Dolmen Daily
DOLMEN STOCKBROKERS
Wednesday Aug 18th 2010

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IRISH PAPERS TODAY

NTMA successfully sells €1.5bn of bonds at auction *(The Irish Times)*

Government urged to accept greater EU scrutiny *(The Irish Times)*

Debt interest rate falls on back of strong bonds auction (*Irish Independent)*

INTERNATIONAL PAPERS TODAY

$39bn BHP move rejected (*Financial Times)*

Accounting change set to burden companies (*Financial Times)*

BHP Billiton makes big bet on agriculture *(Wall Street Journal)*

Market View — Analyst: Stephen Taylor

European equity markets have opened lower this morning after US markets gave up some of their gains last night, however the S&P 500 did still manage to close higher on the day by 1.2%. On the earnings front both Home Depot and Wal-Mart reported better than expected earnings. While Home-Depot did lower its revenue guidance marginally it did signal that it would use excess cash for share buybacks. We believe that a continuing theme this year will be an increased focus on shareholder returns through either share buybacks or increased dividend payouts. Another major theme we have been focussing on this year and see it continuing to play out is increased M&A activity. Yesterday saw another approach being made with BHP Billiton making an offer for agricultural chemicals company Potash for c. $39bn. With revenue growth likely to be weak in the current environment and corporate balance sheets in as good a position as they have ever been, we believe that corporates will continue to look for acquisitions to grow revenue and market share. We expect further deals to be announced over the coming months with commodities, energy, technology and pharma some key sectors where corporate activity is likely to take place. As for today it is relatively quiet on the economic front with Bank of England minutes due for release at 9.30am, while MBA Mortgage applications from the US will also be in focus. On the bond market, focus will return to core-Europe with Germany due to raise €6bn in 10-year Bunds.

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Cove Energy: Buy **Previous Close** 61p **Target** Under Review **Analyst** Brian Gallagher

Yesterday, Anadarko, the operator on Cove Energy's Mozambique onshore and offshore licences, announced in a telephone interview that the Belford Dolphin drillship had encountered 125ft of sands, saturated with crude oil and natural gas at its Ironclad prospect. The well was drilled to a total depth of 17,400 feet in 3,418 feet of water and is located about 100km south of the Windjammer gas discovery, which was announced in February. During the telephone interview, the representative for Anadarko went on further to state that the find is probably not of a sufficient size to be commercially developed but it provides further information for further exploration in the region.

Drilling at Ironclad had been delayed due to strong subsea currents and we were not anticipating results from the well for another two weeks. We believe that these remarks were made in response to local press reports in Mozambique in which the country's Mining Resource Minister was claiming that Anadarko had found oil in the Rovuma Delta.

Cove Energy this morning, released an RNS confirming that Anadarko had encountered oil. In the statement, Cove Energy indicated that future geological analysis of the results from Ironclad will focus on delineation so that the size, porosity and permeability of the reservoir can be established. This will in turn determine whether the find can be made commercial. The RNS also guided that the Belford Dolphin would move back north to Barquentine when it had finished its operations at Ironclad. On arrival it will begin drilling the prospect which is estimated to take six weeks to reach target depth. After Barquentine, the rig is scheduled to drill at least 2 further exploration wells.

We believe the fact that Anadarko and its partners have encountered oil in this frontier basin is encouraging as it reconfirms the existence of a hydrocarbon system in the region while also further derisking 50 other potential leads that the operator has already targeted. We await clarification from Cove Energy and the operator on the results of Ironclad and as a consequence, we have placed our price target under review while also retaining our buy rating.

BHP Billiton: Buy **Previous Close** 1916p **Target** 2200p **Analyst** Brian Gallagher

BHP Billiton have made a $39bn offer to purchase Potash Corp of Saskatchewan. The bid has been rejected already by management at Potash who feel it undervalues the company's assets. It was widely anticipated that BHP Billiton would move to make a large acquisition this year as the company had been hoarding cash on its balance for some time. The rejected bid equates to $130 a share and there are now press reports that BHP Billiton will pursue a hostile takeover with estimates ranging on the size of the bid from $150-$180 a share. We believe that BHP Billiton can successfully achieve an acquisition of the size of the Potash deal & we also believe that a move into the fertiliser market is a good strategic move for the diversified miners as broader cyclical trends point towards rising global population & tighter supply of arable land. The bid will more than likely be funded by cash, current loans facilities & additional debt financing.

