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Market Movers

IRISH PAPERS TODAY

Toughest Budget in memory paves way for further taxes
(The Irish Times)

Focus on levies rather than cuts in expenditure
(The Irish Times)

Brian's €5bn blitz
(Irish Independent)

INTERNATIONAL PAPERS TODAY

RBS plans to cut 9,000 jobs across the globe
(Financial Times)

For Rio Tinto, there is just no escaping China
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	0.9%	-17.2%
BP	-1.7%	-15.2%
CRH	-2.0%	-2.1%
E.ON	1.8%	-23.1%
HPQ	-1.3%	-8.2%
IL&P	-3.3%	-17.5%
INM *	-3.0%	-63.0%
J&J	-1.6%	-14.2%
JPMorgan	-3.4%	-13.6%
Microsoft	0.0%	-3.5%
Paddy Power	-1.5%	-2.8%
Vodafone	-1.4%	-10.1%

* We are currently Neutral on IN&M

Market View

Analyst : Stephen Taylor

European equity markets are weaker this morning following overnight losses in the US and Asia. While some economic indicators have improved globally we retain our cautious view on markets given the recent strong rally as we head into first quarter earnings season. We believe that the upcoming earnings season could act as negative catalyst for the market. After the US close last night, Dow Component and the world's second largest aluminium producer, Alcoa reported its second straight quarterly loss as demand for metals used in autos and appliances continues to slump. In addition, electronics maker Sharp increased its full year net loss estimate to \$1.3bn from \$1.0bn previously due to continued weakness in demand along with higher restructuring costs. Both of these earnings reports do not bode well for the upcoming earnings season and we would recommend selling into any strength rather than buying on weakness. Today's trading session will be relatively quiet with little further economic and corporate news flow expected.

ThirdForce :

Current Price (8.5c)

Analyst : Stephen Taylor

Yesterday, ThirdForce reported full-year results for the period ending 31/12/2008. Revenue increased by 18% to €26.9m which included MindLeaders revenue in respect of the full year 2008, as opposed to only part of 2007. Revenue in the UK and internationally increased by 2%. Group operating profit on a like for like currency basis (ex. charges for goodwill impairment, amortisation of acquisition intangibles, and share options) increased by 21% to €3.1m. Adjusted EPS was 0.9c down from 1.3c in 2007. Cash-flow from operations was €3.0m compared to €0.7m last year. Net cash inflows after all interest and capital expenditures, amounted to €2.7m., bringing cash balances as at 31/12/2008 to €6.9m up from €4.2m last year. Meanwhile, last week the Board of LearnVantage Ltd. which includes current ThirdForce CEO Brendan O'Sullivan and Chairman Patrick McDonagh confirmed that it had made an approach to ThirdForce. The potential offer for the entire share capital of ThirdForce is at €0.08 per share or an alternative option of 1 new share in LearnVantage Ltd. for each share held in ThirdForce. **Note** : Dolmen Securities Ltd. is currently advising the Board of LearnVantage Ltd. in respect to its potential offer for ThirdForce.

Taylor Wimpey :

Current Price (40p)

Analyst : Stephen Taylor

Yesterday, Taylor Wimpey said that it had completed its debt refinancing discussions and also reported results for the full year 2008. The group said that it will be required to meet loan covenants that are more based on cash-flow than profit. In return, banks, private placement note holders and bondholders will receive warrants for shares equal to about 5% of the group's outstanding shares. The refinancing will increase the group's cost of debt with the margins and coupon rates on borrowings rising to 4.55%. The group also has to pay a one-off fee of £60m for the amendment, of which £11m was incurred in 2008. Taylor Wimpey faces additional interest charges if it fails to pay off £150m in debt by June 30th this year and a further £350m by the end of next year. The group also reported a pre-tax that widened to £1.97bn from £33.6m a year earlier, hit by various exceptional costs, including £1bn in land and work-in-progress write-downs. In relation to its outlook, the group said that recent trading had been at the upper end of internal expectations with stable pricing in the UK since the start of 2009 and a sales rate ahead of last year. The group did caution that it was worried about the sustainability of current conditions due to uncertainty over mortgage availability and the economy.

