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Market Movers

IRISH PAPERS TODAY

Deflation at levels not seen since 1933
(The Irish Times)

AIB to bolster capital in bonds exchange deal
(The Irish Times)

Elan review closes in on suitable strategic partner
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Darling warns on recovery
(Financial Times)

Virus called an pandemic
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-3.1%	-0.2%
BP	-1.6%	-0.6%
CRH	-1.5%	8.3%
DCC	3.1%	47.4%
E.ON	1.3%	-10.7%
HPQ	1.2%	2.6%
IL&P	8.8%	179.4%
INM	-1.0%	-41.8%
J&J	0.7%	-6.3%
JPMorgan	0.3%	10.8%
Microsoft	1.2%	17.4%
Vodafone	2.5%	-15.9%

Market View

Analyst : Stephen Taylor

European equity markets are mixed this morning following a late sell off in the US that saw the market give back most of its earlier gains. Asian markets were strong overnight following better than expected economic data out of China. Industrial production and retail sales figures for May both showed strong month on month increases from April and were ahead of expectations. In addition, Chinese loan data showed that new lending doubled year on year to \$97bn in May an indication that government stimulus spending is helping to revive the economy. The strong data out of China is encouraging and critical for a global recovery. Also encouraging yesterday was the 30-year bond auction out of the US that was well supported with a bid to cover ratio of 2.68 versus the average of 2.19 and has sent bond yields slightly lower this morning. This has also pushed the 30-year mortgage rate in the US down by 4bps to 5.70%, its first major decrease in three weeks. Key for a housing recovery in the US is that mortgage rates remain low for the foreseeable future. As for today, focus will be on Michigan confidence data out of the US. The index is the most up to date confidence reading from the US and is expected to show a rise for a fourth straight month.

Barclays : Receives binding offer for BGI Current Price (£3.00) Analyst : Oliver Gilvarry

Barclays have announced it has received a binding offer from Blackrock for Barclays Global Investors (BGI) for £8.2bn. Blackrock will pay for BGI in share and cash, with Barclays receiving 37.784m new Blackrock shares and £4bn in cash. The shares will give Barclays a 19.9% stake in the enlarged Blackrock Group which will be renamed Blackrock Global Investors. The board of Barclays see this offer as superior to the transaction previously agreed with CVC Partners on iShares in April. CVC have until the 18th of June to make a new offer and then Barclays will need to consider it better than the Blackrock deal before accepting it. If this doesn't occur, the Barclays board will accept Blackrock's offer and put it before shareholders for approval. Blackrock Global Investors, if the deal goes through, will be one of the largest global providers of investment management services with pro-forma assets under management of circa \$2.8trn at the end of December 2008. The purchase price proposed by Blackrock, values BGI at 11.9x 2008 EBITDA. Barclays will realise a net gain of £5.3bn based on the Blackrock closing price on the 11th of June. This gain will add to the capital position of the group, increasing equity tier 1 by 163bps as at December 2008. Taking into account the conversion of the Mandatory Convertible Notes, the sale of BGI will mean equity tier 1 and core tier 1 on a pro-forma basis is now 8.3% and 8.0% respectively. In the release this morning management have guided the trading performance of the group has been "generally consistent" with the trends reported in its Interim Management Statement (IMS) in early May. Barclays have now restored their balance sheet to levels more consistent with their peers in the UK and Europe, without having to resort to any Government support. The increase in its capital levels has removed one of the worries over the group and with the bank due to begin cash payments of dividends in Q4 of this year, it is an interesting investment option for clients who want exposure to the financial sector.

BHP : Buy Current Price (£15.25) Price target (Under Review) Analyst : David Dunk

Vedanta has announced this morning the issuance of a new convertible bond. The bond is due to mature in 2016. The issue size will be \$1bn, with the possibility of this increasing by \$250m in the case of strong demand. The bonds will pay a coupon of between 4.5%-5.5%. The conversion price is likely to be at a 35%-45% premium to the current share price. JP Morgan is acting as the sole bookrunner in the deal. Vedanta intend to use the funds raised to support its growth pipeline. Separately, Vedanta has announced the acquisition by its subsidiary Sesa Goa, of the mining assets of Dempo Groups mining assets for \$368m.

Cisco

BUY

Current Price : \$20.00

Price Target : \$23.00



DOLMEN STOCKBROKERS

Analyst: **Stephen Taylor**

Friday 12th June 2009

Company Description : Cisco is the worldwide leader in IT networking hardware for enterprise corporations. The company's equipment provides the devices that link company computer networks together and allow data and voice travel through telephone networks. Cisco's products include routers, LAN, and ATM switches, dial-up access servers, and network management software. The group has operations throughout the world and will benefit from continued expansion into emerging markets and the global transition globally to 3G networks.

