

Companies today

Abbey, DCC, Grafton, Irish Financials, Worldspreads

The Chartroom

- The Chinese stock exchange, the Shanghai composite has failed at overhead resistance again overnight after rumours of further tightening of mortgage policy. Property agents reported too that Shanghai flats vacancy rates are up to 50%, with some estate agents reported to have up to 87.5% vacant flats.
- The index sits right on its uptrend support that has been in place since early July. A break below trend support is likely to see further selling pressure.
- Copper futures have declined approximately 2% in sympathy. Miners have again rallied to the top of their recent trading range where profits should be taken.



Irish Financials – Government unveils plan to split Anglo

- Yesterday the Irish government announced plans that they would split Anglo Irish Bank into a “funding bank” and an “asset recovery bank”. The plan, which differs from the original plan, will not allow Anglo to make new loans.
- The recovery bank will manage the remaining loans left in Anglo after the transfer to Nama. This will consist of €38bn in loans and it will have €14bn of senior and subordinated bonds. It is intended that the recovery bank will be sold or wound down over a period of time in a way that maximises the return to the taxpayer. It may borrow money from the funding bank.

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- The funding bank will be a government-backed deposit bank which will contain Anglo's deposit book, currently amounting to €54bn, and any deposits from new customers. The funding bank will not take on any new loans, but it may make loans to the recovery bank. The funding bank will contain the €14bn Nama bonds within the bank.
- While the announcement begins to provide some clarity on the Anglo situation, there was no mention of total cost or the timescale in the statement. Taoiseach Brian Cowen said that he hopes the total cost will be revealed before the end of October.

Grafton - Homebase Ifl trends improve // Carpetright's outlook remains cautious

- Home Retail Group Q2 trading statement shows an improved performance at Homebase with like for like sales flat in the period (Q1: -1.4%). At a group level (Homebase & Argos), the company is guiding H1 PBT to be 20-25% lower year on year and for full year PBT to be "in line with the bottom half of the current analyst range" of £250-275m. The revised guidance is dependent on trading at Argos over the peak Christmas period. Previous guidance had been for broadly flat year on year profitability which implied circa £293m.
- At Homebase, the flat like for like sales outcome reflects growth in seasonal categories (outdoor) and big ticket items (kitchens, bathroom). Sales within the core DIY category were lower overall. The 75bps decline in gross margin reflected shipping rates and FX impact.
- Separately, Carpetright has parted with previous convention and released a statement to coincide with its AGM which is to be held later today. However, the statement contains no update on current trading. As before, the group is cautious in its outlook stating that it sees economic conditions remaining challenging for the balance of the financial year (52 weeks to 1 May 2011).
- Grafton's recent H1 results (31 August) showed that the UK merchandising sector is recovering ahead of the retailing (Grafton does not operate in the retail sector in the UK). In the first half, UK merchandising volumes at the group were ahead by 5% with this improving to 6.3% in July and August. The recovery in Grafton's UK merchandising business was led by its heavyside and specialist branches which supply the new housing market, while demand in the RMI market was reported to be stable.

DCC - HMV reports difficult trading in the UK & Ireland

- HMV's trading update for the 19 weeks ended 4 September 2010 sees the group comment that trading remains difficult, particularly in HMV UK & Ireland. This is borne out by the like for like sales reported for HMV UK & Ireland in the period which at -14.9% represents a significant deterioration on the -2.4% achieved for the full year ended 24 April 2010. HMV reports that it is seeing some dilution in its market share within the video category due to competitor discounting.
- Conditions at HMV clearly remains challenging which is of relevance to DCC SerCom (21% group operating profit) given that HMV is a major customer (within the 1800+ customer base) of its Gem retail distribution business. While HMV may be losing market share in videos this business will not be lost to SerCom in that it has been successfully extending its services in to retailers enjoying market share growth such as supermarkets, etailers and catalogue based companies. Key to watch in this shift in customer mix will be any margin impact on SerCom's business.

Worldspreads - IG Group Q1 update; Group revenue +16%

- IG Group has reported a 16% increase in group revenues for the three months ended 31 August 2010 (Q1). Volumes were strong in the first half of the quarter reflecting a continuation of the elevated volatility previously reported in May and early June. In the second part of the quarter, volumes are reported to have been more subdued as volatility returned to more normal levels.
- In the UK market, IG grew revenues by 8.5%. As expected higher revenue growth was achieved in Europe which was ahead by 46%. All European offices contributed to this outcome with Germany showing the strongest performance. Account opening levels were similar to those achieved in the corresponding quarter last year, a period benefited from a strong rally in equity markets.

