



Brief Market Comment

Last week was a crucial one for markets, with the short-term direction of equities and bonds hinging on the plethora of inflation data on offer. In all cases, without exception, all the key readings came in either in-line or better than expectations, reassuring investors, for the moment at least, that the inflation induced weakness of the previous week was perhaps overdone. Equity markets responded accordingly, recording substantial gains that brought some indices to year highs and in the case of the US markets pushed markets towards all time highs. The icing on the cake came in the form of the Beige Book which painted a picture of steady growth across most Fed regions, minimal wage inflation and a strong commercial property market off-setting residential weakness. As far as equity markets are concerned this represents the perfect storm- growth with moderate inflation.

The coming week is light on economic releases, with the main event being US housing starts on Tuesday and the Bank of England minutes on Wednesday. Also in Germany we have ZEW on Tuesday and IFO on Friday. With few surprises expected, equities have the opportunity to consolidate this weeks gains.

Current Trading Ideas

Aviva

| | |
|--------------|----------|
| Current: | £7.90 |
| Target: | £9.00 |
| P/E 07 | 9.08 |
| Div Yield 07 | 4.13% |
| Next Results | 13/07/07 |
| Move on week | 2.3% |

BUY

On Friday 13th July, **Aviva** will release a trading statement for the 6 months ending 30/06/07. The statement is likely to confirm that the group is on target to generate 15% overall sales growth for 2007, driven by particularly strong international sales growth. In April, Aviva announced total life and pension sales of £7.75 bn for the 3 months ended 31/03/07, a year on year increase of 16%. This Q1 sales growth was driven by 25% growth from the international business, which now accounts for more than 50% of group sales following last August's \$2.9 bn cash acquisition of US life insurer, AmerUs Group. Given that Aviva's 2007 return on embedded value of 14% is forecast to be c.10% stronger than the UK sector average, its price to embedded value (EV) should trade at a similar premium. Our current 12 month price target of £9 would rate the shares at 1.6x 2006 EV per share of £5.73, a premium of c.10% to the current sector average.

Taylor Woodrow

| | |
|--------------|----------|
| Current: | £4.42 |
| Target: | £5.00 |
| P/E 07 | 8.60 |
| Div Yield 07 | 4.58% |
| Next Results | 03/07/07 |
| Move on week | 4.7% |

BUY

On 3rd July, George Wimpey shares will de-list and shares in Taylor Wimpey will start trading, giving effect to the nil premium merger between **Taylor Woodrow** (TW) and George Wimpey (GW). The proposed merger will result in TW shareholders owning 51% of the combined entity, and GW shareholders owning the remaining 49%. Substantial synergies of c. £100m per annum will be generated from combining TW's land bank with GW's build cost efficiency. Such synergies would result in a theoretical eps enhancement for TW of 12% in 2008 from 41p to 46p, and an eps enhancement of 22% in 2009 from 45p to 55p. This provides the basis for our initial 12 month price target for TW of £5, which is based on 9x 2009 eps of 55p. Given TW's superior landbank potential, there is a high probability of either Persimmon making a competing bid for TW or else waiting for the combined Taylor Wimpey group to be formed and then bidding for the combined group.

Anglo Irish

| | |
|--------------|----------|
| Current: | €16.25 |
| Target: | €18.00 |
| P/E 07 | 13.15 |
| Div Yield 07 | 1.22% |
| Next Results | 05/08/07 |
| Move on week | -0.6% |

BUY

The 10% fall in the **Anglo Irish Bank** share price over the past 2 weeks appears to have been primarily driven by the rise in long term bond yields. However, this process now appears to be stabilising and continued commercial property rental growth provides an important offset to the negative impact on capital values of yields rising further. This was shown by the latest IPD Monthly Index for UK commercial property returns for May. It showed a monthly return of 0.7%, made up of 0.4% from income and 0.3% from capital growth, with offices generating a 1.1% return. The fact that estate agent, Frank Knight, expects that some of the UK regional office markets will experience the highest levels of prime rental growth this year augers well for continued strong UK loan growth from Anglo in 2007. As a result, any repetition of last week's share price weakness represents an attractive entry level for medium term investors, and our current 12 month price target of €18 is based on 12x consensus eps of €1.48 for the year ending 30/09/08: **BUY sub €16**.

