

Equity markets finished another volatile week broadly unchanged consolidating recent gains however it was somewhat disappointing that further gains were not recorded. The main reason for this inability to push higher was the release of some negative economic data with a higher than expected inflation reading out of the US, while the weekly jobless figure out of the States continued the recent worrying rising trend, something that does not bode well for overall economic outlook. The impact of this rising unemployment trend was reflected in the Retail Sales data that came in with a lower expected reading. Against this macro backdrop equities rightly struggled to move higher, but what was possibly more surprising was the sharp rally in the US dollar. The Greenback was boosted by the extremely weak economic data out of both the UK and Eurozone indicating that these economies are decelerating at an alarming rate, particularly Europe. The strong dollar did help pull commodity prices lower, something that will certainly help the inflation outlook, but countering this is the fact that the contagion from the sub-prime crisis that started in the US over a year ago has swept across the globe. The week ahead is relative light on economic data, but the key points to watch will be the minutes from the last Bank of England meeting (Wed) and UK Retail Sales (Thurs), while in Europe the focus will be on Germany with the ZEW Business sentiment reading (Tues). In the US housing data and the July PPI reading (both on Tues) will be eagerly awaited. Overall markets look set to carry on trading in a volatile fashion with low holiday volume a feature, with the negative economic backdrop limiting the scope for a meaningful breakout to the upside.

TRADING IDEAS, EARNINGS & PREVIEWS

Kerry

Price: €20.05
P/E: 13.1x
Div: 4.3%
Target: €23.00

BUY

Fundamental View: Similar to IAWS, Kerry will benefit from the fall in soft commodity prices plus the fall in fuel oil prices. In 2007, the company was able to increase margins in its Consumer Foods division and maintain margins in its Food Ingredients area even with 10% adverse movements in GBP and USD plus the added problem of commodity prices hitting all time highs. The new CEO, Stan McCarthy, headed the successful America operation for a number of years where sales and operating profit increased by 63% and 26% respectively. The business model used in the America is now being rolled out across the group to decrease costs and increase sales.

Next Catalyst: On the 26th of August Kerry is releasing interim results. A number of Kerry's peers have reported issues with rising raw materials and currency issues that will contract margins in their food ingredients divisions. There is a risk operating margins in Kerry will be flat on the previous half year due to the large increases in input costs over the past number of months, but management are guiding EPS for FY08 between €1.51 and €1.55. Looking out to FY09 management have stated double digit EPS growth is possible if GBP & USD exchange rates remain close to 0.79 and 1.58 respectively. With the recent moves in the dollar looking like it will remain below the 1.55 going forward, the possibility of double digit EPS growth next year is high. That would give a 2009 EPS of €1.68 and using the sector average of 13.5x, would give a 12-month price target of €23. Kerry provides exposure to a stable cash generative business that will perform well in an economic downturn.

Chart View: Stock is approaching strong resistance at 20.52 and a close above this level would suggest further gains up to the 22.75 area.

IAWS

Price: €16.70
P/E: €18.50
Div: 1.1%
Target: €18.5

BUY

Fundamental View: Next Friday, IAWS will cease trading and become part of Aryzta, the new company formed from the merger of IAWS and Hiestand AG Holdings. The firm will have a joint listing on the ISEQ and the Swiss SMI. The merger will increase the geographical profile of IAWS and will diversify the FX exposure of the firm, for example North America will contribute 21% of operating profit in the new company compared to 28.4% in IAWS. IAWS historically has a strong track record for growing revenue with a CAGR of 25.1% over 5-years. Hiestand has a similar track record with CAGR in revenue over the same period of 22.2%, allowing a good base for the new company to double earnings over the next 5-years.

Next Catalyst: Further pullbacks in soft commodity and energy prices would be a positive for IAWS. Energy is a major cost for IAWS and lower food input costs would be a significant positive for margins. Following the merger we expect additional industry analyst coverage as well as increased interest from institutional investors. The strong track record of management, the healthy balance sheet and the diversification of earnings will help drive growth in the new firm. We retain our Buy recommendation on IAWS with a target of €18.50.

Chart View: Chart outlook is far from negative but recent price gains may be overdone. Look for a pullback to the 15.50 area before initiating new longs.

