



The mood on Wall St took a turn for the worse towards the end of the week although global markets at least managed to finish the week in positive territory. The initial strength, stimulated by Warren Buffet's plan to bail out the distressed monoline insurers was augmented by stronger than expected retail sales data. However the rally fizzled out somewhat as a hawkish Fed chairman and a multi-year low reading of consumer confidence put pressure on markets. The dominant theme since the sub-prime issue first emerged has been the impact on the banking sector and six months later the sector remains under pressure. The Buffet proposal for the monolines was perceived as a solution to the credit market problems. Unfortunately it is not and with continued write-offs being reported by the banking sector, markets will remain vulnerable to further volatility. We repeat again our preference for the more defensive sectors and to tread carefully in those sectors that are being hit hardest by the mal-functioning credit markets. In a shortened US trading week the focus will be on US CPI, a reading the Fed will watch very closely given its recent comments about the up-side risks to inflation.

TRADING IDEAS, EARNINGS & PREVIEWS

AIB

Price: €13.15
P/E: 6.32x
Div: 6.6%
Target: €16.50

Fundamental view : This Wednesday, 20th February, **AIB** will announce its results for the year ended 31/12/07. We are forecasting underlying profit before tax and eps of €2.38 bn and 206c respectively to be announced, representing year on year increases of 15% and 13%. The strong growth will have been driven by c.20% loan growth from its Irish, UK and Capital Markets divisions, robust credit quality, with an expected H2 2007 bad debts charge of c.0.15% of average loans, and a largely stable net interest margin, with higher funding costs causing only 0.01% erosion. Similar to Bank of Ireland's Interim Management Statement last Friday, we expect both Wednesday's results' announcement and any forward guidance issued to provide reassurance that there is no evidence of any significant credit quality deterioration, with only a modest uptick likely over the next 12 months from current very low levels towards more normal levels of a bad debts charge of c.0.25% of average loans.

Next catalyst : However, we would not be surprised if the announcement of some further asset writedowns in relation to the marking to market of the group's €3.5 bn of collateralised prime European residential mortgage obligations, or in relation to the group's \$300m ABS US sub prime portfolio, caused some further share price weakness this week. With such exposures minor by comparison with European peers, largely once-off in nature, and potentially reversing within 12 months, with the shares already trading at 6.3x 2008 eps of €2.08 and a final dividend of c.50c per share (3.8% yield alone) going ex on Wednesday week, 27th February, we would use any such further share price weakness as a buying opportunity : **BUY on further weakness.**

Chart view: Strong support exists in the €13 area and only a close below €12.82 confirms a downside break out of the €13-16 range.

IN&M

Price: €2.02
P/E: 9.6x
Div: 7.5%
Target: €2.50

Fundamental view : Next month, on 27th March, **Independent News & Media (INWS)** will announce its results for the year ended 31/12/07. We are forecasting revenue and earnings per share of €1.7 bn and 19c respectively to be announced, representing year on year increases of 3% and 10%. The revenue growth will be driven by 4% advertising revenue growth and 1% circulation growth. Irish advertising revenue is still expected to show high single digit growth, with strong recruitment and retail advertising more than offsetting a slowdown in property advertising.

Next catalyst : The group's final dividend per share of c.9.13c is expected to go ex in mid April, which alone represents a yield of c.4.5% on the current 202c share price. With further 10% dividend per share growth expected in 2008 to 15.1c, the expected 2008 dividend represents a yield of 7.5% on the current share price. INWS' stronger than sector average earnings growth of c.10% for 2007 and 2008 also warrants a premium valuation, even though at 9.6x consensus 2008 eps of 21c, the shares continue to trade at a discount of c.20% to the current European newspaper sector average of c.12x. The above average probability of further major shareholder stake-building provides another potential positive catalyst for the share price :

Chart view: A close above €2.24 will break the downtrend and improve the outlook.

Siemens

Price: €88.16
P/E: 12.3
Div: 1.8%
Target: €120

Fundamental view : **Siemens** recently reported a strong set of first quarter results that came in well ahead of analyst expectations and gave solid guidance for the rest of the year. Siemens' new corporate structure has now taken effect and the company expects to reduce annual SG&A costs by 10%-20% saving it between €1.2bn-€2.5bn. The new structure of Siemens underlines the diversity of its product offering from the company under which it focuses on three distinct areas of business; Industry, Energy and Healthcare representing 56%, 28% and 16%, respectively.

Next Catalyst : The next major catalyst for Siemens will not be until April 30th when the group reports its second quarter results where we expect the company to show continuing improvement given the restructuring that the company has undergone. Siemens is also in the middle of its share €10bn share buyback program of which €2bn will be completed by the end of April representing 20% of the group's average daily trading volume.

