DOLMEN STOCKBROKERS

Traders Update

MARKET COMMENT MONDAY 28TH APRIL 2008

After what turned out to be a fairly impressive performance by equity markets last week in the face of a further deterioration in the US housing market and the lowest reading for US consumer confidence in over 25 years, the coming week could well prove to be pivotal for their future direction over the coming months. The are three key areas equity investors will focus on this week: **1. the Federal Reserve** meet on Tuesday and Wednesday and are expected to announce on Wednesday evening a cut in US interest rates to 2% from 2.25%, with speculation ahead of the meeting that this will be the last cut for some time as it evaluates the cumulative effect of rate cuts to date and awaits the impact of the stimulus package cheques that will soon be issued; **2. economic data** will also draw equity investors attention with the critical Non-Farm Payrolls data release the headline grabbing reading, however also this week there are important Euro-zone data releases which will give some clue as to when the markets might expect an ECB rate cut; and **3. earnings** (ex-financials) to date have proven to be more resilient than investors had expected ahead of the reporting season, and this largely explains the steady performance by markets over the last week. The coming week sees a large group of German stocks in particular report and these will give markets some clues as to the current state of European businesses. The markets are now trading at very critical levels and need positive news on all of the above fronts to help consolidate or move ahead from current levels, and give them the impetus to counter the headwind of $120 oil.

TRADING IDEAS, EARNINGS & PREVIEWS

IN&M

Price: €1.87
P/E: 12x
Div: 7.7%
Target: €2.30

BUY

Fundamental view : Last week, the Group Chief Operating Officer and Chief Financial Officer of **Independent News & Media** (INME) both visited us to give an update on the group's prospects following last month's full year results' announcement. Following an impressive 0.8% increase in the 2007 operating margin to 20.9%, further 0.5% margin expansion on a constant currency basis was guided for 2008. Important reassurance was issued in relation to the fact that 75% of the group's 2008 South African Rand profits have been hedged at "just above 10 Rand to the Euro", and further "low to mid single digit percentage growth" in 2008 eps was guided.

Next catalyst : The group's outdoor advertising operations was highlighted as having particularly strong 2008 growth prospects, and it was indicated that a bolt-on sub $50m acquisition in Asia could be announced this year, most likely in Indonesia, Vietnam or Thailand. The above average probability of further major shareholder stake-building provides another potential positive catalyst for the share price. INME's consistently stronger than sector average earnings growth justifies at least a sector average rating of 12x 2008 earnings, and so our current 12 month share price target of €2.30 (23% upside) is based on 12x 2008 eps of 19.5c. When combined with a current year dividend yield of c.7.7%, this provides a very attractive 12 month total return from current levels

Chart View: Strong support at €1.80 provides a buying opportunity. However, weakening daily momentum indicators suggest that some caution is warranted.

Sterling Energy

Price: 9.35p
Target: 20p

BUY

Fundamental view : This Thursday, 1st May, independent oil and gas producer, **Sterling Energy**, will announce its results for the year ended 31/12/07. Helped by continuing high oil and gas prices, we are forecasting that the company will announce revenue and EBITDA of $90m and $60m respectively, representing year on year increases of 11% and 7%. Earlier this month, Sterling announced that it had re-tained BMO Capital Markets to manage a sale process for its US business, which following last year's Whittier acquisition, is now of a size that makes it attractive to prospective buyers. Given that the group's US business has proven reserves of 127 bcf of gas, it could achieve a sale price of c.$440m, or 13.5p per share, based on the current US gas price.

Next catalyst : We have previously estimated the combined value of its 8% Chinguetti holding, its 5.28% Tiof royalty, its Tevet royalty and its Banda gas royalty in Mauritania at $322m, or c.10p per share. This means that even attributing no value to the group's high impact exploration prospects in Madagascar and Kurdistan, and excluding the company's current net debt of c.3.4p per share, that a share price target of 20p is generated, versus a current share price of c.9p. As a result, this week's full year results' announcement and the upcoming sale of the group's US business could act as a major positive catalysts for the share price

Chart View : A break of the difficult to overcome resistance level of 9.50 would suggest significant upside to follow.

