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IRISH PAPERS TODAY

Aer Lingus could go into "downward spiral" without cuts
(The Irish Times)

O'Brien's goes into liquidation
(The Irish Times)

INM signs off on restructuring agreement with bondholders
(Irish Independent)

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Lloyds considers £15bn rights issue
(Financial Times)

Ladbrokes to launch £300m cash call
(Financial Times)

EU treaty hinges on Czech President
(The Wall Street Journal)

Market View

Analyst: Stephen Taylor

European equity markets are strong this morning rebounding from yesterday's losses. The main catalyst for this morning's move was better than expected earnings out of Dow component Alcoa who kicked off earnings season after the US market closed last night. After increasing its outlook for global aluminium demand in early September the company was able to report an unexpected profit for the third quarter and importantly report revenue that came in ahead of consensus. With significant cost cuts been taken out of businesses over the last 12-months the market will be looking to revenue figures with more importance. Alcoa did make some cautious comments in relation to its outlook however it has seen demand in several of its key markets pick up. Alcoa's results mark a positive start to US earnings season that gets into full swing next week. As for today the main focus will be in Europe with both the European Central Bank (ECB) and Bank of England (BoE) expected to make interest rate decisions. We expected both the ECB and BoE to leave rates on hold at 1% and 0.5% respectively. We also expect the BoE to keep its £175bn quantitative easing program at the same level and the ECB at its press conference to remain cautious on the recovery. In the US weekly jobless figures will be closely watched particularly after last weeks disappointing nonfarm payrolls number.

C&C: Neutral

Current Price: (€2.87)

Analyst: Oliver Gilvarry

C&C Group reported half year results this morning with revenue down 6.3% on constant currency basis to €257.5m, lower than consensus. Operating profit for the period was €57.4m down 2% and operating margin was 22.3% in the period, up 1% on a constant currency basis. Both figures were weaker than expected with consensus estimates of €63.4m and 23.8%. On a divisional basis, Cider ROI experienced a fall in revenue of 4.2%, volumes remained constant over the period in a falling market. The move from on-trade to off-trade has continued. In the UK, revenue was down 9% on constant currency basis and volumes declined 2%. Management have stated the Magners brand has continued to lose market share over the last 12-months. Recent trends however have improved slightly. On volumes overall, cider remains constant and spirits volumes are down 15%, but the de-stocking trends that has impacted on spirit volumes over the last year seem to be reversing. An interim dividend of 3c will be paid in December and the balance sheet of the group remains strong. Free Cash Flow (FCF) in the first six months was €53.4m and this has reduced net debt to €171.1m. Going forward a full year dividend of 6c is guided with operating profit for the year to be in the range previously stated of €77-82m. Management have stated the first half of the year was positive, but trading conditions in August and September were challenging. The plan to invest an additional €8m to promote the group's brands is under review due to the recent acquisition and market conditions.

Ladbrokes: Announces rights issue

Current Price: (165p)

Analyst: Edward Keeling

Ladbrokes have announced that the group is proposing a £275m rights issue which involves the issue of 300.6m new ordinary shares. This will represent 50% of the existing share capital and will be issued at a price of 95p, a 48% discount to its closing share price yesterday. This will allow the group to rebase its capital structure to an appropriate level and will place it in a stronger position to refinance its remaining debt. It will reduce the group's net debt from £962m to £687m, implying a net debt to EBITDA of 2.6 times. Its current net debt to EBITDA is 3.7 times ex high rollers, which compares with covenants of 4.25 times. While there is still reasonable room there, such a move reflects its concerns that unemployment and a as result consumer demand for its service will remain subdued for some time to come. The group also provided an update on current trading and although the amount staked has stabilised since its interim results ended June 30th, gross win margins, and as result profitability, have been adversely affected by a continued run of unfavourable football and horseracing results. Net revenue for the period from July 1st to September 30th was down 15% compared with same period last year. As a direct read across for Paddy Power, overall gross win in Ireland was down 13%, but the amount staked over the counter was down 3%, better than management had expected. The group's dividend policy has been altered in response to its equity raise and it has confirmed it will not be paying any dividend for the remainder of the year. It will resume its progressive dividend policy from the interim period next year onwards.

UK Financials: Lloyds sounds out rights issue demand

Analyst: Oliver Gilvarry

Comments this morning in the FT indicate that Lloyds Banking Group (LBG) is sounding out investors appetite for a £15bn rights issue to avoid entering the Government Asset Protection Scheme (GAPS) and keep the UK Government's stake in the group at 43%. The capital raise would be the largest ever in the UK with the article also stating the plan would include the sale of assets and potentially Scottish Widows. Comments by LBG on the article reiterate earlier statements that they are looking at all options and have considered other alternatives instead of entering the GAPS or reducing the amount of assets going into the scheme. Such a capital raise would be circa 60% of the bank's current market cap and we think it would be difficult for the group to raise such an amount. A successful raise would be positive for the group as it will reduce Government involvement and reduce the likelihood of significant forced sales of assets imposed by the European Commission.



