

## CONTENTS

**Market View** : European equities slightly lower as speculation over Chinese monetary tightening grows

**BHP Billiton** : Q2 Production Update

**William Hill** : Gross win margins return to normal range

**Citigroup** : Q4 earnings prove to be slightly weaker than expectations

**US Economy** : Democrats lose Massachusetts Senate election

### Market Movers

## IRISH PAPERS TODAY

Regulator will interview bankers for senior roles  
*(The Irish Times)*

Cadbury accepts improved £11bn offer  
*(The Irish Times)*

Bank probe will keep taxpayers in the dark  
*(The Irish Independent)*

## INTERNATIONAL PAPERS TODAY

Cadbury defends sell out  
*(Financial Times)*

Federal Reserve makes huge paper profits in wake of AIG credit insurance rescue  
*(The Financial Times)*

King Warns on deficit  
*(The Wall Street Journal)*

## Market View

**Analyst : Stephen Taylor**

European equity markets are slightly lower this morning, however they are off their worst levels of the session. Lower closes in Asia overnight are leading to the minor weakness. China saw the worst losses trading down by circa 3% on speculation that the People's Bank of China is going to increase interest rates. While this may be a short-term negative for markets, data out of China has been very strong over the last number of months and any increase will be taken as a proactive step to cool the economy. Earnings from major technology companies continue to be strong with IBM posting better than expected results after the US close last night. The company also provided guidance for 2010 that will exceed its prior estimates. While the stock was 2% lower after hours it should be noted that shares hit a 52-week high intra session yesterday. Also this morning, Dutch company ASML (maker of semiconductor equipment) also reported better than expected results. All supply chain checks from the technology companies that we follow indicate that demand for technology products remains strong. As for today the main focus will again be on banking results out of the US with Bank of America, Wells Fargo and Morgan Stanley all due to report earnings before the US market opens. On the economic front Minutes from the Bank of England's December meeting will be closely watched in addition to unemployment data. In the US housing data in the form of Housing Starts and permits will be closely watched.

### **BHP Billiton Yesterday's Close 2080p Price Target Under Review Analyst Brian Gallagher**

This morning BHP Billiton released its Q2 production update with the report underlining similar trends that were highlighted last week by its peer Rio Tinto. The most obvious comparison was in relation to Chinese iron ore demand which was very strong during the quarter resulting in BHP Billiton increasing production by 11% year on year. Copper production fell by 12% against the same quarter last year but this was not a surprise considering the difficulties the company has had with its Olympic Dam facilities. Production in other metals was slightly weaker than what we were expecting but not enough to be of a concern. The diversified miner's outlook remains cautious noting that developed economy demand has the potential to be uneven as stimulus is removed. Management also commented on Chinese loan growth which would indicate that they see tightening as an impediment to China's voracious demand for commodities.

### **William Hill**

**Yesterday's Close 185p**

**Analyst Edward Keeling**

William Hill released a trading update for the 13 weeks ending 29<sup>th</sup> December this morning and the group has indicated it saw good trading for the period. Gross win margins returned to their normal range of 17-18%, up from 15% at the last update, reflecting more favourable sporting results. Net revenue for Q4 was up 6% compared with the same period last year, with online delivering another strong performance. Going forward the group is guiding for a full year EBIT of £250m, above consensus forecasts of c.£244m. In conjunction with the trading statement the group also announced that Charles Scott, Chairman of the group since 2004, will be standing down from the end of 2010. The board will now start the process to appoint Mr Scott's successor and a further announcement will be made when appropriate.

### **JP Morgan : Buy Yesterday's Close \$43.28 Price Target \$47.50 Analyst Oliver Gilvarry**

Citigroup's reported a Q4 EPS which was weaker than consensus at (33c). Revenues were slightly weaker than expected at \$17.6bn, with reserve builds lower than in the previous quarter at \$700m. The reserve build for consumer was \$1bn, offset by a \$300m release on corporate loans. The release on the Corporate loans was due to a stabilisation in credit quality and reduction in the portfolio. Overall the results were mixed with consumer credit still weak, but the positives were the improvement in Corporate credit and the strong capital position. Today, Bank of America, Morgan Stanley and Wells Fargo all report Q4 earnings. EPs for BAC is expected at (52c) with revenues expected at \$24.16bn. EPS at Wells Fargo and Morgan Stanley are expected at (1c) and 38c respectively. We expect the trends started by JP Morgan to continue with Fixed Income revenues to be weaker in Q4, stabilisation in Corporate loans books and mixed performance in consumer loans. Wells Fargo is the most exposed to weak consumer credit as it still has large exposures to Option Adjustable Rate Mortgages and Home Equity loans. It would seem the improvement in the consumer part of US loans books will only be seen in the current quarter at the earliest.

### **US Economy**

**Analyst Oliver Gilvarry**

In the US overnight the Democrats lost the Senate election in Massachusetts. This was previously a safe Democrat seat and the loss of it reduces the Democrats seats in the Senate to 59, below the 60 required to force through legislation. The winner of the election, Scott Brown, has been very vocal in his opposition to the Obama Healthcare plan. This will make it more difficult to force through the changes Obama wishes to impose on Healthcare in the US and he may have to water down some of the proposals such as providing a public option for healthcare. The election result is a positive for US Health Insurers. It will also reduce the probability for the introduction of the Tarp tax by the administration or at least reduce the impact of it on the banks. Therefore, the election result is positive for US Healthcare, Drug companies and the banking sector.



