



The super-sized singer that is Meatloaf said 'Two Out of Three Ain't Bad', and so it proved to be the case for equity markets this week as both the Fed and the ECB delivered unchanged rate decisions, but also said enough to suggest that rate increases were not on the cards any time soon, while the Bank of England also left rates on hold but issued no statement with their decision. This as we suggested last week, along with a further fall in oil (it obliged by falling 7.5%), was sufficient to help the markets move more convincingly to the up-side, and while not quite a 'Bat Out Of Hell' breakout, they did have all the signs as the week came to a close, that further up-side was possible. A strong dollar rally helped the European indices, heavily dependent on exports, while the US markets rallied as it became apparent it may not after all be the first major economy to slip into recession. The second quarter GDP reading for euro-zone due on Thursday, is expected to be negative thereby shortening the odds considerably that it may encounter a recession ahead of even the UK. The strong dollar should continue to put pressure on oil and this should help equity markets consolidate last weeks gains and continue their oil based rally. But before complacency sets in, the market this week still has to contend with inflation readings in the UK (PPI on Mon & CPI on Tues) and in the US (CPI on Thurs), while Wednesday sees the release of US Retail Sales data which following Wal-Mart's disappointing figures last week will be closely watched.

TRADING IDEAS, EARNINGS & PREVIEWS

Banks

Last week the last of the major UK banks reported with RBS finishing the week on a relatively positive or as positive as a company can be when they report a £691m pre-tax loss. The underlying results were better than expected and the loss was due to the previously guided write down of £5.9bn on credit assets. As with Barclays the level of write downs were in line with expectations and this helped to take a weight off both banks. Both banks are increasing their sale of UK mortgages, but they are being very selective on the deals they do and are increasing the margins charged. RBS are seeing some credit issues on the SME sector, but not to a significant level and Barclays impairment levels for the UK were similar to 2007. In the case of Barclays, impairment s came mainly from their Spanish and South African operations due to the slowdown in those economies. Standard Chartered and HSBC both reported last week with Standard Chartered the only UK bank to report an increase in first half earnings, but both companies commented on the weakening economic conditions in Asia. A large number of European banks reported last week and the comments were similar from all on the weakening economic outlook for Europe. Commerzbank noted that the slowdown has come to Europe and BNP Paribas stated emerging markets were starting to slow also. Next week in the Irish market, Anglo Irish Bank release an interim management statement that will be watched for up-dates on credit quality within their lending book and for any guidance on where management are seeing impairments in 2009.

BP

Price: £5.15
P/E: 6.5x
Div: 5.5%
Target : £7.00

Fundamental View: The share price of BP continues to find support near the £5 mark. We feel this is an excellent entry point for both long term and short term positions. Despite releasing very strong Q2 results the share price continues to languish. Issues that have plagued the company in recent years including the Texas City refinery explosion, Alaskan pipeline leak and delays on the new Thunder Horse facility have been resolved. The recent decline in the share price is mainly due to the uncertainty surrounding the Russian based subsidiary TNK-BP. BP has not able to provide forecasts for a resolution for the TNK-BP deadlock. It is worth noting that BP's investment in TNK-BP is not in doubt, the dispute centres around control over the subsidiary.

Next Catalyst : A reasonable resolution to the TNK-BP impasse would be a strong positive catalyst for the stock, but current prices offer an attractive buying opportunity even if no value is assigned to TNK-BP

Chart View : Stock has fallen ~ 20% from its May high and is sitting just above support in the 500 area. Risk/reward very favourable.

BUY

Paddy-power

Price: €16.36
P/E: 11.4x
Div: 3.1%
Target : €27.50

Fundamental View : Paddy-power has dropped over 20% since the start of the year. There has been no stock specific catalyst for the decline in Paddy-power's share price. Paddy-power has a net cash positive position on its balance sheet. This net cash position will allow Paddy-power to grow its retail operations faster than its competitors, who have significant outstanding debt, it also insulates them from continued turbulence in credit markets. Gaming businesses have long been considered defensive. Recent results from peers William Hill and Ladbrokes has shown no signs of consumer weakness seen in other sectors of the economy, filtering into the gaming sector. However, Ladbrokes has restated gross win for Ireland this morning, resulting in a 6% decline in Paddy-power. While any potential weakness in the Irish market has serious implications for Paddy-power, today's move appears over done.