- Overall, IG's update on the quarter from June to August are supportive of our full year expectations for Worldspreads with high grow markets in Europe complimenting steady growth in the more mature UK market.

Abbey - Redrow FY results

- Redrow reported FY year results for the period ending 30th June and critically delivered a return to profitability with PBT increasing to £0.7m from a loss of £44.2m in 2009. Operating profit came in at £12.7m (2009: loss of £22.4m pre exceptionals) representing a 3.2% operating margin.
- Critically net debt was reduced substantially over the year declining from £214.6m to £47.1m due to the rights issue and tighter control of cash.
- The housing market continued its recovery during the first half of the financial year and remained steady during the second half. As a result of both the improved market conditions and the change in strategy, the group increased its legal completions by 22% year-on-year to 2,587 homes (2009: 2,113).
- Management acknowledged the fact that it was still a period of tough economic conditions and uncertainty. The new Coalition Government has announced a programme of considerable spending cuts and tax increases which will have a negative impact on everybody in the UK. The housing market has seen a reduction in the volume of transactions since the election, both as a result of the economic uncertainty and the lack of available mortgage finance.
- They stated that short of a collapse of the market conditions from those that they have experienced to date, the group expects to make further progress during the year. It's worth noting that in volume terms, Redrow has seen a small reduction in the number of reservations in the first ten weeks of its financial year.

The Economic Footnote

Bank of England to keep policy on hold today

- The Bank of England is expected to hold interest rates at a record low of 0.50% today, and probably well into next year, to keep the economic recovery on track in the face of a painful fiscal squeeze and weakening global backdrop.
- Not all the MPC members are comfortable with policy remaining so loose. Worries about above-target inflation have prompted Andrew Sentance to vote for a quarter-point rate rise in each of the last three months.
- But there is little sign that other policymakers at the Bank are warming to this view and most economists reckon UK rates will remain unchanged until the second quarter of 2011 at the earliest.
- Britain's economy grew by 1.2% in the second quarter of this year, twice as fast as initially expected. However, the rebound was flattered by weather-related disruption in the first quarter and more timely indicators, notably PMI surveys, have painted a weaker picture. House price surveys have also shown a weakening in the past few months, with demand faltering and more supply coming onto the market. The Bank revised down its growth forecasts in August and pointed to downside risks from a weaker global recovery and upcoming fiscal tightening.
- The main worry for the Bank remains the inflation outlook. Consumer price inflation eased to 3.1% in July, having fallen steadily from a 17-month high of 3.7% in April but looks set to remain above the central bank's 2.0% target for at least another year.
- Bond markets continue to suggest a very benign outlook for inflation, but households' price expectations are pushing higher, and rising inflation may come back to haunt the Bank in the months ahead. For today, though, it will be very much steady as she goes as regards monetary policy.

Market Prices

Equity Markets

	Last Price	1 Day Change		52 Wk High	% Off High	YTD
Dow Jones Index	10,387.01	46.32	+0.4%	11,258.01	-7.7%	-0.4%
S&P 500	1,098.87	7.03	+0.6%	1,219.80	-9.9%	-1.5%
Russell 2000	634.25	4.96	+0.8%	745.95	-15.0%	1.4%
NASDAQ	2,228.87	19.98	+0.9%	2,535.28	-12.1%	-1.8%
Nikkei 225	9,098.39	73.79	+0.8%	11,408.17	-20.2%	-13.7%
Hang Seng	21,173.39	84.53	+0.4%	23,099.57	-8.3%	-3.2%
DJ Euro Stoxx 50	261.73	-0.61	-0.2%	285.75	-8.4%	-4.7%
Dax 30	6,151.18	-13.26	-0.2%	6,386.97	-3.7%	3.3%
CAC 40	3,666.37	-10.84	-0.3%	4,088.18	-10.3%	-6.9%
FTSE 100	5,425.18	-4.56	-0.1%	5,833.73	-7.0%	0.2%
ISEQ	2,756.73	-1.04	-0.0%	3,497.17	-21.2%	-7.3%