Mining Sector Update

In recent weeks we have seen significant sell offs across mining stocks. This has been caused by numerous factors including, a pullback in metal prices, cost inflation within the industry and sector rotation into financial stocks. At this point, the miners appear oversold. Medium and long term trends remain compelling. Metal prices may not reach their previous lofty highs in the near time but fundamentals remain strong. Chinese demand, which has been curbed ahead of the Olympic games, is expected to return normal levels in coming weeks. Also the decision by Chinese monetary authorities to focus on growth at the expense of inflation will provide support for metal prices. This morning's results from BHP were in-line with expectations with the Australian miner seeing long term support for commodity prices. On a technical basis, the charts suggest significant upside potential for the sector in the short term.

HP

Price: \$45.59
P/E: 12.8x
Div: 0.70%
Target: \$60.00

BUY

Fundamental View: Hewlett-Packard (HP) is one of the most diversified technology company's in the world through both its geographic footprint and product offering. The group provides PC, imaging and printing systems along with information technology services for businesses and home. In an attempt to further diversify its product offering, HP completed the acquisition of Electronic Data System (EDS) for \$13.9bn and expects the acquisition to be earnings accretive from 2009. HP also benefits from generating close to 70% of its revenue from outside of the US with an increasing focus on emerging markets, where during the second quarter it generated 10% of its revenue. HP is currently trading at the bottom end of its historical earnings range of 12x-18x. We feel that this is undeserved given that the company expects to grow earnings by 12% this year.

Next Catalyst: Hewlett-Packard is due to report its 3Q earnings on 19/08/08. Given the group's diversity and increasing exposure to emerging markets, we expect the group to again produce a strong set of earnings and at least reiterate full year guidance.

Chart view: Price remains dominated by downtrend. However, a break of this trend at 46.50 will suggest a move towards the 52.00 area.

E.ON

Price: €43.40
P/E: 13x
Div: 3.5%
Target: €50.00

Buy

Fundamental View: Last week following E.ON's strong second quarter results we added the company to our Dolmen Dozen portfolio in place of Ryanair. The group posted a 6% rise in 2H EBIT to €5.76bn beating analyst expectations of €5.6bn. E.ON also raised its full year earnings forecast and expects adjusted net profit to rise between 5%-10% from its previous projection of 3%-5% growth. The group's results continue to benefit from higher energy prices in the European or Nordic regions. Given the E.ON's defensive characteristics and undemanding valuation we believe that its shares offer compelling long-term value.

Next Catalyst: Given that E.ON and the majority of its peers have reported results for the second quarter there will be little stock specific news out for the company over the near term, however we believe that following E.ON's strong results momentum will be behind the stock and it will outperform the market.

Chart view: Momentum remains negative but strong support in the 37.70-38.70 area should limit downside risk.

Earnings Week Ahead

Mon: Michael Page (Interim), BHP Billiton (Interim), Lowe (2Q)

Tues: Brixton (Interim), Wienerberger (Interim), Target (2Q), Hewlett-Packard (3Q), Home-Depot (2Q)

Wed: Telekom Austria (Interim)

Thurs: Persimmon (Interim), SIG (Interim), Holcim (Interim), Swatch (Interim), GAP (2Q), Heinz (1Q)

Fri: Dragon Oil (Interim), Rentokil Initial (Interim), WPP Group (Interim)

Economic Week Ahead

Tues: German ZEW (10.00), US Housing Starts & PPI (13.30)

Wed: Bank of England Minutes (09.30)

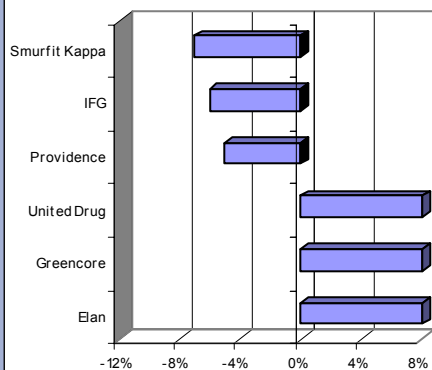
Thurs: EU PMI (09.00), UK Retail Sales (09.30), US Jobless Claims (13.30), Philly Fed (15.00), Leading Indicators (15.00)

Fri: UK GDP (09.30), EU Industrial Orders (10.00)

