

Traders Update

MONDAY 28TH JANUARY 2008

Market Comment

The theme of our comment last week was volatility and right on cue the markets demonstrated the most aggressive form of whip-saw price action this week. Its hard to believe that in a week that saw the some of the biggest ever points declines and rises in the history of some indices, that at the end of it all we're not much further away from where we were at the close on the previous Friday. What's even more interesting however is that in a week when the Fed took everyone by surprise and gave the market what it had craved for so long, a 75 basis point cut, with the prospect of more to come at next weeks Fed meeting, and in the week when the fiscal stimulus package is released and a bail-out package for the distressed monolines was mooted, the markets could make no significant fresh advances. Perhaps the explanation lies in the fact that such an aggressive rate cut smelt of panic, and that the \$600 each American is to receive may go to paying bills rather than being spent and that like the previous Super SIV bail-out fund, the monoline rescue plan may not happen either. Or perhaps the inability for the bulls to take full control is explained by the fact that we are still passing through the period of maximum recession risk in the US. In this regard the coming week will be critical, with the Fed meeting on Wednesday and non-farm payrolls and manufacturing ISM data released next Friday.

TRADING IDEAS, EARNINGS & PREVIEWS

Kingspan

Price: €10.02

P/E: 9.8x

Div: 2.09%

Target: €15

Fundamental view : On 3rd March, Kingspan will announce its 2007 full year results, which are expected to show operating profit growth of c.22% on the €194m achieved for 2006. Even though the slower Irish residential market of H2 2007 impacted the group's Offsite and Environmental / Renewables businesses, the UK Offsite business continues to grow, its access floors business continues to perform at record levels in both North America and Europe, and the Insulated Panels and Boards businesses also both continue to show steady growth.

Next catalyst : In addition to the full year results' announcement on 3rd March, further guidance is likely to be issued in relation to 2008 earnings growth. In removing some uncertainty concerning the group's future earnings growth prospects, this guidance could act as a positive catalyst for the share price, given the current low rating of c.8.5x 2008 eps of €1.15. Further UK government initiatives over the coming months with regard to carbon neutral homes could also act as a positive catalyst for the share price. Our view is that the current share price under €10 represents an attractive entry level into a business with strong medium term growth prospects, and our current 12 month share price target of €15 is based on 13x 2008 eps of €1.15.

Chart view: Negative chart pattern with series of bearish breakdowns. However, the stock has recently made a solid attempt at forming a medium term support base in the €10 area.

British Land

Price: 1010p

P/E: 19.9x

Div: 3.19%

Target: €13.50

Fundamental view : On Thursday week, 7th February, British Land (BL) will announce its results for the 3 months ended 31/12/07, and on the same day, the Bank of England (BOE) is expected to cut its base interest rate by 0.25%. In November, BL announced a NAV per share of £17.45 as at 30/06/07, and we expect this to reduce by 5% to £16.58 as at 31/12/07. The group's underlying occupancy level remains very strong at 99%, with an average lease length of 14.4 years. Its gearing is currently at its lowest level since 1995, with a current loan to value ratio of 44%. All of its debt is fixed with an average maturity of 12.7 years and an average cost of 5.3%.

Next catalyst : Another BOE interest rate on the same day as the results' announcement, 7th February, could act as a positive catalyst for the whole UK commercial property sector. Even assuming that the group's NAV per share falls by a further 10% over the next 12 months to £14.92 as at 31/12/08, and that the shares are then fairly valued at a 10% discount to NAV, in line with BL's and the overall UK property sector's average NAV discount over the last 20 years prior to the introduction of the REIT legislation, a 12 month share price target of £13.50 is generated.

Chart view The next upside target is the €10.95 area with the stock having the potential to aim at the €12.00 area.

Coca-Cola

Price: \$59.07

P/E: 22.4x

Div: 2.30%

Target: €68

Fundamental view : Shares in Coca-Cola have fallen by 3% since the start of the year outperforming the 7% fall in the Dow Jones. Over the last number of years, Coca-Cola has been increasing its focus on selling its products overseas particularly to fast growing emerging markets. The group now generates c. 80% of its operating profits from outside the US with an increased focus on high growth economies in Asia and Latin America. While the significant international exposure should benefit Coca-Cola due to the weak US dollar it is the strong growth prospects from the emerging economies that should also benefit Coca-Cola. In addition, to offset a decline in Soda, Coca-Cola has been expanding to include more health related products, a point which was emphasised by its recent purchase \$4.1bn purchase of vitamin drinks groups Glaceau.