Tullow Oil

| | |
|--------------|----------|
| Current: | £4.50 |
| Target: | £4.50 |
| P/E 07 | 22.37 |
| Div Yield 07 | 1.28% |
| Next Results | 11/07/07 |
| Move on week | 4.7% |

Take Profits

We have been strong buyers of **Tullow Oil** in recent months with a share price target of £4.25. Even though this morning's announcement of a significant oil discovery in a prospect called Mahogany offshore Ghana indicates that this field is now likely to contain at least 300m barrels of oil, versus 250m previously indicated, it is difficult to justify an upgrade to our current fair value estimate in excess of 25p to £4.50 to account for this. As a result, with the share price now trading at this level and having risen by c.25% over the past month, we downgrade our recommendation from BUY to NEUTRAL, and recommend investors now to **Take Profits**.

ICI

| | |
|--------------|----------|
| Current: | £6.30 |
| Target: | £6.26 |
| P/E 07 | 19.81 |
| Div Yield 07 | 1.42% |
| Next Results | 02/08/07 |
| Move on week | 8.3% |

Take Profits

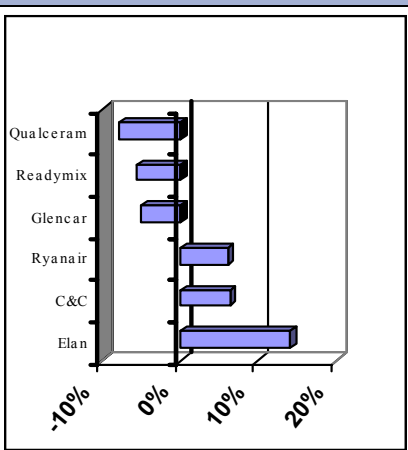
We have also included **ICI** in our weekly trading ideas in recent months based on the fact that the takeover speculation contained in the Financial Times in early April had an above average probability of taking place because the receipt of the c.£1 bn of sale proceeds from the Quest disposal would result in the company moving into a net cash position of c.£350m by year end 2007. We also noted the fact that one of the rumoured ICI bidders, Akzo Nobel, had recently sold its Organon pharmaceutical business to Schering-Plough for €11 bn, and that if this €11 bn were spent acquiring ICI, it would facilitate a takeover offer at £6.26 per share, which would value ICI at an EV/EBITDA multiple of 10.8x. However, with the share price now trading above this level, and having risen by c.22% over the past week, we see limited potential for significant further upside from the current £6.40 level, even in the event of an increased bid, now that ICI has rejected an indicative £6 per share bid from Akzo Nobel: **Take Profits**.

