Dolmen Daily

DOLMEN STOCKBROKERS

Wednesday, 21st January 2009

CONTENTS

IRISH PAPERS TODAY

America 'ready to lead again'
(The Irish Times)

'State will aid AIB, BoI on €1bn if investors fail'
(The Irish Times)

'Sterling falls to record lows after bailout sparks panic'
(Irish Independent)

UK PAPERS TODAY

Bank of England to buy up corporate bonds
(FT)

Stricken British banks are shunned by overseas lenders
(FT)

Lloyds hit by fears of state control

(Daily Telegraph)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	1.02%	-13.5%
BP	1.84%	-5.3%
CRH	-4.6%	-2.8%
E.ON	-0.2%	-12.3%
HP	-4.1%	-8.3%
IL&P	9.09%	-23..4%
INM	-3.8%	-40.5%
J&J	-1.2%	-5.1%
JPMorgan	-42.6%	-20.7%
Microsoft	-6.2%	-4.9%
Paddy Power	-3.1%	-18.4%
Vodafone	0.0%	-1.7%

Market View

Analyst : Stephen Taylor

Financial stocks continued to weigh heavily on equity markets yesterday as the likelihood of further capital injections from governments into banks globally increased substantially. State Street's admission that it had $6.3bn in unrealised losses led to further uncertainty as one of the best performing banks last year lost 60% of its value in one day. Reports also suggest that Bank of America may need $80bn in additional capital close to three times its current market capitalisation. On a more positive note IBM reported stronger than expected earnings and guidance after the US close last night and its shares were 5% higher in after hours trading. In the technology sector we continue to prefer software over hardware given its defensive characteristics. Microsoft remains our preferred pick due to its diversification and strong balance sheet. We believe that the 6% sell off in its shares yesterday has led to a good entry point ahead of its results on Thursday. Tonight we will get an insight into the hardware side of the sector when Apple reports its first quarter results.

Tullow Oil : Buy   Current Price (£6.02)   Price target (£9.00)   Analyst : David Dunk

Tullow released a trading statement this morning, which included an operational update as well as details of a proposed equity placing. The proposed divestment of the M'Boundi asset, has fallen through as a result of delays in receiving government approval within a reasonable timeframe. Tullow intends to raise up to £400 million in an effort to improve the strength of its balance sheet. The placing will consist of up to 9.1% of the existing shares in issue, at a price that is yet to be determined. On a strongly positive note, Tullow has stated that 60% of the approvals relating to its proposed $2bn credit facility have been received. The company has guided that it expects this process to be completed by the end of February. Tullow remains our preferred pick among the oil & gas exploratory companies. We will adjust our NAV and release a more complete update tomorrow.

J&J : Buy   Current Price ($56.75)   Price target ($70.00)   Analyst : Stephen Taylor

Johnson & Johnson (J&J) reported a strong set of fourth quarter results and provided reassuring guidance for its 2009 financial year. The group reported EPS that increased to $0.97 from $0.82 a year earlier. The strong growth in earnings was helped by significant cost cutting measures during the quarter. On a currency adjusted basis revenue declined by 1% to $15.8bn. For its 2009 financial year the company expects to report EPS in the range of $4.45-$4.55 versus consensus estimates of $4.58. While the guidance was slightly below consensus in reality expectations were lower. The group also indicated that it will generate in excess of $12bn in free cash flow which will be used for increased dividends, share buybacks and acquisitions. J&J's results yesterday provide us with confidence that it will continue to outperform in the current downturn given the diversified nature of its business both geographically and operationally. The group's CEO William Weldon pointed out that consumers had become more cautious due to economic hardships and cited expectations that unemployment would continue to rise which will have an effect on healthcare sales. Weldon did point out however that he was 'very optimistic' about the group's prospects beyond 2009.

Financials :   Analyst : Oliver Gilvarry

Bank of England Governor, Mervyn King, was speaking last night in Nottingham. In his speech he commented on the plan for the BOE to purchase commercial paper and corporate bonds. He stated that the plan will be in operation in a matter of weeks. The aim is to increase lending to companies and consumers as UK banks repair their balance sheets by reducing the availability of credit. Adding to the lack of credit available in the UK economy is the number of foreign banks that have reduced lending there. It is this reduction in the availability of credit that the UK Government is trying to reverse with the plans announced on Monday.

The purchase of assets directly by the BOE differs from Quantitative Easing (QE), as the money used to purchase the assets will be raised from the issue of gilts to private investors and doesn't increase the money supply. King did state that despite large cuts in interest rates, inflation could fall below its target of 2% and will not prevent a contraction in the UK economy in the first half of 2009. With regard to inflation falling below BOE's target, King stated "It is sensible for the Monetary Policy Committee to prepare for the possibility, and I stress that we are not there yet, that it may need to move beyond the conventional instrument" of using monetary policy. This statement implies the BOE have put in place plans to use QE to fight deflation and economic conditions will deteriorate further in the first half of this year.

