DOLMEN STOCKBROKERS
Traders Update
MONDAY 1ST OCTOBER 2007

Brief Market Comment

After the hoopla of the Fed the previous week, it was back to the routine of data watching last week. And what a mixed bag it was. The weakest housing data on all fronts in years with existing homes at a record 10-month supply, new home sales down 8.3%, its biggest fall in seven years and prices down 10% from their August levels. This data alone should have been enough to send investors running for cover, yet bond yields remained unchanged on the week and the market volatility as measured by the VIX declined marginally. The reality for equity markets now is that they believe the Fed has come to the rescue and that further bad housing news will result in even lower rates, a belief underscored by the benign deflator reading this week. While equity markets did manage modest advances in the face of generally poor economic data, they did meet resistance at the top of their peaks, suggesting that now that the quarter-end is out of the way, markets may encounter some headwinds ahead of key employment data on Friday. While last weeks weekly jobless claims were much better than expected, last months big miss on the monthly figure still lingers. Also of particular interest this week will be meetings of the BoE and the ECB where further clues re interest rates and current liquidity issues will be sought.

TRADING IDEAS, EARNINGS & PREVIEWS

Ryanair

Current	€5.00
P/E 07	15.5
Div 07	0.0%
Next event	4/10/07
Target	€6.00

BUY

Ryanair was back in the market last week repurchasing its own shares and has now completed c.€250m of its planned €300m share buyback, while at its recent AGM Ryanair won approval from shareholders to allow it repurchase a further 5% of its share capital. At the group's AGM, Ryanair also reiterated its full-year profit growth target of 10% and that it expects passenger volumes to increase by 18% to 50m. Ryanair is due to release its traffic stats for September on Thursday, which should show that the group's load factor has remained strong at c.90% as it will have benefited from the Rugby WC where France accounts for 15% of revenues. Our current price target of €6 is based on 20x current eps of 30c, a multiple which is deserved given that Ryanair expects to double profitability within the next 5 years.

Tesco

Current:	£4.36
P/E 07	17.5x
Div 07	2.4%
Next Event	02/10/07
Target	£5.00

BUY

On Tuesday, Tesco is due to release its interim results for the period ending 25/08/07. Net profit is expected to rise by 15% to £909m on revenue that is forecasted to show a 10% gain to £22.8bn. While Tesco's earnings are expected to show its slowest gain in four years due to bad weather over the summer period the company is expected to issue an upbeat outlook. The recent Taylor Nelson Sofres (TNS) data survey showed that Tesco's share of the UK grocery market rose by 0.3% to 31.7% for the 12-week period ended September 9th and has been part of a continuing trend of market share gains for the company. Tesco, which also has stores in 11 other countries, including emerging markets such as China and Poland is also due to open stores in the US by the end of the year. As a result of Tesco's growth prospects we believe that its shares deserve to trade at least in line with its peer group of 19x. As a result we generate our 12-month price target of £5.00 based on 19x 2008 forecasted EPS of 26.5p.

CRH

Current:	€27.50
PE 07	10.5
Div 07	2.3%
Next event	3/1/08
Target	€40.00

BUY

CRH recently announced that it is considering the acquisition of certain Cemex assets in the US and Europe, the consideration for which is expected to be in the range between €2.5bn and €3.2bn. The company confirmed that it still has the balance sheet capacity to debt-finance such a transaction, and given its track record of doing so in a disciplined manner that ensures the continuation of strong eps growth, any such deal should result in significant earnings upgrades. This follows on from the acquisition of four companies in the US for a combined consideration, including debt, of $350m. CRH is currently trading at 10.5x 07 earnings falling to 9.8x 08 earnings. This is a c.15% discounts to it European peers and level it has only traded at twice in the last 20 years. Therefore we view the current weakness as a good buying opportunity and have a 12 month share price target for CRH to €40, which values the shares at 14.3x current consensus 2008 eps of €2.80

Kingspan

Current	€15.50
PE 07	14.7
Div 07	1.51%
Next event	18/12/07
Target	€21.00

BUY

Last week the Green Party unveiled plans to increase energy conservation targets. These include a significant improvement in insulation in all new homes. This proposal should come into affect in January and will have a six month phasing in period. These tough new measures follow on from the UK government making Home Information Packs (HIPS) mandatory when selling a three-bedroom home in the UK, following their introduction last month for UK homes of four or more bedrooms. This broadened the application of HIPS to include c.60% of all UK homes. These measures demonstrates government's commitment to energy efficiency, which should benefit Kingspan's insulation board business, which accounts for c.60% of group revenue. Kingspan derives 57% of its revenues from the UK, 19% from mainland Europe and 6% from the US. Ireland accounts for 18%, however Irish residential exposure only accounts for 8% of group revenue. Our 12 month share price target of €21, based on 20x (which is in the middle range of peers SIG and Rockwool) 2007 eps of €1.05, implying that the current sub €16 share price provides an attractive entry level.

