DOLMEN STOCKBROKERS
Traders Update
MARKET COMMENT MONDAY 11TH JANUARY 2010

Despite Friday's disappointing non-farm payrolls figure we continue to remain positive on equity markets. Unemployment data is seen by the market as a lagging indicator and while it was weaker than expected and cannot be ignored, we expect to see positive figures coming through over the next number of months. We expect the US market will continue its outperformance; however we also like Germany's DAX given the cyclicality of its constituents. We anticipate that financials will continue their outperformance over the coming week as sector rotation continues to take place. Financials had underperformed the market over the last number of months and we expect the sector to be one of the next leaders in the next move up in markets. We would therefore use any weakness to gain exposure to large cap investment banks including; JPMorgan, Bank of America, Barclays and Deutsche Bank. Other sectors we continue to like include technology, telecoms, healthcare and basic resources including oils. We see these sectors as benefiting from revenue visibility and will also gain significant operating leverage thanks to the significant cost cuts that have taken place. From a technical perspective we believe that Gold will be the outperforming commodity this week, with the potential for Copper to trade slightly weaker following signals from China of a slight tightening in monetary policy. As for next week the main focus will be the US earnings season with Alcoa kicking off the reporting period after the US market closes on Monday. In Europe all focus will be on the ECB on Thursday where we expect the ECB to leave interest rates on hold at 1% and with the recent weakness in European economic data, we expect Jean Claude Trichet to indicate that interest rates will remain on hold for the foreseeable future.

TRADING IDEAS, EARNINGS & PREVIEWS

Aviva
Price: 410p
P/E: 7x
Div: 5.7%
Target: 520p
Buy

Aviva has recovered well since December, but the insurance sector hasn't performed as well as banks over the last week. The bad weather in the UK will have an impact on the group, but the Life Business does provide an offset to this. While claims may increase due to the current weather, the higher premiums the group has been able to pass onto customers will offset this. The well covered dividends are also a positive for the group and make it attractive to investors. The **next major catalyst** for the stock is its release of Full year 2009 New Business Figures on the 4th of February.

Financial Sector

Concerns over sovereign default and new capital rules resulted in a sell of financials. Since then we have seen a rotation into financials from the start of the year. Both AIB and BOI have benefited from this move, but the uncertainty over NAMA and future profitability still remain. Irish Life & Permanent (IPM) has lagged the other two listed Irish banks, but it remains our preferred in the sector. With the rally in the equity prices of AIB and BOI, their Credit Default Swaps (CDS) moved tighter and are now back to mid November levels. The move in IPM was not as large, but that is also back at November levels. In the UK our preferred plays are Barclays and Lloyds, but both have had a strong run in the last week. For the week ahead, we believe the best banking play is in the US with the results due from JPM on Friday. The market is expecting Q4 EPS of 62c, but there is also a strong possibility the group will increase its dividend from the current 20c per share to between 75-100c. With JPM the first of the US banks to repay TARP, its strong capital position and balance sheet structure, it is well place to take advantage of the recovery. We are **Buyers** of **JPM** this week at current levels.

Vodafone
Price : 137p
P/E : 9x
Div : 6%
Target : 150p
Buy

We see the pullback in telecom stocks last week as leading to an attractive buying opportunity with Vodafone being our preferred play. We have seen some sector rotation in the last number of weeks with money moving out of some defensive names such as telcos and into financials. While it is possible that we may see some further weakness in the stock we believe the stock at current levels marks an excellent entry level. With the group's increased focus in emerging markets such as India and a stabilising economic environment in both Europe and the US we believe the outlook for the group is positive. We also believe that over the coming 12-months there is the possibility for the potential disposal of some of its associate assets including its stake in Verizon Wireless and its stake in SFR that is majority owned by Vivendi. Vodafone also offers a well covered dividend yield of c. 5.8%. **Next Catalyst**: Vodafone is due to issue an interim management statement on February 3rd.

Microsoft
Price: $30.66
P/E: 17x
Div: 1.7%
Target : $35.00
Buy

Technology remains one of our preferred sector plays moving into 2010 and Microsoft is one of our preferred stocks. Microsoft has already indicated that its sales from its new Operating system Windows 7 have been stronger than any other operating systems over similar time periods. We also expect the group's Entertainment and Devices Division to have a good quarter partly due to better than expected Xbox sales. Microsoft also benefits as having one of the strongest corporate balance sheet with c. $30bn of net cash. At the end of its last quarter, Microsoft also had c. $33bn of its share buyback program due to complete which should also provide support of its share price. **Next Catalyst:** Microsoft is due to report earnings on January 28th.

