

CONTENTS

Market View :

AIB : Details of debt swap announced

Kerry Group : Reiterates guidance

Irish Economy : Government bond auction

Tesco : Sainsbury announce capital raise

BHP Billiton : Acquisition speculation rises

Market Movers

IRISH PAPERS TODAY

AIB to offer a 12.5% coupon in debt swap
(The Irish Times)

German investor confidence rises to three month high
(The Irish Times)

Tullow hits oil again in Ugandan testing
(Irish Independent)

INTERNATIONAL PAPERS TODAY

UK faces broadband tax
(Financial Times)

Iran violence flares again
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-0.9%	-2.2%
BP	-0.2%	-5.0%
CRH	0.4%	9.0%
DCC	3.8%	50.6%
E.ON	1.1%	-13.1%
HPQ	-0.6%	1.5%
IL&P	2.9%	112.7%
INM	4.6%	-16.4%
J&J	-0.2%	-8.7%
JPMorgan	-1.5%	6.2%
Microsoft	0.1%	20.6%
Vodafone	1.6%	-16.7%

Market View

Analyst : Edward Keeling

European markets are lower this morning, following their lead from Wall Street overnight. US stocks posted their second consecutive day of declines as mixed economic data and Best Buy's disappointing sales undermined investor hopes of an economic recovery. The S&P has now risen nearly 35% from its March lows and considering current valuations, the market is now requiring stronger economic data to push higher. Although US housing starts jumped by the most in three months yesterday, US Industrial production data was worse than expected. It fell by 1.1% in May, dragged down by declining vehicle output. This was compounded by disappointing first quarter sales from the largest US electronics retailer Best Buy. However one positive to be taken from more muted data than expected is in relation to interest rate expectations. Since the 8th June interest expectations in both in the US and Eurozone have declined from recent highs. In Europe futures are now pricing in interest rates of 1.8% by June 2010. This is down from its high of 2.05% on the 8th June. Such a move higher in Eurozone interest rates would be severely damaging for the Irish economy, given that we expect Ireland to lag any global recovery. Looking ahead to today's session, the US consumer price index and mortgage application releases will be closely watched. Expectations are that the cost of living rose in May for the first time in three months, led by rising fuel costs. On the corporate side US blue chip FedEx is due to report Q4 earnings at around 13:00 and markets will be paying close attention to any insights into the health of the global economy.

AIB : Neutral Current Price (€1.95) Price target (€1.55) Analyst : Oliver Gilvarry

AIB announced further details of its debt swap yesterday. Under the debt exchange, holders of certain perpetual securities (perps) can swap these bonds for a new issue of lower tier 2 debt with a maturity of 10-years paying a coupon of 12.5%. The perps will be swapped into the new bonds at between 50-67% of their face value depending on the issue. The benefit to holders of the perps is that they can now swap them for bonds that rank higher in the capital structure of the bank, have a certain final maturity date and their coupons cannot be missed by the bank without causing a default situation. For AIB, the swap will realise a once off gain for the bank that will help increase the group's core tier 1 ratio. Our estimate for this gain is €800m which will increase AIB's core tier 1 on a pro-forma basis by 66bps to circa 9%. This would leave another €700m for the group to raise to reach the target of €1.5bn set by the Government following its review of AIB's loan book. The sale of M&T Bank would seem the most likely scenario to achieve this target.

Kerry Group : Buy Current Price (€14.85) Price target (€19.90) Analyst : Oliver Gilvarry

Kerry Group CEO, Stan McCarthy, made comments yesterday reiterating EPS guidance in a range of 160-165c for this financial year. Following a tough start to the year, the group is now seeing trading volumes stabilising. In the Irish market volumes have stabilised and in the UK the market is starting to show signs of growth. On the outlook for 2010, Stan McCarthy is optimistic that the outlook as the "strategic initiatives and acquisitions bode well." The recent appreciation of GBP against the Euro over the last number of weeks will continue for the remainder of the year in our opinion. With 55% of the group's food business denominated in GBP, this will be a significant positive for the group. Kerry Group remains our preferred pick in the food sector and the recent fall back in the share price has been due to larger than usual selling volume due to its removal from the DJ Euro 300 index. We believe earnings will be at the higher end of guidance for 2009 and we reiterate our buy recommendation on the stock at these levels.