Recent results : On May 6th Cisco reported fiscal third quarter results that beat expectations and while its guidance for revenue to decline by between 17% to 20% looked conservative, it was ahead of analyst expectations. Critically however, Cisco's CEO John Chambers indicated that the prolonged slump in technology spending is beginning to level out. What is encouraging about Chambers' comments is that Cisco were the first to warn on corporate spending habits back in early 2008.

Acquisition Strategy : Cisco has been historically an acquisitive company and given the depressed valuation that some technology companies are trading at, we believe that Cisco will continue to look at earnings accretive acquisitions to expand its business. The group's most recent purchase was Pure Digital Technologies for \$590m in March. The acquisition increases Cisco's exposure to the consumer market as the group develops new video and entertainment capabilities. In addition to other smaller acquisitions, the group acquired computer networking company Nuova Systems in 2008 for \$678m, while in 2007 Cisco purchased WebEx for \$3.2bn adding web conferencing to its product offering. At the group's most recent results, Cisco commented that acquisitions are a material part of its strategy and that it will use its large 'war chest' over time. Press speculation has recently linked the company with the likes of Riverbed Technologies, BlueCoat Systems, Polycom and Citrix.

Balance sheet : Like many of the large cap US technology stocks that we like, Cisco has one of the strongest balance sheets in the world with a net cash position of c. \$23bn. This net cash position has helped to insulate its capital position from the turbulence in credit markets. While Cisco's business has clearly been affected by the downturn in economic activity, its strong balance sheet has ensured that it remains the strongest network provider in the world. While its customers may be currently holding off large investments into networks, this will not be a trend that will last forever as companies will continue to compete for higher quality data services that can make business more efficient. Cisco's strong balance sheet provides its customers with confidence and encourages long term investment with the group.

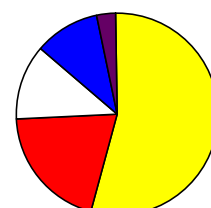
Long-term recovery play : We view Cisco as a strong recovery play and while in the short-term its markets will remain difficult the company is well positioned as the major economies in which it operates improve next year. We believe that Cisco will be one of the main technology beneficiaries from the US stimulus packages which will boost spending on broadband of which Cisco provides networks for. In addition, Cisco has recently said that it plans to sell products that help utility companies improve the reliability of the electrical grid and boost energy efficiency. In May, Cisco indicated that smart-grid technology may account for \$1bn of Cisco's revenue in 5 years. The company is currently helping to build a smart-grid system that lets residents in Miami monitor wireless meters and improve energy consumption.

Valuation : Our price target of \$23.00 is based on the company trading at 15x fiscal 2011 consensus EPS of \$1.50. We are valuing the company on a conservative basis when compared to historical metrics as the company has on average traded at 20x earnings over the last 5 years. If the global economic environment recovers quicker and stronger than current expectations we believe that there is significant potential for multiple expansion over the coming years.

Measure	Best for 31/07/2009	Best for 31/07/2010	Best for 31/07/2011	Best for 31/07/2012
EPS	1.317	1.253	1.508	1.5
EPSCAAP	1.097	1.042	1.293	1.32
Cash Flow Per Share	1.620	1.413	1.56	1.64
Dividends Per Share	0.000	0	-	-
Book Value Per Share	6.544	7.076	7.79	8.6
Sales	36017.286	35456.741	38978.333	42988
EBITDA	10975.714	10274.286	12372	13042
EBIT	8785.250	8360	10183.5	11202
Operating Profit	9557.000	9101.684	10544.333	11202
Pre-Tax Profit	9902.833	9265	11025	11512
Net Income Adjusted	7713.524	7232.8	8775.667	8749
Net Income GAAP	6417.083	5926.917	7590.5	7717
Long Term Growth	11.111	-	-	-
Return on Equity	19.208	18.133	-	-
Return on Assets	10.750	9.95	-	-
Valuation Measure				
Price/EPS Adjusted	15.270	16.054	13.340	13.411
Price/Sales	3.220	3.272	2.977	2.699
Price/Book	3.073	2.843	2.582	2.339
Price/Cash Flow	12.417	14.236	12.895	12.266
Dividend Yield	0.000	0.000	-	-
EV/EBITDA	8.501	9.081	7.542	7.154

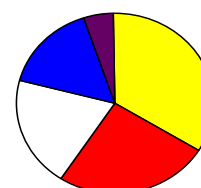
Note : Estimates taken from Bloomberg

2008 Geographic Revenue Breakdown



- US & Canada 54%
- Europe 20%
- Emerging markets 12%
- Asia Pacific 11%
- Japan 3%

2008 Product Revenue Breakdown



- Switches 34%
- Advanced Technologies 25%
- Routers 20%
- Service 16%
- Other 5%