Bank bailouts continue with Hypo Real Estate (Hypo), the German commercial property lender, receiving €12bn in debt guarantees. The bank can borrow against these guarantees granted by the German bank rescue fund, Soffin, till June 12th. Negotiations between Hypo and Soffin are on-going to arrange longer term liquidity and capital support measures for the group. Hypo received a €50bn bailout in October after its Dublin based unit, Depfa Bank, was unable to refinance short-term funding from financial institutions and central banks.

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Market Movers

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International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,231	-1.9%	-8.5%
FTSE	4,091	-0.4%	-9.3%
Dow Jones	7,949	-4.0%	-9.4%
S&P	805	-5.3%	-10.9%
Nikkei	7,902	-2.0%	-10.8%
Stoxx 50	2,201	-2.3%	-12.5%

Sector Performances

Sector	Index	1-Day	YTD
Construction	186	-3.2%	-10.6%
Technology	147	-3.8%	-2.8%
Oil & Gas	262	-1.0%	-5.6%
Financials	115	-7.3%	-27.1%
Retail	182	-2.0%	-1.4%
Food & Drink	234	0.1%	-0.1%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	40.8	-4.1%	-15.0%
Copper	150.5	-1.5%	6.4%
Gold	857.3	2.6%	-2.1%
Silver	11.2	-0.4%	1.5%
Wheat	550.0	-4.9%	-9.0%
Cattle	85.4	-2.7%	-4.2%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/$	1.291	-1.2%	7.5%
€/£	0.926	2.2%	2.0%
£/$	1.393	-3.4%	5.6%
$/JPY	89.76	-1.0%	0.9%
€/JPY	115.85	-2.2%	8.3%
€/SFR	1.479	-0.2%	1.3%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	171.4	-6.3%	-1.3%
High Yield	1,020.3	2.8%	2.9%
Financials	124.7	7.5%	9.3%
BoI	330.6	2.1%	36.2%
AIB	232.4	7.2%	17.3%
RBS	151.0	23.2%	9.3%

Money Market Rates

Rate	EUR	UK	US
Overnight	2.1%	1.3%	0.1%
3-Month	2.3%	2.6%	1.1%
1-Year	2.2%	1.6%	1.1%
2-Year	2.3%	2.1%	1.3%
5-Year	2.9%	2.9%	2.0%
10-Year	3.5%	3.6%	2.5%

Date	Company	Region	Event
21/01/2009	Apple	US	Q1
21/01/2009	Ebay	US	Q4
21/01/2009	GM	US	Q4
22/01/2009	Enterprise Inns	GB	AGM
22/01/2009	WM Morrison Supermark	GB	TRADE
22/01/2009	Nokia	FI	Q4
22/01/2009	Microsoft	US	Q2
22/01/2009	Bank of New York Mellon	US	Q4
22/01/2009	Lockheed Martin	US	Q4
22/01/2009	Southwest Airlines	US	Q4
23/01/2009	General Electric	US	Q4
23/01/2009	McInerney	IE	TRADING
23/01/2009	Xerox	US	Q4
26/01/2009	Philips	NE	Q4
26/01/2009	WH Smith	UK	TRADING
26/01/2009	Wolseley	UK	TRADING
26/01/2009	American Express	US	Q4
26/01/2009	McDonald's	US	Q4
26/01/2009	Texas Instruments	US	Q4

Date	Event	Region	Estimate
20/01/2009	UK CPI	UK	-0.10%
20/01/2009	German ZEW	GE	-45.2
21/01/2009	German Producer Prices	GE	-1.50%
21/01/2009	Bank of England Minutes	UK	9-0
21/01/2009	UK Unemployment Rate	UK	6.00%
21/01/2009	MBA Mortgage Applications	US	n/a
21/01/2009	NAHB Housing Index	US	9
22/01/2009	European Industrial New Orders	EU	-6.50%
22/01/2009	Housing Starts	US	610k
22/01/2009	Building Permits	US	615k
22/01/2009	Initial Jobless Claims	US	540k
23/01/2009	German PMI	GE	46
23/01/2009	Euro-Zone PMI	EC	33.5
23/01/2009	GDP	UK	n/a
23/01/2009	Retail Sales	UK	n/a
26/01/2009	Leading Indicators	US	-0.30%
26/01/2009	Existing Home Sales	US	-2.00%

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