DOLMEN STOCKBROKERS Traders Update

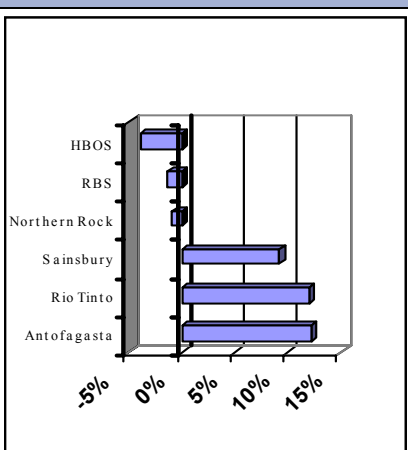
Last Weeks Best/Worst Performers

11/06/07-15/06/07

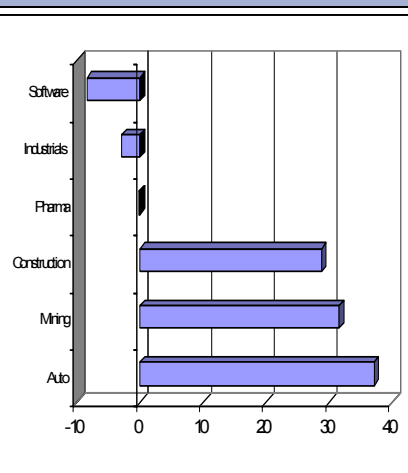
ISEQ



FTSE



Sector changes YTD



Dolmen Dozen

WEEKLY UPDATE

| COMPANY | CLOSE | WTD | DD RETURN* | RELEVANT NEWS | |
|--------------------------|-------|--------|------------|---|-------|
| AIB | 21.59 | 2.61% | -4.10% | Benefits from the removal of uncertainty in relation to stamp duty in Ireland | |
| Aviva | 7.9 | 2.60% | -0.73% | Agreed to merge its Turkish Life insurance and pension unit with Sabanci | |
| BP | 5.88 | 4.44% | 7.22% | As Oil trades above \$68 per barrel | |
| B. Land | 14.12 | 4.36% | -16.57% | IPD Index for May showed a return of 0.7%, with Office Space generating a return of 1.1%. | |
| C&C | 11.92 | 6.43% | 6.18% | Ahead of the group's AGM on the 13th of July | |
| CRH | 36.95 | 3.85% | 20.14% | Benefits from Irish Stock Exchange move to free float weighting | |
| GNC | 5.18 | 2.98% | 14.51% | Liam Carroll raised his stake in the company to 29.51% | |
| GSK | 13.26 | 2.31% | 0.92% | GSK said that its diabetes drug Avandia has been unfairly caught in a political battle | |
| Lad | 4.6 | 14.14% | 14.05% | On continuing speculation that CVC capital may make an approach for the company | |
| RBS | 6.48 | -1.37% | 1.97% | ABN Amro to set timeline for shareholder meeting that may include vote on sale of its LaSalle Bank division | |
| Ryanair | 5.16 | 6.17% | -4.04% | The airline has yet to begin its €300m share buyback | |
| Vod | 1.63 | 1.87% | 20.41% | Vodafone to cut prices on mobile broadband service in July | |
| DD Unrealised gain YTD | | | 5.13% | ISEQ YTD | 2.50% |
| DD Realised gain YTD | | | 2.71% | FTSE YTD | 8.90% |
| DD Total YTD | | | 7.85% | Average performance | 5.70% |
| Relative performance YTD | | | 2.14% | | |

* DD Return (Includes dividends & FX changes since stocks inclusion)

What it says in the 'Sundays'

- "Author defends INM report" **IN&M - Sunday Business Post**
- "Lynch led bid for ICG a knockout" **ICG - Sunday Business Post**
- "The Denis Menace" **Independent News & Media - Sunday Times**
- "Ireland First is the bottom line" **Irish Life & Permanent - Sunday Times**
- "Time to pick up on iHype" **Apple - Sunday Times**
- "New port is key to € 675m ICG takeover" **ICG - Sunday Independent**
- "O'Brien brings in hired gun?" **IN&M - Sunday Tribune**
- "Acquisitions on the way" **Norkom - Sunday Tribune**

Recent Corporate Visits

| COMPANY | CHANGE ON YEAR | MEETING DATE | RELEVANT NEWS |
|-----------|----------------|--------------|---|
| C&C | -10.78% | 9/5/2007 | CEO Maurice Pratt said not to expect any news on the two test market until October. Upping their dividend payout ratio close to 50%. |
| Kingspan | 1.00% | 9/5/07 | Only 8% of group earnings are exposed to the Irish new housing market. A buoyant UK market more than offsets this. |
| Persimmon | -16.64% | 6/6/07 | CFO M. Killoran said the company will continue to grow organically, however it is in a position to make further acquisitions as a result of its strong balance sheet. |

Last Weeks Moves

Equities

| | Level | Change WTD | Change YTD | Dividend Yield | P/E |
|---------------|-------|------------|------------|----------------|-------|
| ISEQ | 9660 | 2.96% | 2.67% | 2.09% | 16.13 |
| FTSE 100 | 6732 | 3.49% | 8.22% | 3.51% | 14.1 |
| DAX | 8031 | 5.80% | 21.73% | 2.77% | 14.66 |
| DJ INDUS. AVG | 13658 | 1.75% | 9.60% | 2.08% | 18.22 |
| S&P 500 | 1535 | 1.84% | 8.26% | 1.75% | 18.08 |
| NASDAQ | 2623 | 2.03% | 8.72% | 0.66% | 39.84 |
| DJ STOXX 50 | 3992 | 3.54% | 7.97% | 3.35% | 13.9 |

Sector

| | WEEKLY MOVE % | YTD MOVE % |
|---------------------|---------------|------------|
| Autos | 6.79 | 37.11 |
| Mining | 9.07 | 31.61 |
| Construction | 3.53 | 28.79 |
| Chemicals | 8.20 | 23.00 |
| Technology | 3.35 | 16.77 |
| Tobacco | 2.59 | 13.90 |
| Personal Goods | 3.76 | 13.69 |
| Media | 1.74 | 13.24 |
| Leisure Goods | 1.77 | 10.47 |
| Oil & Gas | 5.02 | 10.26 |
| Beverages | 4.98 | 9.79 |
| Food Producers | 4.76 | 7.53 |
| Telecoms | 2.01 | 7.3 |
| General Retailers | 3.37 | 4.96 |
| Utilities | 3.62 | 4.83 |
| Insurance | 1.74 | 3.41 |
| Banks | 2.36 | 2.87 |
| Pharmaceuticals | 0.84 | -0.17 |
| General Industrials | -0.20 | -2.85 |
| Software | 2.45 | -8.42 |

