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Brown to quit in bid to win over Lib Dems (*Financial Times*)

Shares up as ECB intervenes to buy eurozone bonds (*Financial Times*)

Stocks cheer EU bailout plan (*The Wall Street Journal*)

Market View

Analyst: Stephen Taylor

European equity markets have opened weaker this morning following lower closes in Asia overnight. Yesterday's strong rally following the Euro-Zone bailout announcement has halted as questions mark over whether the €750bn amount will be enough and while it addresses the sovereign liquidity issues, it does not help resolve the current solvency pressures facing many of the EU states. Despite yesterday's rally in the Euro, the currency has moved lower this morning against both the dollar and sterling to currently trade at €1.2730/\$ and €0.8581/£. In the UK, it has emerged that Gordon Brown will step down as the leader of the Labour party in order to clear the way for talks with the Liberal Democrats. The news resulted in sterling dropping against its major currency pairs as traders remained concerned that a weak coalition government will be unable to carry through the necessary measures to address the UK's inflated deficit. A process of horse trading between the major parties has begun following the results of last Thursday's general election which ended in a hung parliament. The primary reason for the weakness in Asia overnight was the release of Chinese data. CPI was stronger than expected, driven by rising food prices. Industrial production also failed to meet expectations coming in at 17.8% versus 18.5%. These figures will add fuel to the argument that China is struggling to control its inflation and will find it difficult to maintain price stability without undermining its growing economy. Apart from UK Industrial Production data there is very little in the way of economic data today however, OPEC's Monthly Oil Market Report will provide commodity traders with an updated perspective on the supply and demand fundamentals currently at play in energy markets

Ryanair: Buy **Previous Close** €3.49 **Target** €4.70 **Analyst** Edward Keeling

easyJet Results: easyJet released half year results this morning and its performance was in line with managements recently raised guidance and market consensus at £79m. Total revenue grew 13% to £1,171m while total revenue per seat grew 5.1% driven by good consumer demand, ancillary revenue growth and a 1.4% increase in the average flight length. The company has guided that its full year profit guidance would have been in the range of £175m to £200m prior to the recent volcanic ash disruption. This would have been a considerably higher than consensus estimates of £177m. However, incorporating the additional costs estimated to be in the range of £50 - £75m, easyJet's profit expectations for the year ending September 2010 are in the range of £100m - £150m. Ryanair will provide an analysis of the likely total cost of the volcanic disruptions in its full year results announcement on June 1st next. In its last update Ryanair said that it expects net profit for the year end 31 March 2011 to be impacted by approx. €6m per day over the seven days of these substantial disruptions between Thurs 15 April to Wed 22 April. Since this update Ryanair will have endured further disruptions, albeit not on the same scale. This will of course further impact negatively on earnings.

Volcanic Disruption: Having spoken with Met offices in Ireland and the UK there is no way of knowing how long the volcanic disruptions will last. The only piece of factual evidence they all point to is that previous known eruptions from this volcano were in the years 1612 and 1821-3, when it erupted on and off for just over a year. It is therefore plausible that there will be ongoing disruptions for some time to come. These are not likely to be on the same scale as the first week when restrictions appeared to be overly cautious. Nevertheless they will further reduce this year's profits.

Investor Sentiment: One likely impact of the volcanic uncertainty is for investor sentiment towards the sector to deteriorate. The whole event highlights the vulnerability of the airline sector and the danger to booking trends. There is the possibility of some government compensation measures especially if prolonged disruptions threaten the viability of some smaller airlines. However considering the fiscal positions of European sovereigns we do not feel this is likely. One possibility might be some kind of sector stimulus such as the removal or reduction in airport taxes.

Valuation: The first week of volcanic disruptions resulted in us pulling back our FY March ending 2011 earnings forecast to 23c from 26c previously. However because this is a once off hit to earnings and we currently expect no negative impact to earnings next year, our earnings estimate of 31c for FY March ending 2012 remains unchanged. Therefore the impact of the hit to this year earnings on Ryanair's valuation is limited reflecting the strength of next years profits and earnings in the years thereafter. This places Ryanair on P/E multiple of just 11x FY March ending 2012 earnings and 2012 EV/EBITDAR of just 5.5x. We reiterate our Buy recommendation

Cash Distribution: The above valuation does not take into account any cash distribution. Management have guided that the group will generate up to €1bn of surplus cash by the end of 2013. It has indicated it intends to return this to shareholders in the form of special dividends, which would amount to c.68c a share. While this is a significant positive for investors, we are reluctant to include a dividend into our valuation model. Ryanair has traditionally been quick to change its strategic direction. We would not rule out Ryanair pursuing acquisitions or another plane deal that would require the cash that had been previously allocated for shareholder distribution.

Glanbia: Co-Op Proposal Rejected**Analyst Oliver Gilvarry**

Glanbia Co-Op failed to achieve the required 75% to allow it buy the Ireland Dairy Ingredients business from the plc. The vote in favour was 73%, circa 80 votes less than needed. The result is a disappointment and reduces the flexibility of the plc to expand in its growth areas. The plc has released an Interim Management Statement (IMS) this morning stating the group is performing well and expects to deliver a strong first half. The performance of Irish Dairy Ingredients has significantly improved compared to the first half of last year. US Cheese and Global Nutritional is also performing well with higher cheese demand and prices. Management have increased guidance for the full year due to the recovery in Irish Dairy Ingredients and the performance of Cheese & Global Nutritional. Guidance is now for a mid-teen growth in earnings for the full year.