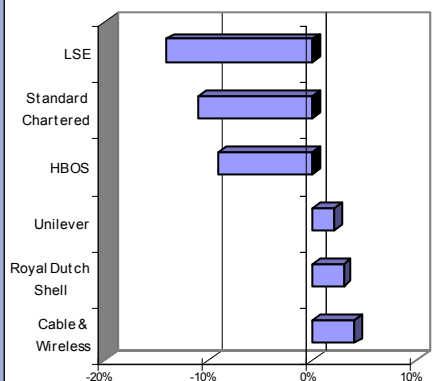
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/
Worst Performers
11/08/08-15/08/08

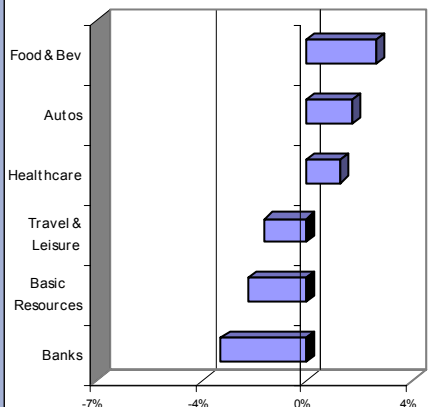
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE

Company	WTD	YTD	Relevant news
AIB	-2.7%	-44.8%	AIB said that earnings may fall by up to 10% during 2008
Aviva	0.2%	-20.7%	Aviva reported a 12% increase in EEV operating profit
BP	-1.0%	-16.2%	BP to appeal decision by Moscow labour court to ban CEO of TNK-BP from holding office for 2 years.
IN&M	0.6%	-31.6%	APN News & Media, in which IN&M has 39% shareholding, report profits slightly below expectations.
CRH	1.0%	-23.5%	Peers Geberit & Uponor results illustrate the expected slowdown in European markets.
E.ON	-0.5%	-20.0%	E.ON posts earnings that beat market expectations and raise forecast for 1008 earnings.
Hewlett Packard	-0.5%	-9.6%	Ahead of its third quarter results tomorrow.
IAWS	9.1%	11.0%	CSM, the global ingredient supply group, reports an 11% increase in H1 sales.
IL&P	-2.4%	-48.8%	Fitch affirms Irish Life & Permanent's individual and support ratings at 'B' and '3', respectively.
Microsoft	0.8%	-21.7%	Microsoft reinstates Microsoft with a buy and a price target of \$34.
Paddy Power	-4.2%	-25.4%	Ladbrokes restates lower gross win rate for Ireland.
Vodafone	-0.7%	-33.5%	Vodafone confirms it is in talks to buy a further stake in Polish mobile operator Polkomtel.

DD Unrealised gain YTD	-14.42%	ISEQ YTD	-33.04%
DD Realised gain YTD	-12.20%	FTSE YTD	-21.40%
DD Total YTD	<u>-20.29%</u>	Average performance	<u>-27.22%</u>
	Relative Performance		<u>6.93%</u>

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

What it says in the 'Sundays'

Company	Paper	Headline
DCC	Sunday Times	Chevron deal will boost earnings by 3% by 2010
SWS	Sunday Times	raised €300m in debt to fund expansion of its wind farm business
Tesco	Daily Telegraph	Tesco to draw down growing debt
Bradford & Bingley	Daily Telegraph	Pym named as B&B CEO
Elan	Sunday Indo	Bain goes after Elan division for €900m

Upcoming Corporate Visits

COMPANY PRESENTATION DATE

AIB 28th August



Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E08
ISEQ	4607	2.1%	-33.6%	4.5%	7.0
FTSE 100	5455	-0.6%	-15.5%	4.4%	11.2
DAX	6446	-1.8%	-20.1%	3.8%	12.6
Dow Jones	11660	-0.6%	-12.1%	2.8%	14.3
S&P 500	1298	0.2%	-11.6%	2.3%	26.2
Nasdaq	2453	1.6%	-7.5%	0.8%	40.1
EuroStoxx 50	2906	-0.8%	-21.1%	4.5%	11.2
Nikkei 225	13019	-1.1%	-15.0%	1.7%	16.8