Irish Economy : Irish Govt. bond auction

Analyst : Oliver Gilvarry

Ireland raised €1bn from the sale of two government bonds yesterday following a bond auction. Total bids of €2.4bn were received with the 4.6% Treasury 2016 been covered 2.5 times and the 3.9% Treasury 2012 covered 2.2 times. The 2016 bond was sold at an average yield of 4.755%, a spread of 1.67% over German Government debt. The 2012 was sold at an average yield of 3.056%, a spread of 1.18% over equivalent German bonds. The auction was positive due to the level of demand for the Irish paper and the spread over German debt has fallen from recent highs, but it is still expensive for the Government to issue debt compared to the other peripheral Euro-Zone economies.



Tesco : Buy **Current Price (356p)** **Price target (400p)** **Analyst : Stephen Taylor**

Sainsbury issued a first quarter trading statement this morning and also announced details of a capital raising. The group reported same-store sales that increased by 7.8% in line with analyst expectations, while total sales (including gasoline and VAT) increased by 3.2%. Sainsbury pointed out that it expects the economic environment to remain challenging in 2009, however it said that it has made a good start to the financial year. In addition, Sainsbury said that it plans to raise £445m through a placing of new shares (c. £255m) and an offering of convertible bonds (c. £190m). The company plans to use the proceeds to accelerate its 'From recovery to growth strategy', increasing its planned gross space growth over the next two years (to March 2011) from 10% to 15%. Sainsbury will add 2.5 million square feet of additional selling space by March 2011. The company said that it will take advantage of the current depressed prices in the property market. Sainsbury pointed out that its balance sheet remains strong and will 'stay in same shape' and that it has had good support from shareholders. Overall, Sainsbury's results provide further encouraging evidence that the UK economy is stabilising and we take it as a positive for the UK property market from its comments that it sees value in the UK property market. Tesco remains our top pick in the sector following its recent strong trading statement boosted by a particularly solid international performance of which to other main UK food retailers do not have.

BHP Billiton : Buy **Current Price (1401p)** **Price target (1800p)** **Analyst : David Dunk**

The cost of insuring the debt of BHP has increased recently on speculation that the Australian miner may be considering an acquisition. Some shareholders have been calling for a large scale acquisition, significantly larger than the \$5.8bn associated with the recent joint venture with Rio Tinto. Given its underleveraged balance sheet, BHP has the ability to pursue acquisitions as large as \$40bn, although it's unlikely that the group would pursue such a large acquisition. Rio Tinto is unlikely to be a target for BHP, as a potential acquisition would once again run into opposition from regulators. Additionally, the recent joint venture with Rio Tinto unlocks much of the cost synergies of a merger. If BHP does pursue a large acquisition, Anglo American and Xstrata are the most likely targets. The potential for a Anglo American merger with Xstrata is also the subject of market speculation. As Australia's largest oil producer, a potential further expansion into the energy sector is another option available to BHP. Given the current pricing level of mining stocks a deal would likely to be earnings accretive, and taken positively by the market.


International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,888	0.2%	22.3%
FTSE	4,329	0.1%	-2.7%
Dow Jones	8,505	-1.2%	-3.1%
S&P	912	-1.3%	1.0%
Nikkei	9,841	0.9%	11.1%
Stoxx 50	2,426	-0.2%	-1.3%

