



DOLMEN STOCKBROKERS **WEEKLY OUTLOOK**

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Section

1 Market View

The strong run in global markets continued last week with lower commodity prices and generally in-line to better earnings from the US supporting this run. The Dow continues to make record highs on an almost daily basis while the FTSE along with most European markets have all but retraced back up to their May highs. The scope for this momentum to continue this week will be determined by the release of US PPI(Tuesday) and CPI(Wednesday) data which will give an indication as to what the next move by the Fed might be, and the release of a slew of US company earnings and European bell-weather stocks Nokia and SAP (both Thursday).

Below are our current trading ideas

Trading ideas	
BP Last rec @ 573p Current: 5.92p Target: 660p Stop-loss: n/a	<p>Last week, BP's share price started to recover despite a further fall in the oil price. The group's recent trading statement for the 3 months ended 30/09/06 indicated production of only 3.8m boe per day as a result of another "heavy UK maintenance season". This was lower than the 3.9m boe per day which was expected, and the 3.824m boe per day which was achieved for Q3 2005. Following on from the recent disappointments in relation to lower refining margins and a delay in restoring the Thunder Horse production, as well as the c.25% correction in the oil price, there is a great deal of bad news factored into the company's share price, which has fallen by 12% since the end of July. However, what is not yet discounted by the share price is the potential for production growth to resume in 2007. BP has a large number of new production start-ups coming on stream over the next 12 months, which should result in overall production growth of c.5% being achieved in 2007, with new start-ups in both Angola and Azerbaijan expected to increase production by a total of 0.4m boe per day over the next 2 years. Our current 12 month price target for BP of £6.60 is based on 11x 2007 eps of 60p. BP will also pay a dividend yield of 3.7% for waiting for this upside to be achieved : BUY.</p>
Lloyds-TSB Last rec @ 528p Current: 581p Target: 600p Stop-loss: 550p	<p>One banking stock which we have been very positive on over the last 9 months is Lloyds TSB, and the share price has rallied very strongly in recent days to c.£5.90, largely driven by reports of an approach for Scottish Widows from Swiss re and AXA. Part of the reason for our bullishness was an above average probability of corporate activity at the UK banking group. However, the same reports stated that the Lloyds board has rejected the approach, and Lloyds has yet made no statement on the situation. Even though further speculation could continue to push the share price higher, on a stand-alone basis, the shares are now fairly valued, and we are downgrading our recommendation from BUY to NEUTRAL, with a new share price target of £6, based on 12x consensus 2007 eps of 50p. As a result, the current speculation may represent an opportunity for some profit-taking by investors who have patiently waited for 9 months for an attractive return to be generated when the H1 dividend per share of 10.7p is also taken into account : NEUTRAL.</p>
IAWS Last rec @ €14.70 Current: €15.80 Target: €17.50 Stop-loss: €14.20	<p>Last week, we upgraded our IAWS recommendation from NEUTRAL to BUY, following the c.10% correction in the share price since the company's H1 results' announcement on 26th September. The main news this morning is the entirely debt financed acquisition of Otis Spunkmeyer, a leading US sweet baked products business, for \$561m. Even though the price paid looks toward the top end of deals in the sector, based on 2005 EBITDA of \$48m (11.7x), Otis generates revenue growth of 9% per annum, and so based on 2006 EBITDA of \$55m, the acquisition multiple falls to 10.2x. Substantial marketing synergies should be generated between Otis and IAWS' existing US artisan bread business, La Brea, particularly as similar to La Brea, 85% of Otis' sales are to the food service channel. The acquisition should boost IAWS' current year eps by c.2% to 91c and its forward eps by c.5% to €1.06. Our current 12 month price target of €17.50 is based on 16.5x forward eps of €1.06. The recent H1 results' announcement also showed some recovery at the agribusiness division, with a 5% increase in profits to €24m driven by increased demand for animal feed ingredients and fertiliser : BUY.</p>
GSK Last rec @ 1,445p Current: 1,459p Target: 1,650p Stop-loss: 1,418p	<p>GSK recently filed for EU approval for a new breast cancer drug. GSK hopes the drug, Tykerb, will come to market sometime next year and has already filed for approval in the U.S. It is estimated that the drug could net GSK at least £1 bn a year in sales by 2012. Tykerb is one of three cancer medicines that Glaxo hopes to launch next year, signalling its arrival as a major force in oncology. GSK continues to buy back its own shares in the market and pays a healthy dividend of almost 3.5%. Its Q3 results' on October 26 could act as a positive catalyst for the share price : BUY.</p>
Apple Last rec @ \$72.52 Current: \$75.02 Target: \$80 Stop-loss: \$65	<p>On Wednesday Apple will report Q4 results. We are expecting the company to report EPS of 50c (+32% yoy), revenues of \$4.67bn (+26% yoy), 8.12m iPod units (+26% yoy), and 1.51m (+20% yoy) Mac units. We expect to see continued momentum for Apple shares through to the year end as the company continues to unveil new products and enjoy market share gains for its PCs and strong iPod sales over the seasonally stronger months. BUY</p>