US Sectors

	Last Price	1 Day Change		52 Wk High	% Off High	YTD
US Regional Banks	45.06	0.59	+1.3%	60.56	-25.6%	-0.7%
US Investment Banks	79.45	1.07757	+1.4%	103.96	-23.6%	-14.5%
US Oil	639.14	11.1369	+1.8%	878.08	-27.2%	-16.6%
US Food	326.44	-0.1784	-0.1%	358.56	-9.0%	4.2%
US Building Materials	316.88	-2.6331	-0.8%	461.06	-31.3%	-20.7%
US Homebuilding	235.02	1.2469	+0.5%	328.95	-28.6%	-6.1%
US Pharmaceuticals	294.86	1.9406	+0.7%	328.84	-10.3%	-4.5%
US Paper & Forestry	154.27	-0.3986	-0.3%	170.27	-9.4%	0.6%
US Airline	102.55	0.1206	+0.1%	121.55	-15.6%	0.8%

Euro Stoxx

	Last Price	1 Day Change		52 Wk High	% Off High	YTD
Euro Banks	187.79	-0.35	-0.2%	242.85	-22.7%	-14.6%
Euro Oil/Gas	261.73	-0.61	-0.2%	285.75	-8.4%	-4.7%
Euro Food/Bev	310.98	-0.42	-0.1%	324.58	-4.2%	5.4%
Euro Cons/Materials	238.57	-0.68	-0.3%	306.83	-22.2%	-17.2%
Euro Media	156.03	-0.08	-0.1%	164.77	-5.3%	0.6%
Euro Healthcare	395.64	-0.02	-0.0%	446.42	-11.4%	-5.7%
Euro Basic Materials	513.55	-0.34	-0.1%	584.16	-12.1%	2.3%
Euro Tech	209.59	-0.07	-0.0%	259.24	-19.2%	-3.8%

Commodities

	Last Price	1 Day Change		Week TD	1 Month	YTD
Gold	1,254.15	NA	-0.1%	+0.6%	+4.4%	+14.3%
Silver	19.85	NA	-0.3%	-0.2%	+8.3%	+17.6%
Oil (NYMEX)	74.75	NA	+0.1%	+0.2%	-8.3%	-5.8%
Zinc	2,219.00	NA	+1.4%	+3.2%	+4.2%	-13.3%
Jet Fuel	704.00	NA	+1.0%	+2.0%	-4.0%	-0.0%

Currencies

	Last Price	1 Day Change		Week TD	1 Month	YTD
EUR/USD	1.27	-0.01	-0.6%	-1.6%	-4.2%	-11.5%
EUR/GBP	0.82	-0.00	+0.1%	+1.5%	+1.0%	+8.0%
GBP/USD	1.54	-0.01	-0.5%	-0.1%	-3.2%	-4.5%
USD/JPY	83.66	-0.26	+0.3%	+0.9%	+2.6%	+11.3%

Liquidity Spreads

	Spread (bps)	1 Day Change	5 Day Change	1 Month Change
Euribor Base Rate Spread	-12	0	-1	-3
LIBOR GBP Base Rate Spread	23	0	0	-2
LIBOR USD Base Rate Spread	4	0	0	-12
TED Spread	17	0	0	-11
LIBOR USD OIS Spread	11	1	0	-13

Financials

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Allied Irish Bank	0.75	-0.01	-0.7%	3.51	-78.6%	-37.5%	0.00	0.00
Bank of Ireland	0.69	-0.01	-1.3%	2.23	-68.9%	-18.0%	0.00	0.00
Irish Life & Perm	1.60	-0.03	-1.6%	6.35	-74.8%	-51.5%	0.00	7.02
M&T Bank	85.46	0.76	+0.9%	96.15	-11.1%	27.8%	15.89	14.28
Bank Zachodni	194.90	0.40	+0.2%	223.80	-12.9%	2.6%	15.20	12.22
US Regional Banks	45.06	0.59	+1.3%	60.56	-25.6%	-0.7%	0.00	0.00
European Banks	585.86	0.04	+0.0%	638.41	-8.2%	-0.0%	0.00	0.00
UK Banks	5018.70	23.28	+0.5%	5401.93	-7.1%	5.8%	0.00	0.00