Next Catalyst : We are expecting strong results from Paddy-power's interim results which are due out on the 27th of August.

Chart View : Stock previously broke out its sharp downtrend with a strong rally. Expect the recent pullback in price to be short-lived, with the stock unlikely to move below the 17.00 level. Target resistance lies at 19.58.

BUY

HP

Price: \$45.10
P/E: 12.6x
Div: 0.7%
Target : \$60.00

Fundamental View : Hewlett-Packard (HP) is one of the most diversified technology company's in the world through both its geographic foot print and product offering. The group provides PC, imaging and printing systems along with information technology services for businesses and home. In an attempt to further diversify its product offering, HP completed the acquisition of Electronic Data System (EDS) for \$13.9bn and expects the acquisition to be earnings accretive from 2009. HP also benefits from generating close to 70% of its revenue from outside of the US with an increasing focus on emerging markets, where during the second quarter it generated 10% of its revenue. HP is currently trading at the bottom end of its historical earnings range of 12x-18x. We feel that this is undeserved given that the company expects to grow earnings by 12% this year.

Next Catalyst : Hewlett-Packard is due to report its 3Q earnings on 19/08/08. Given the group's diversity and increasing exposure to emerging markets, we expect the group to again produce a strong set of earnings and at least reiterate full year guidance.

Chart view : The recent decline in price sees this stock approaching key support at 50.36. However, expect this support to hold providing a favourable entry level to go long with an initial target level at the governing downward trendline at 60.26.

BUY

Coca-Cola

Price: \$53.80
P/E: 17.50
Div: 2.8%
Target: \$68.00

Fundamental View : In a further indication of Coca-Cola's attempt to diversify away from the fizzy drinks market, the company on Thursday purchased SABMiller's Columbian bottled-water business and assets for \$92m. Coca-Cola has been increasing its focus on providing a healthier product offering over the last number of years and last year purchased vitamin drinks group Glaceau for \$4.1bn, while it also recently bought a 40% stake in Honest Tea, the maker of low calorie organic bottled tea. Coca-Cola, like the majority of large US multinational companies benefits from generating c. 75% of its revenue from outside of the US.

Next Catalyst : The next catalyst for Coca-Cola is the Beijing Olympics where the company is the key sponsor for the Olympic games. Coca-Cola has been increasing its focus on emerging markets and the Olympics should provide it with ample opportunity to roll out its product offering in China.

Chart view : A strong short term uptrend dominates price action of late. Expect to see a pullback to test this trendline. However due to the presence of strong bullish candlestick formations, price is likely to maintain this uptrend, with an initial target level of 58.62.

Buy

Earnings Week Ahead

Mon:	(Smurfit Kappa, Interim)
Tues:	(Thomson Reuters, Q2) (UBS, Q2) (Collins Stewart, Interim) (United Drug, Interim) (Adecco, Q2)
Wed:	(Anglo Irish Bank, Interim) (Zurich Financial, Q2) (E.ON, Q2) (British Energy, Interim) (Thomas Cook, Interim)
Thurs:	(Petroceltic, AGM) (Thyssenkrupp, Interim) (British Land, Q2) (Wall-Mart, Q2)
Fri:	(JC Penny, Q2) (Abercrombie, Q2)

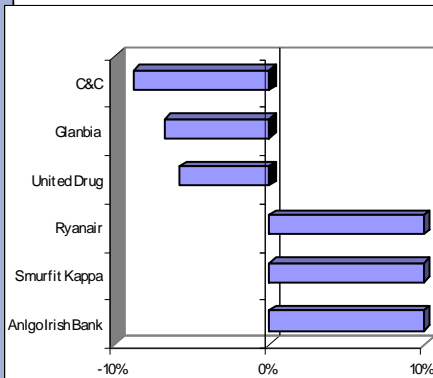
Economic Week Ahead

Mon:	UK PPI (9.30)
Tues:	UK CPI (9.30), US Trade Balance (13.30)
Wed:	EU Industrial Production (10.00), US MBA Mortgage Applications (13.30), US Retail Sales (13.30)
Thurs:	EU GDP (10.00) US CPI (13.30) US Weekly jobless (13.30)
Fri:	US Empire Manufacturing (13.30), US Industrial Production (14.15), US Michigan Confidence (15.00)

