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## IRISH PAPERS TODAY

Central Bank says Ireland "over the worst"  
*(The Irish Times)*

AIB's Polish arm a target for SocGen

*(The Irish Times)*

Tullow shares soar as Exxon Mobil bids for Jubilee stake  
*(Irish Independent)*

## INTERNATIONAL PAPERS TODAY

Australian rate rise helps gold to record  
*(Financial Times)*

Tesco chief says the worst is over  
*(Financial Times)*

Conservatives vow public-sector pay freeze  
*(The Wall Street Journal)*

## Market View

**Analyst : Stephen Taylor**

European equity markets are slightly lower this morning following two strong days of gains. Commodity stocks were the main standout performers yesterday with our preferred names BHP Billiton and Rio Tinto performing strongly gaining 5% and 7% respectively. In addition to the riskier commodities performing well yesterday, Gold closed at an all time high at \$1,040 an ounce. In the UK this morning the pound continues to weaken despite a nationwide survey showing consumer confidence rising to its highest level in 1.5 years a point that was echoed by Tesco yesterday at the release of its interim results. In relation to today it is relatively quiet on the economic front. The final revision of second quarter GDP out of the Euro-Zone is due with no change in the reading expected, while in Germany factory orders are expected to show a month on month increase for August. The main focus however will come after the close from Alcoa which is the first of the Dow Jones components to report third quarter results. In September Alcoa raised its aluminium demand forecast on the back of stronger demand from China. This should reduce the risk of any major negative surprise from Alcoa tonight.

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

Sainsbury has this morning issued a trading statement for the 16-week period to October 3<sup>rd</sup>. The group reported total sales that increased by 6.8% over the period slightly below expectations of 7.3%. Comparable sales increased by 5.4% broadly in line with consensus. The group was slightly cautious on its outlook and expects growth to slow, however it did indicate that the UK was through the worst of the recession. The company continues to invest through the downturn with first half store openings ahead of expectations. Tesco remains our preferred pick in the UK retail sector.

**United Drug: Buy**    **Current Price** (€2.25)    **Price Target:** (€2.65)    **Analyst :** David Dunk

United drug has posted a full year trading update this morning and the group expects profits for the year to 30<sup>th</sup> September 2009 to be ahead of 2008 levels on a constant currency basis. However the fall in the value of sterling, some 15% versus the euro over the course of the year, will mean reported profits will actually come in below last year levels. As a result of weaker consumer spend and new Government initiatives introduced during the year, which reduced the price of medicines and lowered revenue growth, its Healthcare Supply Chain division is expected to post profits below 2008 levels. However, its strong performance in its sales & marketing services division continued into the last quarter and even allowing for adverse currency movements its profits were set to be ahead of last year. Overall the group remains positive about the growth opportunities in its business. It boasts a strong balance sheet and its impressive cashflow levels should facilitate it achieve its growth objectives.

**Aer Lingus: Neutral**    **Current Price:**(€0.74)    **Price Target:** (€0.65) **Analyst :**Edward Keeling

This morning Aer Lingus announced details of its proposed restructuring plan. It intends on reducing annual operating costs, excluding fuel, by €97m before the end of 2011, which includes €74m of staff cost savings and €23m of non-staff cost savings. It is a two stage plan which will reduce costs and remove legacy work practices that it believes, a view we share, will enable it to compete more effectively against its peers. The first stage of the plan will be to tackle inefficiencies mainly in the operational area of the business, although pay and staff numbers will also be reduced in support areas. Cost savings will include reductions in staff pay that exceeds €35,000 per annum and lower variable pay and allowances for all staff. Changes here will result in a surplus of approximately 489 employee positions. The second stage will be focused on revenue initiatives and some additional cost savings through a series of business process improvements. It will involve the introduction of more advanced IT systems, which will result in the headcount in its head office being reduced by 40%, or 187 employees, by the end of 2011. If implemented, the plan will surely go a long way in reducing the group's cash burn which has seen its net cash balances reduce from €802.6m in June 2008 to €439.6m in June 2009. However the plan is likely to meet significant opposition from trade unions and there are risks a more diluted strategy will not be enough to ensure the medium term survival of the airline.

**Tullow Oil: Under Review**    **Current Price:** (€11.88)    **Analyst :** David Dunk

Tullow Oil shares posted strong gains in trading yesterday on the back of news that Kosmos (one of its partners in the Jubilee oil field project) had accepted a bid from the oil major Exxon Mobil. The details of the deal have not been released yet but initial estimates show that the acquisition will cost Exxon somewhere in the region of \$3.3 billion to \$4.4 billion. The deal is also subject to Ghanaian regulatory approval and Tullow and its remaining partners still hold a pre-emption right which allows them to match any bid by outside acquirers. The approach by a oil major underscores the potential of the Jubilee field and also illustrates the desire of the oil majors to look for new opportunities outside projects in Russia and Venezuela which are facing political headwinds. As it stands Tullow has a 34% stake in the field, Kosmos a 31% stake and the remainder is made up by Anadarko and the Ghanaian National Oil Company (GNOC). Tullow Oil has surpassed our price target and as a result we are currently reviewing our rating and price target.


**International Equity Markets**

Index	Value	1-Day	YTD
ISEQ	3,296	1.9%	41.5%
FTSE	5,138	2.3%	16.2%
Dow Jones	9,600	1.2%	10.9%
S&P	1,040	1.5%	16.8%
Nikkei	9,692	0.2%	10.6%
Stoxx 50	2,866	2.7%	17.4%

**Sector Performances**

Sector	Index	1-Day	YTD
Construction	266	3.1%	1.5%
Technology	190	1.7%	3.7%
Oil & Gas	304	2.9%	2.9%
Financials	234	3.3%	2.4%
Retail	223	0.9%	1.6%
Food & Drink	268	1.0%	4.0%

**Commodity Prices**

Commodity	Index	1-Day	YTD
Crude Oil	70.9	0.7%	23.1%
Copper	278.5	2.1%	93.1%
Gold	1,042.1	2.4%	18.8%
Silver	17.3	4.6%	54.1%
Wheat	460.3	4.0%	-31.0%
Cattle	83.6	-0.4%	-7.7%

**Currency Exchange Rates**

Commodity	Index	1-Day	YTD
€/\$	1.472	0.5%	-5.1%
€/£	0.925	0.6%	3.2%
£/\$	1.592	-0.1%	-8.1%
\$/JPY	88.824	-0.8%	2.8%
€/JPY	130.757	-0.3%	-2.5%
€/SFR	1.512	0.0%	-1.3%

**5Yr Credit Spreads**

Commodity	Index	1-Day	YTD
Invest Grade	97.3	-3.9%	-44.4%
High Yield	531.6	-4.0%	-48.1%
Financials	75.3	-4.5%	-35.1%
BoI	174.2	-3.3%	-30.6%
AIB	177.5	-3.0%	-13.6%
RBS	109.8	-3.4%	-19.0%

**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%	0.9%	0.6%
2-Year	1.7%	1.8%	1.2%
5-Year	2.7%	3.1%	2.6%
10-Year	3.4%	3.8%	3.4%

**Date Company Region Event**

Date	Company	Region	Event
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
12/10/2009	France Telecom SA	FR	S/HOLDERS
12/10/2009	L'Oreal SA	FR	S/HOLDERS
12/10/2009	Total SA	FR	S/HOLDERS
12/10/2009	Touchstone Group PLC	GB	AGM
12/10/2009	Charles Schwab	US	Q3

**Date Event Region Estimate**

Date	Event	Region	Estimate
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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