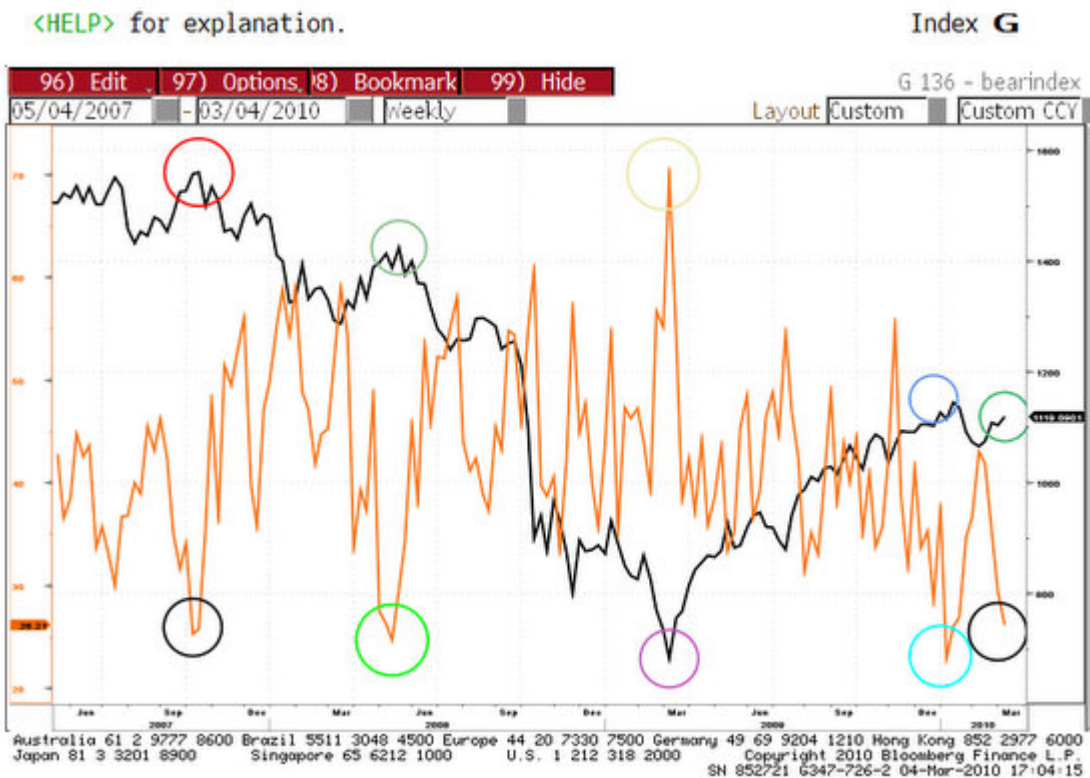


Companies Today

Euro Airlines, Irish Financials, Fyffes, Grafton

The Chartroom

- The AAll survey released yesterday shows a low number of bears consistent with prior market tops over recent years. From a contrary standpoint this indicates that as the number of bears is low, the majority of investors are positioned long the market. Any bad news or change in sentiment could lead to investor repositioning triggering a correction. All eyes today will be on the US non farm payrolls out at 1.30.
- The chart below conveys the the relationship between high and low AAIIBEAR figures and market turning points. The most extreme level of bears back in March 2009 occurred at the market bottom before equities rallied 70% in 10 months. As the old adage goes "if everyone is thinking the same, somebody is not thinking".



Fyffes - FY 09 eps +31.4%, volatility resurfaces

- Fyffes grew adjusted eps by 31.4% to 5.19c during 2009 and ended the year with net cash €36.6m (+13.7%). Higher selling prices were key to delivering this performance in the teeth of tough consumer markets and FX headwinds.
- The guidance for 2010 is ultra cautious after two months of very difficult weather and some evidence of price deflation. Bananas are particularly volatile which makes earnings fluctuate a lot. Hence, EBITA guidance is €14-18m compared to an outturn of €20.7m in '09. At the mid point that implies a 22% drop in profits unless pricing improves as the year progresses.

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- A 10% lift in dividends to 1.65c is well covered (3.2x) and even at the lower end of 2010 guidance would be covered 2x this year.
- The company's comments are similar to those from Chiquita, Fresh Del Monte and Dole, all of who have indicated a challenging start to the current year.

