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Smurfit Kappa: DS Smith issues positive trading update

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Market Movers

IRISH PAPERS TODAY

Lenihan asks EU to allow State guarantee large Anglo deposits (*The Irish Times*)

US infrastructure plan aims to cut number of jobless (*The Irish Times*)

IL&P denies conflict of interest in EBS bid due to NCB link (*Irish Independent*)

INTERNATIONAL PAPERS TODAY

Obama in \$50bn plan to boost jobs (*Financial Times*)

German bank attempt to weaken new Basel III rules (*Financial Times*)

Stress tests missed debt at EU lenders (*Wall Street Journal*)

Market View

Analyst: Stephen Taylor

European equity markets have opened weaker this morning following lower closes in Asia overnight. If the FTSE was to close lower today it would mark the first day in eight trading sessions that it has done so. Equity markets continue to be driven by economic data and last week's rally was in part helped by the improvement in some economic indicators not just in the US but also globally including; India, China and Australia. Increased M&A activity is also likely to support markets with the most recent announcement that Burger King is to be acquired by 3G Capital in a deal valued at \$4bn. We expect further deals to be announced over the coming months with the technology and pharma sectors likely to be key areas of focus. There is also some speculation of consolidation in the telecom sector with Vodafone potentially looking to sell some assets while France Telecom has denied speculation that it and Deutsche Telekom were looking to merge. Another key focus for markets will be further stimulus measures from the US. Yesterday President Barack Obama announced a proposal to spend \$50bn over the next six years on roads, railroads and airport runways. White House officials pointed out that the proposals include creating an infrastructure bank to prioritise projects and attract private funds. The announcement is in addition to the extension of a research tax credit worth \$100bn over the next 10-years, and a plan to let companies write off 100% of their new investment in plant and equipment this year and next year. Obama is expected to provide more detail about the economy on Wednesday in Cleveland. We view the proposal for increased infrastructure spending as a potential significant positive for CRH. We will await further details over the coming weeks and if passed by congress when the funds will start to be allocated. The next stock specific catalyst for CRH will be on November 9th when the group is due to issue a trading statement. With the unemployment rates remaining at elevated levels we would expect any stimulus to be pushed forward as soon as possible. As for today it is relatively quiet on the economic and corporate front. The main focus will be on German factory orders with a 0.5% increase in July expected.

Smurfit Kappa: Buy **Previous Close** €7.52 **Target** €9.50 **Analyst** Edward Keeling

DS Smith, the international packaging supplier and peer of Smurfit Kappa, has released an interim management statement today. Overall trading in the first quarter has been encouraging, with good volume growth throughout the group. This is led from progress in the FMCG (Fast Moving Consumer Goods) sector, one which Smurfit Kappa has large exposure. The anticipated phased recovery of paper price increases has led to profits in line with management's expectations. In terms of outlook, management are looking forward to the remainder of the year with confidence.

IL&P Update: Dolmen Presentation

Analyst Oliver Gilvarry

Irish Life & Permanent (IPM) presented to our sales team yesterday following the interim results. Aside from the results, the group expects a decision on the Luxemburg property deal within the next number of weeks. A decision in IPM favour would be a positive and lead to a reverse of the previous writedown. Management are confident even if the transaction has to go ahead, they have been aggressive on the writedown and no further downward revaluations are required. A positive in the meeting was the fact the group has raised another €175m in a private deal in an issue of Residential Mortgage Backed Securitised (RMBS) similar to the deal it undertook a number of weeks ago. This deal was also outside guarantee and is a positive that the group can access that market, even if the size is small. On the strategic direction of the group, it is focused on the EBS deal and management are positive on the chances of a successful bid. The announcement on EBS must be made by end Sept, early Oct for IPM to undertake a capital raise this year to finance a deal, a timeline we see as extremely tight. The capital raise will be undertaken in a mixture of means with a release from the Life Company, preferred issue, debt buyback and rights issue. The mix is still uncertain at this stage. The Irish Government will also have a stake in the new bank following the deal as widely reported. Overall, the meeting highlighted the importance of the EBS deal to the group in order for the banking arm to gain a degree of pricing power. We now see the path to a more normalised banking profitability and release of value from the life book further away than we originally expected. A significant level of uncertainty still surrounds the bank as does other Irish financials. We will release a full note in the next number of days.

