

CONTENTS

Market View :

Irish Economy : Commission for Taxation

New Basel Capital Proposals

Vodafone : Orange and T-Mobile JV announced

Ryanair : Air-France traffic stats

C&C : Greene King results

Rio Tinto: May beat production targets

IRISH PAPERS TODAY

ECB to look closer at money data

(The Irish Times)

Examiner at Zoe would benefit ACC, court told

(The Irish Times)

M&T being bounded by suitors over AIB's 24% holding

(Irish Independent)

INTERNATIONAL PAPERS TODAY

Tesco lays groundwork for California growth

(Financial Times)

Primark lifts ABF

(Financial Times)

LSE backs high frequency traders

(Financial Times)

Market View

Analyst : Stephen Taylor

European equity markets are strong this morning building on yesterday's gains and marking their third straight day of increases. Takeover activity appears to be returning to the market with Kraft's £10.2bn offer for Cadbury. There is speculation that Kraft may now raise its bid for Cadbury or a combination of Nestle and Hershey may make a combined bid for the company. In addition ATIC made an offer of \$1.8bn to acquire Chartered Semiconductor, while last week Disney agreed to buy Marvel Entertainment for \$4bn. The increasing amount of takeover activity in equity markets can be taken as a major positive for the market and signals a further return to normalisation. While we would not be surprised to see some dips in the market from time to time we remain comfortable with current valuations and continue to recommend buying on weakness. As for today the main focus will be on economic data out of the UK and Germany. UK industrial and manufacturing production are expected to show month on month gains, while industrial production data out of Germany is expected to show a rebound from June.

Irish Economy : Commission for Taxation

Analyst : Oliver Gilvarry

The Commission for Taxation released its report yesterday with a number of proposals for reforming the taxation system. The recommendation gaining most attention is the property tax with two examples based on different bands with an annual tax rate of 0.25% or 0.30%. The tax will be based on open market values of the property and will be subject to self assessment. A carbon tax has also been proposed with 5-8c to be added to petrol prices with carbon taxes to be added to other fuels that generate CO₂. Other measures proposed include taxation of child benefit payments with the introduction of tax credits to support lower income families negatively affected. On pensions it is recommended only the first €200k of a lump sum should be tax free with the remainder taxable. Another proposal is to change the rate at which relief is obtained on pension contributions, with a new rate somewhere between the top and lower tax rate. The report does have a number of positives with companies allowed to off-set their R&D tax credit against employer PRSI and allowing unemployed workers to offset retraining costs against income for the previous six years. The report also states corporation tax to be maintained at 12.5% as a "low stable corporation tax rate should remain a core aspect of Irish tax policy to support economic activity in the long term". With regard to markets, removal of stamp duty and the re-introduction of indexation on investments with regard to CGT are a positive for investors. It must be remembered the report is only a recommendation and the Government is not obliged to implement any or all of the recommendations. With the Government facing a budget deficit of €18.4bn this year according to their own estimates, a mixture of the proposals recommended by An Bord Snip Nua and the Commission on Taxation need to be implemented to bring the fiscal position of the country onto a more stable foundation.

New Basel Capital Proposals :

Analyst : Oliver Gilvarry

Following on from the statement from the G20 meeting over the weekend, the Basel committee is putting flesh on the bones of their comments with regard to new capital rules for banks. This will involve banks substantially improving the quality of capital banks hold to absorb losses. The committee have proposed at least half of banks capital must comprise ordinary equity and retained earnings. Regulators will also be able to impose restrictions on banks with regard to buy-backs and dividends. The proposals will be released on a more formal basis by the end of this year. Such proposals mean the preference shares injected by the Government into AIB and BOI could become ineligible as core tier 1 capital requiring ordinary equity raises. With regard to the Irish banks, a report in the Irish Independent today states a number of banks have expressed an interest in AIB's M&T stake.

Vodafone : Buy Current Price (137p) Price target (150p) Analyst : Stephen Taylor

France Telecom (Orange) and Deutsche Telekom (T-Mobile) have agreed to merge their UK units to create the UK's largest mobile-phone operator. The 50-50 joint venture will have combined revenue of £9.4bn and will result in savings of more than €4bn. The deal reduces the number of mobile-phone operators in the UK to four. T-Mobile has been losing market share and there had been speculation of a takeover from Orange, Telefonica (O2) or Vodafone. Overall, while the joint venture will provide significant synergies for T-Mobile and Orange and provide them with increased pricing power, we are pleased that Vodafone did not make a full takeover bid for T-Mobile UK and not over extend its balance sheet. Vodafone has been increasing its focus on emerging markets over the last number of years where subscriber growth remains strong.

Ryanair : Neutral Current Price (€3.29) Price target (€3.30) Analyst : David Dunk

Air France has released traffic figures for August this morning. Passenger traffic declined by 2.9% in August, to 6.6m passengers. Load factor increased 1.1% to 84.8% in the passenger business, as result of a capacity reduction of 4.2%. Meanwhile cargo traffic fell by 16.1% in August compared to the same month last year. Capacity in this division declined by 16.9%, and the load factor was 63.5%. Overall the results show a weak performance by Air France. The higher cost flag carriers are being forced to pull capacity, as a result of the lower, price sensitive, consumer demand.