Amazon

Price: $80.86
P/E: 53x
Target: $60

SHORT

Fundamental View: Last week, **Amazon.com** reported a strong set of first quarter results which showed revenue growth of 37% to $4.13bn. There was however a decrease in the group's gross margin to 23.1% from 23.8% from the same period last year. Amazon is continuing to reduce prices to boost sales increasing pressure on margins. Amazon benefits from a strong international presence with close to half its revenue outside of the US which should help boost earnings due to the weak US dollar. However at 53x 2008 earnings we believe that the stock is overvalued given the uncertain economic environment which it cannot be removed from.

Next Catalyst : The next catalyst for Amazon will be in late July when the group reports its second quarter results. While the results will be strong we believe that Amazon will be affected by the downturn in global economic growth and will lead the group to issue a cautious outlook for the rest of 2008. **Always trade short positions with a stop-loss.**

Chart View: Chart outlook is downbeat and stock looks set to fill the April 18th gap. No reason to expect any upside.

Coca-Cola

Price: $59.33
P/E: 19x
Div: 2.5%
Target $68

BUY

Fundamental View : On 16/04/08, Coca-Cola issued a strong set of first quarter results that came in well ahead of expectations boosted by overseas growth particularly in emerging markets. The key driver for Coca-Cola is its international markets exposure which now repre-sents 76% of total revenue and should keep it well insulated from any further downturn in the US. Coca-Cola has also been increasing its focus on providing a healthier product offering over the last number of years emphasized by its $4.1bn acquisition of vitamin drinks group Glaceau last year.

Next Catalyst : A major catalyst for Coca-Cola is that it is one of the main sponsors of the Beijing Olympics this summer which should further help the rollout of its products in China. While there is c. 15% upside to our price target of $68 we recommend that clients wait for some weakness in Coca-Cola's share price and look for an entry level at close to $56-$57 per share.

Chart View : Stock is well supported in the $56.50-$60.00 area and any weakness within this area should be viewed as a buying oppor-tunity. Some consolidation may be needed in the short-term but following this there is no reason why generous gains cannot be made.

Volkswagen

Price: €184
P/E: 16x
Div: 3.8%
Target €130

SHORT

Fundamental View : Last Wednesday, Volkswagen pre-released a strong set of first quarter results with net profit rising by 26% to €929m while revenue increased by 1.4% to €27bn. The sharp rise in profit was partly helped by cost cutting initiatives where it has managed to cut 20% of its workforce in western Germany. The group reiterated its full-year 2008 profit targets, however did admit that it was feeling the effects of a strong euro and higher commodity prices. Volkswagen trades at close to double the forward price to earnings ratio of its peer group at 16x 2008 earnings. The company's share price has been boosted by Porsche's sake building which now has a 30.6% stake in the group. Given that the German state of Lower Saxony has a veto voting right and would be unsupportive of a takeover of Volks-wagen by Porsche we believe that corporate activity is limited here and the stock look excessively overvalued.

Next Catalyst : The next catalyst for Volkswagen is this Wednesday when the group is due to fully report its first quarter results. We ex-pect the group to report results in line with last weeks pre-announcement. **Always trade short positions with a stop-loss.**

Chart View : Momentum is fading and stock appears unable to breach the key €190-€200 area. A break of €175 would suggest signifi-cant downside to follow. Caution required.

Earnings Week Ahead

Mon: (TNT,Q1) (Home Properties, Q1) (Radioshack, Q1) (Verizon, Q1) (Visa, Q1)

Tues: (ICON, Q1) (Daimler, Q1) (Deutsche Bank, Q1) (BP, Q1) (Shell, Q1) (BMW, Interim) (Office Depot, Q1) (Mastercard, Q1) (Resolution, FY) (HBOS, AGM)

Wed: (Iona, Q1) (Pernod Ricard, Q3) (Siemens, Q2) (Volkswagen, Interim) (Brit American Tobacco, AGM) (Procter & Gamble, Q3) (Starbucks, Q2) (Prudential Fi-nancial, Q1)

Thurs: (Sterling Energy, FY) (Readymix, AGM) (Hammerson, AGM) (Verizon, AGM) (Exxon Mobil, Q1) (Thompson Reuters, Q1) (Tomkins, M.S) (Nat. Express Gp, AGM)

Economic Week Ahead

Tues: US Consumer Confidence (15.00)

Wed: EU Confidence Indicators / HCIP Inflation (10.00), US GDP / ADP Em-ployment (13.30) / Chicago PMI (14.45) / Fed Interest Rate Decision (19.15)