Next Catalyst : On 13/02/08, Coca-Cola is due to report its fourth quarter results for 2007. We expect the group to report a 6% rise in EPS to \$0.55 with revenue increasing by 18% to \$6.9bn. Another major catalyst for Coca-Cola is that it is one of the main sponsors of the 2008 Olympics in Beijing which should provide a significant boost to the roll out of its product offering in China. In light of Coca-Cola's growth prospects we believe the company deserves to trade at a 10% premium to its peer group at 22x 2008 EPS of \$3.10, which generates our 12-month price target of \$68.

Chart view : If stock can retake the \$60.35 area then more upside is expected.

Siemens

Price: €81.00

P/E: 12.3x

Div: 1.90%

Target: €120

Fundamental view : Last Thursday, Siemens reported first quarter net profit that rose to €6.43bn from €739m, a year earlier. The net profit figure was boosted by €5.4bn gain from the disposal of its VDO unit. Revenue at the group increased by 10% to €18.4bn. Siemens also announced that it will begin part of its €10bn share buyback program. From today until the end of April Siemens will repurchase €2bn worth of its own share in what represents c. 20% of it's the group's average daily volume.

Next Catalyst : The next major catalyst for Siemens will not be until April 30th when the group reports its second quarter results where we expect a major improvement from the group given the restructuring that the company has undergone. Siemens currently trades at 14x its 2008 estimated earnings, which is a discount to its peer group at 17x. Given the company is expected to post full year EPS growth in excess of 20%, we feel that a multiple of 18x is more realistic which generates our 12 month price target of €120.

Chart view : Strong support at the €80 area has held and the stock is looking somewhat oversold. The upside potential is considerable with the outlook only becoming negative with a close below €80.

Short Idea BMW

Price: €37.20

P/E: 8.61x

Div: 1.89%

Target: €33

Stop Loss: €40

Fundamental view : We are reinitiating coverage of our short BMW call following the rebound in the group's share price over the last couple of days. Shares in BMW have been under pressure on concerns that a downturn in economic growth will have a significant impact on its earnings prospects given that it operates in the in the luxury end of the auto market. The group is also being hurt by high commodity prices and exposure to the US dollar where 25% of its revenues are generated.

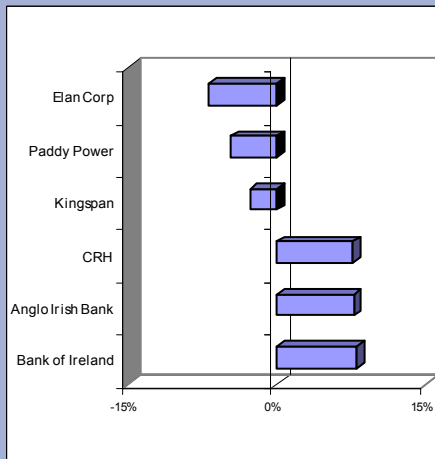
Next Catalyst : On 18/03/08, BMW is due to report its full year results for 2007. We expect the group to report flat year on year EPS of €4.38 with a 5% growth in revenue to €54.1bn. With flat EPS growth expected for 2007 and 2008, we feel that at 9x forward earnings shares in BMW look expensive given the cyclicity of its business. Given that BMW operates primarily in the luxury end of the auto market, any downturn in economic activity could have a significant impact on earnings.

Chart view : The stock has recently broken through the key support area of €40 and unless it can retake this level the outlook remains negative.

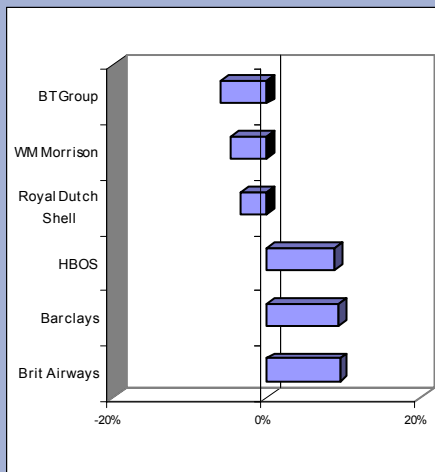
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/ Worst Performers 18/01/08-25/01/08