Irish Banks

Irish banks have underperformed their European peers this year falling by c. 16%-26% while the Dow Jones EuroStoxx banking index shows a decline of c. 9%. The main reason for this underperformance relates to concerns surrounding the slowdown in the Irish residential property market. However over the last two months AIB and Irish Life & Permanent have raised profit forecasts, Anglo Irish Bank said that it expects full-year profit to be 4% ahead of analyst expectations, while last week Bank of Ireland (BoI) reiterated its full-year earnings guidance. BoI also reassured investors with regard to its asset quality and only expects a slight tick up in loan loss provisions to c. 12 basis points, which is in line with the Irish banking sector. All of the Irish banks have also confirmed that they are comfortable with their funding requirements a point that was also echoed recently by the S&P ratings agency. Irish banks are currently trading at a significant discount to the European banking sector despite generating double-digit earnings growth and paying attractive dividend yields. The dividend yield for Irish banks when compared to other asset classes also appears attractive, with property in Ireland currently yielding c. 3.5%-4.0% and the yield on a ten-year German bund of 4.35%. The dividends of the Irish banks also look well protected with dividend cover in excess of 2x for all the banks. We continue to be buyers of the four main Irish financials in the order of preference below:

Bank	Current Price	YTD Return	Price/Book	Div Yield 07	Div Yield 08	P/E 07	P/E 08
Bank of Ireland	€13.05	-25.43%	1.65	5.21%	5.82%	7.96	7.25
AIB	€16.84	-25.55%	1.55	4.69%	5.11%	8.14	7.45
IL&P	€15.55	-25.60%	1.25	4.76%	5.21%	7.81	7.48
Anglo Irish	€13.00	-16.93%	2.33	1.54%	1.77%	10.00	8.78
DJ Eurostoxx Banks	463.29	-9.22%	1.745	4.57%	4.80%	10.20	9.20

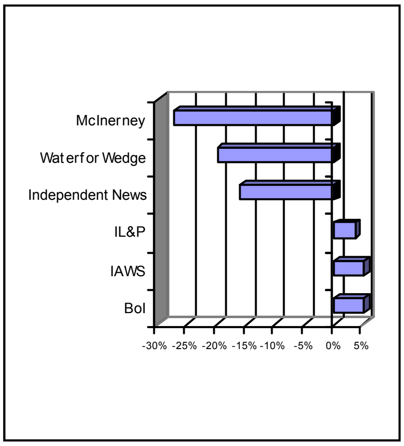
Week's Events

EARNINGS: Tuesday (Tesco, Interim results) Wednesday (British Airways, Traffic figures) (IL&P, Ex div) (McInerney, Ex div) (Tullow Oil, Ex div) Thursday (United Drug, Trading update) (Ryanair, Traffic figures) Friday (EasyJet, Traffic figures)

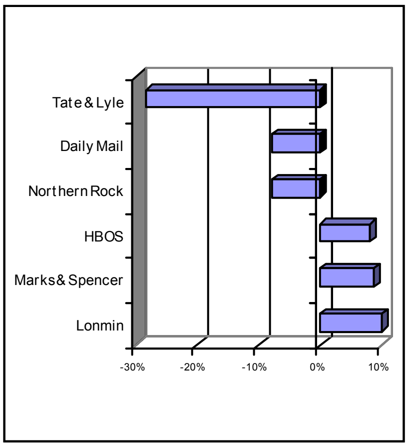
ECONOMIC DATA: Monday (UK Money Supply, US ISM Manufacturing), (Tuesday Euro-Zone PPI, US Pending Home Sales), Wednesday (Euro-Zone Retail Sales, US ADP Employment, ISM Non-Manufacturing), Thursday (ECB and BoE interest rate decisions, US Factory Orders), Friday (US nonfarm payrolls).

