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Tories main party in hung parliament, says exit polls
(The Irish Times)

Error may have led to huge Dow Jones fall
(The Irish Times)

Markets tumble as crisis in euro-zone deepens
(Irish Independent)

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Markets tumble on European debt fears
(Financial Times)

Goldman to face investors ire
(Financial Times)

Dow plummets as fear spreads
(The Wall Street Journal)

Market View

Analyst: Stephen Taylor

European equity markets have opened sharply lower this morning following what was one of the most volatile trading sessions in US history last night. At one stage the Dow Jones Industrial Average dropped close to 1000 points to recover some of its losses and end the session down 348 points. The index is now off 7% since the end of April. Program based trading is being blamed for the fall off that was allegedly started following an erroneous trade in Procter & Gamble's that led to a significant drop off in its share price. This is one of the most defensive stocks listed in the US. Continued uncertainty within Europe combined with what looks like a potential hung parliament in the UK and disappointing data this week out of China and Australia has undermined the strength of the global recovery. Equity markets will always look to discount 12 – 18 months ahead and are beginning to price in the possibility of a double dip recession. What is needed to calm markets is clear and decisive action from the Euro-Zone and ECB in relation to Greece and we do not rule out the possibility of a significant announcement at the EU summit this weekend. For clients looking to hedge positions we recommend shorting the FTSE index through either a futures contract or ETF. The main focus today will continue to be on peripheral Europe and bond markets in addition to the final outcome of the UK election. On the data front and what would normally take centre stage is the all important non-farm payrolls data out of the US. The market is expecting that 190,000 jobs were added during the month of April with the unemployment rate remaining constant at 9.7%.

Smurfit Kappa: Buy **Previous Close** €7.33 **Target Review** **Analyst** Edward Keeling

Smurfit Kappa released Q1 results this morning and they are ahead of consensus estimates. EBITDA for the period came in at €184m, ahead of market expectations of c.€174m. This can primarily be attributed to an impressive 12% EBITDA margin reflecting Smurfit's continued cost control measures and a strong performance by its European packaging business. Management cited increasing European demand growth and progress on price recovery. On average, the group's European corrugated volumes were 3% higher than in the first quarter in 2009, and 2% higher than in the fourth quarter. One negative from the results was a 1% increase in the group's net debt year on year to €3.16bn. This results in net debt to EBITDA of 4.2x up from 4.1x in Q4 2009. Nevertheless we are confident that the group with its strong free cashflow characteristics will reduce its debt to lower levels by year end. In terms of outlook management are positive citing a progressive corrugating pricing recovery and a demand pick-up in Europe, which gathered further momentum in April. However the company does warn that the sustainability of a pricing recovery remains dependent on the general economic backdrop and continuing supply side discipline in the European market. It also reiterated it is experiencing a return to strong demand growth and commencement of price recovery in Latin America. Overall, bearing in mind intensified input cost pressure; management have maintained its original guidance for meaningful EBITDA growth for 2010, together with the reduction in its net debt to EBITDA ratio.

RBS: Q1 Results

Analyst Oliver Gilvarry

Royal Bank of Scotland (RBS) released a Q1 update this morning. The net loss for the period was £248m compared to £765m in Q4. Operating profit was £713m compared to a loss in the previous quarter. Core bank operating profit was £2.272bn driven by strong growth in Global Banking & Markets (GBM). Non-Core reported an operating loss of £1.56bn as the division continues to restructure and divest assets. Net Interest Margin (NIM) was better than expected at 1.92% as increased margins are passed through. This is a trend also seen in Lloyds Banking Group and RBS management see the trend on NIM to continue improving gradually during the year. Core tier 1 fell since the end of the year from 11% to 10.6%. The decline was due to growth in Risk Weighted Assets and excludes the impact of the recent debt management exercise and it will add 30bps to core tier 1. The funding profile has improved with deposit growth of £11bn and asset divestment, reducing the loan to deposit ratio to 1.31x from 1.35x in December. NAV per share increased in the quarter to 51.5p. RBS CEO, Stephen Hester, stated that impairment levels will remain high, but turning more favourable in some areas. On exposure to peripheral European states, Greece and Portugal is £1.5bn each with significantly higher exposure to Spain. The group already has an unrealised £400m loss on Greece. A sign of the problem a Greek default will cause European and international banks.