Aviva: Buy**Previous Close 339p****Target 500p****Analyst Oliver Gilvarry**

Aviva released a Q1 IMS with a second consecutive quarter of growth. Total life and pension sales (PVNBP) for the quarter were £9.131bn compared to £8.493bn expected. Sales growth QoQ was 15%, highlighting the decline in sales has reversed from the low of Q3. Sales in the UK were up 14% QoQ and in line with Q1 of 2009. Sales in Europe were stronger than expected at £4.285bn versus £3.849bn expected, an increase of 14% on Q4. Net written premiums in General Insurance have recovered towards Q12009 levels. In the UK, management continue to see hardening of premiums and experienced growth of 4% QoQ. Sales in Aviva Europe have also recovered back to levels in Q1 2009. Management stated they remain focused on achieving combined ratio of 98%. The capital position of the group remains strong with an IGD surplus of £4.4bn and MCEV NAV is £5.05 (£4.71 at FY09) with an IFRS NAV at £3.95 (£3.74 at FY09). The statement also included details of Aviva's exposure to sovereign debt of Greece, Spain and Portugal. At the end of March this was £900m with Greek exposure at £150m. The results today are good with Life and Pension sales recovering along with General Insurance. The costs the group took out last year, provide operational leverage as sales increase. This will provide support to the dividend and potentially allow management to increase it further this year.


International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,217	7.9%	6.8%
FTSE	5,387	5.2%	-1.7%
Dow Jones	10,785	3.9%	3.4%
S&P	1,160	4.4%	4.0%
Nikkei	10,531	1.6%	-1.3%
Stoxx 50	2,759	10.3%	-8.6%

Sector Performances

Sector	Index	1-Day	YTD
Construction	272	8.6%	-2.0%
Technology	202	4.9%	7.9%
Oil & Gas	322	4.8%	-4.4%
Financials	213	14.4%	-6.1%
Retail	261	5.6%	6.0%
Food & Drink	322	4.1%	5.3%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	76.8	2.3%	-6.6%
Copper	322.8	2.7%	-6.2%
Gold	1,203.1	-0.4%	10.2%
Silver	18.6	0.5%	9.5%
Wheat	492.8	-3.5%	-13.2%
Cattle	96.7	0.8%	10.0%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.279	0.3%	12.4%
€/£	0.861	0.0%	3.2%
£/\$	1.485	0.3%	9.1%
\$/JPY	93.290	1.9%	0.6%
€/JPY	119.280	2.1%	13.1%
€/SFR	1.419	0.4%	4.9%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	92.3	-18.1%	45.9%
High Yield	491.7	-14.5%	13.0%
Financials	123.7	-27.3%	98.0%
BoI	258.8	-20.7%	13.9%
AIB	240.2	-30.4%	-7.3%
RBS	176.9	-25.7%	34.2%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.5%	0.3%
3-Month	0.7%	0.7%	0.4%
1-Year	1.1%	1.2%	0.7%
2-Year	1.3%	1.6%	1.1%
5-Year	2.3%	2.9%	2.5%
10-Year	3.2%	3.8%	3.6%

Date	Company	Region	Event
11/05/2010	Walt Disney	US	Q2
11/05/2010	Deutsche Post AG	DE	Q1
11/05/2010	E.ON AG	DE	Q1
11/05/2010	Landesbank Berlin Holding AG	DE	Q1
11/05/2010	United Drug PLC	IE	H1
11/05/2010	Trinity Biotech PLC	IE	Q1
11/05/2010	Aviva Plc	GB	TRADE
11/05/2010	EasyJet PLC	GB	INTERIM
11/05/2010	Enterprise Inns PLC	GB	INTERIM
11/05/2010	Babcock International Group PLC	GB	PRELIM
11/05/2010	Intercontinental Hotels Group Plc	GB	Q1
11/05/2010	Austrian Airlines AG	AT	AGM
11/05/2010	ArcelorMittal	LU	AGM
11/05/2010	Unilever NV	NL	AGM
12/05/2010	Macy's	US	Q1
12/05/2010	Cisco Systems	US	Q3
12/05/2010	Credit Agricole SA	FR	Q1
12/05/2010	Allianz SE	DE	Q1
12/05/2010	Deutsche Telekom AG	DE	Q1
12/05/2010	ING Groep NV	NL	Q1
12/05/2010	Tullow Oil PLC	GB	RADE & AGM
12/05/2010	BNP Paribas SA	FR	AGM

Date	Event	Region	Estimate
11/05/2010	RICS House Price Balance	UK	--
11/05/2010	Consumer Price Index (MoM)	GE	--
11/05/2010	Industrial Production (MoM)	UK	--
11/05/2010	Manufacturing Production (MoM)	UK	--
11/05/2010	ABC Consumer Confidence	US	--
12/05/2010	GDP s.a. (QOQ)	GE	--
12/05/2010	Jobless Claims Change	UK	--
12/05/2010	Bank of England Quarterly Inflation	UK	--
12/05/2010	MBA Mortgage Applications	US	--
12/05/2010	Trade Balance	US	--
12/05/2010	Monthly Budget Statement	US	--
13/05/2010	Nationwide Consumer Confidence	UK	--
13/05/2010	Total Trade Balance (GBP/Mln)	UK	--
13/05/2010	Import Price Index (MoM)	US	--
13/05/2010	Initial Jobless Claims	US	--
13/05/2010	Continuing Claims	US	--
14/05/2010	Advance Retail Sales	US	--
14/05/2010	Industrial Production	US	--
14/05/2010	Capacity Utilization	US	--
14/05/2010	U. of Michigan Confidence	US	--
14/05/2010	Business Inventories	US	--
17/05/2010	Sanofi-Aventis SA	FR	--

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