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Central Bank Meetings & Expectations

	Base Rate	Next Meeting	Expectation
ECB	0.25%	9/1/14	No change
Bank of England	0.50%	9/1/14	No change
Federal Reserve	0.25%	29/1/14	No change

These figures are estimates. Estimates are not a reliable guide to future performance.

Source: Davy Private Clients with reference to Bloomberg

* Please see glossary on Page 3

Credit Union Weekly Insight

by Davy Private Clients

DAVY

December 20, 2013

Market Commentary

Credit Union Weekly Insight

Confirmation that Spanish and Italian government bonds are not authorised investments for credit unions

Yesterday the Registrar of Credit Unions, Central Bank of Ireland issued a circular on investments in State Securities or government bonds. They stated that any guidance (*issued by the Central Bank*) should not be read in isolation but considered in conjunction with all relevant legal requirements. The Trustee (Authorised Investment) Order permits investments in Irish government bonds under Section 1(1) of the First Schedule. Credit Unions may invest in other government bonds under Section 1 (5) of the First Schedule, in the event that the issuer of such securities meets a minimum rating requirement. The issuer must have a rating in the case of (1) long term securities, that is not lower than AA or its equivalent or (2) in the case of short term securities, that is not lower than A1 or its equivalent.

As a result of this minimum rating requirement, government bonds issued by Spain, Italy, Portugal and Slovenia are not compliant due to their current ratings. Davy welcomes the clarification by the Central Bank as we have been advising credit unions for some time now that, in particular, Spanish and Italian government bonds are not authorised investments for credit unions. In the event that your credit union holds the above said bonds, we recommend that you contact your Investment Advisor and the Registrar of Credit Unions, Central Bank of Ireland in order to decide upon an appropriate course of action.

Current ratings of other Eurozone members

Country	Moody's Rating	S&P Rating	Fitch Rating
FINLAND	Aaa	AAA	AAA
AUSTRIA	Aaa	AA+	AAA
GERMANY	Aaa	AAA	AAA
NETHERLANDS	Aaa	AA+	AAA
BELGIUM	Aa3	AA	AA
FRANCE	Aa1	AA	AA+
ITALY	Baa2	BBB	BBB+
SPAIN	Baa3	BBB-	BBB
SLOVENIA	Ba1	A-	BBB+
PORTUGAL	Ba3	BB	BB+

Source: Bloomberg, as at 20th December 2013

Note: Please refer overleaf for a hierarchy of ratings, Comparison of Ratings Agency Ratings.

Please refer to important disclosures at the end of this report

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Warning: Past performance is no indication of future performance. The value of investments may go down as well as up. Forecasts are not a reliable indicator of future performance.

Market Rates	
Term	Rate (%)
1month euribor	0.21
2month euribor	0.23
3month euribor	0.27
6month euribor	0.37
9month euribor	0.46
12month euribor	0.54
2 Yr Swap Rate	0.52
5 Yr Swap Rate	1.16
10 Yr Swap Rate	2.06

Source: Bloomberg

Moody's Long Term Ratings	
Issuer	Moody's
AIB	Ba2
BOI	Ba1
Permanent TSB	B1
EBS Building Society	Ba2
KBC Bank NV	A3
Ulster Bank	Baa2
National Irish Bank (Danske Bank)	Baa1
Rabobank	Aa2
HSBC	Aa3
Royal Bank of Scotland	A3
Barclays	A3
BNP Paribas	A2

Source: Bloomberg

Sovereign Credit Ratings			
Issuer	Moody's	S&P	Fitch
Ireland	Ba1	BBB+	BBB+
Germany	Aaa	AAA	AAA

Source: Bloomberg

Comparison of Rating Agency Ratings			
Moody's	S&P	Fitch	
Aaa	AAA	AAA	
Aa1	AA+	AA+	
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	
B2	B	B	
B3	B-	B-	

Source: Bloomberg

Cash Deposit Rates

The following deposit rates, which are sourced from a selection of credit institutions, are available through Davy. Rates are valid at the time of publishing only. Please contact your Investment Manager for current rates.