Michelin

Buy



Current Price : €52.20

Price Target : €60.00

Analyst: **Stephen Taylor**

7th May 2010

- Recommendation:** Today we are initiating coverage of Michelin with a buy rating and price target of €60. Our price target of €60 is based on the stock trading in line with its 10-year historical average EV/EBITDA multiple of 5.5x. Michelin is our preferred play in the auto sector given the more defensive characteristics of the replacement tire market.

- Company description:** Michelin is one of the largest tire manufacturers in the world with a 16.3% share of the global tire market. The group operates in three divisions with the two largest being; 1). Passenger car and light truck market and 2). Heavy truck market. Shares in Michelin are seen as a more defensive play on the auto sector given that c. 75% of sales are generated in the replacement market which is historically less cyclical than the original equipment market. The company is geographically well diversified with 72 production facilities in 19 countries and marketing operations in more than 170 countries.

- Recent results:** Last Thursday (April 29th) Michelin reported first quarter revenue figures. The group posted a 12% increase in revenue to €3.9bn and slightly ahead of market expectations. Michelin's car and light truck tire segment saw a 13.7% increase in revenue to €2.2bn. Truck tires saw a 20.4% increase in turnover to €1.2bn, while its specialty tire segment saw a 7.8% fall in revenue to €517m, due mainly to outlays for projects in emerging economies including, Brazil, China and India. Michelin also maintained its goal of generating positive free cash flow for the year.

- Peer results:** In addition to Michelin's positive sales figures last week, many of its peers have also noted improving trends in the tire market. German peer Continental AG this week (May 4th) reported a strong set of results and indicated that it sees consolidated revenue growing by up to 10% from its previous target of 5%. The company also reiterated its profitability forecasts for the year. On April 28th, US peer Goodyear reported first quarter sales that increased by 21% to \$4.3bn. The company was slightly more cautious in its outlook and also suffered from a devaluation of the Venezuelan currency.

- Valuation metrics:** Against all key valuation metrics Michelin compares favorably. At 5x 2010 EV/EBITDA, Michelin trades at a discount to peers Continental and Goodyear despite more favorable EBITDA margins that for 2011 are expected to move up to c. 14% and higher than its historical average. Michelin's EBITDA/Total Assets is also expected to return to 13% this year and back to historical levels with further improvements likely in 2011. Shares in Michelin also provide a dividend yield of c.2%, well in excess of the average for the entire auto sector.

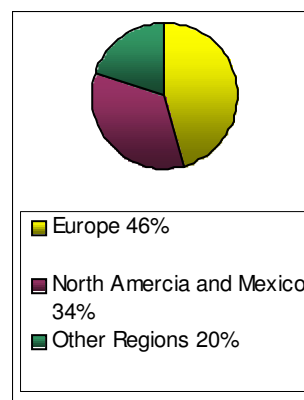
- Risks:** The major risk to our call on Michelin is a deterioration in economic data in particular in Europe with the current difficult fiscal position that many countries are experiencing. Increased input costs could also have a negative impact on margins. We do however believe that Michelin's attractive valuation takes account of these potential risks and limits the downside to the group's share price.

Descriptive Stats		Shareholders	
Price (€)	52.20	Franklin Resources	9.83%
52 Week High	60.86	Capital Research	4.32%
52 Week Low	36.12	AllianceBernstein	4.03%
Bloomberg	ML FP	Capital Research	2.63%
Reuters	MICP.PA	Harbour Capital	2.01%

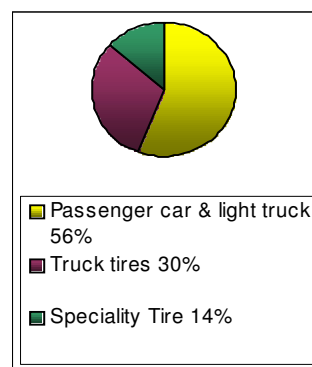
	FY09	FY10	FY11
Revenue (€m)	14,807	16,606	17,741
EBITDA (€m)	1,801	2,174	2,532
Operating Profit (€m)	862	1,266	1,583
EPS(c)	0.71	4.39	5.84
DPS (c)	1.00	1.28	1.58

