DOLMEN
WEEKLY TRADER
DOLMEN STOCKBROKERS

Weekly Market Commentary August 23rd 2010

Growth concerns over the US remain, with initial jobless claims of 500k an indicator of 0% growth according to some commentators. There were some suggestions that the jobless numbers were impacted by an anomaly relating to welfare payments nevertheless the figure combined with Philly Fed does shows that growth is slowing. For the week ahead economic data will be focused on German IFO, US Durable Goods & Personal Consumption, Eurozone PMIs and US Housing data. Any further deterioration in the data will lead to further speculation of QE and bond markets are likely to remain strong in this environment. Commodity markets showed some weakness with supply/demand in oil suggesting further weakness. Gold buoyed by flight to quality trade and copper is holding in due to concerns over supply demand mismatch. In equities, continued downgrades to 2011 earnings estimates due to slower growth prospects in major economies is being offset by aggressive M&A. This trend seems set to continue into the final quarter with the largest 1000 companies worldwide excluding Banks having amassed $2.8 trillion in cash. August M&A is set to reach $285bln. We see equities remaining caught in this seesaw while near term we may trade to the lower end of ranges.

Trading Recommendations

Tesco - Buy | Previous Close (400p) | Target (465p) | **Analyst:** Stephen Taylor

We are buyers of Tesco as our preferred UK retail play. Economic data out of the UK including last week's better than expected retail sales figure highlights the UK economy is holding firm and that the consumer is still buying. With a stable unemployment rate at 7.8% (below that in the US and Europe) and signs of food inflation creeping back into the market represents a positive operating environment for the company. Other positives include the c.30% of revenue generated outside of the UK, particularly the 14% generated in Asia. Near term catalysts also include the recent additional purchases of shares by Warren Buffet's Berkshire Hathaway taking its shareholding in Tesco to over 3%.

Vodafone - Buy | Previous Close (150p) | Target (160p) | **Analyst:** Stephen Taylor

We are happy to purchase Vodafone below 150p. Organic revenue growth has continued into the second half of the year driven by strong growth in data. Increased smartphone usage will be a key driver of earnings over the coming years. Emerging markets remain a key focus for Vodafone with India and Turkey showing strong growth. Vodafone also benefits from a strong asset base and any signs of sales including SFR in France or a dividend payment from Verizon Wireless would be a catalyst for the stock. This is also reflected in increased dividend payments as Vodafone confirmed it will increase its dividend by 7% per annum. The current dividend yield is 5.53%.

Intel - Buy | Previous Close ($18.92) | Target ($25.00) | **Analyst:** Stephen Taylor

Technology M&A continued last week when Intel announced the purchase of McAfee for c. $7.6bn. The share price weakness (-3%) following this announcement is a buying opportunity. The deal diversifies the group's business away from PCs and supports its strategic initiative combining its hardware technology to include software and services. Initial weakness focused on the perceived lack of cost synergy and the price paid. The deal uses up c.50% of Intel's cash hoard of c. $15bn but will enhance Intel's gross margins as McAfee gross margins at c.78% as is typical for a high end software company with renewal income. This is the reason that the price to sales is high as these sales translate into a high level of cash flow. The deal is expected to be EPS accretive by c. 7c. With the stock trading at just over 4x 2011 EBITDA we would be buyers at the current level.

Kerry - Buy | Previous Close (€24.20) | Target (€27.50) | **Analyst:** Oliver Gilvarry

Half year results are due from Kerry Group on August 31st with consensus forecast of €0.76 EPS for the half, versus Dolmen forecast of €0.78 , on forecast sales of €2.35bn. We also expect positive guidance for the remainder of the year through tight cost control, advantageous currency moves and the passing on of higher commodity costs through beneficial customer contracts. Results will be a positive catalyst and we recommend buying ahead of results.

Tullow Oil - Buy | Previous Close (1296p) | Target (1470p) | **Analyst:** Brian Gallagher

Tullow Oil will report its H1 results on Wednesday. Of themselves the results should not be a price catalyst but any operational update on recent exploration activities could be such a catalyst. Tullow Oil will continue to be a beneficiary of recent M&A including Dana and Cairn bids given its emerging market exploration focus. The price per barrel being paid in these transactions is supportive of our price target and we see it outperforming the market in the second half of the year as it completes its busy drilling schedule.

CRH - Buy | Previous Close (€13.89) | Target (€20.00) | **Analyst:** Stephen Taylor

CRH is due to report first half results tomorrow. We are recommending that clients hold off on adding to existing positions pre results as we believe they will highlight the current challenges the materials sector is facing. Nevertheless, much of this weakness has been priced in over the last number of weeks as CRH's international peers reported results. Therefore, we see limited downside from here and we expect CRH to trade soft in the first half of the week before seeing support come in as we head into the weekend. We expect the company to post a 20% drop in EBITDA to c.€530m, with sales declining by c. 10% to €7.59bn. At the company's most recent trading statement, CRH indicated that it expects the sales decline for the full year 2010 to be greater than previously anticipated. Key will be in relation to its outlook and if it has seen further deterioration since July. Also in focus will be comments surrounding any M&A activity as CRH recently indicated there was a potentially strong pipeline for deal flow. Any large deals could potentially provide a positive catalyst for the stock. Also important will be the outlook for its materials business in the US and its stimulus benefit.

This Week's Market Events

MONDAY

Corporate
Kingpsan (Interim), Bovis Homes (Interim), Amilin (Interim), Petrofac (Interim)

Economics
German PMI, EU PMI, Chicago Fed

TUESDAY

Corporate
CRH (Interim), Antofagasta (Interim), Persimmon (Interim)

Economics
German GDP, EU Industrial new orders, Richmond Fed, Existing Home Sales

WEDNESDAY

Corporate
Glanbia (Interim), FBD Holdings (Interim), Paddy Power (Interim), Heineken (Interim), Tullow Oil (Interim), JDSU (Q4)

Economics
German IFO, Durable Goods, New Home Sales

THURSDAY

Corporate
Credit Agricole (Q2), Kazakhmys (Q2), William Hill (Interim), Diageo (Full year)

Economics
Initial Jobless, Continuing Claims

FRIDAY

Corporate
Independent News & Media (Interim), Tiffany & Co (Q2)

Economics
UK GDP, US GDP, Personal Consumption, Core PCE, Michigan Confidence

Regulatory Information

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 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.

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