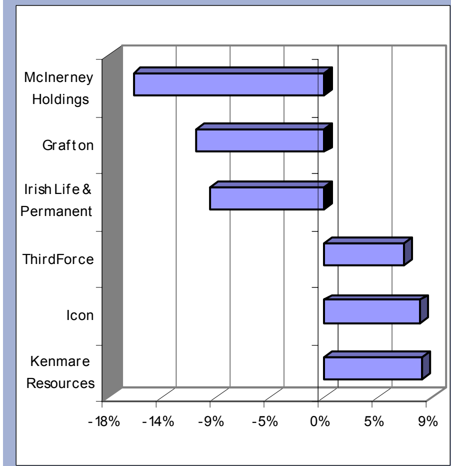
Thurs: US Personal Income & Consumption, Core PCE Inflation, Jobless Claims (13.30) / US Construction Spending, ISM Manufacturing (15.00)

Friday: US Nonfarm Payrolls (13.30) / Factory Orders (15.00)

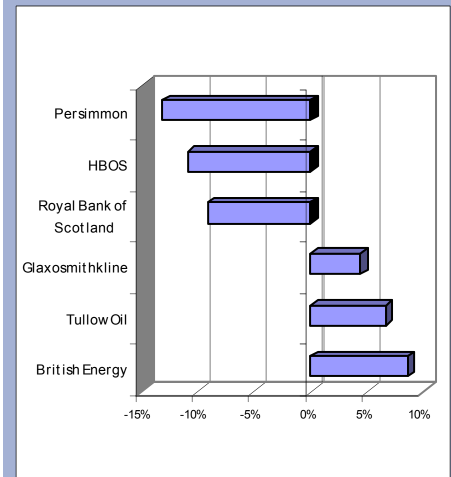
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/ Worst Performers
21/04/08-25/04/08

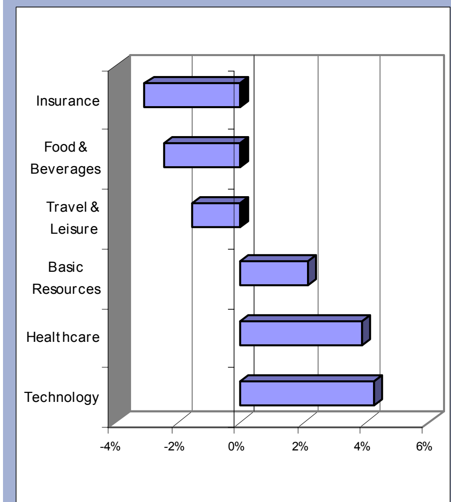
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen
WEEKLY UPDATE

Company	WTD	YTD	Relevant news
AIB	0.0%	-13.98%	AIB halves its mortgage broker commissions to 0.5%.
Aviva	-2.6%	-5.72%	Aviva posts a 5% rise in 1st quarter sales.
BP	2.1%	-5.04%	Ahead of Q1 results this Tuesday.
IN&M	-1.1%	-23.98%	CEO Anthony O'Reilly raises his stake to 27.82% through the purchase of 1 million shares.
CRH	-1.3%	0.93%	Speculation that CRH could bid for German building products group Xella.
Hewlett Packard	-1.5%	-6.00%	Merrill Lynch adds HP to focus 1 list .
IAWS	-1.4%	5.51%	Hiestand, in which IAWS has a 32% stake, recorded sales growth of 12.8% in Q1 .
IL&P	-9.4%	-6.1%	Irish Life & Permanent goes ex on a 52.5c dividend.
Microsoft	-0.6%	-16.21%	Microsoft reports Q3 revenue of 414.45bn, slightly below expectations.
Paddy Power	-3.0%	0.84%	Peer William Hill says it is has recorded a 5% increase in gross win year on year.
Ryanair	0.4%	-39.63%	Ryanair to make official complaint to European Union over Alitalia's emergency loan from Italy's govt.
Vodafone	1.9%	-16.29%	Vodafone is to link up with China mobile and Softbank to accelerate mobile internet services.

