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Market Movers

IRISH PAPERS TODAY

Ministers face pressure to open budget plans to EU scrutiny
(The Irish Times)

Euro hits lowest level on dollar in four years
(The Irish Times)

€16.5bn intervention by ECB pulls euro up off floor
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Squeeze fears hit sterling
(Financial Times)

Prudential launches \$21bn rights issue
(Financial Times)

GM mixes profit with caution
(The Wall Street Journal)

Market View

Analyst: Stephen Taylor

European equity markets have opened stronger this morning following a turn around in the US last night that saw the Dow Jones reverse a 180 point drop to close marginally positive on the day. Asian markets also closed slightly higher. The main reason for the turn around appears to be the stabilisation of the Euro against the dollar in intra-day trade having fallen to c. 1.2250 at one point to trade back above the 1.24 level. Gold has seen some profit taking and has lost \$20 to \$1220 a troy ounce currently as some risk taking returns to markets. Yesterday the ECB confirmed that these bond purchases will be 'sterilised' by accepting term deposits. The ECB in our opinion continues to remain pre-occupied with inflation concerns (while we do acknowledge that price stability is its primary mandate). With many peripheral European nations operating in deflationary environments in addition to the pull back in commodity prices, we do not see any risk of inflation over the short to medium term. As for today the main focus will be on Spain and Ireland who are both due to raise money in bond markets. Spain is expected to issue up to €7.5bn in bills, while on May 20th it is expected to raise up to €3.5bn in 4% 2020 bonds. Ireland is expected to raise up to €1.5bn in 2014 and 2020 bonds today. On the economic front, commentary from the second day of the Euro-zone finance ministers meeting will be in focus. On the data front, inflation figures out of the UK in addition to German ZEW and housing data out of the US will be closely watched by markets.

Paddy Power: Buy **Previous Close** €26.00 **Target** €27.50 **Analyst** Edward Keeling

Paddy Power has released an interim management statement ahead of its AGM today. This is the group's first update since its full year results announcement in March. Highlights of the year to date have been a very strong revenue performance in its online operations and good bet volume growth across all channels. Online sportsbook amount staked grew by 19% and betting volumes by 39%. Operating costs have increased as a result of this growth and investment to drive future growth. Nonetheless, operating profit year to date has been ahead of managements' expectations. The groups Irish retail division continues to post negative trends with the amount staked falling by 5% on a like for like basis. The group's financial position remains robust with net cash of €96m, before the final dividend payment of €19m. As a result of the strong momentum in the business and the upcoming World Cup, the board is looking forward to the balance of 2010 with confidence. We remain positive on Paddy Power. Although unemployment will remain high in its core markets, we believe that the rate of growth for the online sector as a whole, combined with Paddy Power's market share gains, will continue to offset any expected reduction in average stake per player. We expect that its superior product mix and geographical diversification will ensure it continues to outperform.

Vodafone: Buy **Previous Close** 136p **Target** 155p **Analyst** Stephen Taylor

This morning Vodafone released preliminary results for the year ended the 31st of March. The results exceeded expectations from both a revenue and earnings perspective. Turnover was reported at £44.5bn for the full year with the company converting this revenue into earnings per share of 16.44p. Service revenue declined by 3.5% and 1.2% in Europe and Africa/Central Europe respectively however, the group's performance was buoyed by a 9.8% increase in service revenue in the company's Asia Pacific and Middle East division. In addition to this, Verizon Wireless posted another set of strong results with the US based division growing revenues by 6.3%. Management did note the increasing competition in its Indian market and has reflected this in an impairment charge of approximately £2.3bn. Vodafone has made similar impairment charges to other assets in the past so the move is not unprecedented from an operational viewpoint however, it does indicate that the company is conceding that the prospects for the region may not be as attractive as previously believed. Despite this management were optimistic on the outlook for 2011 with operating profit guidance set in the range of £11.2bn and £12bn. Free cash flow is expected to be £6.5bn in the period which is inline with its three year target. Free cash flow reported in the period grew 26.5% to £7.2 billion which was ahead of guidance and has resulted in the company setting a dividend growth target of no less than 7% per year over the next three years. Total dividends for the period were 8.31p per share. We continue to rate Vodafone as a buy and are comfortable initiating new longs at current levels. The company's strong cashflow and ongoing cost cutting programs mark the stock out as an excellent defensive pick.