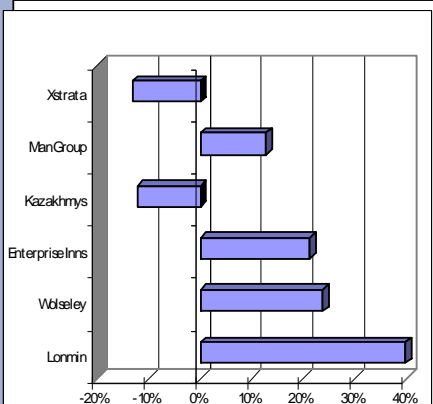
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/
Worst Performers
01/08/08-08/08/08

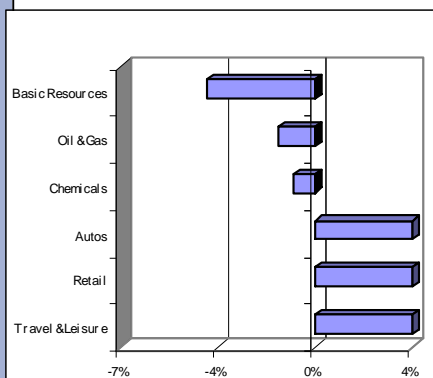
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE



Company	WTD	YTD	Relevant news
AIB	12.61%	-41.07%	AIB said that earnings may fall by up to 10% during 2008
Aviva	5.56%	-19.6%	Aviva reported a 12% increase in EEV operating profit
BP	0.5%	-14.15%	BP reported 2Q profit well ahead of analyst expectations
IN&M	8.5%	-30.35%	Reported strong growth at its Indian venture
CRH	10.31%	-20.25%	Lehman Brothers upgraded the stock to Overweight from neutral
Hewlett Packard	4.1%	-9.3%	EDS shareholders agree merger with HP
IAWS	1.59%	2.53%	Announced that it now owns 64% of Heistand
IL&P	19.14%	-46.74%	Completed €3bn of debt financing
Microsoft	10.16%	-20.98%	Yahoo investors voted in support of Board at AGM
Paddy Power	-0.19%	-25.13%	Recently added to Goldman Sachs conviction buy list
Vodafone	1.38%	-25.13%	Vodafone's new CEO, Vittorio Colao, officially took

DD Unrealised gain YTD	-13.78%	ISEQ YTD	-33.18%
DD Realised gain YTD	-10.96%	FTSE YTD	-19.33%
DD Total YTD	<u>-19.33%</u>	Average performance	<u>-26.26%</u>
Relative Performance		<u>6.48%</u>	

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

What it says in the 'Sundays'

Company	Paper	Headline
IAWS	Sunday Times	Buy sales & tech synergies and managements record
Tullow	Sunday Times	Share watch: BUY takeover target after credit crunch
Mainstream	Sunday Times	Barclays capital in advanced talks for 15% stake
Aer Lingus	SBP	Seeking new Chairman
RBS	SBP	Ulster Bank taking property dev. equity stakes

Upcoming Corporate Visits

COMPANY

PRESENTATION DATE

Anglo Irish Bank	14th August 2008
AIB	To be confirmed



Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E08
ISEQ	4513	10.3%	-34.9%	4.5%	6.7
FTSE 100	5489	3.2%	-15.0%	4.5%	10.7
DAX	6562	3.3%	-18.7%	3.7%	12.6
Dow Jones	11734	4.0%	-11.5%	2.8%	14.0
S&P 500	1296	3.8%	-11.7%	2.3%	25.1
Nasdaq	2414	5.6%	-9.0%	0.8%	37.3
EuroStoxx 50	2928	3.7%	-20.5%	4.6%	11.2
Nikkei 225	13168	2.0%	-14.0%	1.6%	16.6