The Week Ahead

Date	Region	Event	Period	Consensus	Prior
17/10/06	GE	Zew Survey (Current Situation)	OCT	41	38.9
17/10/06	US	Producer Price Index (YoY)	SEP	1.40%	3.70%
17/10/06	UK	Diageo Trading statement	H1	N/a	N/a
18/10/06	US	Consumer Price Index (YoY)	SEP	2.30%	3.80%
18/10/06	US	Housing Starts	SEP	1640K	1665K
18/10/06	US	Building Permits	SEP	1710K	1722K
18/10/06	UK	Bank of England Minutes	N/a	N/a	N/a
18/10/06	UK	Legal & General Trading statement	H1	N/a	N/a
18/10/06	UK	Reuters Trading statement	Q3	N/a	N/a
18/10/06	UK	Rio Tinto Trading statement	H1	N/a	N/a
18/10/06	US	Apple	Q4	50c	38c
19/10/06	UK	Prudential Trading statement	H1	N/a	N/a
19/10/06	IRL	Iona	Q3	3.7c	1c
20/10/06	UK	PartyGaming KPI's	H1	N/a	N/a

The Week-End Papers

Paper	Company	Comment
Sunday Times	South Wharf	Ringsend bottle site to fetch more than €500m
Sunday Times	Starbucks	Sip carefully on hot coffee stock (Buy Starbucks)
Sunday Times	Alltracel	Alltracel sales off target
Sunday Independent	Paddy Power	Paddy hopes to be first pasta the post
SBP	C&C	C&C is ploughing roughly €30 million into its promotions of Magners cider.
SBP	Smart Telecom	Smart shareholder plans revolt against firm's AIM delisting.
SBP	Aer Lingus	State Fund seeks ruling to buy Aer Lingus shares
SBP	WW	Glimmers of hope at Waterford
Sunday Tribune	Iseq	Private Investors raid Irish Market
Sunday Tribune	Irish Pharma's	Reprofiling old drugs is a shot in the arm for Irish pharmaceuticals

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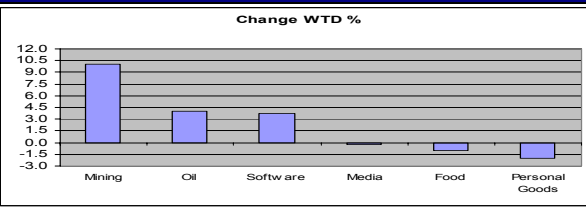
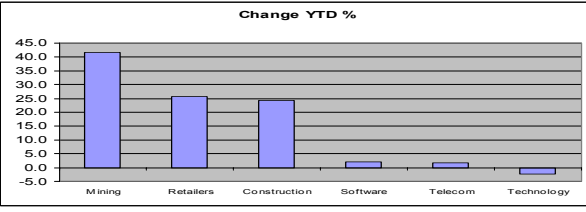
2 Technical Analysis

Chart	Trend	Comment	Key Support	Second Support	Key Resistance	Second Resistance
Iseq	Up	New highs but chart over extended- look for pullback to buy- most positive of charts	8300		8700	
Ftse100	Up	At recent highs- would look for pullback to 6050 before buying	5850	6100	6400	
Dax	Up	Pushing May highs- see trading sideways and unwinding over bought position before moving higher	6075	6150		6275
Dow	Up	At top of channel and over bought but like Iseq has set new highs- looking for pullback to buy	11700			
Euro/USD	Down	Oversold- look for bounce to sell- probably at 1.2550 with 1.26 stop	1.238	1.246	1.257	1.274
Euro/GBP	Sideways	Trading down- looks like we could see old lows at 0.66	0.671	0.672	0.6785	0.676
Bunds	Sideways/Down	Oversold but breaking lower	115.6	116.85	119	117.4
Oil	Down	Trading lower- expect a bounce to low 60s and may then resume trend	54	57	63.25	59.9
Vodafone	Sideways	Needs to take out 136 to move to uptrend. Very overbought but buy on dips	128.5		136	134
Lloyds	Up	Trading up on higher volume- may trade sideways then take out 600p level	570	560	600	
BHP	Sideways	Key level currently at 1020; needs to take this out- volume good which suggests it might	890	970	1020	1080
Tullow	Sideways	400p is a key level: volume strong which is good but oil weaker	360		395	