Last Weeks Best/ Worst Performers
21/09/07-28/09/07

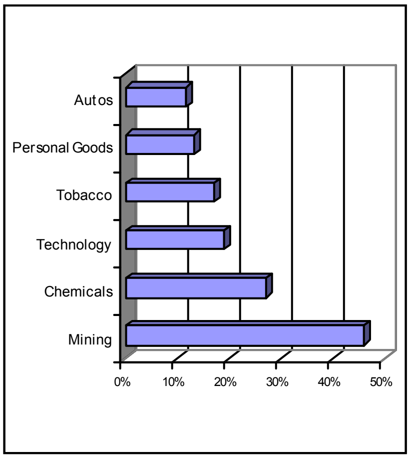
ISEQ



FTSE



Sector changes YTD



Dolmen Dozen
WEEKLY UPDATE

Company	WTD	DD Return*	Relevant news
AIB	-0.6%	-22.5	AIB recently confirmed it expects no material impact from rise in funding costs
Aviva	+7.0%	-4.0%	Received EU approval to buy HSBC's Hamilton Insurance
BP	-4.1%	+5.4%	The FT reported that BP will report its worst results since 1993 in October
CRH	-1.7%	-8.3%	Moody's said it limited a potential downgrade on CRH's Baa1 ratings to one notch
Greencore	-1.9%	+0.8%	Issued an upbeat trading statement and said that full-year earnings will beat analyst expectations
GSK	-3.3%	+0.8%	GSK said it was facing 27 law suits over its Avandia diabetes drug
IL&P	+3.5%	-12.5%	Benefits from Bank of Ireland's upbeat trading statement on Tuesday
Ladbrokes	-2.4%	+10.0%	Ladbrokes continued its share buyback during the week
RBS	+0.0%	-14.2%	WestLB initiated research coverage of the stock with an add rating and £6.20 price target
Ryanair	+0.0%	-6.1%	Ryanair agreed a 4-year pay deal with its Dublin pilots
SAP	-1.7%	-1.8%	Research firm Gartner recognised SAP as the 2006 market share leader in CRM and ERP software solutions
Vodafone	+0.0%	30.2%	Merrill Lynch raised Vodafone's price target to £1.90 from £1.75 previously

DD Unrealised gain YTD	-1.48%	ISEQ YTD	-16.01%
DD Realised gain YTD	-2.78%	FTSE YTD	5.70%
DD Total YTD	-4.26%	Average performance	-5.16%

* DD Return (Includes dividends & FX changes since stocks inclusion)

What it says in the 'Sundays'

Company	Paper	Headline
IN&M	**Sunday Business Post**	"Selling London Indo is wise move for INM"
IAWS	**Sunday Business Post**	"IAWS chief to push up food prices "
INTEL	**Sunday Times**	"Chipmaker on path to growth "
DCC	**Sunday Times**	"Moran lines up bid for Manor Park "
McInerney	**Sunday Independent**	"Housing downturn wallops McInerney"
IAWS	**Sunday Independent**	"Food price inflation concerns"
Celtic	**Sunday Independent**	"Auction time for Celtic"

Recent Corporate Visits

Company	Change on year	Meeting date	Relevant news
IAWS	-19.59%	28/09/07	CEO Owen Cillian said that the company will be force to put through food price increases
Irish Life	-25.60%	11/09/07	Irish life told us that the recent turmoil in credit markets will only have a modest impact on margins
FBD	-39.01%	07/09/07	FBD's CEO Philip Fitzsimons told us that he expects the group to increase its share of the Dublin motor insurance market.

Last Weeks Moves

Equities

Equities	Level	Change WTD	Change YTD	Div Yield	P/E
ISEQ	7,835	-0.4%	-16.7%	2.7%	11.50
FTSE 100	6,467	+0.2%	+4.0%	3.6%	12.20
DAX	7,862	+1.0%	+19.4%	2.9%	13.70
DOW JONES	13,897	+0.6%	+11.5%	2.2%	15.70
S&P 500	1,527	+0.1%	+7.7%	1.9%	16.10
NASDAQ	2,703	+1.2%	+11.9%	0.7%	27.60
EUROSTOXX 50	3,820	-0.1%	+3.3%	3.6%	12.30
NIKKEI 225	16,786	+2.3%	-2.6%	1.3%	39.00

Sector

Sector	Weekly move%	YTD move %
Mining	+1.9	+46.2
Chemicals	+0.4	+27.1
Technology	+6.6	+19.1
Tobacco	+0.6	+17.1
Personal Goods	+0.5	+13.2
Autos	+1.6	+11.7
Beverages	-1.9	+11.6
Leisure Goods	+1.1	+10.8
Telecoms	+1.1	+9.9
Oil & Gas	-2.2	+7.1
Construction	-0.6	+5.7
Media	-0.9	+5.5
General Industrials	+1.6	+4.9
Utilities	+1.7	+3.5
Software	-2.1	-3.0
Insurance	+1.1	-3.1
Pharmaceuticals	-0.5	-4.0
Food Producers	+0.6	-6.3
General Retailers	+2.5	-13.7
Banks	-0.4	-13.9

