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Market View

Analyst : Stephen Taylor

European stocks are continuing their strong run this morning adding to yesterday's gains and strong finishes in the US and Asia overnight on what is a relatively quiet day for both corporate and economic news-flow. Overnight Federal Reserve Chairman Ben Bernanke reiterated his stance that interest rates which currently stand at 0% - 0.25% are likely to remain accommodative for an extended period of time. He did indicate however that at some point as the economy improves interest rates will have to increase. At yesterday's ECB press conference following its decision to leave interest rates on hold at 1.0%, Jean Claude Trichet also indicated that interest rates are not going to move higher any time soon despite some signs of stabilisation. We believe that it will be towards the end of 2010 at least before interest rates begin to move higher as unemployment rates in developed countries are likely to remain at elevated levels. As for today focus will be on economic data out of the UK and US. In the UK Producer Prices figures will be closely watched while in the US the trade deficit probably widened in August to \$33bn for a third consecutive month.

Irish Banks : Greens vote on NAMA & Programme for Gov **Analyst** : Oliver Gilvarry

Overnight Chief Whip of the Greens has stated that if agreement on the new Programme for Government is not reached by lunchtime today, the Green Ministers will leave Government. As part of the negotiations agreement has been reached on including a levy to be imposed on banks if NAMA makes a loss. This will be included in the NAMA legislation, previously it was expected this would be put into separate legislation in the future. The calculation of the loss will be determined on the wind up of NAMA or after 10-years according to reports. The Greens will vote on the Programme for Government, if agreed, tomorrow at 3.00pm with two thirds of members required to vote in favour for it to pass. At 5.00pm, the members will vote on NAMA, but two thirds are required to vote against the motion for the Greens to reject NAMA. For the Irish banks the political uncertainty has been part of the reason for the recent weakness due to concern over the fate of NAMA if the Government falls. The main opposition party stated last night if they are in power they wouldn't proceed with NAMA, increasing the importance of the vote tomorrow by the Greens on NAMA. In our opinion, we believe a deal will be done on a new Programme for Government, but discussions may run longer than lunchtime today. On the vote tomorrow, while it will be a tight vote we believe the Greens will remain in Government and will support NAMA. Enough concessions will be given to the party to enable the leadership to recommend voting in favour of both NAMA and the Programme for Government. A stabilisation in the political landscape in Ireland, even if only short-term, will be a positive catalyst for the Irish banks on Monday.

Kerry Group: Buy Current Price (€19.85) Price target (€22.50) **Analyst**: Edward Keeling

Givaudan group, the Swiss ingredients group and peer of Kerry group, reported resilient nine month sales this morning. The company posted just a 3.9% fall in sales, boosted by a strong performance from its emerging markets division. Sales came in at CHF3.025bn, in line with consensus estimates of CHF3bn. This implies that sales fell only 2.3% over the last 3 months. It has also reiterated its full year guidance provided earlier in the year that it expects to outgrow the broader market. This improvement in Givaudan's sales trend provides an encouraging read across for Kerry. We remain very positive on Kerry's prospects and view its current valuation as attractive. We anticipate the group will continue to grow margins into next year and as result, post at least 5% eps growth. Our recommendation is Buy.

IRISH PAPERS TODAY

ECB holds 1% rate as rise not expected until late summer
(The Irish Times)

Moody's analysts forecasts rise in loan losses for Irish banks
(The Irish Times)

Irish banks to be hit by EU rules on dividend payment ban
(Irish Independent)

INTERNATIONAL PAPERS TODAY

RBS and Lloyds loan levels probed
(Financial Times)

Asian central banks try to slow dollar's fall amid fears for exports
(Financial Times)

Shoe-tariff extension divides EU countries
(The Wall Street Journal)

Independent News & Media



Analysts : Oliver Gilvarry & Stephen Taylor

Speculative BUY

Date : 09/10/2009

- The restructure of Independent News & Media's (INM) debt has focused on its unsecured 5.75% 10-year bond that matured in May of this year, but was not repaid. A number of standstill agreements have been put in place to allow time to negotiate with bondholders. On Wednesday, INM announced that it has entered into a formal agreement with the members of the Ad Hoc Committee of Bondholders (represents c. 39% of the outstanding principal bonds) with respect to the implementation of its restructuring plan announced on 28th September. The main features of the restructuring include :

