Irish Economy - January retail sales to show weak consumer spending

- With the excitement of the General Election now over, the focus in the coming days turns back to the Irish economy itself, with a number of key statistics scheduled for release this week. Today the consumer is in the spotlight with private-sector credit and retail sales data for January down for publication, and the figures are unlikely to make happy reading.
- Credit to households is set to be down further on an annual basis, but most eyes will be on the retail sales data to see if there was any improvement in spending patterns in the opening month of 2011 after a very disappointing December.
- We already know that new car sales were strong in January, helped by the extension in Budget 2011 of the ‘scrappage scheme’ for another six months until the end of June, but the question is whether there was a pick-up in consumption in other retail sectors. An improvement in weather conditions and the traditional January sales should help to some degree, but the reduction in disposable income following the austerity measures in the December Budget is in our view likely to have resulted in poor underlying sales overall. Consumers will also be feeling the pinch from increased mortgage interest rates and soaring food and energy prices.
- Year-on-year, headline sales were down 3.1% in volume terms in December as against an annual increase of 0.5% in November, and we are looking for a volume decrease of 4.0% in January.

Aer Lingus - strong FY '10 results, 2011 guidance weak

- Aer Lingus produced an EBIT of €57.6m in 2010 compared to our €40m estimate. This represents a €138.6m year-on-year turnaround and helped drive net cash to €421m compared to our €366m estimate. These numbers were achieved by raising average yields by 12% during the year while passenger numbers declined by 10%.
- The guidance for 2011 is adversely influenced by oil, airport charges and labour disruption during Q1. Despite having 60% of fuel needs hedged at $79 exposure to spot oil at $100 would cause an additional €31m in costs. Airport charge increases in Dublin and Heathrow will add €45m to expenses. Offsetting these negatives to some degree are the benefits of long-haul being closed during winter months and the absence of ash. Together, these will save an additional €30m during the year. Assuming subdued demand in its home market, EBIT for the full year wil be "significantly" below the 2010 result. Small changes in oil prices or yields will materially influence the ultimate result.

Kingspan - FY10 results ahead; Remaining cautious in FY11

- Kingspan has reported 8% growth in FY10 operating profits to €67.4m which is ahead of our €64.0m expectation and above the €62-65m range guided in mid-November. Adjusted eps of 30.9c is c.5% ahead of our 29.5c forecast. Full year sales increased by 6% implying that the 6% run rate seen for the first nine months if 2010 was maintained through to the year end. Net debt of €129m and a full year dividend of 10c are both inline with our forecasts.
- By segment, panels and insulation, which together contribute 75% of total sales, showed the strongest growth rising +8% and +15% respectively. Access floor sales declined 9% with the company expecting this market to remain challenging in 2011. Group trading margins were maintained at 6.0% for the full year despite rising cost pressures. Panels margins showed the strongest recovery rising to 5.6%, up from 4.4% in the prior year. Access Floors margins fell from 17.3% to 13.8% which is still quite a strong outcome given the 9% revenue decline.

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- Looking ahead, the company is cautious on FY11 stating that it does not expect to see “real buoyancy” in the majority to its end markets in the coming months, despite a modest recovery in revenues being anticipated. Price inflation is to be a major theme with market overcapacity making pricing recovery more challenging. Activity in the UK and North America are forecast to be flat; while Germany and Central Europe are expected to show modest growth and Australia to remain strong.

Abbey - Interest in London land

- Press reports this morning suggest that competition for land in London has soared with international investors looking to inject up to £5bn into London’s lucrative residential property market, which could lead to the construction of 10,000 new homes. Investors will raise a further £2.2bn to set up residential developments in other parts of the UK.
- Abbey, with no debt on its balance sheet, derives around 80% of its revenues from its operations in the UK, and is active in the South of England.

DUBLIN UNESCO City of Literature

CPL - Hays half yearly results, international business strong

- Hays, the international recruitment specialist, this morning reported strong results for the six months ended 31 December 2010.
- Group Net fees increased to £326.1m, up 20% from £264.8m in H1 2010, while operating profit grew by 38% in the period to £52.1m.
- The Group noted strong growth in continental Europe with Net fees up 33%.
- In the UK and Ireland, actual fees grew by 1% to £123.1m, while operating profits fell 66%, down to £2.1m from £6.2m in the same period last year. Fees in the permanent placement business fell by 16%, and by 7% in temporary placement due to the Groups greater weighting to the public sector markets. In the private sector market, temporary placement fees were up 18% on a like-for-like basis.
- CPL, Irelands leading supplier of temporary and contract staff, has its main operations in the Republic and Northern Ireland, but also has offices in continental Europe. Specialist areas for the Group include IT, finance, and accountancy; Hays has redirected resources to these areas due to their strong growth.

