Dolmen Daily

DOLMEN STOCKBROKERS

Friday 20th January 2012

CONTENTS

IRISH PAPERS TODAY

EU Treaty revision makes Irish vote less likely
(The Irish Times)

Banker predicts return to markets
(The Irish Independent)

Consumer prices rise in December
(The Irish Times)

INTERNATIONAL PAPERS TODAY

Buffett boost for Tesco
(Financial Times)

Nomura passed on Italian bonds
(Wall Street Journal)

Greek PM piles on pain
(Financial Times)

Market View

Asian stocks rose overnight on speculation that the Chinese Government will curb on lending along with good Q4 earnings from the US technology names outside of Google which missed estimates. The Chinese markets did taper off at the end of the day in advance of the Shanghai exchange being closed next week for the Lunar holiday and PMI data showing continued contraction in China. European markets have opened lower this morning with reports emanating from the media suggest that the IMF will cut its global growth forecasts from 4% to 3.3% with a sharp revision in the outlook for southern European countries when it publishes its world economic outlook next week. The text is expected to encourage the ECB to continue its accommodative policies to prevent a credit squeeze as European banks shrink their balance sheets to meet EBA capital ratios by June. Commerzbank advanced yesterday as it announced that it won't need state aid to meet these capital targets. In Greece, the long running negotiations with private sector creditors about debt restructuring appears to be coming to an end, leaving the way open of another multibillion euro bailout for the country. It is a quiet day from a data perspective today with UK retail sales out at 9.30 (2.4% expected) while in the US existing home sales is reported at 15.00 with the market looking for 4.65.

Intel - Buy   Previous Close €25.63   Target $27.50

Intel last night delivered results which were in line with expectations. This however was little surprise to the market as the chipmaker had managed down expectations in December when it revised its Q4 guidance lower as a result of the supply chain disruption in Thailand. EPS for Q4 was 64c versus consensus of 62c while revenue came in just above guidance, at $13.9bn. Importantly, Intel did not revise guidance for the first quarter down keeping a target of $12.8bn plus or minus 500mln in place. It also stated that gross margins are expected to be 63% in Q1 which is marginally ahead of market expectations. The results demonstrate a continuation of recent trends at the company as emerging markets continue to perform while mature markets showed evidence of a sluggish consumer. Server demand was particularly impressive in emerging markets while data center revenue continued to perform driven by the cloud. On the whole, this was a solid update from Intel and does support our bullish thesis on the chipmaker. We rate the stock as a Buy with a $27.50 price target.

Microsoft - Buy   Previous Close €28.12   Target $30.00

Like Intel, Microsoft last night delivered a solid update however expectations had been low heading into the release and the market was impressed by the strong performance of the company's gaming division over the holiday period. The software's giant Xbox business was bolstered by the performance of Kinect and customers signing for subscriptions to the company's online gaming offering. As a result headline figures were marginally ahead of market expectation with EPS reported at 78c (consensus 77c) and revenue coming in at $20.9bn (consensus $20.7bn). Microsoft did experience headwinds in the quarter from what it characterized as a challenging PC market. This was the result of weaker developed market growth, PC supply chain disruption and a belief that customers are putting off purchases until the release of Microsoft's Window 8 operating system which is more compatible with tablet technology. Nevertheless, on the whole this was a solid update from Microsoft and consequently we continue to rate the stock as a Buy with a $30 price target.

Vodafone - Buy   Previous Close 174p   Target 195p

At the end of a long drawn out process, the Indian Supreme Court has ruled that Vodafone is not liable to pay capital gains tax on its $11bn acquisition of a 67% stake in Hutchison Whampoa's Indian mobile division in 2007, overturning a lower court decision. The Supreme Court has also ruled that the Government must pay back the deposit provided by Vodafone (£356m) with interest, at 4%. Vodafone had argued throughout that it was not liable to the tax given that the deal was between two overseas companies, it was applied retrospectively and CGT should be applied to the owners of the acquired company, not the acquirer. This is a positive outcome for Vodafone on a non-operational issue that has overhung the division for a number of years. Even at current levels, the company represents value for clients looking for a strong defensive telecom player in the more attractive mobile (rather than fixed line) sector, with an extended geographic footprint. A well backed dividend currently yielding 5.7% provides a comfortable backstop.

Regulatory Information

Regulatory Information

Dolmen Securities Limited is regulated by the Central Bank of Ireland. Dolmen Securities Limited is a member firm of the London Stock Exchange. Dolmen Stockbrokers is regulated by the Central Bank of Ireland. Dolmen Stockbrokers is a member firm of the Irish Stock Exchange and the London Stock Exchange.

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes in order to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor.

Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgment as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuer(s) in advance of publication.

Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. The income you get from your investment may go down as well as up. Figures quoted are estimates only; they are not a reliable guide to the future performance of this investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

This report is the property of Dolmen and may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

Conflicts of Interest & Share Ownership Policy

Unless specifically stated to the contrary in this report, Dolmen, its employees, directors or related companies, do not hold shares in the stocks covered in this report.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in the companies they publish research, views and recommendations on. Accordingly analysts involved in the production of this report may have positions in any securities herein. Dolmen ensures that all staff dealing is undertaken in strict compliance with Dolmen's internal staff dealing procedures. Therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

Our conflicts of interest management policy is available at the following link;

http://www.dolmenstockbrokers.ie/regulation_mifld.shtml

Analyst Certification

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Ian Hunter, Brian Gallagher and John Mullane are responsible for the production of this report. Ian Hunter, Brian Gallagher and John Mullane are equity analysts.

For US Persons Only

This report is only provided in the US to major institutional investors as defined by s.15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.

Other important disclosures

A description of Dolmen's basis of valuation or any other methodology used to evaluate a financial instrument or issuer or to set a price target and the meaning of any recommendation made such as buy, sell or hold is set out at:

http://www.dolmenstockbrokers.ie/disclosures.shtml

Prices quoted in this report, unless otherwise indicated, are as of close on the previous trading day.

A summary of existing and prior price targets for each company under coverage is available at http://www.dolmenstockbrokers.ie/disclosures.shtml

Dolmen Stockbrokers, 75 St. Stephen's Green, Dublin 2, Ireland.

DOLMEN SECURITIES LTD

75 St. Stephen's Green, Dublin 2, Ireland.	Tel : +353 1 633 3800/1890 400 300	E-mail: info@dsl.ie
45 South Mall, Cork, Ireland	Tel : +353 21 422 2122	E-mail: cork@dsl.ie
Theatre Court, Mallow St, Limerick, Ireland.	Tel : +353 61 436 500	E-mail: Limerick@dsl.ie