CRH
Price: €18.35
P/E : 16x
Div : 3.4%
Target: €20.50
Buy

We view CRH as an excellent long-term recovery play. While both of its main markets in Europe and the US may show below trend growth for the foreseeable further we believe that activity in its markets has bottomed and we expect to see a recovery in its markets take place in the second half of the year. In addition the company is very much back on the acquisitions trail having made a number of purchases at its Materials Division in the US over the last number of months. Purchasing the assets at an EV/EBITDA multiple of 4.1x was very attractive and we expect CRH to continue looking for bolt on acquisitions over the coming months. In addition we also expect the company to continue to focus on its cost savings initiatives and look for further cost cuts next year. **Next Catalyst:** CRH will report full year 2009 results on March 2nd.

Antofagasta
Price: 1024p
P/E: 14.5x
Div: 1.8%
Target: 1150p
Buy

The recent threat of strikes at two of the world's largest copper mines has underscored the value of copper producers who can deliver a steady supply of high grade ore. Consequently, we continue to recommend the Chilean copper miner Antofagasta, as it possesses some of the best copper assets in the world. Furthermore, Antofagasta is one of the few copper miners expected to increase production over the coming years via its Esperenza and Los Pelambraes expansion projects. This increase in production will allow Antofagasta to take advantage of a copper market that is expected to remain in tight supply through the next year. On the demand side, China, is showing few signs that it's appetite for industrial metals is letting up. Strong PMI data, December trade figures and a drop in copper inventories and all reinforce this trend.

Oil Sector

With oil trading above $80 a barrel, integrated oil companies like **BP** are becoming more and more attractive. BP is one of the highest yielding stocks in the FTSE 100 and higher oil prices will mean that the company can comfortably make dividend payments without the need to borrow. Its dividend yield currently stands at just under 6% and with BP trading at 5x 2010 EV/EBITDA we are happy to recommend the initiation of new longs. BP's Q3 results on the 2nd of February will act as the next major catalyst for the stock and we would be positive heading into this release. We expect management to deliver further cost cuts and we also foresee better production figures as a consequence of early restoration of operations at the company's US refineries and the ramping up of production in the Gulf of Mexico. **BP Price Target : 650p**

Separately, we are advising that investors exercise caution when trading **Tullow Oil** this week. We maintain our buy recommendation on the stock but we view the conclusion of Heritage Oil's sale of its Ugandan licences as a risk to price action. Heritage Oil had been a partner in these licences with Tullow Oil until the former announced in December that it would sell its stakes in Lake Albert to Eni for approximately $1.5bn. Subsequently, Tullow Oil said it would exercise their right to pre-empt the sale and buy the licences themselves. A bid is due by next Sunday but given the lack of information surrounding the financing of a counter offer we have to recommend that clients avoid trading the stock until more details become available. Tullow Oil. **Price Target : 1450p**

Earnings Week Ahead

Mon: Austrian Airlines(Traffic),Air Berlin(Traffic), Kazakhmys (Meeting),Alcoa(Q4).
Tues: Lufthansa(Traffic),Metro(Trade), SAS(Traffic),Debenhams(Trade), Bank of Irl.(EGM),Linear Tech(Q2),Supervalu(Q3), Signet Grp.(Trade).
Wed: Game Grp.(Trade), Ashmore Grp.(Q2 Trade),SIG(Trade),Reed Elsevier(EGM).
Thurs: Pernod Ricard(Trade),Carrefour(Q4), Barratt Dev.(Trade), Halfords(Q3), HMV(Trade),Home Retail Grp(Trade),Misys(Int.),Mothercare(Q3),Rio Tinto(Q4), Premier Foods(Trade),Premier Oil (Trade), Vestas(EGM), Intel Corp.(Q4).
Fri: Experian(Trade),Spectris(Trade),Bellway(AGM), JP Morgan (Q4).

Economic Week Ahead

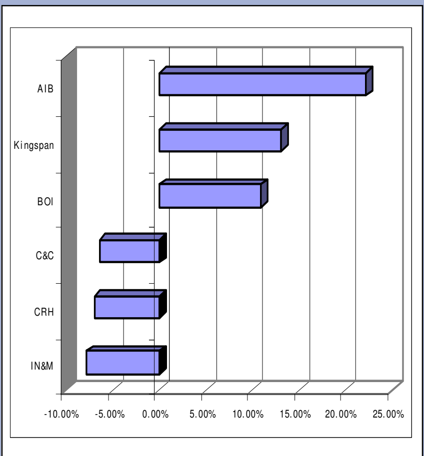
Mon: —
Tues: UK BRC Dec. Retail Sales(00:01), UK RICS Hse Price Bal(00:01), UK Trade Bal.(09:30),US Trade Bal(13:30),US ABC Consumer Confid(22:00).
Wed: Ger GDP (08:15),UK Ind.Production(09:30),EU Ind.Prod.(10:00), US MBA M'gage Apps(12:00),US Mthly Budget Statement&Beige Book(19:00)
Thurs: Ger CPI(07:00), ECB Announces Interest Rates(12:45), US Jobless Claims, Business Inventories & Retail Sales(13:30).
Fri: EU CPI & Trade Balance(10:00), US CPI & Empire Manuf(13:30), US Cap.Utilisation & Ind.Prod(14:15), US Uni Michigan Confid(14:55).