Kerry : Buy

Current Price (14.00)

Price target (€19.90)

Analyst : Oliver Gilvarry

The competition authority has announced that it intends to appeal the decision by the high court with regards to the proposed acquisition of Breo Foods. The competition authority had previously blocked the merger on competition grounds. This decision was annulled by the High Court on the 19th March. Despite the intention of the Competition Authority to appeal the decision, Kerry is determined to defend its position and will resist this appeal in the Supreme Court. Our ratings and recommendations remain unchanged following the announcement.

Diageo: Buy

Current Price (782p)

Price target (1150p)

Analyst : David Dunk

Pernod Ricard has announced that it is accelerating its deleveraging efforts. The premium alcoholic drinks maker has sold its Wild Turkey brand of bourbon for \$575m. In addition, Pernod Ricard is seeking to raise €1bn through an equity rights issue. The company has also confirmed guidance of double-digit net income growth. This would amount to full year net profits in excess of €1bn. The company is seeking to delever following last years acquisition of Vin & Spirit. Our recommendations and ratings for Diageo remain unchanged.

Supplementary Budget 2009



DOLMEN STOCKBROKERS

Analyst: **Stephen Taylor**

Wednesday 8th, April 2009

- Yesterday the Irish government announced details of its supplementary budget aimed at increasing revenue for the state while also decreasing expenditure to help bring about stabilisation in the country's finances. As a result Finance minister Brian Lenihan is targeting a 2009 deficit / GDP of 10.75% which is higher than the 9.5% previously estimated. In light of the current economic difficulties and measures taken the government expects GDP for 2009 to decline by 7.7% while the average unemployment rate for the year is expected to be 12.5%. We have outlined the major tax and expenditure changes on the table on the right hand side Note that all figures outlined below are based on a yearly basis.

- **Revenue** : The government expects to raise €1.81bn for the rest of 2009 while on a yearly basis €3.6bn is expected to be raised. The majority of the revenue will come from the following measures: €2.786bn will be generated by the doubling of the income and health levies while also increasing the PRSI ceiling. The government will also raise €128m by discontinuing mortgage interest relief for any mortgages over 7 years old. The change in level at which interest re-payments can be claimed against tax for residential is anticipated to raise €95m, while €70m will be raised from changes to DIRT along with taxes on Life Assurance policies and investment funds. The new levy on Life Assurance Policies will yield an additional €140m, while increases in excise duty on mineral oil and tobacco will bring in €140m on a yearly basis.

- **Expenditure**: On the expenditure side the government expects to save €886m for the remainder of 2009 and €1.2bn on a yearly basis. The majority of savings will come from the following measures: Cuts to social welfare will yield €400m on a yearly basis while reductions to Health and Children spending will result in saving of €241m. Payrolls savings from government initiatives are expected to generate €300m while other departmental savings will also yield €174m in savings.

- **Conclusion** : We view yesterday's budget as a positive first step in the rebuilding of the Irish economy. However, we would have preferred to see more of the focus on spending cuts over tax increases as tax increases depress consumer spending further in an already difficult environment. While the projected government deficit of 10.75% is higher than the 9.5% previously estimated, an overshoot on this new estimate will not be tolerated by international bond markets. We believe that the focus for 2010 and 2011 should now be on increased cuts in expenses rather than further tax increases.

Government Macroeconomic Forecasts

	2009	2010	2011
GNP	-8.0%	-2.8%	2.5%
CPI	-3.9%	0.3%	2.0%
Unemployment	12.6%	15.5%	15.0%
Debt as % of GDP	59.0%	73.0%	78.0%
Tax Revenues	€34.5bn	€35.4bn	€38.9bn

Taxation Measures for Introduction in 2009

Changes to Income Levy, Health Levy and PRSI

Income Levy - From May 1st

Rates will be doubled to 2%, 4% & 6%.

