

**Companies today**

Fyffes, Irish Financials, Merrion Pharmaceuticals

**The Chartroom**

- Many of the key global indices broke through their key 50 day sma's yesterday indicating a reversal in the short-term trend to up. The graph below shows the Russell 2000 (US small cap) index has clearly broken its 50 day sma and closed above resistance from the August 18<sup>th</sup> high. Momentum has also turned higher as demonstrated by the bullish crossover in MACD. (Circled below)
- It is encouraging for the bulls to see small caps leading as small caps often lead the market higher, particularly coming out of a bottom.
- Both the larger cap S&P 500 and DOW indices have broken their 50 day sma's. However, both the Nasdaq and the DAX indices ended the day closing just below their 50 day sma's. Watch for a break of 2205 and 6087 respectively.

RTY 632.26s as of close 9/2 Index MACD



**Fyffes - H1 results, Full year guidance maintained**

- Fyffes H1 2010 results show adjusted eps of 3.38c, down from 4.46c in the comparable period. The H1 outcome includes a particularly difficult first quarter due to weather conditions with continental Europe weaker than the UK. The group is maintaining its full year guidance for EBITA in the range €14-18m. Net cash fell only €0.3m to €36.3m in H1, highlighting the group's continued strong financial position. A flat interim dividend of 0.55c is to be paid.

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- Weakness in bananas was offset somewhat by melons which had a strong H1. Pineapples achieved a similar result to the comparable period. The group states market conditions have normalised over the summer period and that it is actively pursuing price increases in all markets.
- Given the trends which the company is seeing at the moment in terms of stronger prices and more balance between supply and demand, we think Fyffes should be able to match last year's H2 outturn which would result in profit result towards the upper end of the guided EBITA range (€14-18m).

### **Irish Financials – EBS upgraded by Fitch**

- Yesterday the ratings agency Fitch upgraded EBS building society's individual rating from F to D/E. The new rating means that while the society has a strong retail and lending business with a €875m capital injection from the government, additional capital funding may still be required. The change comes as EBS is in the final stages of a sale process, where there is believed to be four bidders.
- Fitch also affirmed the long-term issuer default rating of Irish Nationwide at BBB- yesterday, but it did change the rating outlook from positive to stable. The ratings agency said the change 'reflects the reduced likelihood of the INBS benefitting from a corporate transaction, such as the negotiations with EBS building society in early 2010'.
- Reports in Poland suggest that AIB will today hold final talks with Banco Santander, BNP Paribas and PKO Bank Polski over the sale of AIB's stake in Polish bank Bank Zachodni WBK. A buyer is expected to be chosen by early next week.

### **Merrion Pharmaceuticals - Strong revenue growth in H1**

- Merrion Pharmaceuticals interim results for the six months ended 30 June show revenue growth of 63% to €2.75m and a reduced loss per share of -5c (2009: -14c).
- In the first half, 97% of total revenue was derived from Novo Nordisk, down from 100% in the previous year. Given that a substantial portion of this revenue was related to the manufacture of clinical trial batches for Phase I clinical trials, which are now complete, the group expects that this development revenue will decrease in the second half of the year.
- Net cash of €5.9m compares to €7.2m at the beginning of H1 with the fall of €1.3m attributable to operating cash outflows, the acquisition of property, equipment and the repayment of borrowings.
- In the next six months, Merrion expects to add a new internal project in the second half and is currently investigating additional products which GIPET could bring to the market. The group also continues to pursue potential complementary collaborations with other pharmaceutical companies and to this end is planning to strengthen its business development function.

## **The Economic Footnote**

### **Payrolls data set to show further significant job losses**

- The key market focus today will be on the US non-farm payrolls data for August. Continued disappointment in US job creation, sluggish income growth and a stubbornly high unemployment rate are all casting a long shadow on consumer spending and overall growth in the American economy.
- The bottom line is that the US labour market remains pretty weak, with another very modest gain in private payrolls in July being swamped, not just by more Census layoffs, but massive job cuts by state and local governments as well. In total, non-farm payrolls fell by 131,000 in July, a little better than the 221,000 decline in June, but only because June's drop was revised up from the initial estimate of 125,000.
- July, which is the end of the school year, does appear to be a particularly bad month for state and local government layoffs. Nevertheless, since the start of 2010 alone, state and local governments have reduced their workforces by 170,000, or nearly 1%. Further layoffs can be expected in the coming months even allowing for the extra \$26bn in extra state aid passed by lawmakers in early August.

- The main decline in employment in August is again likely to be Census related, and with little offsetting help coming from government employment. Furthermore, with the ADP private-sector report earlier this week pointing to job losses in this area too, the risks are clearly tilted to the headline net payrolls loss coming in higher than the 100,000 expected by the market.
- However, the same could have been said on Wednesday ahead of the ISM manufacturing data for August and look what happened there. So we will just have to wait and see what sort of surprises the payrolls data bring today.
- At the end of day, though, without more substantial job gains there is little chance of an acceleration in personal spending growth in the second half of 2010, to offset the fading fiscal stimulus and boost from inventory building.