Irish Financials - AIB 's gains 20%

- AIB rose 20% yesterday in a strong reaction to its asset disposal plans and the potential interest of a number of "strategic investors". AIB will review all potential asset sales as part of its efforts to bolster its balance sheet before it moves for a rights issue according to CEO Colm Doherty. "We understand that investors want us to dispose of assets before we go back to them", according to Doherty. It appears very likely that the bank could sell Poland as part of its re-capitalization plan and that progress in exiting the M&T stake is ongoing with a number of "strategic" partners. The sale of the US and Polish stakes would provide €2 billion in capital for the bank. The UK operations could have a value in excess of €650 million. These moves, coupled with the potential uplift that a bond exchange program would provide the capital base, all contribute to a stronger capital position at the bank.
- It appears certain that a number of internal signposts, on the asset disposal front, will need to be passed before AIB returns to shareholders. We noted the relatively high support for AIB, should it propose a rights issue in our recent Banking Survey, although we felt that the bank's proposition to shareholders would be greatly enhanced after asset disposals. 5 million shares were traded in Dublin with a further 7.7 million traded in London. With the first set of assets to move to NAMA and the potential ensuing haircut coming before the end of March, the capital story is a welcome driver of interest in the stock.
- Anglo Irish Bank must be saved and may become part of the third force according to Alan Dukes, the Government appointed representative on the bank's board. According to reports this morning Anglo Irish Bank has asked the EU for permission to split the bank into "good" and a "bad" bank with a decision expected over the summer. Mr. Dukes is also reported to have said that the bank bought back subordinate debt for less than 50c according to the Irish Independent.

Euro Airlines - Czech mate / Aer Lingus, Norwegian, Air Berlin traffic

- Ryanair has offered to put six aircraft into Prague Ruzyně if the Czech airport pares costs in line with other Ryanair bases. The offer is a clear tilt at CSA which is being renationalized at present but also crosses Wizzair which serves 15 destinations from Prague. Ruzyně is ten kilometers from the city centre and is CSA's home base. //
- In February Aer Lingus passenger volume fell 0.3% on short-haul (to 618k) and 32.4% on long-haul (to 46k). Load factor in LH improved 6.7 points to 77.5% as capacity was sharply lowered (-37.5%) while SH LFs were down 6.7 points to 70.8% as capacity grew 12.7% (v +2.3% in Jan). Aside from company actions (especially on long-haul capacity) these numbers reflect a continuing tough Irish environment where the impact of air passenger departures taxes introduced last April are acute during Q1. The carrier plans short-haul volumes to rise just 1% this year with long-haul falling 20%. //
- Air Berlin rose volume by 3.1% in February to 1.95m as it added 3.5% to capacity with load factor broadly unchanged at 70.6%. Norwegian Air Shuttle volume was up 24.6% to 834k in the same month.

Grafton - Marshalls FY09 results

- Marshalls, the landscape products group, has reported FY09 revenues declined 17% year on year to £312m, inline with its January pre-close statement. EPS of 5.38p compared closely with consensus at 5.5p. The group notes a slow start to the year following adverse weather in January.
- As with Grafton yesterday, Marshalls highlights the steps it has taken to reduce its cost base, maintain cash generation and position itself to take advantage of a market recovery. Of most relevance to Grafton is the performance of the Domestic division which Marshall's reports has stabilised with order books at 6.8 weeks in February 2010, compared with 5.6 weeks in the comparable period.

- Marshall's outlook is more reserved than that of Grafton yesterday. The group highlights uncertainty linked to the upcoming UK elections which is reflective of the weighting of its business towards the public sector and commercial market (58%).

The Economic Footnote

Payrolls figures another victim of the Winter weather

- All eyes today will be on the latest US employment report. However, February's payrolls data are likely to be so distorted by the severe Winter weather and Census hiring that the headline figures are probably best ignored. If estimates are published of what impact each of those factors had, then the employment report might not be a complete write off. But even then we would treat the numbers with extreme caution.
- The Washington D.C. area was walloped by the so-called "Snowmagedon" storm on the 5th and 6th of February. This was quickly followed by a second major storm that hit a wider area of the Northeast on the 9th and 10th. On the 12th another storm demolished the snowfall record for Dallas before moving on to many of the southern states.
- According to the rules of the payroll survey, a person counts as employed as long as they worked one day during the pay period that includes the 12th of the month. So any worker who is paid bi-monthly or monthly should still count as employed. However, anyone in the D.C. area paid weekly could easily have missed the whole week that includes the 12th.
- Meanwhile, it has been suggested that the US government will hire up to 1.2 million temporary workers this year to carry out the 2010 Census. As that would be more than twice as many as the 500,000 workers hired for the last Census in 2000, we are sceptical that the boost will be quite that big. Nonetheless, Census-related hiring will have a very big upward impact on non-farm payroll employment in the four months to June and then a large downward impact in the four months after.

Market Prices

Equity Markets

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