Exemption Threshold will be €15,028 and the 4% and 6% levy will apply to incomes in excess of €75,036 and €174,980 respectively

Health Levy - From May 1st

Health levy will double to 4% and 5%. Higher entry point will be €75,036

PRSI - From May 1st

Ceiling will be increased to €75,036 from €52,000

Income Tax

Mortgage Interest Relief - From May 1st

Discontinued for any mortgage greater than 7 years since drawdown

Restriction in Interest Relief Rented Residential Property

For existing & new mortgages this will fall to 75% from 100%

Taxation on Savings - From 7th April

Dirt and Tax on Life Assurance Policies and Investment Funds

Both to increase by 2 percentage points to 25% & 28% respectively

Stamp Duty

Life Assurance Policies From June 1st

New levy on life assurance at a rate of 1% on premiums.

Non-Life Insurance Policies - From 7th April

Non-life insurance levy to increase by 1% to 3%

Capital Gains Tax - From 7th April

Increased to 25% from 22%

Excises - From 7th April

Increase in Mineral Oil Tax and Auto-Diesel

Increased by 5 cent per litre including VAT

Tobacco Excise duty increased by 25 cent

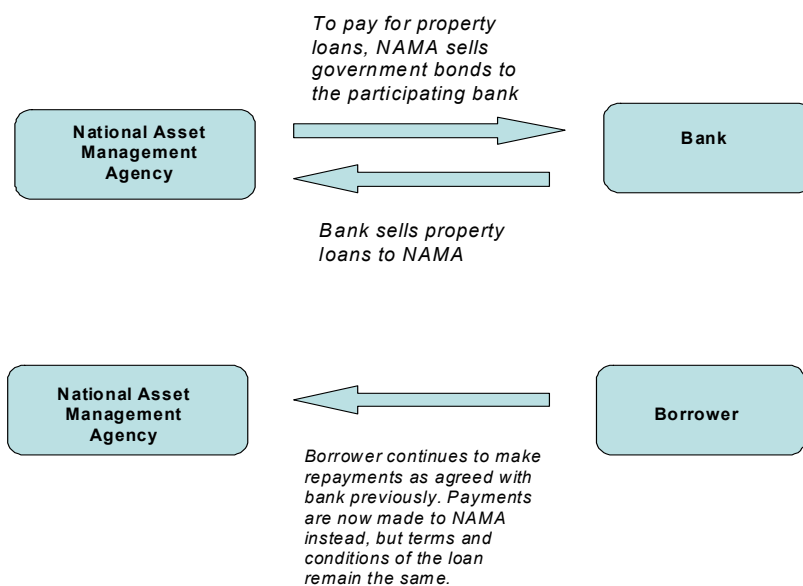
Additional 25 cents on tobacco products

National Asset Management Agency



Analyst: **Oliver Gilvarry**

Wednesday 8th, April 2009



- In yesterday's budget speech, the Minister for Finance released details of the long awaited "Bad Bank". The new agency will be called the National Asset Management Agency (NAMA) and will be under the governance and management of the NTMA. The institutions covered under the scheme will be at the discretion of the government, based on their relevant importance to the economy. NAMA will operate on a commercial and independent basis and will actively manage the loan portfolio with the aim to maximise the gain to the tax-payer. To further protect the tax-payer, if NAMA falls short in recouping all of its costs a levy will imposed to recoup any short fall. It is unclear at this stage who the levy will be imposed on, but it would seem most likely to be financial institutions.
- NAMA will purchase loans such as development loans, associated work in progress loans and certain investment property loans. The total book value of these loans will be between €80-90bn, but the purchase price will be lower than this. Loans with security that is held outside the jurisdiction will also be included as Irish banks have significant exposure to UK property. Participating banks will not have the choice on what assets to transfer and under the terms of the scheme the largest property backed exposures of all banks must be transferred. Individual borrowers will not have the right to opt out either.
- The borrowers of the transferred loans will be "required to meet their full legal obligations for repayment" and there "will be a hardening of the approach to these borrowers" according to the Minister. Indicating struggling developers will not be supported by interest roll ups once the loans are transferred.
- The loans will be purchased by the government at a percentage discount depending on the assessment of risks involved in the loan. Comments from the government would indicate the purchase price will be lower than the current written down values. The banks will have to recognise losses on their accounts from the transfer of the loans to the NAMA and if such losses result in a bank requiring additional capital, the state will require the capital to be ordinary equity and will insist on participation in the capital raise. The state will pay for the loans by issuing new bonds, either directly by the government or by NAMA. These bonds will be given to the banks in return for the loans as it can be seen in the diagram above. The issuance of further debt directly or in-directly by the government will increase the national debt, but the government believe it will remain at levels below many other European Union members.
- As part of the announcement, it was also confirmed the government guarantee will be extended for future issuance of debt securities with a maturity of up to 5-years. The blanket guarantee will not be extended after its maturity in September 2010, but certain new bond issuance by the six domestic banks will be covered under the guarantee. This will help Irish banks to access longer dated funding and lengthen their funding profiles from the current short-term maturities. The government expect to have the legislation creating NAMA before the summer recess, and this will include details on the structure of the Board and management teams. The details provided by the Minister yesterday were in line with the leaks over the last number of weeks, but the powers the government will have to force the removal of loans from banks was a surprise.

