Morning Note

Tuesday 24/08/2010

CRH Slides As Irish Earnings Come Into Focus

An earnings warning from CRH due to weakness in its U.S. business has caused a major sell-off in this stock with prices dropping 15% intra-day to €11.83. Price movement on the stock has been heavy since last Tuesday where it closed at €15.13 on the 17th of August. With CRH having such a large weighting on the ISEQ, the effect on market confidence will be significant.

Despite a large loss expected to be reported for Aer Lingus, the result turned out to be better than expected. A loss of €18.5 million for the 6 months to m-e June 2010 was reported compared with a net loss of €73.9 million a year earlier. Prices in Aer Lingus dropped 1% on the day to €0.92 per share in difficult trading conditions for Irish investors. Irish stocks will remain in focus over the coming days as the rest of the big Irish firms will be reporting earnings. Glanbia, FBD and Paddypower will be reporting on Wednesday.

Commodity	Price	1 Day Change
Brent Crude	72.46	-1.58%
Baltic Dry	2,841.00	3.08%
Gold	1,213.50	-1.09%
Copper	7,255.00	0.00%
Silver	17.84	-0.79%
Dollar Index	83.45	0.39%

Currency	Price	1 Day Change
Eur / Usd	1.2609	-0.38%
Eur / Gbp	0.81854	-0.32%
Eur / Yen	105.79	1.89%
Gbp / Usd	1.5405	-0.69%
Usd / Yen	83.90	1.50%

Stock Index	Latest	1 Day Change
ISEQ	2,652	-4.65%
FTSE 100	5,145	-1.72%
NIKKEI 225	8,995	-1.33%
DOW JONES	10,174	-0.38%
S&P 500	1,067	-0.40%
NASDAQ	2,160	-0.92%
CAC 40	3,490	-1.77%
DAX 30	5,922	-1.48%
EUROSTOXX	2,612	-1.82%

10 Year Benchmark	Yield %	1 Day Change
United States	2.51	-3.22%
United Kingdom	2.89	-2.83%
Germany	2.19	-4.02%
Japan	0.93	-1.69%
Ireland	5.28	-1.09%

US Home Numbers Expected as M&A Continues

Global US home sales are on the agenda today with an announcement being made after the US open. With expectations of a decline of 13% from the prior month, there isn't much optimism in the markets for this announcement. With foreclosures up, and with the recent Philly Fed number suggesting a contracting GDP number (a revision figure to be announced on Friday), the general consensus is that double dip is most definitely on the table for discussion. With Richmond Fed being announced at the same time as the home sales and with ABC consumer confidence announced after the close, there will be a large amount of attention given to these announcements. With the estimate for home sales being as negative as they are, there is an argument that the chances of a number worse than expectations to move the market are slim.

Some big news stories in the M&A sector included a $1.6 billion bid for 3Par from Hewlett Packard, with SABMiller Plc also reported to be mulling over a $10.9 billion offer for the beer operations of Fosters Group. All this is happening whilst the battle for control over the Potash Group continues. Certainly the increase in M&A activity has vindicated somewhat bullish commentators who pointed to healthy balance sheets reported during earnings season.

A near-term support level for the S&P is noted at the 1040 level, breaching this could lead to a continued sell-off in the market, with the S&P closing on Monday at 1067 we aren't too far off that point right now. As bond yields are at such low levels, the demands for such a holding are showing strength as investors seek safety.

Top 5 Open Positions

Ticker	Stock	Price	BID now	Gain/Loss
AZN	AstraZeneca Plc	2760	3235	+17.21
LGF	Lions Gate	5.59	6.52	+16.64%
EMC	EMC Corp	16.83	18.53	+10.10%
QQQ	Nasdaq Trust ETF	42.6	43.95	+3.2%
SKG	Smurfit Kappa	7.27	6.85	-6.1%

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