Sector	Weekly move%	YTD move %
Travel & Leisure	9.173	-19.454
Retail	8.654	-26.915
Autos	7.844	-25.872
Food&Bev	7.441	-16.741
Construction	7.42	-28.158
Insurance	6.31	-20.638
Banks	5.226	-27.62
HPC	4.47	-19.438
Technology	4.247	-20.377
Media	4.185	-23.837
Industrials	3.902	-18.292
Healthcare	3.209	-6.782
Telecom	1.989	-26.883
Financial Services	1.427	-24.222
Utilities	0.052	-19.543
Chemicals	-0.773	-11.226
Oil & Gas	-1.289	-17.886
Basic Resources	-3.859	-13.755

Commodities

	Current	Change YTD
Crude Oil	\$115.20	+20.3%
Gold spot	\$856.90	+2.8%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.51	+3.1%	1.45-1.55
EUR-GBP	0.784	+6.6%	0.74-0.78
EUR-JPY	165.84	+1.8%	165.0

GDP Growth

	Current	Year End (est)
Ireland	5.00%	1.00%
Euro Zone	2.50%	1.50%
UK	3.10%	1.50%

Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	4.25%	4.97%	4.25%
UK	5.00%	5.78%	5.00%
US	2.00%	2.80%	2.00%

Credit Market Summary

While equity markets were broadly higher on the week, the same feeling of optimism was missing from credit markets. Credit indices have been in tight trading ranges for the last couple of weeks but are now threatening to breakout to the upside. Credit and equity markets usually move in opposite directions which would suggest the current trend of rising equity markets and rising spreads is unlikely to continue. Last week saw disappointing results from AIG and Fannie Mae, but closer to home Barclays was better than expected. Looking forward the focus for next week will be the real economy with US retail and manufacturing data. Also Walmart reports on Thursday following weaker than expected sales figures last week.

Credit Sector Movements

UK Banks: mixed in the sector – Barclays spreads tightened 8.6% on the week as a result of its interim results. While equity markets were happy with RBS's interim results, credit markets were unimpressed with spreads closing 0.9% wider. Northern Rock and HSBC were tighter on the week, 4.2% and 3.4% respectively.

Retail: wider in the sector – Retail was one of the worst performing sectors this week. Marks and Spencer's and Sainsburys were over 8% wider. Ahold was 6% wider while DSG was 3.3% wider. Low cost retailer Tesco fared better, wider less than 1%.

Interest Rate Outlook

For the BOE we have to wait until next week for the vote breakdown, but the ECB and FED had very similar concerns relating to growth and inflation. Trichet was seen as more dovish as he specifically mention downside risks to growth and any fears in the market of further rates hikes have receded as the 2-year Schatz rallied to 6-months highs after the press conference. On the data front, UK inflation figures will be key for the outlook on UK interest rates. A break through the 4% level is almost certain and the market will look through the BOE inflation report to see their estimates on when inflation will start to come back. For Europe, GDP figures are due from all the major economies with the German and French figures key to see the strength of weakness of the Euro-Zone economy.

Currency Comment

EUR/GBP had a quiet week until Thursday evening when the dollar started to rally against the EUR. The Bank of England announcement was as expected with no rate hike and economic data was weak, but sterling gained on the back of dollar strength and was also helped by results from Barclays and RBS that were better than expected by the market. Week ahead has a large amount of UK data with retail sales for July on Tuesday and unemployment figures on Weds. Looking forward for EUR/GBP, the current strength is really due to the dollar as the economic outlook for the UK has not improved and all UK banks that reported over the past 2-weeks have commented on the weakness within the UK economy as a whole. Any fall back in the dollar and GBP will fall in tandem.

All the action on EUR/USD happened at the end of last week with the dollar breaking through the 1.54 level on Thursday evening. It continued to rally and is currently testing the 1.50 level all following poor economic data with initial jobless claims breaking through the 400k moving average level to its highest level since 2003. The EUR is now on the back-foot to the dollar with the market now concerned it will slow faster than expected and could enter into recession by next year. The Fannie Mae and Freddie Mac both posting higher than expected losses, the threat of the Uncle Sam picking up the pieces from these companies is still a risk and could come into focus weighing on the dollar. For the moment the market is ignoring this issue and the weak US data and the main releases next week such as retail sales, CPI and the University of Michigan will have little effect unless they are much weaker than expected.



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