International Equity Markets

| Index | Value | 1-Day | YTD |
|-----------|-------|-------|-------|
| ISEQ | 3,311 | 0.5% | 43.7% |
| FTSE | 5,109 | -0.6% | 16.3% |
| Dow Jones | 9,731 | 1.4% | 10.8% |
| S&P | 1,055 | 1.4% | 17.1% |
| Nikkei | 9,800 | 1.1% | 11.0% |
| Stoxx 50 | 2,852 | -0.5% | 18.2% |

Sector Performances

| Sector | Index | 1-Day | YTD |
|--------------|-------|-------|------|
| Construction | 266 | 0.1% | 1.5% |
| Technology | 189 | -0.1% | 3.7% |
| Oil & Gas | 302 | -1.0% | 2.9% |
| Financials | 232 | -0.7% | 2.4% |
| Retail | 222 | -0.6% | 1.6% |
| Food & Drink | 267 | -0.3% | 4.0% |

Commodity Prices

| Commodity | Index | 1-Day | YTD |
|-----------|---------|-------|--------|
| Crude Oil | 69.6 | -1.8% | 21.3% |
| Copper | 278.0 | -0.2% | 97.8% |
| Gold | 1,044.2 | 0.2% | 19.5% |
| Silver | 17.5 | 1.2% | 56.8% |
| Wheat | 463.3 | 0.7% | -30.5% |
| Cattle | 84.1 | 0.6% | -7.3% |

Currency Exchange Rates

| Commodity | Index | 1-Day | YTD |
|-----------|---------|-------|-------|
| €/\$ | 1.469 | -0.2% | -5.4% |
| €/£ | 0.920 | -0.5% | 3.8% |
| £/\$ | 1.597 | 0.3% | -8.9% |
| \$/JPY | 88.609 | -0.2% | 2.7% |
| €/JPY | 130.183 | -0.4% | -2.9% |
| €/SFR | 1.517 | 0.4% | -1.5% |

5Yr Credit Spreads

| Commodity | Index | 1-Day | YTD |
|--------------|-------|-------|--------|
| Invest Grade | 100.8 | 3.6% | -44.7% |
| High Yield | 542.8 | 2.1% | -48.8% |
| Financials | 79.4 | 5.4% | -33.8% |
| BoI | 174.2 | 0.0% | -29.9% |
| AIB | 176.8 | -0.4% | -13.6% |
| RBS | 112.6 | 2.5% | -17.0% |

Money Market Rates

| Rate | EUR | UK | US |
|-----------|------|------|------|
| Overnight | 0.4% | 0.4% | 0.2% |
| 3-Month | 0.7% | 0.6% | 0.3% |
| 1-Year | 1.2% | 0.9% | 0.6% |
| 2-Year | 1.7% | 1.7% | 1.2% |
| 5-Year | 2.6% | 3.1% | 2.5% |
| 10-Year | 3.4% | 3.7% | 3.4% |

Date Company Region Event

| Date | Company | Region | Event |
|------------|------------------------|--------|-----------|
| 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 G | GB | Q2 TRADE |
| 08/10/2009 | Hays PLC | GB | Q3 TRADE |
| 09/10/2009 | Austrian Airlines AG | AT | TRAFFIC |
| 09/10/2009 | Deutsche Lufthansa AG | DE | TRAFFIC |
| 09/10/2009 | John Wood Group PLC | GB | 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 |
| 13/10/2009 | Whitbread PLC | GB | INTERIM |
| 13/10/2009 | Renewable Energy Gen | GB | PRELIM |
| 13/10/2009 | Bellway PLC | GB | PRELIM |
| 13/10/2009 | Intel Corp. | US | Q3 |
| 13/10/2009 | Johnson & Johnson | US | Q3 |
| 13/10/2009 | KMG Chemicals | US | Q4 |

Date Event Region Estimate

| Date | Event | Region | Estimate |
|------------|------------------------------|--------|----------|
| 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 Rai | 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 |
| 13/10/2009 | RICS House Price Balance | UK | -- |
| 13/10/2009 | CPI (MoM) | UK | -- |
| 13/10/2009 | RPI (MoM) | UK | -- |
| 13/10/2009 | DCLG UK House Prices (Yo' | UK | -- |
| 13/10/2009 | ZEW Survey (Econ. Sentime | GE | -- |
| 13/10/2009 | ZEW Survey (Econ. Sentime | EC | -- |
| 13/10/2009 | ABC Consumer Confidence | US | -- |

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