

DOLMEN WEEKLY TRADER



Weekly Market Commentary June 14th 2010

We expect equity markets to remain volatile over the short-term however we see a slight move higher for the week ahead as the risk trade returns to the equity market. While concerns remain around credit markets and global growth there were a number of positive developments last week including; S&P indicating that US homebuilders are now in a position to buy land, backed up by US house-builder KB Homes, the semiconductor industry association raising chip sales forecasts and Spain and Italy issuing debt that was well taken by markets. Longer term we remain positive and for portfolio holders we recommend using the weakness over the last two months as a strong buying opportunity. For investors looking to hedge in the short-term we continue to recommend the short FTSE ETF (Ticker XUKS LN). On the currency front €/£ remains our preferred call and recommend selling it on any strength towards the 1.22/1.23 level. Gold is our preferred commodity as technically the precious metal continues to look constructive. We would be a seller of Oil towards the \$80 a barrel level and we anticipate that copper will continue its underperformance following its recent weakness. As for the week ahead, the main focus will be on data out of the US in particular on the manufacturing side with Empire State, Philly Fed and Industrial production all due for release.

Trading Recommendations

Ryanair - Buy Previous Close (€3.78) Target (€4.70) **Analyst:** Edward Keeling

Last week we met with Ryanair management who indicated that average fares have bounced back since the volcanic ash disruptions. The airline is confident that the alterations made to the criteria necessary for the closure of EU airspace in response to volcanic ash disruptions will ensure minimal disruptions and exceptional costs going forward. In terms of outlook, it remains confident that fares will continue to grow reflecting slower passenger growth rates and industry capacity reductions

BP - Buy Previous Close (391p) Target (Under Review) **Analyst:** Brian Gallagher

BP's top management is to meet today to discuss its dividend options. The company has been under pressure to announce a suspension of shareholder distributions until there is greater clarity on the eventual costs of the spill. The options that are expected to be discussed include; deferring the dividend, the use of a scrip dividend or using an escrow account to ring fence the cash until costs can be established. On Wednesday, BP's Chairman Carl-Henric Svanberg and CEO Tony Hayward will meet President Obama to discuss the spill while on Thursday, Hayward will testify on Capitol Hill. It is expected that he will receive a similar interrogation to the one received by Goldman Sachs executives earlier in the year.

IN&M - Spec Buy Previous Close (€0.81) Target (€1.12) **Analyst:** Stephen Taylor

The reverse 1 for 7 shares split in Independent News & Media (INM) has taken place today. This means that for every 7 shares that an INM shareholder held as at June 11th they will receive 1 share and the share price will adjust accordingly. Our new price target as a result of the share consolidation is €1.12.

BoI - Buy Previous Close (€0.80) Target (€1.20) **Analyst:** Oliver Gilvarry

BOI rights issue closed last week with a much smaller rump that was expected. With the bank the first of the listed banks to successfully raise capital, it is now in a strong position to restructure the group over the coming years. Our price target for the bank is €1.20 following on from the recent capital raise.

Third Banking Force **Analyst:** Oliver Gilvarry

During the week it was reported in the Irish media that EBS has widened its discussions with other interested parties with regard to a potential merger. One party will be Irish Life & Permanent and this will act as a catalyst for the group to solve the problem that is its banking arm. We see the start of discussions between the two to be a positive catalyst for Irish Life & Permanent which has been under pressure due to the BOI rights issue and lack of clarity on Third Banking Force, offsetting S&P's move on Friday.

European Financials **Analyst:** Oliver Gilvarry

A number of European financials were presenting this week at the Goldman Sachs Banking conference. Comments from Barclays focused on the banks ability to raise debt with Deutsche Bank stating it has significant existing capital buffers. Also Barclays CEO sees the current situation as very different to 2008 and the situation is containable and manageable. Financials we see as performing this week are **JPM, Lloyds and Barclays**.

Technology Stocks **Analyst:** Stephen Taylor

Technology stocks have underperformed the market over the last number of weeks on concerns for the outlook for global growth. While such concerns are valid we continue to believe the outlook for technology remains favourable. Over the last number of weeks there have been some very positive commentary from the sector. The most recent being from the Semiconductor Industry Association who raised their outlook for chip sales in 2010. In addition, **Microsoft, Cisco** and **Intel** have all indicated that they have seen a pick up in corporate spending. With balance sheets among leading technology stocks having significant net cash balances they are well insulated from the recent tightening in credit markets. With Microsoft and Intel trading at 11x and 10x next years earnings, we view both names as strong conviction buys.

This Week's Market Events

MONDAY

Corporate

No announcements

Economics

Euro-Zone Ind. Prod. sa (MoM) EC

TUESDAY

Corporate

Landesbank Berlin Holding AGM, Best Buy Co. Q1, Bellway PLC TRADE, Tesco PLC TRADE

Economics

BOJ Target Rate JN, CPI (MoM) UK, RPI (MoM) UK, ZEW Survey GE, ZEW Survey EC, Euro-Zone Trade Balance EC, Eurozone Employment (QoQ) EC, Import Price Index (MoM) US, Empire Manufacturing US, Net Long-term TIC Flows US, ABC Consumer Confidence US

WEDNESDAY

Corporate

J Sainsbury PLC Q1 TRADE, FedEx Q4, Arce-lorMittal S/HOLDERS

Economics

Nationwide Consumer Confidence (UK), Total Trade Balance (UK), MBA Mortgage Applications (US), Wholesale Inventories (US), Fed's Beige Book (US)

THURSDAY

Corporate

Game Group PLC TRADE, Arriva PLC AGM & MEETING, The Kroger Co. Q1, C&C Group Plc EGM, Kingfisher PLC AGM

Economics

ECB Publishes June Monthly Report EC, Retail Sales Ex Auto Fuel UK, Construction Output SA EC, Consumer Price Index US, Initial Jobless Claims US, Continuing Claims US, Philadelphia Fed. US, Leading Indicators US

FRIDAY

Corporate

Aer Lingus Group Plc AGM

Economics

BoJ Monetary Policy Meeting Minutes for May JN, Producer Prices (MoM) GE, Public Sector Net Borrowing UK, M4 Money Supply 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