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,956	0.9%	26.9%
FTSE	4,462	0.6%	0.7%
Dow Jones	8,771	0.4%	-0.1%
S&P	945	0.6%	4.6%
Nikkei	10,136	1.5%	14.4%
Stoxx 50	2,522	0.9%	2.9%

Sector Performances

Sector	Index	1-Day	YTD
Construction	222	0.3%	8.8%
Technology	178	0.4%	15.7%
Oil & Gas	311	0.3%	16.1%
Financials	190	2.0%	25.8%
Retail	214	0.4%	17.1%
Food & Drink	235	0.0%	1.3%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	72.7	1.9%	32.8%
Copper	244.5	3.3%	68.6%
Gold	953.9	-0.1%	7.9%
Silver	15.5	1.8%	35.4%
Wheat	594.8	-0.2%	-7.3%
Cattle	81.5	0.8%	-4.8%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.411	0.9%	0.7%
€/£	0.850	-0.5%	-12.0%
£/\$	1.659	1.4%	11.3%
\$/JPY	97.63	-0.5%	7.4%
€/JPY	137.73	0.4%	8.1%
€/SFR	1.510	-0.1%	1.1%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	122.0	-6.3%	-30.8%
High Yield	769.0	0.2%	-25.1%
Financials	107.6	3.5%	-9.9%
BoI	340.6	2.0%	41.5%
AIB	353.3	3.5%	70.5%
RBS	163.8	-0.1%	26.8%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.8%	0.4%	0.3%
3-Month	1.3%	1.3%	0.6%
1-Year	1.6%	1.5%	1.0%
2-Year	2.1%	2.5%	1.8%
5-Year	3.1%	3.8%	3.4%
10-Year	3.8%	4.3%	4.2%

Date Company Region Event

11/06/2009	Independent News & Mkt	IE	S/HOLDERS
15/06/2009	Volvo AB	SE	TRAFFIC
16/06/2009	Aeroports de Paris SA	FR	TRAFFIC
16/06/2009	Halma PLC	GB	PRELIM
16/06/2009	Ted Baker PLC	GB	TRADE
16/06/2009	Whitbread PLC	GB	TRADE
16/06/2009	Best Buy Co., Inc.	US	Q1
16/06/2009	Adobe Systems	US	Q2
17/06/2009	J Sainsbury PLC	GB	TRADE
17/06/2009	Assura Group Ltd	GB	PRELIM
17/06/2009	WS Atkins PLC	GB	PRELIM
17/06/2009	FedEx	US	Q4
17/06/2009	ArcelorMittal SA	LU	INVESTOR
18/06/2009	Arcandor AG	DE	Q2
18/06/2009	Cadbury PLC	GB	TRADE
18/06/2009	Go-Ahead Group PLC	GB	TRADE
19/06/2009	Ashtead Group Plc	GB	Q4
19/06/2009	France Telecom SA	FR	S/HOLDERS
19/06/2009	Koenig & Bauer AG	DE	MEETING
19/06/2009	Porsche Automobil Holc	DE	RESULTS
19/06/2009	Taylor Wimpey Plc	GB	AGM

Date Event Region Estimate

12/06/2009	Euro-Zone Ind. Prod. sa (MoM)	EC	--
12/06/2009	Import Price Index (MoM)	US	1.00%
12/06/2009	U. of Michigan Confidence	US	68.6
15/06/2009	Eurozone Employment (QoQ)	EC	--
15/06/2009	Empire Manufacturing	US	--
15/06/2009	Total Net TIC Flows	US	--
15/06/2009	NAHB Housing Market Index	US	--
16/06/2009	BOJ Target Rate	JN	--
16/06/2009	CPI (MoM)	UK	--
16/06/2009	RPI (MoM)	UK	--
16/06/2009	ZEW Survey (Econ. Sentime)	GE	--
16/06/2009	Euro-Zone CPI (MoM)	EC	--
16/06/2009	ZEW Survey (Econ. Sentime)	EC	--
16/06/2009	Producer Price Index (MoM)	US	--
16/06/2009	Housing Starts	US	--
16/06/2009	Building Permits	US	--
16/06/2009	Industrial Production	US	--
16/06/2009	ABC Consumer Confidence	US	--
17/06/2009	Bank of England Minutes	UK	--
17/06/2009	Jobless Claims Change	UK	--
17/06/2009	ILO Unemployment Rate (3n)	UK	--

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Dolmen Stockbrokers, 75 St. Stephen's Green, Dublin 2, Ireland.



DOLMEN SECURITIES LTD

75 St. Stephen's Green, Dublin 2, Ireland.
45 South Mall, Cork, Ireland
Theatre Court, Mallow St, Limerick, Ireland.

Tel : +353 1 633 3800/1890 400 300
Tel : +353 21 422 2122
Tel : +353 61 436 500

E-mail: info@dsl.ie
E-mail: cork@dsl.ie
E-mail: Limerick@dsl.ie