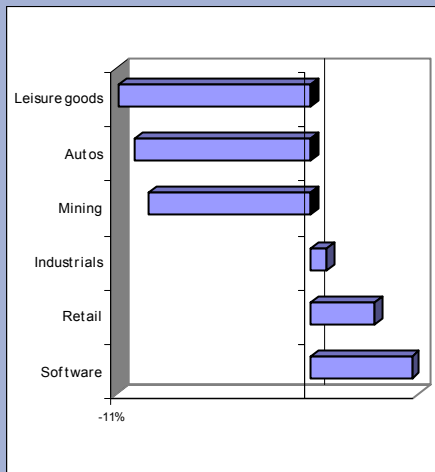
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE

Company	WTD	Relevant news
AIB	6.5%	Surge in US banks boosts value of A.I.B's M&T stake.
Aviva	7.6%	Aviva gains on hopes that regulators will step in to rescue bond insurers.
BP	-2.9%	Share price weakness on falling oil prices
Coca Cola	-2.5%	Coca Cola are keen to expand its tea business and will look at acquisitions to improve its position.
CRH	8.9%	Saint Gobain's full year results for 07 show the relative healthy state of demand in Euro markets.
Hewlett Packard	1.7%	HP signs up Sony for made-on-demand DVDs.
IAWS	2.9%	Heistand, in which IAWS owns a 32% stake, reported strong Q4 organic sales growth.
IL&P	5.1%	Irish banks up on US Fed cut.
Microsoft	1.6%	Microsoft reported record second quarter results.
Paddy Power	-4.5%	Peer William Hill +11% on bid talk from OPAP .
Ryanair	2.4%	Ryanair raised to overweight by Morgan Stanley.
Vodafone	-1.8%	Vodafone shares surged 4 percent after UBS raised its price target to 216p from 212p while maintaining

DD Unrealised gain YTD	-6.31%	ISEQ YTD	-2.50%
DD Realised gain YTD	-10.55%	FTSE YTD	-9.10%
DD Total YTD	<u>-16.86%</u>	Average performance	<u>-5.80%</u>
Relative Performance	<u>-1.54%</u>		

* DD Return (Includes dividends & FX changes since stocks inclusion)

What it says in the 'Sundays'

Company	Paper	Headline
One51	S. Business Post	"151 looks abroad for expansion"
Tullow Oil	S. Independent	"The disappointing interims at Tullow"
Aer Lingus	S. Tribune	"Poor passenger no's on Belfast routes"
Tullow Oil	S. Tribune	"Good news in the pipeline "
IN&M	S. Times	"Bid for INM or shut up, O'Brien told"
C&C	S. Times	"Dutch beer group to upset apple cart in the cider market"
McDonalds	S. Times	"Big Mac looks to rule the world"

Recent Corporate Visits

Company	Change on year	Meeting date	Relevant news
Anglo Irish Bank	-11.62%	29/11/07	Group CEO David Drumm explained that the bank business model remains protected from the current banking crisis
United Drug	-1.27%	21/11/07	Group CEO Liam Fitzgerald told us to expect strong double digit revenue growth next year
Ryanair	-16.02%	20/11/07	Group COO Michael Cawley emphasized the strong further growth potential of the European aviation market.

Last Weeks Moves

Equities

	Level	Change WTD	Change YTD	Div Yield	P/E
ISEQ	6761	3.5%	-2.5%	2.9%	9.6
FTSE 100	5869	-0.55%	-9.1%	4.1%	11.1
DAX	6817	-6.8%	-15.5%	3.1%	10.5
Dow Jones	12207	-0.9%	-8.0%	2.5%	15.2
S&P 500	1331	-0.5%	-9.3%	2.2%	17.8
Nasdaq	2326	-0.6%	-12.3%	0.9%	25.3
EuroStoxx 50	3698	-7.4%	-16.0%	4.0%	10.3
Nikkei 225	13629	-1.7%	-11.0%	1.6%	15.5

Sector

	Weekly move%	YTD move %
Software	5.68	-2.92
General Retailers	3.59	-17.56
General Industrials	0.87	-2.81
Technology	-0.39	-10.46
Utilities	-0.88	-2.09
Food Producers	-0.88	-4.81
Media	-1.21	-11.92
Construction	-1.57	-11.58
Telecommunications	-2.04	-2.25
Insurance	-2.13	-10.40
Personal Goods	-3.34	-14.34
Beverages	-4.09	-7.55
Chemicals	-4.52	-5.34
Healthcare	-4.88	-0.02
Tobacco	-6.25	-5.87
Oil	-6.95	-8.94
Banks	-7.40	-10.45
Mining	-9.19	-10.69
Autos	-9.98	-20.46
Leisure Goods	-10.86	-17.41

