Dolmen Daily

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Market View

After steady gains over the past three days on the back of US, EU and Chinese data continuing to suggest resilience in global manufacturing, European markets are set to consolidate today and have opened marginally lower. Optimism is growing that the European debt crisis, which is a major threat to growth, is being reduced as central banks continue to flood the system with liquidity. However, the threat is still there as negotiations continue on the Greek debt talks, Portuguese bond yields remain at unsustainable levels and strikes show underlying discontent at austerity measures. The long-awaited resolution to the Greek debt talks are still pending, the most recent holdup being attributed to differences between the IMF and Germany. The former is looking for official creditors to shoulder some losses, while the latter sees no need for official sector involvement and is calling for deeper cuts in the Greek budget. On the company front the two big stories catching the markets' attention this morning are the proposed $5bn IPO of Facebook, being led by Morgan Stanley, and the fact the Glencore could be near to an agreement with Xstrata on a merger, something that has been touted since the former's IPO last year. The only data point of note today is US initial jobless claims at 13:30, with consensus at 371,000.

Unilever - Buy — Previous Close 2085p — Target 2240p

Unilever the world's second largest consumer goods company released full year numbers this morning which were a touch lighter than market expectations. Group sales came in at €46.4bn v €46.6bn expected while earnings per share was €1.41 v €1.46 expected. The company, which manufactures Dove Skincare and Knorr soups saw an improvement in pricing but this came at the expense of volumes in some areas however Unilever still gained share in many of its key businesses. Company margins also fell by 10bps for the full year, which was at the higher end of market expectations. Emerging markets, where the company generates over half of its revenue continued to outpreform delivering underlying sales growth of 11.5%. In its outlook statement, management acknowledged that while the macro environment was likely to remain tough in FY12, it expects profitable volume growth and steady yet sustainable core operating margin improvement for the full year. The company trades on 14.7x forward earnings and yields a dividend of 3.8%.

Royal Dutch Shell - Buy — Previous Close 2268p — Target 2600p

Royal Dutch Shell has released Q4 earnings this morning that missed market expectations. Earnings were reported at $4.84bn versus consensus of the $5.10bn. The reason for the miss was a $278mln loss in the company's downstream business. The market was expecting the oil major to turn a modest profit here, however the loss was the result of continued refining margin pressure. The negative impact in the Downstream was offset somewhat by the Upstream which recorded a solid quarter with earnings coming in ahead of expectations at $5.10bn. Production fell in the quarter to 3305k/boepd however this was ahead of expectations at 3200k/boepd and resulted in the stronger Upstream numbers. As part of the results Royal Dutch Shell stated that it may grow its dividend this year which should see its payout rise from $0.42 a share to somewhere closer to $0.45 a share. On the whole the results are disappointing however it was believed that the market had been guided lower into results so the weak quarter had been anticipated. The prospect of an increased dividend is a positive however this afternoon's conference call will be a key driver as the company sets out its new growth agenda. We remain a buyer of the stock with a 2600p price target.

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