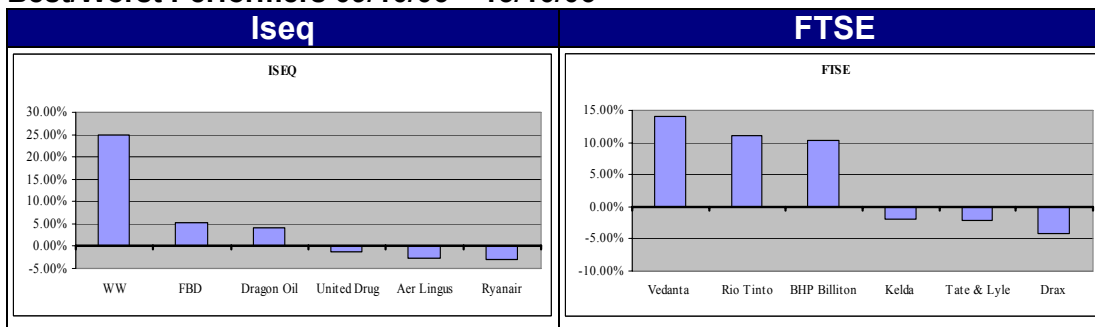
Last Week's Moves

	Levels	Last week's moves	YTD Move
Equities			
FTSE	6,157	2.60%	9.58%
Dow	11,939	0.67%	11.30%
S&P	1,365	1.04%	9.24%
Dax	6,174	1.44%	14.15%
DJStoxx	3,679	2.21%	9.86%
Iseq	8,461	2.24%	14.90%

	Div Yield-FY1	EPS Growth-FY1	P/E-FY1	P/E-FY2
ISEQ	2.55%	14.1%	12.0	10.5
UK	3.40%	15.5%	13.0	12.4
US	2.10%	10.9%	16.2	15.1
Eur	3.19%	15.0%	12.7	11.9

Sector*	Weekly Move %	YTD Move %	*Perf based on capital price moves only
Mining	10.03	41.69	
General Retailers	1.21	25.65	
Construction	1.62	24.44	
Utilities	-0.01	20.68	
Banks	1.91	19.20	
General Industrials	1.29	15.65	
Personal Goods	-1.98	15.62	
Autos	1.33	12.83	
Insurance	2.68	12.83	
Food Producers	-1.02	10.78	
Pharma & Biotech	3.09	10.11	
Beverages	1.57	9.44	
Chemicals	1.19	9.39	
Leisure Goods	0.83	6.36	
Media	-0.26	6.23	
Tobacco	1.34	4.78	
Oil & Gas	4.02	2.20	
Software	3.70	2.16	
Telecoms	2.09	1.73	
Technology	3.34	-2.16	

Best/Worst Performers 09/10/06 – 13/10/06

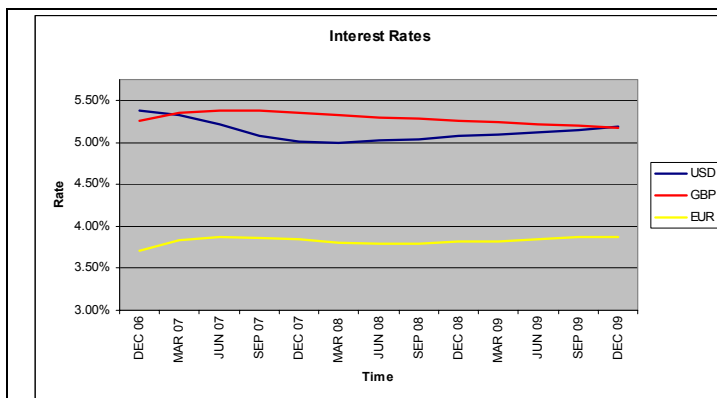


The Irish market outperformed its global peers last week and was higher by over 2 percent at the close of business on Friday. The ongoing interest in the Ryanair/Aer Lingus situation kept investors on their toes, while upbeat comments from Waterford Wedgwood and C&C also buoyed investor sentiment.

