kappa. There continues to be excess capacity in the European packaging industry and this consolidation will help in terms of pricing for the sector as a whole. In addition the valuation read through is attractive. It places an EV/EBITDA multiple of c.8.6x on the Otor, which if a similar multiple was placed on Smurfit Kappa's price would yield over c.€14!



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,913	3.0%	-4.8%
FTSE	4,965	2.9%	-9.1%
Dow Jones	9,744	-0.5%	-6.6%
S&P	1,028	-0.5%	-7.8%
Nikkei	9,338	0.8%	-12.0%
Stoxx 50	2,579	2.8%	-13.8%

Sector Performances

Sector	Index	1-Day	YTD
Construction	246	2.5%	-12.8%
Technology	191	2.3%	2.8%
Oil & Gas	277	2.5%	-16.7%
Financials	196	3.9%	-12.7%
Retail	254	1.9%	3.1%
Food & Drink	329	2.0%	6.7%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	71.98	-0.2%	-12.9%
Copper	297.10	1.9%	-12.5%
Gold	1,192.63	-1.4%	8.5%
Silver	17.86	0.8%	4.6%
Wheat	507.50	0.9%	-12.5%
Cattle	89.80	0.4%	2.5%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.263	0.7%	-12.1%
€/£	0.833	0.6%	-6.1%
£/\$	1.515	0.1%	-6.6%
\$/JPY	87.520	-0.3%	6.7%
€/JPY	110.510	0.4%	-17.6%
€/SFR	1.337	0.2%	11.0%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	119.7	-0.9%	81.9%
High Yield	513.3	-0.7%	33.2%
Financials	143.6	-4.7%	106.8%
BoI	325.2	0.6%	54.0%
AIB	438.8	-0.7%	87.1%
RBS	201.6	-1.7%	48.5%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.5%	0.3%
3-Month	0.8%	0.7%	0.5%
1-Year	1.2%	1.1%	0.7%
2-Year	1.4%	1.4%	1.0%
5-Year	2.1%	2.4%	2.0%
10-Year	0.029	3.4%	3.0%

Date	Company	Region	Event
06/07/2010	EasyJet PLC	GB	TRAFFIC
06/07/2010	Persimmon PLC	GB	TRADE
06/07/2010	Tullow Oil PLC	GB	TRADE
07/07/2010	Finnair Oyj	FI	TRAFFIC
07/07/2010	Air Berlin PLC	DE	TRAFFIC
07/07/2010	SAS AB	SE	TRAFFIC
07/07/2010	Marks and Spencer Group	GB	TRADE
07/07/2010	Aveva Group Plc	GB	AGM
08/07/2010	Man Group Plc	GB	TRADE
08/07/2010	AIR France-KLM	FR	AGM
08/07/2010	Babcock International Group	GB	AGM
09/07/2010	Austrian Airlines AG	AT	TRAFFIC
09/07/2010	Deutsche Lufthansa AG	DE	TRAFFIC
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Date	Event	Region	Estimate
06/07/2010	ISM Non-Manf. Composite	US	--
06/07/2010	ABC Consumer Confidence	US	--
07/07/2010	Euro-Zone GDP s.a. (QoQ)	EC	--
07/07/2010	Factory Orders MoM (sa)	GE	--
07/07/2010	MBA Mortgage Applications	US	--
08/07/2010	Trade Balance	GE	--
08/07/2010	Imports SA (MoM)	GE	--
08/07/2010	Current Account (EURO)	GE	--
08/07/2010	Exports SA (MoM)	GE	--
08/07/2010	Industrial Production (MoM)	UK	--
08/07/2010	Manufacturing Production	UK	--
08/07/2010	Industrial Production MoM	GE	--
08/07/2010	BOE Asset Purchase Target	UK	--
08/07/2010	BOE ANNOUNCES RATES	UK	--
08/07/2010	ECB Interest Rates	EC	--
08/07/2010	Initial Jobless Claims	US	--
08/07/2010	Consumer Credit	US	--
09/07/2010	Consumer Price Index (MoM)	GE	--
09/07/2010	Total Trade Balance	UK	--
09/07/2010	PPI Input NSA (MoM)	UK	--
09/07/2010	PPI Output n.s.a. (MoM)	UK	--
09/07/2010	Wholesale Inventories	US	--

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