Chart view: Chart outlook is positive. Momentum is improving and further upside is likely

Hewlett-Packard

Price: \$43.87
P/E: 13x
Div: 0.68%
Target: \$60

Fundamental view : **Hewlett-Packard (HP)** is one of the most diversified technology companies both geographically and through its product offering which should help the company weather any significant economic downturn. HP generates c. 67% of its revenue from outside of the US and while the weak US dollar should help revenue it is the group's increasing exposure to emerging markets at the BRIC countries geography, now represents c. 9% of group revenue, which should help drive earnings growth. HP's product offering is also well spread ranging from PCs & notebooks to servers & software.

Next Catalyst : On Tuesday, Hewlett-Packard is due to report its first quarter results for 2008. We expect the company to report a 25% increase in EPS to \$0.81 with revenue increasing by 10% to \$27.5bn and reaffirm its full-year 2008 earnings guidance. The stock is currently trading at 13x 2008 earnings which is at the low end of its historical range of 12x-18x despite being on track for 15% EPS growth.

Chart view: Strong support in the \$40 area has held and momentum is improving. More upside expected.

Short

Elan

Price: €17.08
P/E: N/A
Div: 0%
Target: €15.40
Stop loss: €18

Fundamental view : Elan released its 2007 financial results on Wednesday. The company posted a \$405m loss in 2007, an 86 cent per share loss for the year. Elan relies on its cash balances to cover its R&D and operating costs, these balances are down to about \$700m. Even if Elan experiences no unexpected negative events in the short term, the current share price is too high given the negative earnings, lack of dividend and relative value available in its sector peers and in the Irish market in general.

Next Catalyst: There is ongoing speculation of M&A around Elan, and a possible takeover is not out of the question. Although it would be difficult to justify paying a premium to the current stock price. Elan is likely to move significantly on any results from clinical trials, regulatory decisions, or adverse patient reactions. **Trade only with a stop-loss in place**

Chart view: Stock is struggling to build on its January gains and momentum is fading. First noteworthy support is at €15.40.

Short

Volkswagen

Price: €149.99
P/E: 12.5x
Div: 1.26%
Target: €130
Stop loss: €160

Fundamental view : The share price for Volkswagen has fallen less than 4% this year compared with a decline of almost 15% in the Dax, and has significantly outperformed its automotive producer peer group. The company reported strong results for the first nine months of 2007. However the economic outlook has changed significantly since then. Volkswagen trades on a higher multiple than its peers 12.5x versus 8.9x. If weakness in European retail sales feeds into Automotive sales, than Volkswagen would have furthest to fall.

Next Catalyst: Volkswagen has its 2007 year end financials on the 14th March, full year results should be strong but guidance for 2008 is key. Reports on a tougher operating environment or a forecast in earnings that is below expectations should have a significant negative impact on the stock. Takeover speculation remains, with Porsche maintaining a 30% stake in the company, although any deal would be difficult to conclude given the current credit environment. **Trade only with a stop-loss in place**

Chart view: Failure to hold €148.50 area would suggest significant downside.

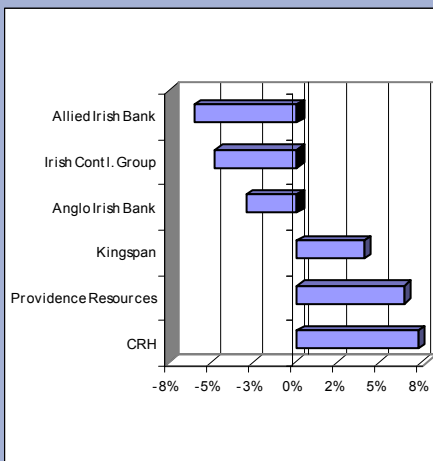
EARNINGS: **TUESDAY:** (Barclays, FY) (Cadbury, Prelim) (HP, Q1) (S&N, FY) **WEDNESDAY:** (BNP, FY) (Anglo American, FY) (AIB, FY) (Heineken, FY) (A&L, Prelim) **THURSDAY:** (Allianz, Prelim) (ICON, FY) (JC Penny, Q4) (Nestle, FY) (BAE Systems, Prelim) (Centrica, Prelim) (Kingfisher, TS) **FRIDAY:** (Lloyds TSB, FY)

ECONOMIC: **Monday** (US President's Holiday), **Wednesday** (BoE Minutes, US CPI, Housing Starts, FOMC Minutes), **Thursday** (UK Retail Sales, US Weekly Jobless Claims, Leading Indicators, Philly Fed), **Friday** (Euro-Zone PMI)