The FTSE 100 index recorded 5 days of straight gains and surged to its highest level since 2001 last week, buoyed by mining and oil and gas stocks as prices of base metals and crude oil rose.

Section **3** Commodity, Currency & Credit Markets

	Current			YTD Change			Year End Forecast		
	EURO	GBP	USD	EUR	GBP	USD	EUR	GBP	USD
Base Rate	3.25%	4.75%	5.25%	1.00%	0.25%	1.00%	3.50%	4.75%	5.50%
3 Month	3.50%	5.12%	5.37%	0.95%	0.96%	0.50%	3.61%	5.15%	5.45%
12 Month	3.79%	5.38%	5.39%	0.77%	0.87%	0.28%	3.77%	5.29%	5.15%
5 Year	3.73%	4.89%	4.77%	0.67%	0.73%	0.41%	3.80%	4.80%	5.00%
10 Year	3.83%	4.65%	4.81%	0.52%	0.55%	0.41%	4.00%	4.95%	5.05%
EUR-USD X-RATE	1.25045			5.26%			1.300		
EUR-GBP X-RATE	0.673753			-2.05%			0.685		
CRUDE OIL FUTR	60.84			-4.73%					
NAT GAS FUTR	7.27			-36.82%					
GOLD SPOT \$/OZ	589.6			13.54%					
SILVER SPOT \$/OZ	11.625			31.20%					
LME ALUMINUM	2595			13.97%					
LME COPPER	7480			70.19%					

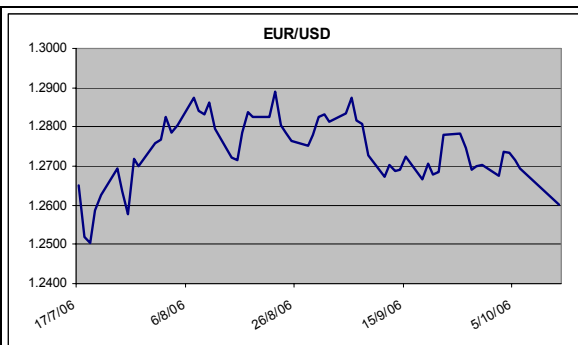


Comment:

European government bonds fell for a third week, their longest losing streak in more than three months, on speculation the European Central Bank will continue raising interest rates into 2007. The ECB said in its monthly bulletin that inflation risks "remain clearly on the upside" and consumer prices are likely to rise into next year.

In addition to the US data European Bond traders will look to the German ZEW reading to gauge future Eurozone growth prospects. The market is beginning to take the view that further ECB rate increases may be warranted in the Q1 2007. In this environment the ZEW number could be key in confirming the stronger growth outlook that traders are looking for.

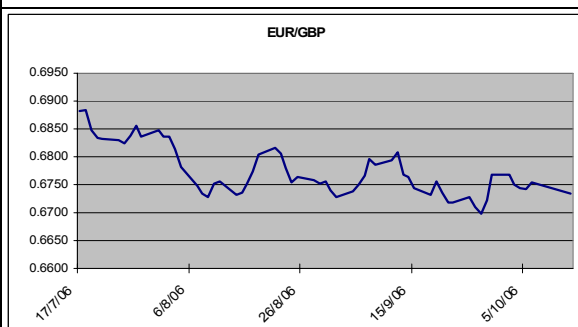
Currency Comment



Comment : EUR/USD

The USD remained strong last week. The FOMC minutes released revealed that even though the decision to keep rate unchanged at the Sep 20 meeting was an easier one, "members continued to see a substantial risk that inflation would not decline as anticipated by the Committee". Trade deficit rose to a record US\$69.9b in Aug, but both exports and imports also remained strong. Headline retail sales unexpectedly dropped by 0.4% in Sep. But again, the inner details showed that the unexpected drop was mainly due to sharp fall in gasoline sales. It is believed that, together with recent revision in employment and wage data, there is little room for the Fed to cut rates early next year. On the other hand, market could start to revive speculation that Fed will resume hike if we're seeing persistently strong inflation data in the rest of this year.

