DOLMEN STOCKBROKERS

16th January 2006

Last Weeks Moves

	Level	Last Weeks Move	YTD Move
Equities			
FTSE	5708	-0.40%	1.22%
Dow	10995	-0.15%	1.62%
S&P	1293	-0.07%	2.59%
Dax	5500	-0.21%	1.20%
DJStoxx	3410	-0.03%	1.88%
Iseq	7537	0.38%	2.84%

	Level	Last Weeks Move	YTD Move
Currencies			
Euro/USD	1.214	-5.09%	0.68%
Euro/GBP	0.6839	0.17%	-0.34%
Bonds			
US10Yr	109.77	0.39%	0.17%
EUR10Yr	122.16	0.09%	0.19%
Brent	63.08	1.76%	12.26%

Trading Call

Stock	Price	Recommendation
GSK	**1,450p**	• Supply disruption: Last Wednesday GlaxoSmithKline said it is experiencing a shortage of its Coreg, Avandamet and Paxil CR drugs in the United States, due to processing difficulties at a plant in Puerto Rico. The difficulties occurred because of new documentation procedures at the plant, which is creating a bottleneck in getting the drugs out the door. This disruption in supply is unlikely to materially impact the group's earnings, given that the disruption is a temporary issue and the drugs represent a very small portion revenues (5%). • Pharma pick: GlaxoSmithKline is our top pick within in the pharmaceutical sector for 2006 because of the company's low-risk growth profile, the strength of its product portfolio and the company's extensive pipeline. • Attractive upside: At 1,450p GSK currently trades at 17.7x 05 consensus EPS of 82p, a slight discount to the European sector average of 19x. We would expect this discount narrow over the coming months as the market receives further evidence of GSK's positive earnings momentum and pipeline progression. Our target price of 1,630p is based on 18.1x 06 EPS of 90p.

Headlines

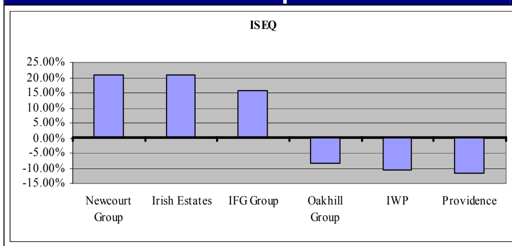
Paper	Company	Comment
Sunday Times	**Anglo American**	Mining giant [Anglo American] to break up
Sunday Times	**Fyffes**	Property developers eye fruit firm as ripe for the picking
Sunday Times	**INWS**	Heavyweight title fight..Is Denis O'Brien serious about challenging Sir Anthony O'Reilly for the INM crown and, if not, what exactly is the telecoms entrepreneur playing at.
Sunday Times	**HBOS**	HBOS ..both brokers calling it a BUY. Trading on 10.2x 2006p/e Vs sector average of 11.1x and with stronger growth prospects. There is concern over the lack of growth potential in the UK but with dividend growth, further share buy backs and strong growth expect upgrades.
SBP	**BOI/IL&P**	BoI and Permanent TSB win out in €22bn mortgage market
SBP	**Fyffes**	Fyffes move for Del Monte: speculation continues
SBP	**BOI**	BoI may sell fleet management division
SBP	**Eircom**	Private Equity buyer more likely for Eircom
SBP	**Icon**	Icon confident of recovery
SBP	**INWS**	O'Brien swoop shakes O'Reilly camp

Key Events This Week

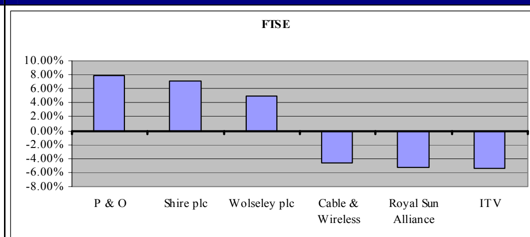
Item	Day/Time	Implications
US events	**Tuesday** IBM, Intel, Yahoo & Wells Fargo **Wednesday** Apple, eBay & JP Morgan **Thursday** Merrill Lynch & Wachovia **Friday** Citigroup & GE	This week U.S. markets will focus on corporate earnings growth and news from the Federal Reserve on the economy. Earnings reporting will accelerate, with many financial and technology names due to post quarterly results. Technology heavyweights Intel, Yahoo, and Apple are all due to report earnings this week. Strong results from technology companies are possible as electronics were some of the most popular holiday gifts this season. Apple already announced this past week that its iPod music players had helped drive a 63 percent jump in holiday quarter sales. Earnings releases from financial banks might not be so upbeat. Markets expect U.S. banks to post lacklustre fourth-quarter results, hurt by volatile interest rates, increased credit losses and a slowdown in mortgages. Citigroup, Merrill Lynch, J.P. Morgan, and Wachovia are some of the banking names due to report quarterly earnings this week. General Electric is also set to report this week.
US economics	**Wednesday** 13.30 CPI 19.00 Fed Beige Book	On the economic front, investors will likely be most focused on Wednesday when the Federal Reserve's Beige Book and the December Consumer Price Index are released. Investors will likely pay close attention to the Beige Book's information on current economic conditions for clues about how much longer the Fed will continue to raise interest rates.