- €123m of the outstanding principal amount of bonds to be exchanged for 723.2m new ordinary shares representing c. 46% of the then issued share capital which represents €0.17 per share.
- Existing shareholders to be offered opportunity to participate in the restructuring by means of a rights issue of up to €94m at a rights price of €0.05 per share.
- Existing shareholders will retain a 52% equity interest in the group assuming they take up their full rights entitlement.
- Proposed Senior Debt facilities based upon 4.5 year maturity and revised financial covenants.
- Disposal of €150m worth of assets including sale of INM Outdoor in South Africa that will be subject to a vote at EGM.

- The proposed re-structure of the debt within the company will result in net debt falling by €350m through the rights issue, conversion of debt into equity and sale of assets such as Outdoor Advertising in South Africa, Cashcade and Verivox GmbH.

- The extension of bank debt will be a positive for the group and will give time for economic conditions to stabilise and recover. Despite the reduction in net debt and extension of the term of the bank debt, net debt in the company will still be €963m. Part of this debt is APN at €461.5m and is non-recourse to INM; the remainder is recourse to INM.

- The cost of debt in the company in our opinion will not fall dramatically as the refinancing of the bank debt will be at higher margins than in the past. We are assuming the financing cost to the firm will remain at circa €100m, while earnings will fall due to the sale of businesses.

- The earnings outlook for INM will continue to remain difficult over the next 12-months. At the group's most recent statement in August it indicated that it expects operating profit to be at the lower end of its previously downgraded range of €180m - €210m. Our estimate is for earnings to be right at the bottom of this range for 2009 and ex. its South African business we expect a flat outcome for 2010.

- Upcoming EGM's :** INM currently has two upcoming EGM's in November. On November 3rd shareholders will vote in relation to issues surrounding the removal of Chairman Dr. Brian Hillery and the appointment of a new Senior Independent Director. On November 13th a proposal revoking the ability of directors to allot new ordinary shares in the company will come before shareholders. As INM has entered into an agreement with the bondholders ad-hoc committee it has said it will proceed with allotting of new shares.

- Upgrading to speculative buy :** We are updating our earnings forecasts for INM taking into account that the complete restructuring of INM takes place as outlined above. Under the increased shares in issue we estimate that the group will report c. 1.5c EPS in 2010. We believe that the company deserves to trade at 10% discount to peers at 11x forward earnings resulting in a price target post restructure and successful rights issue of €0.16. Buying into the stock now at €0.22 and following your investment through the rights issue would result in an average cost of holding of €0.127. An alternative way to play the INM restructuring would be to purchase INM's outstanding bond however minimum notional size is €100,000 and liquidity is poor.

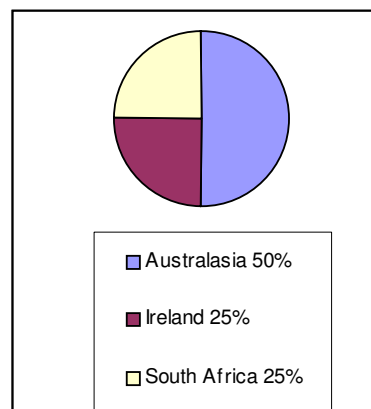
Descriptive Stats		Shareholders	
Price (c)	0.22	Sir Anthony O'Reilly	28.50%
52 Week High (c)	1.16	Denis O'Brien	26.10%
52 Week Low (c)	0.09	Marathon Asset	5.00%
Bloomberg	INM ID	Clear Channel	3.00%
Reuters	INMI	BIAM	2.79%

	FY08	FY09e	FY10e
Revenue (€m)	1,476	1,330	1,197
EBITDA (€m)	361	230	213
Operating Profit (€m)	321	180	163
EPS (c)	0.13	0.04	0.015
DPS (c)	0.045	0.0	0.0