### International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,102	-0.2%	4.0%
FTSE	5,513	0.3%	1.4%
Dow Jones	10,725	1.1%	2.9%
S&P	1,150	1.2%	3.2%
Nikkei	10,765	-0.8%	1.8%
Stoxx 50	2,985	0.9%	0.3%

### Sector Performances

Sector	Index	1-Day	YTD
Construction	285	0.4%	2.3%
Technology	193	0.2%	5.3%
Oil & Gas	344	0.7%	4.0%
Financials	228	0.5%	2.2%
Retail	252	1.1%	3.2%
Food & Drink	308	0.9%	0.9%

### Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	79.0	1.3%	-1.4%
Copper	344.7	2.4%	1.8%
Gold	1,138.2	0.4%	3.1%
Silver	18.8	2.0%	10.6%
Wheat	500.5	-1.9%	-8.5%
Cattle	91.2	0.7%	1.1%

### Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.429	-0.7%	1.0%
€/£	0.873	-0.8%	1.8%
£/\$	1.636	0.1%	-0.8%
\$/JPY	91.140	0.4%	2.3%
€/JPY	130.238	-0.3%	3.3%
€/SFR	1.476	0.1%	0.6%

### 5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	70.4	5.1%	4.8%
High Yield	405.4	1.9%	-3.4%
Financials	73.2	5.8%	5.2%
BoI	186.2	0.6%	-22.4%
AIB	207.5	1.7%	-25.1%
RBS	123.2	0.0%	-9.6%

### Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.5%	0.2%
3-Month	0.7%	0.6%	0.2%
1-Year	1.2%	1.1%	0.5%
2-Year	1.7%	1.9%	1.2%
5-Year	2.7%	3.3%	2.7%
10-Year	3.5%	4.0%	3.8%

Date	Company	Region	Event
20/01/2010	Ingenico SA	FR	Q4 SALES
20/01/2010	Covidien plc	IE	Q1
20/01/2010	Kesa Electricals plc	GB	TRADE
20/01/2010	Amdocs Ltd	GB	Q1
20/01/2010	JD Wetherspoon PLC	GB	TRADE
20/01/2010	Xilinx	US	Q3
20/01/2010	Bank of America Corp.	US	Q4
20/01/2010	BNY Mellon Corp	US	Q4
21/01/2010	Logitech International SA	CH	Q3
21/01/2010	BlueBay Asset Management PLC	GB	TRADE
21/01/2010	EasyJet PLC	GB	Q1 TRADE
21/01/2010	NCC Group Plc	GB	INTERIM
21/01/2010	WM Morrison Supermarkets PLC	GB	TRADE
21/01/2010	PayPoint Plc	GB	TRADE
21/01/2010	St.James's Place Plc	GB	NEW BIZ
21/01/2010	ThyssenKrupp AG	DE	AGM
21/01/2010	Intl. Game Tech.	US	Q1
21/01/2010	Capital One Fincl. Corp.	US	Q4
21/01/2010	KeyCorp	US	Q4
21/01/2010	Morgan Stanley	US	Q4

Date	Event	Region	Estimate
20/01/2010	Producer Prices (MoM)	GE	--
20/01/2010	Bank of England Minutes	UK	--
20/01/2010	Jobless Claims Change	UK	--
20/01/2010	ILO Unemployment Rate (3mths)	UK	--
20/01/2010	MBA Mortgage Applications	US	--
20/01/2010	Producer Price Index (MoM)	US	--
20/01/2010	Housing Starts	US	--
20/01/2010	Building Permits	US	--
21/01/2010	ECB Publishes Jan. Monthly Rep	US	--
21/01/2010	Public Sector Net Borrowing	US	--
21/01/2010	M4 Money Supply (MoM)	US	--
21/01/2010	Initial Jobless Claims	EC	--
21/01/2010	Philadelphia Fed.	EC	--
21/01/2010	Leading Indicators	US	--
22/01/2010	Retail Sales (MoM)	UK	--
22/01/2010	Industrial New Orders SA (MoM)	EC	--
22/01/2010	PMI Manufacturing	GE	--
22/01/2010	PMI Services	GE	--
22/01/2010	PMI Services	EC	--
22/01/2010	PMI Manufacturing	EC	--

### **Regulatory Information**

Dolmen Securities Limited is regulated by the Financial Regulator. Dolmen Securities Limited is a member firm of the London Stock Exchange. Dolmen Stockbrokers is regulated by the Financial Regulator. Dolmen Stockbrokers Limited 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 forward-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**

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments / derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

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.

### **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. Oliver Gilvarry, Stephen Taylor, Edward Keeling & Brian Gallagher are responsible for the production of this report. Oliver Gilvarry is Head of Research and Stephen Taylor, Edward Keeling & Brian Gallagher 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.

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



## **DOLMEN SECURITIES LTD**

75 St. Stephen's Green, Dublin 2, Ireland.  
45 South Mall, Cork, Ireland  
Theatre Court, Mallow St, Limerick, Ireland.

Tel : +353 1 633 3800/1890 400 300  
Tel : +353 21 422 2122  
Tel : +353 61 436 500

E-mail: [info@dsl.ie](mailto:info@dsl.ie)  
E-mail: [cork@dsl.ie](mailto:cork@dsl.ie)  
E-mail: [Limerick@dsl.ie](mailto:Limerick@dsl.ie)