National Asset Management Agency



Analyst: **Oliver Gilvarry**

Wednesday 8th, April 2009

- The Minister did state that if banks' capital ratios need to be increased due to the scheme, the state will take equity in the relevant institution. In further documents released after his speech it is implied the re-capitalisation of AIB and Bank of Ireland (BOI) meets the level of new capital required. This indicates the level of losses to be taken by these two banks on the sale of loans will not require a new capital injection by the government. Assuming that since the evaluation of AIB and BOI loan books prior to their recapitalisation the quality of the loan books has not deteriorated significantly, the risk of considerable shareholder equity dilution has receded.
- For Irish Life and Permanent, the scheme will impact it less due to its lack of exposure to commercial and residential development. A certain amount of its buy-to-let portfolio or commercial investment portfolio could be transferred, but the extension of the guarantee is important. Its heavy reliance on wholesale funding means any extension in the guarantee will benefit the group and reduce its reliance on short-term funding and the ECB.
- The announcement yesterday is positive for the Irish financial system as it is the beginning of dealing with the problems assets on their balance sheets. The extension of the guarantee could eliminate the uncertainty over term funding for the banks. The removal of problem loans for their balance sheets will allow clarity in the earnings going forward and allow the banks to lend into the economy. Uncertainties still remain, especially at what price the government will pay for the assets and the level of capital erosion the banks will suffer due to this agreed price. The pricing agreed will not be known until the summer at the earliest.
- International investor's reaction to the issuance of government bonds to pay for the loans will be key. For example at a purchase price at 60% of the loans face value would mean a bond issuance of €54bn or 30% of GDP. While this is a large amount, it must be remembered the low level of national debt Ireland has as a percentage of GDP. Once the government control spending and increase the tax take, our national debt levels will only move towards our European peers, even with the large issuance to pay for the bad loans.
- Another issue relates to demand for debt issued by the banks covered by a government guarantee. Irish banks lost significant amounts of institutional deposits in January even with an Irish government guarantee following the nationalisation of Anglo Irish Bank. The proposed changes in the structure of regulation in Ireland and placing the Central Bank at the centre of financial supervision and financial stability will hopefully result in an improved international perception of Ireland.
- Despite these issues, the announcement yesterday can be taken as a positive and in our view support the financial sector and reduce the chances of full nationalisation of the remaining three listed Irish banks. However, a large amount of uncertainty still exists in relation to this scheme, but it is a step forward in solving the problems facing the Irish financial system.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,301	-1.3%	-1.2%
FTSE	3,994	-0.9%	-10.2%
Dow Jones	7,976	-0.5%	-9.1%
S&P	835	-0.8%	-7.5%
Nikkei	8,833	-0.3%	-0.3%
Stoxx 50	2,180	-0.9%	-11.5%