Construction

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
CRH	13.09	0.05	+0.4%	22.00	-40.5%	-31.1%	17.09	13.14
Lafarge	39.27	0.04	+0.1%	66.59	-41.0%	-32.1%	11.82	9.11
Martin Marietta	77.01	-1.78	-2.3%	103.44	-25.6%	-13.9%	35.41	23.45
Vulcan	38.25	-0.01	-0.0%	62.00	-38.3%	-27.4%	0.00	79.85
Home Depot	29.45	0.12	+0.4%	37.02	-20.4%	1.8%	15.43	13.38
Wall Mart	51.83	-0.03	-0.1%	56.27	-7.9%	-3.0%	12.89	11.73
Cemex	11.11	-0.01	-0.1%	18.45	-39.8%	-25.8%	0.00	15.22
US Bldg Materials	316.88	-2.63	-0.8%	461.06	-31.3%	-20.7%	0.00	0.00
US Homebuilders	235.02	1.25	+0.5%	328.95	-28.6%	-6.1%	0.00	0.00

Airlines

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Ryanair	3.87	-0.01	-0.2%	4.10	-5.5%	17.5%	15.81	11.63
Ryanair ADR	28.46	0.03	+0.1%	31.49	-9.6%	6.2%	16.87	13.36
Easyjet	380.40	-0.90	-0.2%	499.90	-23.9%	7.8%	14.86	9.01
Southwest Airlines	11.51	0.07	+0.6%	13.97	-17.6%	0.7%	16.01	12.18
JetBlue Airways	5.88	-0.09	-1.5%	6.95	-15.4%	7.9%	13.33	9.32
US Airlines	102.55	0.12	+0.1%	121.55	-15.6%	0.8%	0.00	0.00
European Airlines	67.06	-0.61	-0.9%	75.40	-11.1%	1.7%	0.00	0.00

Building Materials

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Grafton	2.91	0.00	0.0%	4.08	-28.7%	-1.0%	18.65	12.88
Kingspan	5.58	0.02	+0.4%	7.50	-25.6%	-7.0%	20.29	15.37
Travis Perkins	798.00	-4.00	-0.5%	915.00	-12.8%	-6.3%	10.89	9.72
SIG	99.25	0.15	+0.2%	146.60	-32.3%	-11.5%	14.60	11.15

Food

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Kerry Group	25.70	0.05	+0.2%	26.40	-2.7%	24.9%	13.66	12.30
Danisco	452.90	2.80	+0.6%	456.69	-0.8%	32.5%	17.78	15.68
Givaudan	990.00	-3.00	-0.3%	1012.00	-2.2%	19.8%	18.03	15.80
McCormick & Co	41.02	0.45	+1.1%	41.08	-0.1%	13.5%	16.16	14.89
Int Flavours	47.06	0.13	+0.3%	51.77	-9.1%	14.4%	14.56	13.17

Fruit

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Fyffes	0.35	0.00	0.0%	0.49	-29.3%	-23.9%	7.78	7.29
Chiquita	12.66	-0.13	-1.0%	19.59	-35.4%	-29.8%	7.09	5.49
Del Monte	22.09	0.18	+0.8%	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	0.68	-0.01	-1.4%	1.51	-55.0%	-25.3%	5.86	4.28
APN News & Media	1.87	0.00	0.0%	2.61	-28.4%	-19.4%	10.51	8.99
Fairfax	1.50	0.03	+1.7%	1.89	-20.4%	-13.8%	10.87	9.74
Jagran Prakashan	135.25	-0.90	-0.7%	144.30	-6.3%	-1.0%	0.00	0.00
Daily Mail	483.80	-1.70	-0.4%	539.00	-10.2%	15.7%	10.47	9.52
New York Times	8.38	0.62	+8.0%	14.87	-43.6%	-32.2%	11.53	11.28

Convenience

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Aryzta	33.30	0.00	0.0%	33.80	-1.5%	29.6%	14.32	11.38
Tim Hortons	36.98	0.36	+1.0%	37.34	-1.0%	21.2%	18.61	16.74

Pharmaceuticals

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Elan	3.62	0.04	+1.0%	6.14	-41.1%	-13.9%	0.00	0.00
Elan ADR	4.61	0.04	+0.9%	8.24	-44.1%	-29.3%	0.00	0.00
Biogen Idec	57.15	1.01	+1.8%	60.28	-5.2%	6.8%	11.89	11.38
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	20.30	-0.02	-0.1%	21.75	-6.7%	4.1%	10.64	10.16
Bunzl	746.00	-1.50	-0.2%	784.50	-4.9%	10.5%	12.69	11.80

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