Best/Worst Performers 09/01/06 – 13/01/06

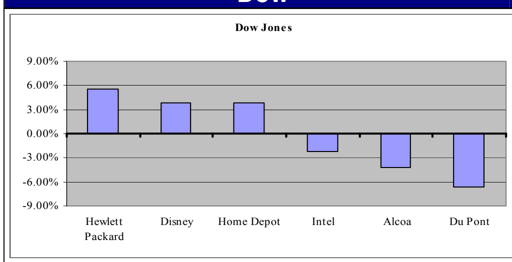
Iseq



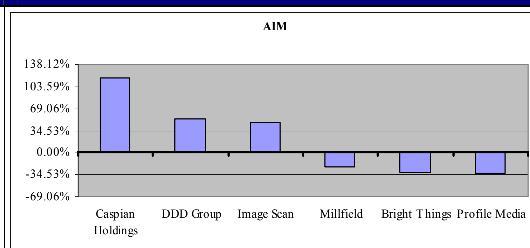
FTSE



Dow

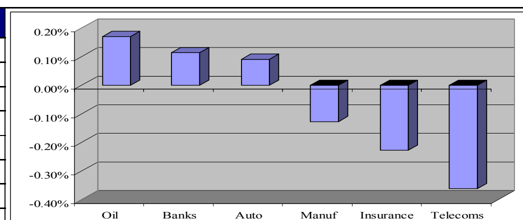


AIM

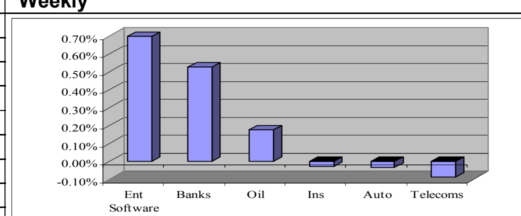


Sectors

Sector	Last week %	YTD %
Auto	0.09%	0.18%
Banks	0.11%	0.53%
Consumer Goods	-0.02%	0.01%
Chemicals	-0.03%	-0.03%
Construction	0.00%	0.02%
Drinks	0.01%	0.05%
Enterprise Software	-0.07%	0.00%
Food	-0.01%	0.02%
Exploration	0.00%	0.16%
Insurance	-0.23%	-0.01%
Leisure	0.03%	0.02%
Media	-0.04%	-0.01%
Oil	0.17%	0.70%
Pharmaceutical	-0.10%	0.10%
Property	-0.03%	-0.03%
Retail	-0.05%	-0.03%
Telecoms	-0.36%	-0.03%
Technology	-0.09%	0.01%
Utilities	0.07%	0.15%



Weekly



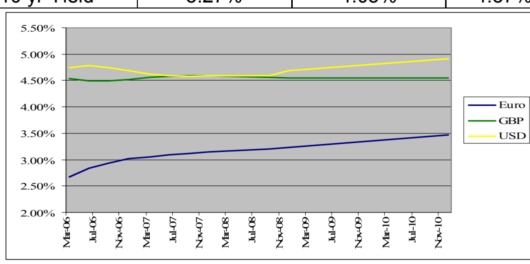
YTD

Equities

	ISEQ	UK	US	Eur	Comment
Div Yield-FY1	2.50%	3.31%	2.09%	3.17%	**Comment:** CRH 06EPS growth +2%
EPS Growth-FY1	14.85%	14.02%	10.50%	15.00%	
EPS Growth-FY2	7.60%	8.50%	10.15%	5.60%	
P/E-FY1	11.7	14.9	16.7	12.6	
P/E FY2	10.7	13.6	15.2	12.0	

Interest Rates

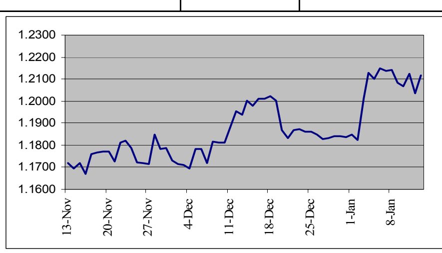
	Closing levels			Change From Previous Week		
	Euro	GBP	USD	Euro	GBP	USD
Dec-10	3.47%	4.55%	4.92%	0.02%	-0.01%	-0.06%
Mar-06	2.67%	4.54%	4.74%	-0.01%	-0.02%	-0.02%
Jun-06	2.83%	4.49%	4.78%	0.00%	-0.03%	-0.03%
Sep-06	2.94%	4.49%	4.75%	0.00%	-0.03%	-0.05%
Dec-06	3.02%	4.52%	4.69%	0.01%	-0.03%	-0.05%
Mar-07	3.06%	4.56%	4.63%	0.01%	-0.03%	-0.06%
Jun-07	3.10%	4.58%	4.60%	0.01%	-0.03%	-0.07%
Sep-07	3.12%	4.59%	4.58%	0.01%	-0.03%	-0.08%
Dec-07	3.15%	4.59%	4.59%	0.01%	-0.02%	-0.08%
Sep-08	3.20%	4.56%	4.60%	0.02%	-0.01%	-0.09%
Dec-08	3.24%	4.55%	4.69%	0.02%	-0.01%	-0.08%
5 yr Yield	3.02%	4.30%	4.32%	-0.03%	0.13%	0.00%
10 yr Yield	3.27%	4.05%	4.37%	-0.03%	-0.06%	0.02%