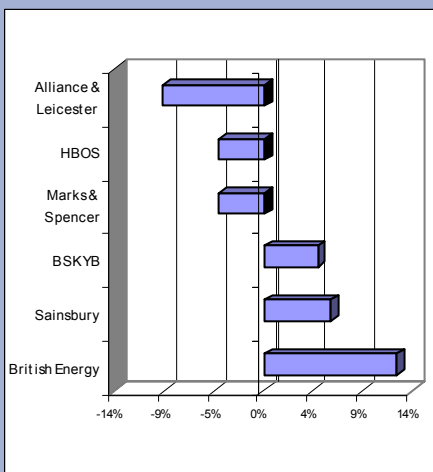
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/ Worst Performers 11/02/08-15/02/08

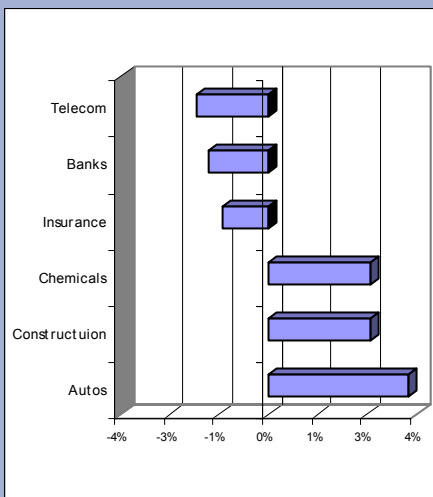
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen WEEKLY UPDATE

Company	WTD	Relevant news
AIB	-10%	Ahead of Full Year results on Wednesday.
Aviva	-4.7%	Aviva enhances Navigator Business Super Product by addressing underinsurance issue.
BP	1.1%	BP and DJ Dupont disclose advanced bio fuels partnership targeting multiple Butanol Molecules.
Coca Cola	-0.8%	Coca-Cola reports 4Q results well ahead of market expectations: net operating revenue of \$7.33 billion.
CRH	8.5%	Vulcan Materials, a peer of CRH in the US, posts results that were better than expectations.
Hewlett Packard	4.8%	HP reports Q1 results on Tuesday the 19th of February.
IAWS	1.0%	Panera Bread, the US café bakery group, expects its 2008 wheat costs to rise by 140%.
IL&P	-0.7%	Gross mortgage lending value down 20% yoy in Q4, but reports exist that the pace of decline is slowing.
Microsoft	-0.1%	Yahoo wants a News Corp takeover bid instead of Microsft.
Paddy Power	0.0%	888 holdings report strong results with net gaming up 36%.
Ryanair	1.1%	Ryanair is upgrading its website which allow the website to handle in excess of 100m
Vodafone	-2.3%	Vodafone targets Spanish fixed-line market.

DD Unrealised gain YTD	-6.43%	ISEQ YTD	-6.13%
DD Realised gain YTD	-10.55%	FTSE YTD	-9.38%
DD Total YTD	<u>-12.38%</u>	Average performance	<u>-7.75%</u>
Relative Performance		<u>-4.63%</u>	

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

What it says in the 'Sundays'

Company	Paper	Headline
BOI	S. Independent	"Cut-price buyback plan must be next BOI move"
Greencore	S. Tribune	"Ready for hostile bid"
AIB	S. Times	"AIB subprime losses set to be revealed"
Greencore	S. Times	"Greencore stalking overplayed"
Coca-Cola	S. Times	"The real thing has gone a little flat"
Elan	S. Business Post	"Summer of '08 seen as a key period"

Recent Corporate Visits

Company	Change on year	Meeting date	Relevant news
Upcoming Corporate visits : Over the next few months we will have a number of Irish and International companies presenting to US. Paddy Power have confirmed that they will present to US in May, while IAWS have said they will present to us after their results in March. We also expect to have the Irish management of Intel, Microsoft and Hewlett-Packard in to speak with us.			
Anglo Irish Bank	-11.62%	29/11/07	Group CEO David Drumm explained that the bank business model remains protected from the current banking crisis



Last Weeks Moves

Equities

	Level	Change WTD	Change YTD	Div Yield	P/E
ISEQ	6478	-0.9%	-6.6%	3.0%	9.3
FTSE 100	5788	0.1%	-10.4%	4.1%	11.3
DAX	6832	1.0%	-15.3%	2.9%	11.6
Dow Jones	12348	1.4%	-6.9%	2.5%	14.6
S&P 500	1350	1.4%	-8.0%	2.2%	18.4
Nasdaq	2322	0.7%	-12.4%	0.9%	32.9
EuroStoxx 50	3167	0.0%	-14.0%	4.2%	10.4
Nikkei 225	13622	4.6%	-11.0%	1.5%	15.5