Commodities

	Current	Change YTD
Crude Oil	\$90.71	-5.3%
Gold spot	\$913.95	+9.6%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.468	+0.6%	1.55
EUR-GBP	0.7403	+0.7%	0.75
EUR-JPY	156.67	-3.82%	165.0

GDP Growth

	Current	Year End (est)
Ireland	5.00%	3.00%
Euro Zone	2.50%	2.00%
UK	3.10%	2.00%

Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	4.00%	4.38%	3.75%
UK	5.50%	5.58%	5.00%
US	3.50%	3.3%	3.50%

Credit Market Summary

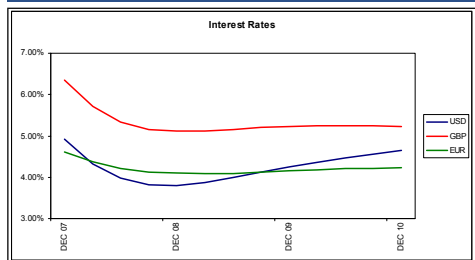
An extremely volatile week in the credit markets with high yield spreads hitting new highs of 530bps by Tuesday lunchtime, only to end the week over 100bps (24%) tighter at 427bps. Reports of regulators and investors coming to the rescue of Monoline insurers in the US cheered credit markets this week however this is not a solution to the underlying problem of business models based on aggressive leverage. Risk in financials is already priced in, however further spread widening is possible in non-financial names, given the likelihood of further bearish headlines.

Credit Sector Movements

Retail: Tighter in the sector – food retailers are all tighter this week, Tesco is the biggest mover, 18% tighter at 36bps however levels are still 400% wider than spreads in the name pre-crisis. Morrisons tightened 3.5% and Sainsbury's was 15% tighter. Non-food names were also tighter however to a much lesser extent with MKS and Dixons 3% and 1% tighter respectively. Kingfisher was the only name to buck the trend, widening 1.3% over the week.

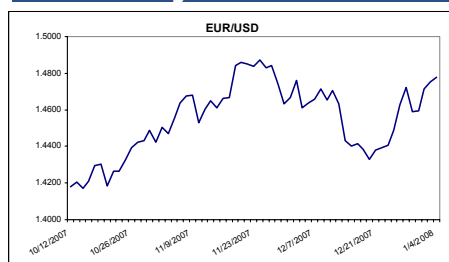
Media: Tighter in the sector – Reuters spreads tightened 2.5% after the CEO pronounced optimism despite a downturn in the financial information markets; WPP CEO talked of a 'strong' Q4 on the back of strong new orders, he is seeing no slowdown in advertising spend. Elsewhere BSKyB outperformed with 19% tightening in spreads.

Interest Rate Outlook

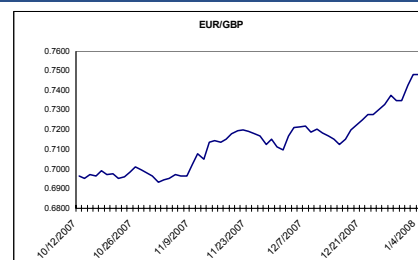


Safe haven purchases continued last week as investors flocked to safe haven purchases such as treasuries and Gold in this current turbulent market. The yield on the 10-year US treasury touched a 4 and a half year low during the week before falling by a further 10 basis points to 3.53%. The yield on the 2-year note fell by 16 basis points to 2.19% signalling that US interest rates could be set too fall further.

Currency Comment



The € strengthened against the \$ last week after the US Federal Reserve slashed its benchmark rate by 75 basis points to 3.50%, while Jean Claude Trichet reiterated his hawkish stance towards inflation. There is a raft of economic data out from the US this week with the main focus on Wednesday, where the Federal Reserve is expected to lower rates again and could put further pressure on the \$.



The € remained relatively flat versus £ last week despite hawkish comments out of the ECB. There is little economic data out of the UK and Europe this week with all focus shifting to February 7th when the BoE is expected to lower its interest rate by 25 basis points to 5.25% and could put pressure on £.



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