Comment:
The ECB left rates on hold last week, signally that further rate rises would be data dependent. The futures market are still pricing in at least two 25bps point hikes this year. UK rates remained on hold as well, with a strong retail sales number for December reducing the chance that the BOE will cut rates in the first quarter of 2006.

Currencies Vs Euro

Currency	Current Rate	Last Week	Comment
USD	**1.214**	**1.2058**	Eur/Usd remains at the upper end of the recent trading range. A break above the 1.2250 level could open up significant upside to the 1.25 point. Traders will be looking carefully at the CPI number out of the US on Wednesday. A stronger number could signal further rates rises by the fed pushing Eur/Usd back below the 1.20 level.



Bonds

Bonds		Maturity	Coupon	Currency	Rating	G.R.Y	Risk
Anglo Irish	1 Yr Float	17/02/06	3 M € + 20bp	€	A2/A	2.33%	<1 yr
BOI	1 Yr Float	23/01/06	3 M € + 12.5bp	€	Aa3/ A+	2.26%	< 1 Yr
HSBC Finance Corp	3 Yr Fix	09/07/08	3.375%	€	A1/A	3.08%	2.36
HBOS Treasury	3 Yr Fix	23/01/08	3.75%	€	Aa2/AA	2.95%	1.95
Lloyds Bank (sub)	5 Yr Fix	25/08/10	6.25%	€	Aa1/ AA-	3.13%	4.58
BOI (sub)	5 yr Fix	10/02/10	6.45%	€	A1/A	3.17%	4.06
Deutsche Telekom	10 Yr Fix	19/01/15	4.0%	€	Baa1/BBB+	3.90%	7.50

5 Yr European (Series 4) CDS spreads were 0.5bps wider over the week; and 1.0bps wider over the month to close at 36bps as measured by the DJ ITraxx.

Ratings action:

MMO2 Plc (Sub. of O2 Plc – OOM LN) (BBB+ - Stable). The senior unsecured rating was upgraded from BBB/*+ to BBB+ by S & P following the declaration by Telefonica that its £17.7b bid for O2 Plc has received 67% shareholder approval as well as conditional EU regulatory approval for the acquisition.

Telefonica was simultaneously downgraded from A- to BBB+, effectively equalising the ratings of the two entities. S & P do not envisage improvements to the Groups credit rating over the next 18 months due to the high leverage, significant shareholder returns and the expansionary nature of management's current strategy.

FYE 3/2005 – Sales £6.7b: EBITDA £1.3b: P/E ratio 22.76
6 mths ending 9/2005: Sales £3.6b: EBITDA £706m: P/E Ratio 22.76

Standard and Poor's: Industry Report Card - European Media, Entertainment, Leisure and lodging.

S & P commented that the media sector is likely to concentrate on marginal M & A activity in 2006, with more extraordinary shareholder return announcements in the pipeline.

Other sector comments included:

- Advertising sector outlook is still moderately favourable based on single digit growth across the sector.
- Hotel sector to see steady but slow improvement in European hotel performance however the UK market is expected to stablise based on tougher competition in the low to mid priced hotel segments.
- While the UK leisure sector is not expected to see a material slow-down in demand in 2006, weaker consumer confidence is expected to dominate

Dolmen: Last 10 pieces of research:

Stock	Date	Price	Recommendation
GSK	13/01/06	1,450p	**Buy:** Supply fears overdone
Vodafone	12/01/06	129p	**Buy:** Encouraging signs from Japan
Tullow Oil	11/01/06	282p	**Buy:** Angolan updates
Fyffes	10/01/06	€2.28	**Buy:** Top pick for 2006
Aviva	09/01/06	730p	**Buy:** Management re-shuffle
BOI	06/01/06	€13.68	**Buy:** Accelerating growth
Kerry Group	05/01/06	€18.73	**Buy:** Attractively valued
Adidas	04/01/06	€165	**Buy:** Top pick for 2006
INWS	03/01/06	€2.54	**Buy:** Outperformance potential
Ryanair	22/12/05	€7.90	**Buy:** Dublin selected as 16th base

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