Sector	Weekly move%	YTD move %
Banks	-2.849	-29.682
Financial Services	-2.436	-26.069
Basic Resources	-1.968	-15.453
Travel & Leisure	-1.384	-20.568
Industrials	-1.276	-19.335
Insurance	-1.264	-21.641
Chemicals	-1.051	-12.16
Utilities	-0.868	-20.242
Telecom	-0.751	-27.433
Personal & Household Goods	0.109	-19.35
Oil & Gas	0.129	-17.78
Media	0.145	-23.727
Construction & Materials	0.369	-27.893
Retail	0.534	-26.525
Technology	0.706	-19.815
Healthcare	1.088	-5.768
Autos	1.515	-24.749
Food&Bev	2.248	-14.869

Commodities

	Current	Change YTD
Crude Oil	\$113.77	+18.8%
Gold spot	\$783.85	-6.0%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.47	+0.6%	1.45-1.50
EUR-GBP	0.788	+7.3%	0.74-0.78
EUR-JPY	162.11	-0.5%	165.0

GDP Growth

	2007	2008 (est)
Ireland	5.00%	1.00%
Euro Zone	2.50%	1.50%
UK	3.10%	1.00%

Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	4.25%	4.97%	4.25%
UK	5.00%	5.76%	5.00%
US	2.00%	2.81%	2.00%

Credit Market Summary

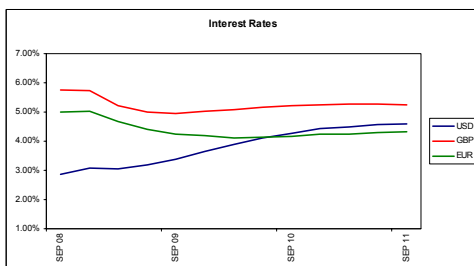
Credit indices played catch up last week, tightening about 4% while equity indices were largely flat. Trading volumes in credit indices has been very weak in recent weeks which accounts for a lack of rapid spread movements. There was no shortage of bad news last week, Moodys downgraded Morgan Stanley and GM while AIG was forced to pay 430bp over treasuries for funding. On the positive note S&P reaffirmed the monoliners ratings and took them off negative watch. Looking ahead, no major moves are expected, at least until volumes pick up. Overall risk lies to the upside with the high yields likely to fare worst.

Credit Sector Movements

Credit Cards: wider in the sector – Spreads on credit card companies continue to widen as weakness in credit markets feeds into the real economy. Spreads on Capital One and American Express widened 6.3% and 13.1% respectively.

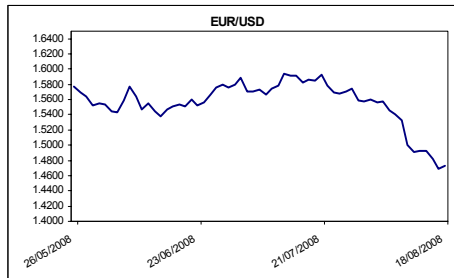
US brokers: wider in the sector – Despite being downgraded one notch to A1 by Moodys, Morgan Stanley was a relative outperformer on the week, only widening 3.7%. Goldman's and Merrill's widened 12.5% and 16.2% respectively, neither broker has reached settlements on mis-selling of auction rate securities.

Interest Rate Outlook

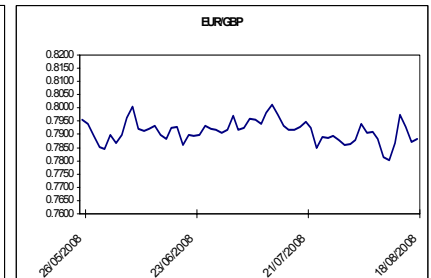


In government bond markets last week, UK gilts led the way as the prospects for interest rate cuts there are strong than other major economies. The yield on the two-year gilt fell 15bps to 4.50% while the ten-year yield declined to 4.56% from 4.68%. In Europe, the ten-year bund yield fell to 4.07% from 4.18%.

Currency Comment



The € lost significant ground against the \$ last week as second quarter GDP out of the Euro-Zone economy showed a contraction of 0.2% highlighting the sharp slowdown we have seen in the economy over the last number of months. Focus this week will be in Europe with German ZEW confidence reading due and any further weakness could see further declines in €.



The € continues to trade in a tight range with sterling as both the European and UK economies continue to demonstrate weakness. UK retail sales data due on Thursday will be in focus and any weakness in the numbers could see weakness in sterling.



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