Sector

	Weekly move%	YTD move %
Autos	3.77	-17.20
Construction & Materials	2.76	-12.10
Chemicals	2.73	-9.30
Industrials	2.56	-13.17
Basic Resources	2.28	-2.94
Oil & Gas	2.12	-12.10
Utilities	1.81	-9.38
Healthcare	1.24	-8.95
Retail	1.22	-15.53
Personal & Household Goods	0.69	-12.74
Technology	0.48	-11.03
Financial Services	0.47	-10.46
Media	0.34	-14.01
Food&Bev	-0.07	-11.19
Travel & Leisure	-0.49	-14.00
Insurance	-1.23	-17.49
Banks	-1.61	-18.72
Telecom	-1.96	-11.35

Commodities

	Current	Change YTD
Crude Oil	\$95.50	-0.3%
Gold spot	\$902.50	+8.2%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.468	-0.6%	1.55
EUR-GBP	0.748	+1.8%	0.75
EUR-JPY	158.3	-2.8%	165.0

GDP Growth

	Current	Year End (est)
Ireland	5.00%	3.00%
Euro Zone	2.50%	2.00%
UK	3.10%	2.00%

Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	4.00%	4.35%	3.25%
UK	5.25%	5.65%	4.50%
US	3.00%	3.08%	2.00%

Credit Market Summary

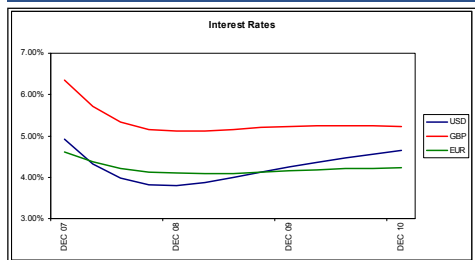
Spreads continue to decouple from equity markets with ongoing Monoline concerns, weak syndication in the LBO loan market and rising municipal bond pricing weighing on credit investors, while equity markets saw a rally at the beginning of the week and equity market volatility fell. Investment grade and banking spreads underperformed this week with spreads widening to record +100bps levels. The credit market outlook remains focused on Monoline bailout potential, given the trickle down effect scenario in the event of rating downgrades for MBIA and Ambac., therefore we expect spreads to remain highly volatile.

Credit Sector Movements

Automotive: European automakers were significantly wider this week, however the surprisingly good Peugeot results this week has meant the French automakers have decoupled, with Renault risk now 10bps greater than Peugeot risk. German automakers were mixed with BMW underperforming, with 10% spread widening, while Daimler was 8.5% wider and VW continued to perform well with spreads 1.5% tighter.

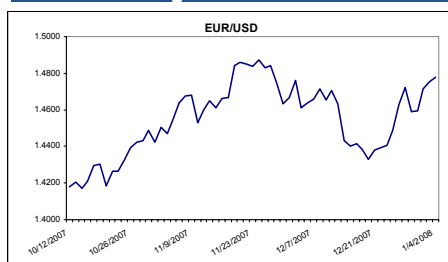
Chemicals. Following the issuance of a report on the European chemical sector from Moody's names in the sector were mixed this week; BASF and Linde widened 12% and 6% respectively while Bayer tightened 5%. Moody's was bearish the outlook citing slowing economies and strengthening Euro as well as an immediate impact from the weak automakers and building materials sectors.

Interest Rate Outlook

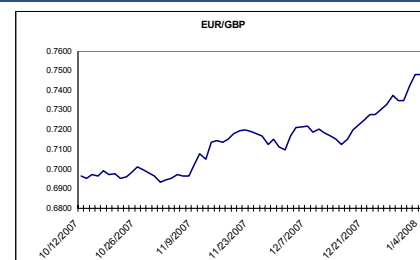


The US Yield curve steepened last week as inflation worries undermined longer-dated maturities while shorter dated notes outperformed as bets increased on further rate cuts out of the US. The gap between the two and 10-year US yields hit its highest level since July 2004 with the two-year yield falling by 3bps to 1.9% while the 10-year yield rose 13bps to trade at 3.65%.

Currency Comment



The dollar weakened against the euro last week on the back of continuing weak economic data in the US with Michigan Confidence falling to its lowest level since 1992 and Empire manufacturing showing a contraction. Key this week will be US housing data on Wednesday, while the Philly Fed number on Thursday will also be closely watched and a further softening in the data could see the dollar weaken further.



The euro strengthened slightly against sterling last week despite the UK's quarterly inflation report signalling that upward risks to inflation remain. Key this week will be minutes from the Bank of England on Wednesday, while Euro-Zone PMI data due on Friday will also be closely watched and any weakness here could see further calls for the ECB to cut interest rates.



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