DCC: Buy **Previous Close** €18.58 **Target** €21.50 **Analyst** Edward Keeling

DCC released full year results this morning and the group has posted another strong performance, reflecting an excellent second half of the year. Revenue came in at €6.7bn compared with analysts' expectations of €6.4bn, an increase of 10% on the same period last year. This resulted in an eps of €1.78, ahead of consensus market forecasts of €1.71. The group's cash generation remains strong with operating cash flow of €297m. DCC's Energy division, the largest contributor to overall group profit, was the star performer. Benefiting from a second consecutive cold winter and its proven ability to identify opportunistic acquisitions, operating profit at the division was up 12% year on year to €113m. In terms of guidance management's outlook is upbeat and it is currently guiding for eps growth of 5% this year. It also indicated that its very strong financial position will enable it to pursue further opportunistic acquisitions.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,055	-0.9%	4.1%
FTSE	5,263	0.0%	-2.0%
Dow Jones	10,626	0.1%	1.9%
S&P	1,137	0.1%	2.0%
Nikkei	10,236	-2.2%	-2.9%
Stoxx 50	2,635	0.1%	-9.8%

Sector Performances

Sector	Index	1-Day	YTD
Construction	259	-1.4%	-5.0%
Technology	199	0.6%	8.7%
Oil & Gas	312	0.0%	-5.0%
Financials	198	0.0%	-9.3%
Retail	258	-0.2%	6.7%
Food & Drink	326	0.6%	7.6%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	70.1	-2.1%	-12.5%
Copper	293.2	-6.4%	-10.7%
Gold	1,222.5	-0.9%	10.9%
Silver	18.9	-1.9%	11.5%
Wheat	469.0	-0.5%	-16.7%
Cattle	91.2	-0.9%	4.0%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.240	0.3%	-13.5%
€/£	0.856	0.7%	3.7%
£/\$	1.448	-0.4%	-10.4%
\$/JPY	92.590	0.1%	0.3%
€/JPY	114.770	0.3%	15.9%
€/SFR	1.402	0.1%	5.8%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	108.6	10.0%	50.1%
High Yield	521.2	1.4%	16.8%
Financials	147.4	9.5%	99.7%
BoI	273.5	9.1%	5.7%
AIB	294.1	10.3%	6.5%
RBS	185.0	5.6%	34.9%

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%	1.1%	0.7%
2-Year	1.3%	1.5%	1.1%
5-Year	2.2%	2.6%	2.5%
10-Year	3.2%	3.6%	3.5%

Date	Company	Region	Event
18/05/2010	Paddy Power PLC	IE	RADE & AGM
18/05/2010	DCC PLC	IE	PRELIM
18/05/2010	British Land Co Plc	GB	Q4
18/05/2010	Royal Dutch Shell Plc	NL	S/HOLDERS
18/05/2010	Next Plc	GB	AGM
18/05/2010	Home Depot Inc	US	Q1
18/05/2010	Wal-Mart Stores	US	Q1
18/05/2010	Hewlett-Packard	US	Q2
19/05/2010	Scottish & Southern Energy PLC	GB	PRELIM
19/05/2010	Land Securities Group PLC	GB	PRELIM
19/05/2010	ICAP PLC	GB	PRELIM
19/05/2010	Credit Agricole SA	FR	AGM
19/05/2010	COMMERZBANK AG	DE	AGM
19/05/2010	Bank of Ireland	IE	EGM
19/05/2010	Statoil ASA	NO	AGM
19/05/2010	Prudential Plc	GB	AGM
19/05/2010	Target Corp.	US	Q1
20/05/2010	Air Berlin PLC	DE	Q1
20/05/2010	WestLB AG	Q1	DE
20/05/2010	Mothercare PLC	PRELIM	GB
20/05/2010	Investec Plc	PRELIM	GB
20/05/2010	Audi AG	AGM	DE

Date	Event	Region	Estimate
18/05/2010	CPI (MoM)	UK	--
18/05/2010	RPI (MoM)	UK	--
18/05/2010	ZEW Survey	GE	--
18/05/2010	Euro-Zone CPI (MoM)	EC	--
18/05/2010	ZEW Survey	EC	--
18/05/2010	Euro-Zone Trade Balance	EC	--
18/05/2010	Producer Price Index (MoM)	US	--
18/05/2010	Housing Starts	US	--
18/05/2010	Building Permits	US	--
18/05/2010	ABC Consumer Confidence	US	--
19/05/2010	Bank of England Minutes	UK	--
19/05/2010	Construction Output SA MoM	EC	--
19/05/2010	MBA Mortgage Applications	US	--
19/05/2010	Consumer Price Index (MoM)	US	--
19/05/2010	Minutes of FOMC Meeting	US	--
20/05/2010	Producer Prices (MoM)	GE	--
20/05/2010	Retail Sales Ex Auto	UK	--
20/05/2010	Initial Jobless Claims	US	--
20/05/2010	Continuing Claims	US	--
20/05/2010	Philadelphia Fed.	US	--
20/05/2010	Leading Indicators	US	--
21/05/2010	BOJ Target Rate	JN	--

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