Cash Deposit Rates	
Term	Rate %
Overnight Deposit Rate	0.75%
1month	0.65%
3month	1.60%
4month	1.60%
6month	1.75%
9month	1.75%
12month	1.90%
2 Years*	2.75%
3 Years*	2.50%
5 Years*	2.75%

* The interest is paid annually on 2-5 Year term deposits

Source: Davy

Irish Government Bonds

The table below lists a selection of Irish benchmark government bonds currently in issue.

Bonds			
Bond	Current Price	Current Yield to Maturity (%)	Moody's Rating
Irish 4% 2014	100.33	- 0.05	Ba1
Irish 4.5% 2015	105.11	0.14	Ba1
Irish 4.6% 2016	108.49	0.91	Ba1
Irish 4.5% 2018	110.89	2.11	Ba1
Irish 4.5% 2018	109.86	2.46	Ba1
Irish 5.9% 2019	117.36	2.65	Ba1
Irish 5% 2020	112.33	2.98	Ba1
Irish 3.9% 2023	103.44	3.46	Ba1

Source: Bloomberg

Senior Bank Bonds

The bank bonds listed below are a selection of senior bank bonds. Further information is available from Davy on request.

Senior Bank Bonds						
Issuer	Coupon (%)	Maturity Date	Indicative Mid Price	Indicative Yield to Maturity (%)	Issue Size	Moody's Rating
ALLIED IRISH BANKS PLC	2.88	42702	99.54	3.04	500,000,000	Ba3
BANK OF IRELAND	2.75	05/06/2016	100.28	2.63	500,000,000	Ba2
BANK OF IRELAND (ELG)	4.00	28/01/2015	103.03	1.25	2,500,000,000	Ba1
EBS BUILDING SOCIETY (ELG)	4.00	25/02/2015	103.21	1.27	1,000,000,000	Ba1
IRISH LIFE & PERMANENT (ELG)	4.00	10/03/2015	102.59	1.84	2,000,000,000	Ba1
ALLIED IRISH BANKS PLC (ELG)	4.00	19/03/2015	103.15	1.44	2,000,000,000	Ba1

Source: Bloomberg

CTT Information

The NAV of the Central Treasury Floating Rate Note Fund ("the FRN Fund") was 0.9071 on Tuesday 17th December 2013.

Glossary of terms

Euribor

Euribor is short for Euro Interbank Offered Rate. Euribor rates are based on the average interbank borrowing rate of European banks. They are different maturities, ranging from one week to one year.

Swap Rate

A swap rate is the market borrowing rate between financial institutions.

Information on the Government Guarantee and ELG Scheme

The Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 ("the ELG Scheme") came into effect on 9 December 2009 and was amended on 29 September 2010. It provided for an unconditional and irrevocable State guarantee for certain eligible liabilities, including deposits, of up to 5 years in maturity incurred by participating financial institutions. The ELG Scheme expired on 28 March 2013. Fixed deposits placed under the scheme will continue to be guaranteed until maturity.

Yield to Maturity

The yield to maturity is the rate of return anticipated on a bond if it is held to maturity. It assumes that all coupons are reinvested at the same yield to maturity, and that the bond is held to maturity.

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Risk warning

Individual bonds can be volatile, especially in the short-term. Some investments are likely to be more volatile than others. This will be based, among other things, on the economic environment, geographic location and the business itself as relevant. Potential investors should be familiar with any company or country they plan to invest in. Portfolios are at a greater risk of significant loss if there is a lack of diversity i.e. an over-reliance on investments in one particular company, industry sector or country. The liquidity of investments is a critical factor. This refers to your ability to realise investments when you so wish. Some investments can be very difficult to sell as finding a buyer may not always be easy. The value of investments may fall as well as rise. There is a risk that you may lose some or all of your original investment.

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