Irish Financials - Cardinal becomes preferred bidder for EBS

- Reports over the weekend suggest that Cardinal has been named as the preferred bidder for EBS, ahead of Irish Life & Permanent. The consortium, which is backed by Carlyle, is to enter exclusive negotiations with the NTMA, according to Irish press reports. Cardinal will offer over €600 million to buy EBS, in a deal expected to be confirmed after the new Government is formed. As part of the deal Cardinal will offer to cover another €450 million of losses at EBS, with the state taking 70% of the losses beyond that level. EBS announced on Friday that it had increased in core capital of €132 million from its debt offer.
- Irish Life & Permanent, which will announce results this Wednesday, is reported to have paid a €2.3m net for the Irish Nationwide deposits last week, although the underlying cost has not been disclosed. IL&P will take €3.6 billion of deposits which include €2.7 billion in Irish retail deposits, €500 million in Irish corporate deposits and €400 million in Isle of Man deposits.

Irish Economy - Vicotrious Irish party to start talks on new government

- Ireland’s victorious Fine Gael party said it will start urgent talks on forming a new government on Monday in a bid to turn its landslide election win into a mandate to renegotiate the EU/IMF bailout deal with Europe. The centre-right party, which cast the outgoing Fianna Fail party into the political wilderness in Friday’s poll, has vowed to move quickly to extract the former “Celtic Tiger” economy from the industrialised world’s deepest recession.
- Party leader Enda Kenny has just four weeks to persuade Europe’s paymaster Germany to ease tough terms attached to the multi billion EU/IMF bailout before a package to resolve Europe’s debt crisis is agreed at a summit on March 24 and 25. Fine Gael swept into power on a wave of voter anger over the country’s financial meltdown and a pledge to renegotiate the EU/IMF deal. It is on course for a record 75-plus seats but will fall short of an overall majority in the 166-seat parliament.

- Party officials have indicated a preference for coalition with the centre-left Labour Party. A partnership with Labour, expected to get between 35 and 40 seats, would give the new coalition partners a strong mandate for tough talks with EU partners. Depending on its final tally, Fine Gael could instead seek the support of like-minded independent lawmakers, but such a minority government is likely to be too unstable.
- Despite clashing in the election campaign, Fine Gael and Labour have a history of working well together and a record majority should bring some stability back to Irish politics after the chaos of Fianna Fail's last days in office.

The Chartroom

- Yesterday Saudi Arabia's Tadwul All Share index lost almost 5% and declined to a nine-month low, leading a drop in Middle East markets, on concern clashes in Libya that caused oil prices to surge to the highest levels since 2008 will stall a global recovery. Oman's index declined 2.8% as protests erupted in the region.

Market Prices

Equity Markets

	Last Price	1 Day Change		52 Wk High	% Off High	YTD
Dow Jones Index	12,130.45	61.95	+0.5%	12,391.29	-2.1%	4.8%
S&P 500	1,319.88	13.78	+1.1%	1,344.07	-1.8%	4.9%
Russell 2000	821.95	17.77	+2.2%	838.00	-1.9%	4.9%
NASDAQ	2,781.05	43.15	+1.6%	2,840.51	-2.1%	4.8%
Nikkei 225	10,624.09	97.33	+0.9%	11,408.17	-6.9%	3.9%
Hang Seng	23,368.44	356.07	+1.5%	24,988.57	-6.5%	1.4%
DJ Euro Stoxx 50	289.38	3.77	+1.3%	297.73	-2.8%	5.4%
Dax 30	7,185.17	54.67	+0.8%	7,441.82	-3.4%	3.9%
CAC 40	4,070.38	60.74	+1.5%	4,169.87	-2.4%	7.0%
FTSE 100	6,001.20	81.22	+1.4%	6,105.77	-1.7%	1.7%
ISEQ	2,943.35	42.57	+1.5%	3,497.17	-15.8%	2.0%