## Market Prices

### Equity Markets

	Last Price	1 Day Change		52 Wk High	% Off High	YTD
Dow Jones Index	10,320.10	50.63	+0.5%	11,258.01	-8.3%	-1.0%
S&P 500	1,090.10	9.81	+0.9%	1,219.80	-10.6%	-2.2%
Russell 2000	632.26	7.27	+1.2%	745.95	-15.2%	1.1%
NASDAQ	2,200.01	23.17	+1.1%	2,535.28	-13.2%	-3.0%
Nikkei 225	9,114.13	51.29	+0.6%	11,408.17	-20.1%	-13.6%
Hang Seng	20,911.95	43.03	+0.2%	23,099.57	-9.5%	-4.4%
DJ Euro Stoxx 50	260.18	0.59	+0.2%	285.75	-8.9%	-5.3%
Dax 30	6,096.19	12.34	+0.2%	6,386.97	-4.6%	2.3%
CAC 40	3,640.58	9.15	+0.3%	4,088.18	-10.9%	-7.5%
FTSE 100	5,382.68	11.64	+0.2%	5,833.73	-7.7%	-0.6%
ISEQ	2,752.15	7.18	+0.3%	3,497.17	-21.3%	-7.5%

### US Sectors

	Last Price	1 Day Change		52 Wk High	% Off High	YTD
US Regional Banks	44.88	0.22	+0.5%	60.56	-25.9%	-1.1%
US Investment Banks	76.72	0.45283	+0.6%	103.96	-26.2%	-17.4%
US Oil	631.67	4.9125	+0.8%	878.08	-28.1%	-17.5%
US Food	327.79	2.8573	+0.9%	358.56	-8.6%	4.7%
US Building Materials	317.65	6.6953	+2.2%	461.06	-31.1%	-20.5%
US Homebuilding	234.07	4.6132	+2.0%	328.95	-28.8%	-6.4%
US Pharmaceuticals	292.58	1.0927	+0.4%	328.84	-11.0%	-5.3%
US Paper & Forestry	155.18	4.7204	+3.1%	170.27	-8.9%	1.2%
US Airline	103.29	0.3362	+0.3%	121.55	-15.0%	1.5%

### Euro Stoxx

	Last Price	1 Day Change		52 Wk High	% Off High	YTD
Euro Banks	188.40	0.48	+0.3%	242.85	-22.4%	-14.3%
Euro Oil/Gas	260.18	0.59	+0.2%	285.75	-8.9%	-5.3%
Euro Food/Bev	307.68	0.46	+0.1%	324.58	-5.2%	4.2%
Euro Cons/Materials	238.32	1.34	+0.6%	306.83	-22.3%	-17.3%
Euro Media	156.02	0.15	+0.1%	164.77	-5.3%	0.6%
Euro Healthcare	387.93	0.51	+0.1%	446.42	-13.1%	-7.5%
Euro Basic Materials	506.19	1.94	+0.4%	584.16	-13.3%	0.9%
Euro Tech	206.40	1.32	+0.6%	259.24	-20.4%	-5.2%

### Commodities

	Last Price	1 Day Change		Week TD	1 Month	YTD
Gold	1,252.25	NA	+0.1%	+1.1%	+5.6%	+14.2%
Silver	19.59	NA	-0.3%	+2.6%	+6.5%	+16.1%
Oil (NYMEX)	74.65	NA	-0.5%	-0.7%	-9.6%	-5.9%
Zinc	2,174.00	NA	+1.9%	+3.8%	+2.5%	-15.1%
Jet Fuel	694.00	NA	-0.3%	-0.1%	-4.9%	-1.5%

## Currencies

	Last Price	1 Day Change		Week TD	1 Month	YTD
EUR/USD	1.28	0.00	+0.1%	+0.6%	-3.1%	-10.5%
EUR/GBP	0.83	-0.00	+0.1%	-1.2%	-0.1%	+6.8%
GBP/USD	1.54	0.00	+0.2%	-0.6%	-3.2%	-4.5%
USD/JPY	84.30	0.06	-0.1%	+1.2%	+1.8%	+10.5%

## Liquidity Spreads

	Spread (bps)	1 Day Change		5 Day Change	1 Month Change
Euribor Base Rate Spread	-12	0		-1	-1
LIBOR GBP Base Rate Spread	23	0		1	-2
LIBOR USD Base Rate Spread	4	0		-1	-15
TED Spread	17	1		1	-13
LIBOR USD OIS Spread	12	0		-1	-15

## Financials

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Allied Irish Bank	0.76	0.00	0.0%	3.51	-78.3%	-36.7%	0.00	0.00
Bank of Ireland	0.72	-0.01	-2.0%	2.23	-67.6%	-14.4%	0.00	0.00
Irish Life & Perm	1.55	-0.01	-0.4%	6.35	-75.6%	-53.0%	0.00	6.54
M&T Bank	87.28	-0.21	-0.2%	96.15	-9.2%	30.5%	16.23	14.58
Bank Zachodni	187.50	0.50	+0.3%	223.80	-16.2%	-1.3%	14.62	11.75
US Regional Banks	44.88	0.22	+0.5%	60.56	-25.9%	-1.1%	0.00	0.00
European Banks	582.38	1.67	+0.3%	638.41	-8.8%	-0.6%	0.00	0.00
UK Banks	4983.96	4.58	+0.1%	5401.93	-7.7%	5.1%	0.00	0.00