Dolmen Dozen
WEEKLY UPDATE

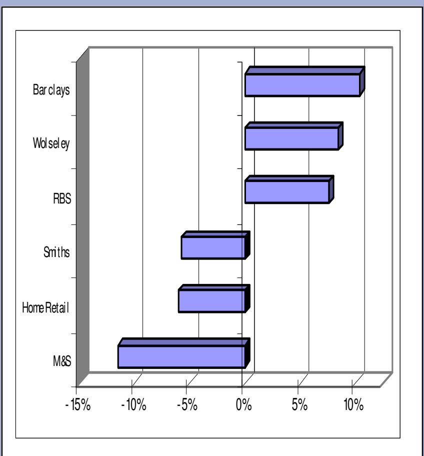
Company	YTD	Relevant news
Aryzta	3.1%	Q1 performance in line with expectations
BP	4.4%	BP-TNK to boost 2010 investment to $4bn
CRH	-4.16%	Q4 EBITDA expected to be weaker than Q3
DCC	6.4%	Announces acquisition of Brogan Holdings for €47.2m
E.ON	0.7%	E.ON keeps German retail energy prices stable
Hewlett-Packard	2.1%	CFO indicates seeing uptick in demand for printers
IL&P	7.6%	Ahead of EGM this Thursday
IN&M	-7.7%	Completes disposal of INM outdoor
J&J	0.3%	Q3 results inline with expectations
JPMorgan	7.2%	US financials gain on continued TARP repayment
Microsoft	0.6%	Report blockbuster Q3 results
Vodafone	-3.8%	Q3 results show solid revenues

Last Weeks Best/ Worst Performers

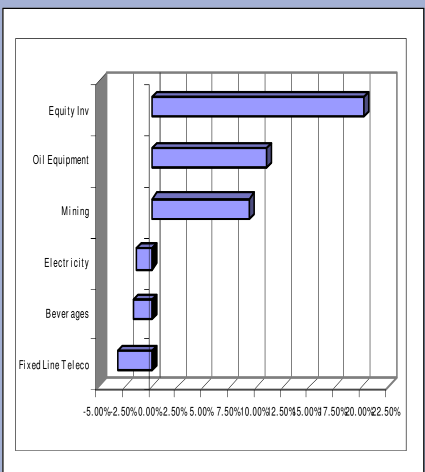
ISEQ



FTSE



Sector changes WTD



What it says in the 'Sundays'

Company	Paper	Headline
UK Economy	Weekend FT	Bankers escape bonus blow
Bank of Ireland	S. Business Post	BoI hopes to lower shareholder vote threshold
Nama	S. Independent	Nama chairman top of the table at bankers feast
Cadbury	S. Telegraph	Cadbury questions Kraft's ability to raise bid offer
Nama	S. Business Post	Nama to attract SPV private investors

Corporate Visits

COMPANY	PRESENTATION DATE
ICG	1st of December

Last Weeks Moves

Equities

Equities	Level	Change WTD	Change YTD	Div Yield
ISEQ	3081	-0.5%	-0.5%	1.7
FTSE	5534	0.6%	0.6%	3.3
DAX	6038	-0.2%	-0.2%	3.4
OW	10618	0.3%	0.3%	2.6
S&P 500	1145	3.5%	3.5%	2.0
NASDAQ	2317	0.4%	0.4%	0.8
EUROTOXX 50	2629	0.2%	0.2%	3.5
NIKKEI	10798	1.4%	1.4%	1.5

Sector

Sector	Weekly move%	YTD move %
Basic Resources	1.74	8.14
Banks	0.74	6.63
Technology	0.48	4.67
Industrials	0.57	4.23
Construction & Materials	0.88	4.22
Autos	0.88	4.20
Insurance	0.51	3.73
Oil & Gas	0.74	3.64
Travel & Leisure	0.58	3.33
Financial Services	0.48	2.85
Personal & Household Goods	0.32	1.22
Utilities	0.29	0.72
Chemicals	0.33	0.60
Media	0.34	0.53
Healthcare	0.27	-0.63
Retail	0.44	-0.75
Food&Bev	0.40	-1.29
Telecom	-0.32	-2.30

Commodities

	Current	Change YTD
Crude	82.75	4.3%
Gold	1138.25	3.8%

Exchange Rates

	Current	YTD Change	Year End (est)
eur usd	1.441	0.5%	1.40
eur gbp	0.899	1.5%	0.88
eurjpy	133.53	0.2%	132.00

GDP Growth

	2008	2009 (est)
Ireland	-1.70%	-8.50%
Euro Zone	1.20%	-2.00%
UK	1.00%	-4.25%

Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	1.00%	0.69%	1.00%
UK	0.50%	0.61%	0.50%
US	0.00% - 0.25%	0.25%	0.0% - 0.25%

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