C&C: Neutral **Current Price** (€2.85) **Price target** (€2.16) **Analyst :** David Dunk

Greene King released a trading statement this morning. Brewing continues to perform well, and the company is continuing to take market share. Like for like sales for the last 17 weeks, increased 4.6% driven by a stronger performance from food. Retail margins declined 1% during the last 16 weeks, compared to the previous year. Greene King expects same store growth to moderate in the second half of the year. The company sees positive trends continuing, but remains cautious on outlook. The UK pub industry appears to be stabilising in the current year, although the consumer environment continues to be weak.

Rio Tinto: Buy **Current Price** (2547p) **Price target** (2800p) **Analyst :** David Dunk

The Australian Observer has reported that Rio Tinto may be on-track to beat its production target for iron ore. According to the newspaper, production in July and August amounted to 18.5m tons of iron ore per month. Rio Tinto is targeting production of 200m tons of iron ore in the current year. The majority of Rio Tinto's profits come from iron ore, so a significant boost in production would be material for the company.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,067	0.9%	33.2%
FTSE	4,852	1.1%	12.1%
Dow Jones	9,345	0.7%	7.6%
S&P	1,003	0.9%	12.5%
Nikkei	10,321	1.3%	17.3%
Stoxx 50	2,784	1.5%	14.4%

Sector Performances

Sector	Index	1-Day	YTD
Construction	256	1.7%	1.9%
Technology	188	2.0%	3.9%
Oil & Gas	303	0.6%	3.0%
Financials	231	1.4%	2.5%
Retail	227	1.5%	1.8%
Food & Drink	264	2.3%	4.3%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	68.0	0.1%	20.9%
Copper	151.2	0.1%	104.8%
Gold	843.0	0.1%	14.1%
Silver	11.1	0.0%	48.3%
Wheat	613.3	-1.5%	-29.7%
Cattle	85.8	-0.1%	-2.7%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.433	0.2%	-3.2%
€/£	0.877	0.5%	9.1%
£/\$	1.635	-0.3%	-11.3%
\$/JPY	93.070	0.1%	-1.6%
€/JPY	133.377	0.3%	-4.8%
€/SFR	1.519	0.2%	-1.6%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	107.6	-2.7%	-40.5%
High Yield	151.2	-0.9%	-37.0%
Financials	843.0	-2.6%	-25.4%
Bol	11.1	1.4%	2.8%
AIB	613.3	-0.6%	27.7%
RBS	85.8	-0.1%	-7.4%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.4%	0.2%
3-Month	0.8%	0.7%	0.3%
1-Year	1.1%	0.9%	0.6%
2-Year	1.7%	1.9%	1.3%
5-Year	2.7%	3.3%	2.7%
10-Year	3.4%	4.0%	3.6%

Date Company Region Event

Date	Company	Region	Event
08/09/2009	Finnair Oyj	FI	TRAFFIC
08/09/2009	Ashtead Group Plc	GB	Q1
08/09/2009	DS Smith Plc	GB	TRADE
09/09/2009	Deutsche Lufthansa AG	DE	TRAFFIC
09/09/2009	WS Atkins PLC	GB	TRADE
09/09/2009	Alliance Pharma Plc	GB	INTERIM
09/09/2009	Sports Direct Internatioir	GB	TRADE
10/09/2009	ESI Group SA	FR	Q2 SALES
10/09/2009	Iberia Lineas Aereas de	ES	TRAFFIC
10/09/2009	Home Retail Group plc	GB	Q2 TRADE
10/09/2009	WM Morrison Supermar	GB	INTERIM
10/09/2009	Kesa Electricals plc	GB	Q1 TRADE
10/09/2009	Redrow PLC	GB	PRELIM
10/09/2009	National Semiconductor	US	Q1
11/09/2009	JD Wetherspoon PLC	GB	PRELIM
11/09/2009	Campbell Soup	US	Q4

Date Event Region Estimate

Date	Event	Region	Estimate
03/09/2009	Initial Jobless Claims	US	565K
03/09/2009	ISM Non-Manf. Composite	US	48
04/09/2009	Change in Nonfarm Payrolls	US	-225K
07/09/2009	Sentix Investor Confidence	EC	--
07/09/2009	Factory Orders MoM (sa)	GE	--
08/09/2009	RICS House Price Balance	UK	--
08/09/2009	Trade Balance	GE	--
08/09/2009	Imports SA (MoM)	GE	--
08/09/2009	Exports SA (MoM)	GE	--
08/09/2009	Industrial Prod.	UK	--
08/09/2009	Manufacturing Prod.	UK	--
08/09/2009	Industrial Prod.MoM	GE	--
08/09/2009	Consumer Credit	US	--
08/09/2009	ABC Consumer Confid.	US	--
09/09/2009	Nationwide Cons. Confid.	UK	--
09/09/2009	Consumer Price Index	GE	--

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