This week's focus will remain on data from US, in particular on PPI inflation on Monday and CPI inflation on Wednesday. Growth data, including industrial production, manufacturing and housing data will be released throughout the week together with capital flow on Tuesday. While, growth is expected to continue to slow, market reactions may not be too negative as long as the growth data are not too bad. On the other hand, strong persistently strong inflation data could start to revive speculation that Fed will be forced to do resume tightening next year. Once again we will be on data watch this week



Comment : EUR/GBP

Data from Eurozone and UK had little impact on the markets. ECB officials continued to deliver hawkish messages but another hike in December is already priced in. BoE officials warned over the inflation risk during the week, reinforcing market expectations that interest rates would be increased in November, but again, that's already priced in too.

Eurozone data include German ZEW, industrial production, HICP inflation and trade balance but focus will likely remain in elsewhere. The coming week could be defining for Sterling in the near term with MPC minutes to be released on Wednesday together with employment data. Retail sales and Q3 GDP will also be released towards the end of the week. Markets will look into these data for further confirmation of another rate hike in November. Should the data confirm the need for a rate hike in November expect the GBP to do well on the week possibly testing the recent low of .6690

Corporate Credit Markets

Rating-5 Yr Bonds	Sample Names	Dec 2005 Yield	Yield	<p>The Itraxx* tightened 1.5bps over the week to close at 27.5bps. Credit markets reacted very positively to buoyant equity markets and falling oil prices. Spread tightening has had a negative effect on new issuance as spreads are seen as prohibitively tight, as a result we expect moderate widening in the near term</p> <p>*ITRAXX is an index of the 125 most liquid investment grade corporate names in the European market</p>
AAA	Rabobank	3.65%	3.86%	
AA	Deutsche Bank	3.95%	3.96%	
A	Tesco	3.83%	4.08%	
BBB	MKS	5.30%	5.63%	
BB	Royal Caribbean Cruise lines	5.73%	6.73%	

Sector Movements in week ended 13/10/2006:

- **Auto:** Tighter across the board, with the biggest tightening in DCX and Renault. –5bps and –3bps respectively; DCX reported less than 1% drop in European car sales in September which is fractional compared to 14% drop at Renault; however despite the fall in Renault car sales in September the spread tightened 5bps as investors are still bullish the name now that talks with GM have been terminated. VW, BMW and Peugeot all tightened 1bps. US automakers were pretty much unchanged over the week, reflecting the predominantly stagnant US credit market which is currently divergent to a volatile European market.
- **Building materials:** Tighter in a sector buoyed by reports of 5% annual growth in Chinese cement demand, LaFarge 3bps tighter after the announcement of an Indian investment; Saint Gobain and Heidelberg were each 2bps tighter and Pilkington tightened 1bps over the week.
- **Chemicals:** Quiet in the sector, the only mover was Bayer which tightened 3bps after the company announced the closure of a manufacturing facility in the US, to be replaced by a facility in China. Elsewhere BASF and Linde were unchanged.
- **Airlines:** Tighter in the sector with the biggest move in Lufthansa which tightened 5bps after announcing both higher traffic and passenger numbers in September. Elsewhere BAA, Rolls Royce, British Airways and BAE Systems all tightened 1bps - the sector is being cheered by falling oil prices.
- **Food/Beverages:** Mixed in the sector - Tesco and Sainsbury's were unchanged while Compass tightened 3bps as investors take advantage of spread in the name. Diageo and Cadbury were both unchanged while Carrefour was 1bps tighter and Ahold saw spreads tighten 2bps as the company found a buyer for its stores in Ohio, completing a divestiture that was announced during the Summer months.
- **Telecoms:** Mainly tighter in the sector, British telecom was the biggest mover, 2bps tighter after announcing plans for revenue growth through expansion – Vodafone also tightened, 1bps following positive press and equity upgrades this week. Elsewhere Deutsche Telecom was unchanged.
- **Retail:** Significantly tighter across the sector – Biggest move in Kingfisher which tightened 4bps, luring spread hungry investors following the recent widening in the name after Moody's warned of possible rating action due to poor operating performance. Elsewhere GUS and MKS tightened 3bps each - MKS benefited from equity upgrades while GUS had their S & P debt rating affirmed following the completion of the demerger. Boots and Dixons were each 1bps tighter.
- **Media:** : Mixed in the sector with EMI spreads 3bps tighter over the week but 2bps off the tightest point seen midweek, pre the Music Industry announcement that US music sales fell 6.1% in H1 2006. BskyB was 3bps wider over the week, possibly on worries over football viewer numbers; Reuters was 2bps tighter after S & P affirmed the credit rating; and WPP was unchanged.

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