## Construction

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
CRH	12.95	0.17	+1.3%	22.00	-41.1%	-31.9%	16.29	12.45
Lafarge	38.83	0.19	+0.5%	66.59	-41.7%	-32.8%	11.56	8.89
Martin Marietta	77.15	1.50	+2.0%	103.44	-25.4%	-13.7%	35.47	23.49
Vulcan	38.39	0.73	+1.9%	62.00	-38.1%	-27.1%	0.00	80.15
Home Depot	29.41	0.74	+2.6%	37.02	-20.6%	1.7%	15.41	13.36
Wall Mart	51.76	0.54	+1.1%	56.27	-8.0%	-3.2%	12.88	11.71
Cemex	10.71	0.01	+0.1%	18.45	-42.0%	-28.5%	0.00	14.67
US Bldg Materials	317.65	6.70	+2.2%	461.06	-31.1%	-20.5%	0.00	0.00
US Homebuilders	234.07	4.61	+2.0%	328.95	-28.8%	-6.4%	0.00	0.00

## Airlines

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Ryanair	3.88	0.00	0.0%	4.10	-5.3%	17.7%	15.84	11.66
Ryanair ADR	29.22	-0.04	-0.1%	31.49	-7.2%	9.0%	17.09	13.53
Easyjet	368.90	-0.60	-0.2%	499.90	-26.2%	4.5%	14.41	8.74
Southwest Airlines	11.53	0.03	+0.3%	13.97	-17.5%	0.9%	15.82	12.18
JetBlue Airways	6.00	0.00	0.0%	6.95	-13.7%	10.1%	13.48	9.36
US Airlines	103.29	0.34	+0.3%	121.55	-15.0%	1.5%	0.00	0.00
European Airlines	67.18	-0.11	-0.2%	75.40	-10.9%	1.9%	0.00	0.00

## Building Materials

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Grafton	2.85	0.03	+1.0%	4.08	-30.1%	-3.1%	19.26	12.72
Kingspan	5.70	0.00	0.0%	7.50	-24.0%	-5.0%	20.73	15.70
Travis Perkins	798.50	0.00	0.0%	915.00	-12.7%	-6.3%	10.89	9.73
SIG	100.40	-0.10	-0.1%	146.60	-31.5%	-10.4%	14.76	11.28

## Food

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Kerry Group	26.10	0.00	0.0%	26.20	-0.4%	26.8%	13.94	12.55
Danisco	433.70	2.20	+0.5%	456.69	-5.0%	26.8%	17.06	15.06
Givaudan	1000.00	1.50	+0.2%	1012.00	-1.2%	21.0%	18.21	15.95
McCormick & Co	40.52	0.16	+0.4%	41.06	-1.3%	12.2%	15.96	14.71
Int Flavours	47.67	0.28	+0.6%	51.77	-7.9%	15.9%	14.75	13.34

## Fruit

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Fyffes	0.33	0.00	0.0%	0.50	-34.0%	-28.3%	7.33	6.88
Chiquita	12.98	0.04	+0.3%	19.59	-33.7%	-28.0%	7.27	5.63
Del Monte	22.09	0.09	+0.4%	24.77	-10.8%	-0.0%	10.66	8.16

## Media

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Independent News	0.66	0.00	0.0%	1.51	-56.3%	-27.5%	5.69	4.15
APN News & Media	1.93	0.02	+1.0%	2.61	-26.2%	-17.0%	10.81	9.25
Fairfax	1.49	-0.00	-0.1%	1.89	-21.2%	-14.7%	10.76	9.52
Jagran Prakashan	131.50	1.05	+0.8%	144.30	-8.9%	-3.7%	0.00	0.00
Daily Mail	479.70	3.80	+0.8%	539.00	-11.0%	14.7%	10.43	9.42
New York Times	7.77	0.23	+3.1%	14.87	-47.7%	-37.1%	10.69	10.46

## Convenience

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Aryzta	33.50	0.00	0.0%	33.80	-0.9%	30.4%	14.41	11.45
Tim Hortons	36.37	0.53	+1.5%	36.64	-0.7%	19.2%	18.60	16.73

## Pharmaceuticals

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Elan	3.57	0.00	0.0%	6.14	-41.9%	-15.0%	0.00	0.00
Elan ADR	4.53	0.11	+2.5%	8.24	-45.0%	-30.5%	0.00	0.00
Biogen Idec	55.25	-0.06	-0.1%	60.28	-8.3%	3.3%	11.49	11.00
Merrion Pharmaceuticals	3.93	0.00	0.0%	4.25	-7.5%	9.2%	0.00	0.00

## Support Services

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
DCC	20.20	0.00	0.0%	21.75	-7.1%	3.6%	10.60	10.13
Bunzl	749.50	3.50	+0.5%	784.50	-4.5%	11.0%	12.75	11.86

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