

DOLMEN WEEKLY TRADER



Weekly Market Commentary April 12th 2010

We see the potential for some consolidation in equity markets this week with the possibility for a short-term pull back as we enter the first quarter earnings season in the US. Our long-term outlook remains positive towards equities, however given the strong run that has taken place, expectations will be high as we go into earnings with Alcoa reporting this evening. While we believe that earnings will show a positive trend quarter on quarter given the general improvement in the economic environment in Europe and the US, we see the possibility of some companies falling short of the increased expectations and given the run in the capital goods and materials producers sectors we believe that this is where the largest risk of earnings disappointments lies. That being said we would continue to recommend using any pull backs as a buying opportunities and would look to increase exposure to energy, technology and pharma sectors. We continue to remain positive on commodities with oil and copper remaining our preferred plays. On the currency front, we have moved to a more neutral stance on Euro/dollar in the short-term as aid details for Greece were announced over the weekend. However longer-term we still expect the dollar to continue to strengthen against the euro. As for the week ahead, on the economic front the main focus will be on the US consumer with retail sales and Michigan confidence figures due. Other key earnings next week to look out for include; Intel on Tuesday, JPMorgan on Wednesday, Google & Rio Tinto on Thursday and General Electric and Bank of America on Friday.

Trading Recommendations

Pfizer - Buy Previous close (\$17.24) Target (\$20.00) **Analyst:** Stephen Taylor

Description: Pfizer is one of the world's largest pharmaceutical companies developing & marketing medicines for humans & animals. Products range from cardiovascular to nervous system disorders.

Valuation: Pfizer's valuation looks compelling trading at just under 8x 2010 earnings and an EV/EBITDA of 5x. The stock also pays an attractive dividend yield of c. 4%.

Synergies: Synergies from Wyeth acquisition should continue to feed through in 2010.

Risks: Increasing pressures from generic competition has the potential to weigh on earnings.

Next Catalyst: Pfizer are due to report earnings on May 4th.

Key Metrics: P/E: 7.8x Div Yield 4%

Tullow Oil - Buy Previous close (1314p) Target (1470p) **Analyst:** Brian Gallagher

High Impact Exploration Portfolio: Tullow Oil's exploration portfolio is one of the most exciting in the sector with its 2010. The strength of the portfolio was confirmed again last week when the company reported an encouraging result in Tanzania that may lead to new oil & gas plays in East Africa.

Balance Sheet Strength: The recent placing has lowered the company's net debt which in turn has provided management with the opportunity to accelerate its exploration schedule. Tullow Oil is currently ramping up appraisal at its core assets in Ghana securing new rigs in the process.

Next Catalysts: The resolution of the Lake Albert Farm-Out to Total & CNNOCC and imminent updates on Ugandan & Ghanaian drilling.

Risks: Drop off in oil prices, unsuccessful drilling results & geopolitical issues.

JPMorgan - Buy Previous close (\$45.98) Target (\$50.00) **Analyst:** Oliver Gilvarry

Results due: JPM releases Q1 results on Wednesday morning before the market opens. JPM remains our favoured banking stock due to diversified earnings and benefits from acquisitions during the crisis.

Provisions: We expect loan provisions to start falling after the very strong builds over the last number of quarters.

Fixed income: The strong demand for Fixed Income will support revenues in the Investment Bank plus the strength of the US economy will help the group overall. We are buyers of the bank ahead of results.

Risk: Reversal of growth in the US with credit losses increasing further.

Aviva - Buy Previous close (388p) Target (500p) **Analyst:** Oliver Gilvarry

Recent Weakness: The insurance sector has underperformed in the last number of weeks. Due to Greek issue and widening credit spreads was part of the reason for the weakness in the insurance sector as exposure to Fixed Income has increased significantly in recent years.

Investment case still strong: The group has a diversified business model with Life and Non-Life business lines. dividend that could potentially be increased further at the interims and is yielding over 6%.

Next Catalyst: 11th of May Interim Management Statement

Valuation: P/E: 6.6x Dividend Yield: 6.2%

Trading Call Updates

Analyst: Edward Keeling

Smurfit Kappa: Smurfit Kappa has rallied strongly since we initiated our long trading call. Reflecting its undemanding valuation and improving industry dynamics we remain positive on the group. However we recommend clients with a short term trading horizon take profits, with the possibility of buying back closer to the €6 mark.

Ryanair: Post its revised full year guidance, Ryanair's share price has breached the €4.00 mark. We believe that improving airline capacity dynamics and continuing route maturity will support Ryanair's outperformance over the medium term. However we are now recommending trading clients take some money of the table with the view of re-entering closer to the €3.60 level.

This Week's Market Events

MONDAY

Corporate

Alcoa (Q1)

Economics

US Monthly Budget Statement, BoJ Minutes

TUESDAY

Corporate

Lufthansa (Traffic), Debenhams (Interim), Intel (Q1)

Economics

UK RICS House Price Survey, German CPI, UK Trade Balance, US Trade Balance

WEDNESDAY

Corporate

JPMorgan (Q1), Yum! Brands (Q1), Daimler AGM, Volvo (AGM)

Economics

Eurozone Industrial Production, US CPI, Retail Sales, Business Inventories and Beige Book

THURSDAY

Corporate

Carrefour (Q1), Danone (Q1), Rio Tinto (Q1), Google (Q1)

Economics

Eurozone Trade Balance, US Initial Jobless Claims, Empire Manufacturing, Industrial Production, Capacity Utilisation, Philadelphia Fed

FRIDAY

Corporate

Bank of America (Q1), General Electric (Q1), Mattel (Q1)

Economics

Eurozone CPI, Housing Starts & Permits, Michigan Confidence

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