Sector Performances

Sector	Index	1-Day	YTD
Construction	195	-1.2%	-6.9%
Technology	159	2.0%	1.8%
Oil & Gas	260	-1.2%	-2.7%
Financials	140	-0.3%	-9.3%
Retail	194	-1.4%	6.1%
Food & Drink	214	0.4%	-6.2%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	51.1	-2.8%	-2.0%
Copper	195.9	-2.1%	40.3%
Gold	868.9	-2.7%	-0.6%
Silver	12.1	-4.9%	8.3%
Wheat	557.0	-1.2%	-10.2%
Cattle	84.4	0.2%	-2.1%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.342	-0.5%	4.8%
€/£	0.908	0.0%	5.2%
£/\$	1.477	-0.5%	-0.5%
\$/JPY	100.99	0.7%	-9.7%
€/JPY	135.49	0.2%	-5.4%
€/SFR	1.525	0.0%	-1.6%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	184.8	-6.3%	6.6%
High Yield	1,130.3	-1.2%	11.8%
Financials	160.4	-3.4%	37.4%
BoI	502.0	-4.2%	123.8%
AIB	501.7	-3.2%	163.8%
RBS	191.7	-3.3%	42.4%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.8%	0.4%	0.3%
3-Month	1.5%	1.6%	1.2%
1-Year	1.7%	1.6%	1.3%
2-Year	2.0%	2.3%	1.6%
5-Year	2.9%	3.3%	2.5%
10-Year	3.6%	3.8%	3.1%

Date Company Region Event

Date	Company	Region	Event
08/04/2009	Family Dollar	US	Q2
08/04/2009	Fortis NV	BE	EGM
08/04/2009	Daimler AG	DE	AGM
08/04/2009	PZ Cussons	GB	TRADE
08/04/2009	TNT N V	NL	AGM
09/04/2009	Chevron	US	Q2
09/04/2009	Vedanta Resources PLC	GB	FINAL
09/04/2009	Halfords Group Plc	GB	TRADE
09/04/2009	Hays PLC	GB	TRADE
09/04/2009	SIG PLC	GB	EGM
14/04/2009	Intel Corporation	US	Q1
14/04/2009	Johnson & Johnson	US	Q1
14/04/2009	W.W. Grainger	US	Q1
14/04/2009	Iberia Lineas Aereas de	ES	TRAFFIC
14/04/2009	Banco Santander SA	ES	S/HOLDERS
15/04/2009	Kenmare Resources PL	IE	PRELIM
15/04/2009	Rio Tinto PLC	GB	AGM
15/04/2009	Anglo American PLC	GB	AGM
15/04/2009	Abbott	US	Q1
16/04/2009	Experian PLC	IE	TRADE
16/04/2009	Rio Tinto PLC	GB	Q1 OUTPUT
16/04/2009	BP Plc	GB	AGM
16/04/2009	Baxter Intl. Inc.	US	Q1

Date Event Region Estimate

Date	Event	Region	Estimate
08/04/2009	Nationwide Consumer Confic	UK	45
08/04/2009	Trade Balance	GE	7.5B
08/04/2009	Current Account (EURO)	GE	5.9B
08/04/2009	Imports SA (MoM)	GE	--
08/04/2009	Exports SA (MoM)	GE	-2.50%
08/04/2009	Factory Orders MoM (sa)	GE	-2.60%
08/04/2009	MBA Mortgage Applications	US	--
08/04/2009	Wholesale Inventories	US	-0.50%
09/04/2009	Consumer Price Index (MoM)	GE	-0.10%
09/04/2009	ECB Publishes Apr. Monthly	EU	
09/04/2009	PPI Input NSA (MoM)	UK	0.90%
09/04/2009	PPI Output n.s.a. (MoM)	UK	0.10%
09/04/2009	Industrial Production MoM (s)	GE	-3.00%
09/04/2009	BOE ANNOUNCES RATES	UK	0.50%
09/04/2009	Trade Balance	US	-\$36.5B
09/04/2009	Import Price Index (MoM)	US	0.90%
09/04/2009	Initial Jobless Claims	US	655K
09/04/2009	CPI (MoM)	IE	0.10%
09/04/2009	Industrial Production sa (Mol	IE	--
14/04/2009	RICS House Price Balance	UK	--
14/04/2009	Producer Price Index (MoM)	US	--
14/04/2009	Advance Retail Sales	US	--
14/04/2009	Business Inventories	US	--

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