Financial Sector Update: WSJ article

Analyst Oliver Gilvarry

A report in the Wall Street Journal this morning casts some doubt on the level of detail provided in the European stress test with regard to the level of sovereign debt holdings. An example used in the piece is Barclays which excluded some government bonds held for trading purposes. This reduced Barclays' holding of Italian sovereign debt by £4.7bn and Spanish holdings were reduced by £1.6bn. Barclays have stated they completed the test based on guidance given by the CEBS. Other European banks are believed to have followed a similar process and it does cast doubt over the whole process. The piece is a negative for the banking sector, but we still like Barclays and see the increases in sovereign exposure to Italy and Spain as having little to no impact on our valuation. The problem for the banking sector is that it increases uncertainty, something the stress tests were designed to eliminate.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,807	0.3%	-5.9%
FTSE	5,439	0.2%	-0.2%
Dow Jones	10,448	0.5%	0.2%
S&P	1,105	0.9%	-0.9%
Nikkei	9,301	2.1%	-12.5%
Stoxx 50	2,754	0.3%	-7.9%

Sector Performances

Sector	Index	1-Day	YTD
Construction	245	0.4%	-11.9%
Technology	192	0.5%	3.8%
Oil & Gas	300	0.2%	-9.6%
Financials	221	0.2%	-1.6%
Retail	272	0.3%	10.6%
Food & Drink	342	0.5%	12.3%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	74.60	-0.6%	-11.8%
Copper	350.00	0.1%	2.6%
Gold	1,250.05	0.3%	13.9%
Silver	19.95	1.4%	17.3%
Wheat	741.25	3.9%	22.1%
Cattle	98.45	0.0%	9.9%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.288	-0.2%	-10.7%
€/£	0.836	0.2%	-6.3%
£/\$	1.539	-0.4%	-4.7%
\$/JPY	84.210	-0.1%	11.0%
€/JPY	108.420	-0.3%	-19.5%
€/SFR	1.304	-0.6%	14.8%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	119.7	0.0%	46.4%
High Yield	513.3	0.7%	-1.5%
Financials	143.6	0.7%	81.4%
BoI	325.2	0.0%	57.2%
AIB	438.8	-0.5%	77.7%
RBS	201.6	0.6%	31.8%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.5%	#VALUE!
3-Month	0.9%	0.7%	0.3%
1-Year	1.2%	1.1%	0.4%
2-Year	1.3%	1.3%	0.7%
5-Year	1.9%	2.1%	1.7%
10-Year	0.026	3.1%	2.7%

Date Company Region Event

Date	Company	Region	Event
07/09/2010	Whitbread	GB	Q2 TRADE
08/09/2010	Berkeley Group	GB	AGM
08/09/2010	DSG International	GB	AGM
09/09/2010	Home Retail Group	GB	Q2 TRADE
09/09/2010	WM Morrison Supermarkets	GB	INTERIM
09/09/2010	HMV Group	GB	AGM
09/09/2010	JD Wetherspoon	GB	PRELIM
13/09/2010	ASSOCIATED BRITISH FOOD:	GB	TRADING
14/09/2010	DEBENHAMS PLC	GB	TRADING
14/09/2010	Best Buy Co.	GB	Q2
14/09/2010	The Kroger Co.	GB	Q2
15/09/2010	NEXT PLC	GB	INTERIM
16/09/2010	INVESTEC PLC	GB	TRADING
16/09/2010	KINGFISHER PLC	GB	INTERIM
16/09/2010	FedEx	GB	Q2
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Date Event Region Estimate

Date	Event	Region	Estimate
07/09/2010	Factory Orders MoM (sa)	GE	0.60%
07/09/2010	ABC Consumer Confidence	US	--
08/09/2010	Trade Balance	GE	12.0B
08/09/2010	Exports SA (MoM)	GE	1.50%
08/09/2010	Industrial Production (MoM)	UK	0.40%
08/09/2010	Manufacturing Production	UK	0.30%
08/09/2010	Industrial Production MoM	GE	1.00%
08/09/2010	MBA Mortgage Applications	US	--
08/09/2010	Fed's Beige Book	US	--
09/09/2010	Consumer Price Index	GE	--
09/09/2010	Total Trade Balance	UK	-£3300
09/09/2010	BOE Asset Purchase Target	UK	200B
09/09/2010	BOE ANNOUNCES RATES	UK	0.50%
09/09/2010	Trade Balance	US	-\$48.1B
09/09/2010	Initial Jobless Claims	US	470K
09/09/2010	Continuing Claims	US	4445K
10/09/2010	PPI Input NSA (MoM)	UK	0.20%
10/09/2010	PPI Input NSA (YoY)	UK	9.00%
10/09/2010	PPI Output n.s.a. (MoM)	UK	0.10%
10/09/2010	PPI Output n.s.a. (YoY)	UK	4.80%
10/09/2010	Wholesale Inventories	US	0.40%
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