US Sectors

	Last Price	1 Day Change		52 Wk High	% Off High	YTD
US Regional Banks	54.26	1.2	+2.3%	60.56	-10.4%	1.1%
US Investment Banks	91.99	0.96389	+1.1%	100.20	-8.2%	2.9%
US Oil	994.51	29.2594	+3.0%	994.77	-0.0%	22.7%
US Food	332.39	2.6642	+0.8%	358.56	-7.3%	-2.2%
US Building Materials	377.36	9.8567	+2.7%	452.21	-16.6%	-0.7%
US Homebuilding	263.23	4.5218	+1.7%	328.95	-20.0%	2.8%
US Pharmaceuticals	300.28	0.378	+0.1%	316.47	-5.1%	-1.2%
US Paper & Forestry	186.92	2.1065	+1.1%	194.31	-3.8%	9.8%
US Airline	112.17	0.5617	+0.5%	129.27	-13.2%	-7.0%

Euro Stoxx

	Last Price	1 Day Change		52 Wk High	% Off High	YTD
Euro Banks	188.17	3.4	+1.8%	218.82	-14.0%	17.0%
Euro Oil/Gas	289.38	3.77	+1.3%	297.73	-2.8%	5.4%
Euro Food/Bev	316.19	2.08	+0.7%	336.26	-6.0%	-3.9%
Euro Cons/Materials	288.05	6.96	+2.5%	306.83	-6.1%	6.1%
Euro Media	166.65	3.15	+1.9%	171.85	-3.0%	3.0%
Euro Healthcare	419.55	3.36	+0.8%	444.61	-5.6%	5.4%
Euro Basic Materials	611.06	14.7	+2.5%	656.91	-7.0%	-3.8%
Euro Tech	251.51	3.85	+1.6%	265.32	-5.2%	5.9%

Commodities

	Last Price	1 Day Change		Week TD	1 Month	YTD
Gold	1,412.28	NA	+0.1%	+0.1%	+6.0%	-0.6%
Silver	33.55	NA	+0.4%	+0.4%	+19.6%	+8.5%
Oil (NYMEX)	99.39	NA	+1.5%	+1.5%	+7.8%	+8.8%
Zinc	2,491.00	NA	+0.7%	0.0%	+12.2%	+1.5%
Jet Fuel	1,019.00	NA	-0.1%	+7.2%	+16.5%	+22.8%

Currencies

	Last Price	1 Day Change		Week TD	1 Month	YTD
EUR/USD	1.38	0.00	+0.1%	+0.1%	+0.6%	+3.0%
EUR/GBP	0.85	-0.00	+0.0%	+0.0%	-0.0%	+0.3%
GBP/USD	1.61	0.00	+0.1%	+0.1%	+0.5%	+3.4%
USD/JPY	81.71	-0.08	+0.1%	+0.1%	+0.3%	-0.6%

Liquidity Spreads

	Spread (bps)	1 Day Change	5 Day Change	1 Month Change
Euribor Base Rate Spread	9	0	1	6
LIBOR GBP Base Rate Spread	30	0	0	3
LIBOR USD Base Rate Spread	6	0	0	1
TED Spread	19	0	-4	2
LIBOR USD OIS Spread	17	0	0	3

Financials

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Allied Irish Bank	0.26	0.00	0.0%	1.79	-85.5%	-13.3%	0.00	0.00
Bank of Ireland	0.37	0.00	0.0%	1.24	-70.2%	-1.6%	0.00	0.00
Irish Life & Perm	0.96	0.00	0.0%	3.55	-72.8%	-10.6%	0.00	16.64
M&T Bank	88.56	0.93	+1.1%	96.15	-7.9%	1.7%	14.42	12.05
Bank Zachodni	225.50	0.00	0.0%	225.50	0.0%	4.9%	17.73	14.68
US Regional Banks	54.26	1.20	+2.3%	60.56	-10.4%	1.1%	0.00	0.00
European Banks	590.53	8.61	+1.5%	627.66	-5.9%	11.5%	0.00	0.00
UK Banks	5051.89	52.96	+1.1%	5401.93	-6.5%	6.6%	0.00	0.00