Commodities

	Current	Change YTD
Crude Oil	$83.33	+25.24%
Gold spot	$744.2	+16.82%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.422	+7.20%	1.35
EUR-GBP	0.697	+3.43%	0.665
EUR-JPY	163.5	+3.93%	145.0

GDP Growth

	Current	Year End (est)
Ireland	6.00%	5.00%
Euro Zone	2.70%	2.50%
UK	3.00%	3.00%

Central Bank Interest Rates

	Current	Year End (est)
Euro Zone	4.00%	4.00%
UK	5.75%	6.00%
US	4.75%	4.75%

Credit Market Summary

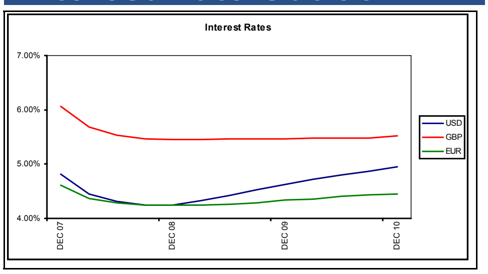
Credit markets had a volatile week with high yield spreads starting the week at 313bps, dipping below 300bps mid-week only the end the week wider at 316bps. These tight levels demonstrate how the credit markets are ignoring negative news, most fundamentally the fact that the underlying problems in the credit markets have not been eliminated. We remain cautious on credit markets in light of ongoing US housing market deterioration and persistent liquidity concerns in the funding markets.

Credit Sector Movements

Airlines: Tighter in the sector – British Airways was the most active this week, widening 6.5% to 91bps (had been as wide as 150bps in early August) after the airline announced a £4b plane order, and has arranged bank debt of £1.5b to cover the orders through 2011. Lufthansa tightened 15% this week, most likely on the positive news that consolidation in the airline sector is not likely during the current credit environment. Rolls Royce also tightened this week after BA announced it is using RR trent engines in 61 aircraft, in addition RR announced a US navy order worth $700m.

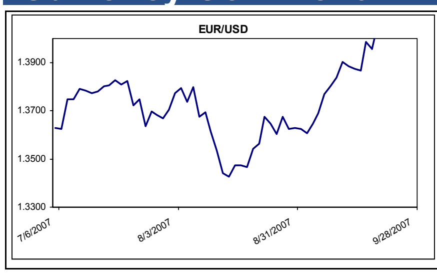
Retail: Mixed in the sector – Sainsbury was again the only name to see spreads widen, +43bps (19%) following reports that the Qatari buy-out group in having talks with Sainsbury pension fund, another hurdle in the buyout plan. Kingfisher widened 15bps (16%) this week after Moody's issued bearish report on the outlook for full year earnings in light of a softening UK housing market. All other names in the sector tightened slightly.

Interest Rate Outlook

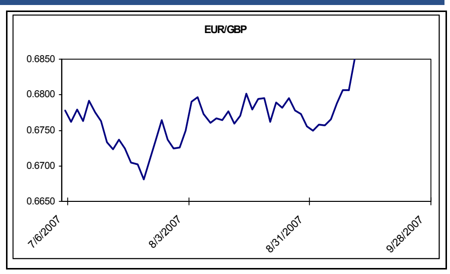


The yield on the US ten-year treasury lost 3 basis points on the week as investors made some safe-haven purchases amid concerns on the slowing US economy, while the Fed's main inflationary indicator came in at 1.8% and within its targeted range of 1%-2%. Treasury yields could weaken further this week with ISM manufacturing data due and expected to show a decline for September while the key focus will be on the nonfarm payrolls number on Friday.

Currency Comment



The $ continued to weaken last week and fall to all time lows against € and finished the week just shy of the $1.43/€ level as concerns about the US economy continue. The $ could weaken further next week if another weak nonfarm payrolls number on Friday was to materialise which would force the Fed to continue easing on its monetary policy.



The € traded in a tight range with £ last week. The main focus next week will be on the ECB and BoE with both central banks expected to leave interest rates on hold at 4.00% and 5.75% respectively on Thursday. The ECB press conference will be key however as inflation is now running above the ECB's preferred level of 2.00% at 2.10%, and investors will be looking for guidance from Trichet on monetary going forward.

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DOLMEN SECURITIES LTD

75 St. Stephen's Green, Dublin 2, Ireland.	Tel : +353 1 633 3800/1890 400 300	E-mail: info@dsl.ie
45 South Mall, Cork, Ireland	Tel : +353 21 422 2122	E-mail: cork@dsl.ie
Theatre Court, Mallow St, Limerick, Ireland.	Tel : +353 61 436 500	E-mail: Limerick@dsl.ie