

# DOLMEN WEEKLY TRADER



Weekly Market Commentary February 15th 2010

We remain positive for the medium term on the outlook for equity markets despite concerns arising primarily from the Greek debt issue and the possible contagion which may include lower European growth. Last week the EU, while less than definitive did suggest likely support for Greece but Europe seems less than unified on the issue. While China took further moves on Friday to slow its economy we are not convinced that articulated measures will significantly slow the economy and demand remains robust. Credit spreads have managed to remain relatively stable and the corporate profit outlook continues to be favourable. We recommend investors buying equities on weakness in particular in our preferred sectors which include the technology and mining sector. In the commodity markets we maintain our positive stance on copper and oil and recommend buying both commodities. In currency markets, the Euro may remain weak not just because of the Greek sovereign debt issue but also because economic data out of Europe is subdued. This week the focus will be on Greece with ECOFIN ministers meeting today, and in terms of corporate news the focus will be on earnings reports from Hewlett-Packard and Dell, Barclays, EasyJet and Wal Mart and other retail stocks.

## Trading Recommendations

**Barclays - Buy** Previous close (262p) Target (415p) **Analyst:** Oliver Gilvarry

**Full Year Results:** Market expecting EPS of 20.6p with PBT of £7.8bn.

**Capital Issues:** Expect Equity Tier 1 of 9.1%, with management to alleviate concerns over Basel 3 proposals.

**BarCap:** Expect cost/income ratio here to improve from above 80% in Q3 to 70% in Q4 as build out of European business adds revenue to BarCap.

**Key Metrics:** Div Yield 1.00%, P/E 9.4x

**Next Catalyst:** Full year results February 16th.

**Key Risks:** Negative comments on business outlook in Retail and BarCap for 2010.

**CRH - Buy** Previous close (€16.60) Target (€20.50) **Analyst:** Stephen Taylor

**Peer results:** Peer results have been slightly disappointing and led to pressure on CRH's share price. On the positive front, stabilisation has been seen in results from US house builders.

**Balance Sheet:** CRH benefits from one of the strongest balance sheets amongst peers that will allow for further acquisitions.

**Key Metrics:** Trading in line with 20-year historical average EV/EBITDA of 8x. Provides well covered dividend yield of c. 4%.

**Next Catalyst:** Full year results March 2<sup>nd</sup> & Lafarge earnings February 19<sup>th</sup>

**Key Risks:** Double dip in Europe and lack of Government spending on infrastructure products.

**BHP Billiton - Buy** Previous close (1898p) Target (2070p) **Analyst:** Brian Gallagher

**Excellent Sector Results:** Earnings and revenue beats from BHP Billiton, Rio Tinto and Xstrata.

**Emerging Market Exposure:** China and India's long term fundamentals continue to offer superior earnings growth potential.

**Balance Sheet:** \$8.6bn in cash reserves and a gearing of just over 15% leaves scope for acquisitions and additional capex spend.

**Key Metrics:** Div Yield 3%, P/E 2010 12x

**Risks:** Excessive monetary tightening from China, weak commodity prices & production disruptions.

**Next Catalyst:** 21st April 2010: Operations and Production Update.

**GSK - Buy** Previous close (1206p) Target (1325p) **Analyst:** Oliver Gilvarry

**Strong Results:** The company delivered Q4/Full Year results with Turnover, Key Drug Sales and EPS all beating consensus forecasts while also announcing plans to reduce costs by £500m by 2012.

**Emerging Market Growth:** The company's potential in Emerging Markets was highlighted by the 20% growth achieved in the fourth quarter.

**Attractive Valuation:** The company has a more robust product pipe-line than many of its peers e.g. AstraZeneca, however the shares trade at a 10% discount to the pan-European pharma sector.

**Key Metrics:** Div Yield 5.2%, P/E 2010 10x.

**Risks:** Increased regulation and pricing pressures.

**Next Catalyst:** Q1 Earnings release 28th April.

**Aviva - Buy** Previous close (366p) Target (520p) **Analyst:** Oliver Gilvarry

**Greek Exposure:** Limited exposure to Greece with recent falls in value overdone.

**Recent bad weather impact:** Increase in claims due to bad weather in UK & Ireland only going to increase COR just above 98%.

**Capital Position:** Capital position within range management are comfortable with at £4.5bn.

**Key Metrics:** Div Yield 6.7%, P/E 2010 6.0x.

**Next Catalyst:** Full year results March 4th, L&G Results Wednesday & AXA results Thursday.

**Risks:** Momentum in sales in Q4 not continuing in 2010.

## Key Market Moving Events

### MONDAY

#### Corporate

L'Oreal SA, MAN SE, Fidessa Group Plc, TUI Travel Plc

#### Economics

Rightmove House Prices

### TUESDAY

#### Corporate

Abercrombie & Fitch Co, Genuine Parts, Kraft Foods, Aeroports de Paris SA, Deutsche Boerse AG, Fiat SpA Novestra AB, Barclays PLC, Intercontinental Hotels Group Plc Premier Foods Plc

#### Economics

CPI (MoM) RPI (MoM) DCLG UK House Prices (YoY) ZEW Survey (Econ. Sentiment) ZEW Survey (Econ. Sentiment) Empire Manufacturing ABC Consumer Confidence US

### WEDNESDAY

#### Corporate

Analog Devices, Deere & Co., Hewlett-Packard, BNP Paribas, Euler Hermes, ING Groep NV, Thorntons, Legal & General, Group Acergy

#### Economics

Bank of England Minutes, ILO Unemployment Rate, Construction Output SA, EuroZone Trade Balance MBA Mortgage Applications, Import Price Index, Housing Starts, Building Permits Industrial Production, Capacity Utilization, FOMC Minutes

### THURSDAY

#### Corporate

Chesapeake Energy, Apache, Wal-Mart, Axa SA, Schneider Electric, Societe Generale, Daimler, Swiss Reinsurance Company, ABB, Kingfisher, Ladbrokes, BAE Systems, EasyJet

#### Economics

Public Sector Net Borrowing, M4 Money Supply, Euro-Zone Consumer Confidence, Producer Price Index, Initial Jobless Claims, Philadelphia Fed., Leading Indicators

### FRIDAY

#### Corporate

JCPenney, PG&E Corp. Aeroports de Paris SA, Lafarge SA, Carrefour SA, Nestle SA, Anglo American PLC, Rentokil, Initial Plc

#### Economics

Producer Prices (MoM) ECB Euro-Zone Current Account SA Retail Sales (MoM) Consumer Price Index (MoM), Eurozone Flash PMI

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