

Equity markets may see some choppy trading this week as we see a return to sovereign debt concerns arising from near term deadlines for the Greek authorities. We recommend using this weakness, should it arise, as a buying opportunity. Our preferred sectors are Basic Resources and Technology. US economic releases include the all important US non-farm payrolls release. The consumer confidence, housing and employment data all disappointed last week and we see the potential for this trend to continue. However given the improved corporate outlook as seen by the majority companies reporting this earnings season, we continue to believe equity markets will trade higher over the coming months. A phrase used in markets this week was to hedge the cyclical and buy the secular meaning watch for near term weakness but use this to buy fundamental stocks of value with clear earnings track record. For clients looking to hedge any potential short term weakness we recommend using an index future. On the currency front we expect further Euro weakness against the US Dollar as issues surrounding peripheral Europe continue and the potential for further downgrades to European GDP growth forecasts. Economic concerns may also present buying opportunities in our two preferred commodities: copper and oil. The return into focus of sovereign debt risk issues will likely create further divergence in the performance between core and peripheral debt markets with higher yields on Portuguese and Greek debt, while we anticipate the flight to quality into the core regions of France and Germany. The main corporate news flow in Europe will be from CRH, Aviva, Anheuser-Busch InBev, AIB and IL&P who all will be reporting results.

### Trading Recommendations

**Aviva - Buy** Previous close (390p) Target (520p) **Analyst:** Oliver Gilvarry

**Strong Peer Results:** Good results from peers such as Allianz and AXA over last number of weeks.  
**Results on Thursday:** Combined ratio to be just above internal target of 98%, New Business Margins to increase from 2008 levels to 2.36%.  
**Capital Position:** Potential for dividend increase due to strong capital position during 2010.  
**Next Catalyst:** Full year results March 4th.  
**Risks:** Momentum in sales in Q4 not continuing in 2010.  
**P/E:** 6.5x **Dividend Yield:** 6.6%

**Tullow Oil - Buy** Previous close (1189p) Target (1450p) **Analyst:** Brian Gallagher

**High Impact Exploration Portfolio:** Tullow Oil's exploration & appraisal portfolio is one of the most exciting in the sector with the 2010 drilling schedule to provide many catalysts.  
**Balance Sheet Strength:** The recent placing has lowered the company's net debt which in turn has provided management with the opportunity to accelerate its exploration schedule.  
**Unparalleled Drilling Success Rate:** Best in class exploration hit rates justifies premium to NAV.  
**Next Catalyst:** Full year results March 9th and upcoming Ugandan & Ghanaian Drilling updates.  
**Risks:** Drop off in oil prices, unsuccessful drilling results & geopolitical.

**Paddy Power - Buy** Previous close (€23.30) Target (€27.50) **Analyst:** Edward Keeling

**Full Year Results - March 2nd:** Expect results to be ahead of consensus expectations reflecting strong market share growth in both its both retail and online operations.  
**Valuation Premium:** Trades at valuation premium when compared with its land based peers reflecting its greater exposure to the online growth channel, stronger balance sheet and growth potential.  
**Geographical diversification:** Paddy Power's recent acquisitions and strategic partnerships mean it has diversified its exposure to include the Australian and French markets.  
**Balance Sheet:** €75m of net cash. Leaves room for more opportunistic acquisitions.  
**Risks:** Increased competition and online gaming tax.  
**P/E:** 17x **Dividend Yield:** 2.5%

### Results Previews - IL&P, AIB, CRH & Kingspan

**AIB:** We expect operating income of €2bn for the year, impacted by lack of demand for credit by Irish consumers and lower Net Interest Margins (NIM). Due to a pre-tax loss of €2.7bn, equity tier 1 of the group will move down to 5%. Overall, the market will be looking for guidance on NAMA, capital raise and credit quality in the non-NAMA loan book. It is also likely the group will announce an exchange offer on its Lower Tier 2 debt.

**IPM:** We estimate the impairment charge for the group will be €446m or 0.95% of the loan book. NIM will fall to 0.82% as the higher cost of term funding and deposits impacts the group. Life sales excluding ILIM will decline by 35% in the year. We also expect an up-date on the Third Banking Force, progress on reducing the property exposure within the Life capital base and an outlook on Insurance Sales and margins. We remain Buyers of IPM.

**CRH:** CRH is due to report full year results tomorrow. We expect the group to report pretax profit of c. €750m on revenue of €17.7bn. CRH is likely to provide a cautious outlook and the start of the year will not have been helped by poor weather conditions. The market will be looking for further cost savings measures in addition to potential outlook for acquisitions.

**Kingspan:** Kingspan reported full year results this morning. Operating profit declined by 60% to €62.7m, while revenue fell by 33% to €1.13bn both beating market expectations. Cashflow generation for the group remained strong enabling it to reduce net debt to €164.3m from €299.6m. In relation to its outlook, it stated that 2010 will remain difficult, however there is 'tangible evidence' of stability

### Key Market Moving Events

#### MONDAY

##### Corporate

Kingspan Group, Vivendi, Allergy Therapeutics, Amlin, Pearson, El Paso, Rowan Co.

##### Economics

PMI Manufacturing (GE) PMI Manufacturing (EC) PMI Manufacturing (UK) Euro-Zone Unemployment Rate (EC) PCE Core (US) ISM Manufacturing (US) Construction Spending (US)

#### TUESDAY

##### Corporate

CRH, AIB, Paddy Power, Admiral, Persimmon, Provident Financial, Vitec, Roche Holding, Sage, AutoZone Staples

##### Economics

PMI Construction (UK) Euro-Zone PPI (EC) Bank of Canada Rate (CA) Fed's Beige Book (US) ABC Consumer Confidence (US)

#### WEDNESDAY

##### Corporate

Vinci, adidas, Irish Life and Permanent, Babcock & Brown, Adecco Holcim, Arriva, Standard Chartered, Taylor Wimpey, ITV

##### Economics

Nationwide Consumer Confidence (UK) PMI Services (GE) PMI Services (EC) PMI Services (UK) Euro-Zone Retail Sales (EC) ADP Employment Change (US) ISM Non-Manf.

#### THURSDAY

##### Corporate

Anheuser-Busch InBev, GDF Suez, EasyJet, Kazakhmys, Aggreko, Aviva, Balfour Beatty, AMEC, DS Smith, Whitbread

##### Economics

Euro-Zone GDP (EC) BOE ANNOUNCEMENTS RATES (UK) BOE Asset Purchase Target (UK) ECB Announces Interest Rates (EC) Initial Jobless Claims (US) Factory Orders (US) Pending Home Sales (US)

#### FRIDAY

##### Corporate

JCPenney, PG&E Corp. Aeroports de Paris SA, Carrefour SA, Nestle SA, Anglo American PLC, Rentokil, Initial Plc

##### Economics

PPI Input NSA (UK) PPI Output (UK) Factory Orders MoM (GE) Change in Nonfarm Payrolls (US) Unemployment Rate (US) Consumer Credit (US)

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