Construction

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
CRH	16.44	0.00	0.0%	22.00	-25.3%	6.1%	23.93	18.60
Lafarge	44.16	0.00	0.0%	58.93	-25.1%	-5.9%	11.83	9.31
Martin Marietta	88.08	1.04	+1.2%	100.33	-12.2%	-4.5%	35.43	25.99
Vulcan	44.97	1.67	+3.9%	59.90	-24.9%	1.4%	0.00	187.38
Home Depot	37.08	-0.06	-0.2%	39.38	-5.8%	5.8%	16.23	13.97
Wall Mart	51.75	-0.34	-0.7%	57.89	-10.6%	-4.0%	11.66	10.61
Cemex	10.98	0.12	+1.1%	14.71	-25.4%	-16.6%	0.00	44.82
US Bldg Materials	377.36	9.86	+2.7%	452.21	-16.6%	-0.7%	0.00	0.00
US Homebuilders	263.23	4.52	+1.7%	328.95	-20.0%	2.8%	0.00	0.00

Airlines

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Ryanair	3.39	0.00	0.0%	4.22	-19.8%	-10.1%	12.93	10.24
Ryanair ADR	29.08	0.38	+1.3%	33.38	-12.9%	-5.5%	16.73	12.14
Easyjet	355.80	0.00	0.0%	499.90	-28.8%	-19.1%	9.62	8.03
Southwest Airlines	11.79	0.03	+0.3%	14.32	-17.7%	-9.2%	13.51	11.33
JetBlue Airways	5.76	0.11	+1.9%	7.60	-24.2%	-12.9%	13.75	10.40
US Airlines	112.17	0.56	+0.5%	129.27	-13.2%	-7.0%	0.00	0.00
European Airlines	74.01	0.33	+0.4%	89.13	-17.0%	-8.9%	0.00	0.00

Building Materials

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Grafton	3.75	0.00	0.0%	3.78	-0.8%	8.7%	21.31	16.30
Kingspan	6.64	0.00	0.0%	7.85	-15.4%	-11.3%	19.30	13.25
Travis Perkins	996.00	0.00	0.0%	1139.00	-12.6%	-5.9%	11.07	9.35
SIG	129.80	0.00	0.0%	156.10	-16.8%	0.9%	17.78	14.11

Food

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Kerry Group	26.40	0.00	0.0%	27.16	-2.8%	5.7%	12.40	11.22
Danisco	662.00	0.00	0.0%	670.50	-1.3%	29.8%	22.58	20.74
Givaudan	915.50	0.00	0.0%	1062.00	-13.8%	-9.3%	15.40	13.53
McCormick & Co	47.34	0.32	+0.7%	47.83	-1.0%	1.7%	16.77	15.39
Int Flavours	56.93	1.00	+1.8%	59.50	-4.3%	2.4%	15.08	14.02

Fruit

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Fyffes	0.41	0.00	0.0%	0.46	-9.9%	10.8%	7.74	7.88
Chiquita	16.45	0.54	+3.4%	16.87	-2.5%	17.3%	14.47	9.40
Del Monte	27.68	0.70	+2.6%	27.72	-0.1%	10.9%	15.98	12.70

Media

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Independent News	0.59	0.00	0.0%	1.04	-43.4%	17.3%	4.34	3.64
APN News & Media	1.75	-0.01	-0.6%	2.54	-31.1%	-9.6%	9.62	8.84
Fairfax	1.30	-0.01	-1.1%	1.85	-29.6%	-6.8%	10.20	9.06
Jagran Prakashan	111.20	0.20	+0.2%	157.30	-29.3%	-16.1%	15.93	14.11
Daily Mail	556.50	0.00	0.0%	602.50	-7.6%	-3.0%	10.78	9.99
New York Times	10.08	0.32	+3.3%	13.24	-23.9%	2.9%	17.56	13.88

Convenience

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Aryzta	33.30	0.00	0.0%	35.00	-4.9%	-4.8%	10.56	9.77
Tim Hortons	43.21	0.57	+1.3%	43.56	-0.8%	4.8%	17.81	15.53

Pharmaceuticals

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Elan	4.65	0.00	0.0%	6.14	-24.3%	12.0%	0.00	68.86
Elan ADR	6.38	0.12	+1.9%	8.24	-22.6%	11.3%	0.00	80.76
Biogen Idec	67.78	0.52	+0.8%	68.99	-1.8%	1.1%	11.67	11.16
Merrion Pharmaceuticals	2.48	0.00	0.0%	4.25	-41.6%	-8.1%	0.00	0.00

Support Services

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
DCC	22.70	0.00	0.0%	24.20	-6.2%	-3.8%	11.21	11.13
Bunzl	756.00	0.00	0.0%	790.50	-4.4%	5.1%	11.98	11.17

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