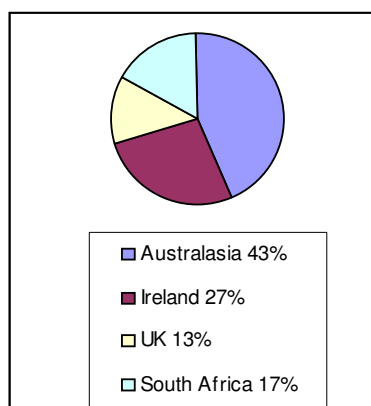
Peer Analysis	P/E 09	P/E 10	Div
INM	5.5	14.7	0.0%
Daily Mail	12.5	11.9	3.3%
Trinity Mirror	9.9	9.0	0.0%
Fairfax Media	17.9	13.7	3.0%
West Australian News	17.8	15.6	6.0%

Note that earnings estimates for 2010 assume successful refinancing of debt in addition to successful rights issue

1H Operating Profit 2009



1H Revenue 2009





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Index	Value	1-Day	YTD
ISEQ	3,362	1.5%	43.9%
FTSE	5,155	0.9%	16.5%
Dow Jones	9,726	-0.1%	11.5%
S&P	1,058	0.3%	18.0%
Nikkei	9,832	0.3%	13.1%
Stoxx 50	2,888	1.2%	18.4%

Sector Performances

Sector	Index	1-Day	YTD
Construction	272	2.2%	1.5%
Technology	192	1.4%	3.7%
Oil & Gas	305	1.0%	2.9%
Financials	235	1.0%	2.3%
Retail	225	1.1%	1.6%
Food & Drink	269	0.8%	4.0%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	71.7	3.0%	23.2%
Copper	289.9	4.3%	98.6%
Gold	1,055.1	1.0%	18.7%
Silver	17.8	1.8%	55.6%
Wheat	474.0	2.3%	-30.0%
Cattle	84.3	0.3%	-6.8%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.479	0.7%	-5.2%
€/£	0.920	0.1%	3.7%
£/\$	1.607	0.6%	-8.5%
\$/JPY	88.395	-0.2%	1.6%
€/JPY	130.751	0.4%	-3.7%
€/SFR	1.518	0.0%	-1.7%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	98.7	-2.1%	-43.8%
High Yield	539.4	-0.6%	-47.3%
Financials	77.2	-2.7%	-33.2%
BoI	174.1	0.0%	-28.3%
AIB	177.2	0.2%	-13.3%
RBS	111.0	-1.4%	-18.3%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	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	2.7%	3.0%	2.6%
10-Year	3.4%	3.7%	3.4%

Date Company Region Event

Date	Company	Region	Event
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
14/10/2009	Experian PLC	IE	H1 TRADE
14/10/2009	Diageo PLC	GB	TRADE
14/10/2009	Burberry Group PLC	GB	H1 TRADE
14/10/2009	Acergy SA	GB	Q3
14/10/2009	Rio Tinto PLC	GB	Q3 OUTPUT
14/10/2009	Xilinx	US	Q2
14/10/2009	CSX Corp.	US	Q3
14/10/2009	Abbott	US	Q3
14/10/2009	JPMorgan Chase & Co.	US	Q3
14/10/2009	W.W. Grainger	US	Q3

Date Event Region Estimate

Date	Event	Region	Estimate
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/Mln)	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 (YoY)	UK	--
13/10/2009	ZEW Survey (Econ. Sentiment)	GE	--
13/10/2009	ZEW Survey (Econ. Sentiment)	EC	--
13/10/2009	ABC Consumer Confidence	US	--
14/10/2009	ECB Publishes Monthly Report	EC	--
14/10/2009	Euro-Zone CPI (MoM)	EC	--
14/10/2009	Consumer Price Index (MoM)	US	0.30%
14/10/2009	Initial Jobless Claims	US	--
14/10/2009	Empire Manufacturing	US	--
14/10/2009	Philadelphia Fed.	US	--
15/10/2009	Euro-Zone Trade Balance	EC	--
15/10/2009	Industrial Production	US	0.30%
15/10/2009	Capacity Utilization	US	69.90%
15/10/2009	U. of Michigan Confidence	US	--

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