IN&M: Buy **Previous Close** €0.70 **Target** €1.12 **Analyst** Oliver Gilvarry

APN News & Media reported first half results this morning. Underlying revenue was A$508.3m missing consensus of A$529m. The first half profit of A$40m also missed estimates by the market and the stock was down 8% overnight. The group does see trading improvement in Australia and New Zealand with the second half of the year to improve on the first. APN has resumed dividend payments and is paying 5c for the first half with management implying a similar payout in the second half of the year as they see ad recovery "well and truly underway". The results were disappointing that they missed consensus, but for INM who own 32% of APN the resumption of dividends is a positive. INM will report interims on the 27th of August.

Irish Economy

Analyst Oliver Gilvarry

The Irish bond auction yesterday was well received by the market with the NTMA achieving its targeted raise of €1.5bn. The agency raised €1bn in the 5% 2020 bond with a strong bid:cover ratio of 2.4x and an average yield of 5.386%. The 4% 2014 bond was very well supported with a bid:cover ratio of 5.4x. The price paid to issue both bonds was lower than where they traded on Monday and at the market open yesterday. Demand for both issues was strong, but the spread over German Government equivalent debt still remains high at almost 300bps, but this has tightened over the last 24 hours to 287bps. The comment from the Central Bank Governor, Holohan, that Irish Nationwide may need a further €400m of capital on top of the already announced €2.7bn came after the auction and is a negative for Irish debt. Significant tightening in Irish spreads now depends on some form of clarity on the capital requirements for the Irish banking system along with the Government staying on target for the budget this year and achieving at least €3bn of the planned reduction in the deficit, with a figure greater than that may be required.

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Market Movers

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International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,858	1.6%	-4.4%
FTSE	5,351	1.4%	-2.0%
Dow Jones	10,406	0.0%	-0.2%
S&P	1,093	0.0%	-2.0%
Nikkei	9,162	-0.4%	-12.4%
Stoxx 50	2,738	1.5%	-8.4%

Sector Performances

Sector	Index	1-Day	YTD
Construction	249	2.4%	-10.6%
Technology	190	1.3%	2.2%
Oil & Gas	303	0.8%	-10.1%
Financials	220	1.7%	-2.1%
Retail	264	1.1%	7.8%
Food & Drink	334	0.1%	8.8%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	75.77	0.7%	-9.3%
Copper	335.85	1.8%	-0.9%
Gold	1,224.85	0.0%	11.5%
Silver	18.65	0.9%	9.3%
Wheat	683.75	-1.8%	14.4%
Cattle	95.95	-0.2%	7.3%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/$	1.289	0.5%	-10.2%
€/£	0.827	1.0%	-6.7%
£/$	1.559	-0.5%	-3.8%
$/JPY	85.530	0.2%	8.9%
€/JPY	110.190	0.7%	-17.5%
€/SFR	1.344	0.8%	10.7%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	119.7	-4.8%	52.9%
High Yield	513.3	-3.7%	0.3%
Financials	143.6	-4.2%	73.1%
BoI	325.2	-0.7%	34.2%
AIB	438.8	-0.4%	57.0%
RBS	201.6	-1.9%	29.9%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.5%	0.2%
3-Month	0.9%	0.7%	0.4%
1-Year	1.2%	1.1%	0.4%
2-Year	1.3%	1.3%	0.7%
5-Year	1.9%	2.1%	1.6%
10-Year	0.026	3.1%	2.6%

Date	Company	Region	Event
18/08/2010	Vestas Wind Systems A/S	DK	Q2
18/08/2010	Schuler AG	DE	Q3
18/08/2010	Target Corp.	US	Q2
18/08/2010	Applied Materials.	US	Q3
18/08/2010	Deere & Co.	US	Q3
19/08/2010	Holcim Ltd	CH	Q2
19/08/2010	Travis Perkins PLC	GB	Meeting
19/08/2010	Hewlett-Packard	US	Q3
19/08/2010	GAP	US	Q2
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Date	Event	Region	Estimate
18/08/2010	Bank of England Minutes	UK	- -
18/08/2010	Construction Output SA MoM	EC	- -
18/08/2010	MBA Mortgage Applications	US	- -
19/08/2010	Producer Prices (MoM)	GE	- -
19/08/2010	Mortgage Approvals	UK	- -
19/08/2010	Retail Sales	UK	- -
19/08/2010	M4 Money Supply (YoY)	UK	- -
19/08/2010	Initial Jobless Claims	US	- -
19/08/2010	Continuing Claims	US	- -
19/08/2010	Philadelphia Fed.	US	- -
19/08/2010	Leading Indicators	US	- -
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