Company	EV/EBITDA 10	EBITDA/Total Assets	Div Yield
Michelin	4.9	12.5%	1.50%
Continental	5.6	9.0%	0.00%
Goodyear	5.7	10.0%	0.00%
BMW	10.5	13.0%	1.50%
Daimler	11.4	9.1%	2.00%
Fiat	6.9	8.6%	1.70%
Peugeot	7.4	7.0%	1.10%
Average	7.5	9.9%	1.1%

Revenue by Geography 2009



Revenue by Division 2009



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,110	-2.4%	2.7%
FTSE	5,261	-1.5%	-3.9%
Dow Jones	10,520	-3.2%	0.9%
S&P	1,128	-3.2%	1.2%
Nikkei	10,696	-3.3%	-1.7%
Stoxx 50	2,611	-2.5%	-13.4%

Sector Performances

Sector	Index	1-Day	YTD
Construction	261	-2.0%	-7.3%
Technology	201	-1.0%	5.7%
Oil & Gas	319	-1.3%	-5.9%
Financials	193	-4.4%	-14.4%
Retail	259	-1.4%	3.0%
Food & Drink	321	0.4%	3.3%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	77.1	-3.6%	-5.5%
Copper	311.7	-1.1%	-8.8%
Gold	1,208.6	2.8%	9.7%
Silver	17.5	-0.1%	4.8%
Wheat	508.3	-0.7%	-11.0%
Cattle	95.9	-0.9%	9.5%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.262	-1.5%	12.9%
€/£	0.851	0.3%	2.7%
£/\$	1.483	-1.8%	10.1%
\$/JPY	90.580	-3.4%	1.3%
€/JPY	114.320	-4.9%	14.3%
€/SFR	1.406	-1.9%	4.8%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	111.1	14.7%	95.1%
High Yield	504.7	11.2%	35.7%
Financials	166.1	25.5%	182.8%
BoI	297.2	7.3%	18.3%
AIB	317.3	14.5%	14.3%
RBS	193.5	12.5%	47.9%

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%	0.8%
2-Year	1.2%	1.6%	1.2%
5-Year	2.1%	2.8%	2.5%
10-Year	3.0%	3.7%	3.5%

Date	Company	Region	Event
07/05/2010	The Washington Post Co.	US	Q1
07/05/2010	Smurfit Kappa Group Plc	IE	Q1 & AGM
07/05/2010	SAS AB	SE	TRAFFIC
07/05/2010	HSBC Holdings PLC	GB	Q1 TRADE
07/05/2010	Royal Bank of Scotland Group Pl	GB	Q1 TRADE
07/05/2010	Standard Chartered PLC	GB	AGM
10/05/2010	Finnair Oyj	FI	TRAFFIC
10/05/2010	Deutsche Boerse AG	DE	Q1
10/05/2010	Centrica Plc	GB	TRADE
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

Date	Event	Region	Estimate
07/05/2010	PPI Input NSA (MoM)	UK	--
07/05/2010	Industrial Production MoM (sa)	GE	--
07/05/2010	Industrial Prod. YoY (nsa wda)	GE	--
07/05/2010	Unemployment Rate	US	--
07/05/2010	Change in Nonfarm Payrolls	US	--
10/05/2010	BoJ Monetary Policy Meeting Mir	JN	--
10/05/2010	Trade Balance	GE	--
10/05/2010	Current Account (EURO)	GE	--
10/05/2010	BOE Asset Purchase Target	UK	--
10/05/2010	BOE ANNOUNCES RATES	UK	--
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 Inflat	UK	--
12/05/2010	MBA Mortgage Applications	US	--
12/05/2010	Trade Balance	US	--
12/05/2010	Monthly Budget Statement	US	--
13/05/2010	Total Trade Balance (GBP/Mln)	UK	--

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