Sector Performances

Sector	Index	1-Day	YTD
Construction	217	-0.3%	4.9%
Technology	172	0.7%	12.2%
Oil & Gas	298	-0.2%	10.6%
Financials	181	-1.2%	19.6%
Retail	210	0.7%	14.3%
Food & Drink	233	0.5%	0.3%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	70.5	-0.2%	30.9%
Copper	226.5	-1.4%	59.4%
Gold	934.8	0.7%	6.1%
Silver	14.1	0.7%	25.9%
Wheat	565.8	-1.7%	-10.9%
Cattle	80.4	-0.6%	-6.0%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.384	0.2%	-0.5%
€/£	0.843	-0.3%	-12.6%
£/\$	1.641	0.6%	10.8%
\$/JPY	96.38	-1.5%	6.0%
€/JPY	133.37	-1.2%	5.5%
€/SFR	1.506	0.0%	1.0%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	129.8	-6.3%	-25.4%
High Yield	804.3	1.2%	-20.6%
Financials	112.3	0.5%	-2.5%
BoI	358.2	0.7%	46.7%
AIB	357.0	0.7%	73.7%
RBS	173.5	0.6%	32.2%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.8%	0.4%	0.3%
3-Month	1.3%	1.3%	0.6%
1-Year	1.5%	1.4%	1.0%
2-Year	2.0%	2.3%	1.6%
5-Year	3.0%	3.7%	3.1%
10-Year	3.7%	4.2%	3.9%

Date	Company	Region	Event
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
22/06/2009	Escada AG	DE	Q2
22/06/2009	Walgreen	US	Q3
23/06/2009	Chemring Group PLC	GB	INTERIM
23/06/2009	OMG PLC	GB	INTERIM
23/06/2009	Alstom SA	FR	S/HOLDERS
23/06/2009	PGI Group PLC	GB	AGM
23/06/2009	The Kroger Co.	US	Q1
23/06/2009	Oracle	US	Q4

Date	Event	Region	Estimate
17/06/2009	Bank of England Minutes	UK	--
17/06/2009	Jobless Claims Change	UK	60.5K
17/06/2009	ILO Unemployment Rate (3m	UK	7.30%
17/06/2009	Euro-Zone Trade Balance	EC	-1.5B
17/06/2009	Construction Output SA MoM	EC	--
17/06/2009	MBA Mortgage Applications	US	--
17/06/2009	Consumer Price Index (MoM)	US	0.30%
17/06/2009	Current Account Balance	US	-\$85.0B
18/06/2009	Retail Sales(Volume) (MoM)	IE	--
18/06/2009	Retail Sales (MoM)	UK	0.40%
18/06/2009	Public Sector Net Borrowing	UK	18.8B
18/06/2009	M4 Money Supply (MoM)	UK	--
18/06/2009	Initial Jobless Claims	US	--
18/06/2009	Leading Indicators	US	0.90%
18/06/2009	Philadelphia Fed.	US	-18
19/06/2009	Producer Prices (MoM)	GE	0.00%
22/06/2009	Rightmove House Prices (McUK	UK	--
22/06/2009	IFO - Business Climate	GE	--
23/06/2009	GfK Consumer Confidence	SGE	--
23/06/2009	PMI Manufacturing	GE	--
23/06/2009	PMI Services	GE	--

Regulatory Information

Dolmen Securities Limited is regulated by the Financial Regulator. Dolmen Securities Limited is a member firm of the London Stock Exchange. Dolmen Stockbrokers is regulated by the Financial Regulator. Dolmen Stockbrokers Limited is a member firm of the Irish Stock Exchange and the London Stock Exchange.

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes in order to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor.

Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgment as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuer(s) in advance of publication.

Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. The income you get from your investment may go down as well as up. Figures quoted are estimates only, they are not a reliable guide to the future performance of this investment. Investors should be aware that forward-looking statements and forecasts may not be realised.

This report is the property of Dolmen and may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

Conflicts of Interest & Share Ownership Policy

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments / derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in the companies they publish research, views and recommendations on. Accordingly analysts involved in the production of this report may have positions in any securities herein. Dolmen ensures that all staff dealing is undertaken in strict compliance with Dolmen's internal staff dealing procedures. Therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

Analyst Certification

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Oliver Gilvarry, David Dunk, Stephen Taylor and Edward Keeling are responsible for the production of this report. Oliver Gilvarry is Head of Research and David Dunk, Stephen Taylor and Edward Keeling are equity analysts.

For US Persons Only

This report is only provided in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.

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