Commodities

| | CURRENT | YTD CHANGE |
|-----------|----------|------------|
| Crude Oil | \$68.12 | 4.29% |
| Gold Spot | \$654.55 | 2.72% |

Exchange Rates

| | CURRENT | YTD CHANGE | YEAR END(E) |
|---------|---------|------------|-------------|
| EUR-USD | 1.3366 | 1.23% | 1.35 |
| EUR-GBP | 0.6761 | 0.34% | 0.665 |
| EUR-JPY | 165.12 | 4.81% | 145 |

GDP Growth

| | YEAR END 06 | YEAR END07(E) |
|-----------|-------------|---------------|
| Ireland | 7.70% | 5.00% |
| Euro Zone | 2.70% | 2.50% |
| UK | 2.90% | 3.00% |
| US | 3.00% | 2.00% |

Central Bank Interest Rates

| | CURRENT | YEAR END(E) |
|-----------|---------|-------------|
| Euro Zone | 4.00% | 4.25% |
| UK | 5.50% | 5.75% |
| US | 5.25% | 5.25% |

Credit Market Summary

Spreads had a volatile week this week, starting at 206bps, high yield spreads widened mid week to 211bps only to end the week significantly tighter, post strong inflation data out of the US, at 196bps. Spread widening is not expected unless we see a significant seller of risk in the market however this appears unlikely given the still strong demand for credit risk, particularly in the high yield names. Investment grade spreads ended the week 1bps tighter at 21bps.

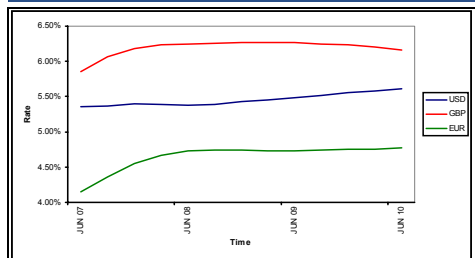
Credit Sector Movements for week ended 15/06/07

Chemicals: Mixed in the sector – this week rumours of consolidation within the sector dominated the market with Akzo (A3) rumoured to be a possible bidder for either ICI (Baa2) and BASF (Aa3) after Merrill Lynch noted Akzo has the finances to buy a rival. ICI tightened on the rumour as an acquisition by the higher rated Akzo would be credit positive, while BASF was unchanged.

Food/Beverages: Wider in the sector – Compass has renewed its widening trend, however recent tightening has taken the name 13bps off its early April highs. Elsewhere Cadbury's and Diageo were both wider, 2bps and 1bps respectively. Cadbury's was the subject of renewed speculation this week regarding possible private equity interest in the drinks division. Diageo was also wider following a CSFB report into the likelihood of the Scottish and Newcastle break up.

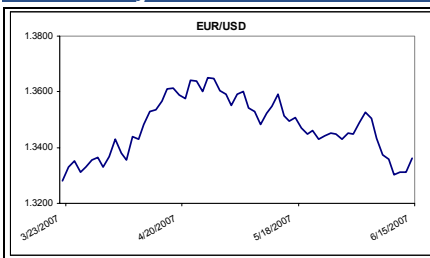
Retail: Wider across the board – Sainsbury's led the charge after a Qatar based property fund increased their stake in the company to 25%, causing spreads to widen 7bps(15%) over the week. The sector saw widening in most names as acquisition expectations were raised again following a short rest period – MKS +1bps; Dixons +2bps; Kingfisher +2bps; Morrison +2bps; Carrefour +1bps.

Interest Rate Outlook

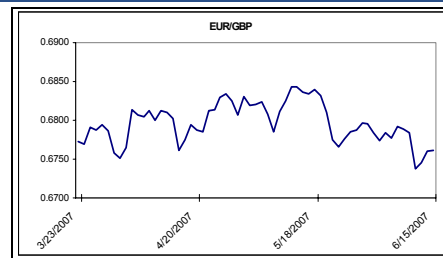


European yields stabilised around the 4.63% last week as the appetite of trades to further sell off the market waned, this is despite stronger than expect numbers. With little news this week expect markets to trade side ways

Currency Comment



The Euro was broadly unchanged against the USD during the week, as higher bond yields were offset by a weaker than expected industrial production number on Friday afternoon. This week is quite in terms of data however traders will focus on the US housing number, to try and gauge the extent of the continued weakness.



GBP traded once again in a tight range against the Euro, with little news to drive it one way or the other. A weak CPI number was offset by comments out of the BoE that rates may yet still need to move higher. This week traders will be watching the BoE minutes to try and assess how close the Bank came to raising rates last time.



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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