DD Unrealised gain YTD	-6.61%	ISEQ YTD	-10.27%
DD Realised gain YTD	-10.96%	FTSE YTD	-5.06%
DD Total YTD	-10.44%	Average performance	-7.67%

Relative Performance -2.77%

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

What it says in the 'Sundays'

Company	Paper	Headline
Anglo	S. Independent	Anglo Irish clients plan €500m revenge fund
Ryanair	S. Independent	The gloom at Ryanair is overdone
Fyffes	S. Tribune	Ready to sell Blackrock stake
Vodafone	S. Tribune	Latest mobile downturn victim
Tullow Oil	S. Times	Explorer knows the way forward
Dragon Oil	S. Times	Buys No gushing,but fire in its belly

Upcoming Corporate Visits

COMPANY	PRESENTATION DATE
Anglo Irish Bank	7th May 2008
Kingspan	8th May 2008

Last Weeks Moves

Equities

	Level	Change WTD	Change YTD	Div Yield	P/E08
ISEQ	6179	-1.3%	-10.9%	3.3%	8.9
FTSE 100	6091	0.6%	-5.7%	4.0%	12.2
DAX	6897	0.6%	-5.7%	3.4%	11.9
Dow Jones	12892	0.3%	-2.8%	2.5%	14.7
S&P 500	1398	0.6%	-4.8%	2.2%	22.2
Nasdaq	2423	0.8%	-8.6%	0.9%	35.7
EuroStoxx 50	3210	0.5%	-12.9%	4.3%	11.2
Nikkei 225	13863	2.9%	-9.4%	1.5%	15.9

Sector

	Weekly move%	YTD move %
Technology	4.273	-19.966
Healthcare	3.898	-12.284
Basic Resources	2.163	6.606
Oil & Gas	2.13	-6.617
Industrials	1.216	-12.243
Utilities	1.201	-12.283
Autos	0.786	-14.947
Personal & Household Goods	0.773	-13.801
Construction & Materials	0.678	-9.021
Retail	0.231	-16.594
Telecom	0.178	-19.358
Financial Services	-0.989	-13.69
Chemicals	-1.012	-3.801
Banks	-1.097	-13.902
Media	-1.307	-18.315
Travel & Leisure	-1.579	-16.474
Food&Bev	-2.46	-9.804
Insurance	-3.053	-10.111

Commodities

	Current	Change YTD
Crude Oil	$118.52	+23.7%
Gold spot	$892.42	+7.0%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.563	+7.1%	1.45-1.55
EUR-GBP	0.787	+7.1%	0.74-0.78
EUR-JPY	163.2	+0.2%	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%	4.84%	3.50%
UK	5.00%	5.88%	4.25%
US	2.25%	2.91%	1.50%

Credit Market Summary

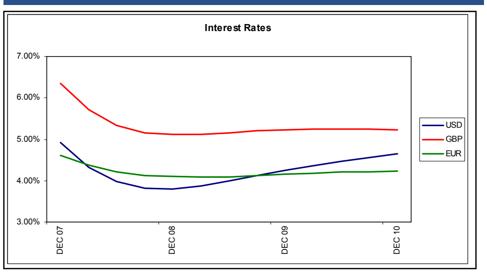
Little or no volatility in the credit markets last week was the result of muted reactions to both negative and positive stories. On the negative side credit markets all but ignored Bank of America's weak results while on the positive side credit markets failed to get excited about the Bank of England liquidity scheme or the new recapitalisation initiatives from many of the large banks both state-side and in Europe.

Credit Sector Movements

Automotive: BMW widened 16% this week after announcing a €236m provision against non-performing loans and leases in the US. The big news out of the US this week was the positive Q1 earnings release from Ford. Ford CEO told the market the Ford turnaround is underway, the company reported strong results out of Europe and South American while reporting a near miss in the North American market.

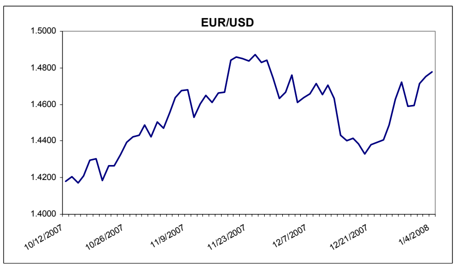
Chemicals. Tighter in the sector- Bayer was the leader of the sector reporting Q2 earnings above expectations, noting solid growth in all sectors – spreads tightened 9.5%. BASF followed suit, reporting a 13% rise in Q1 profit, while at the same time forecasting a slight increase on full year earnings.

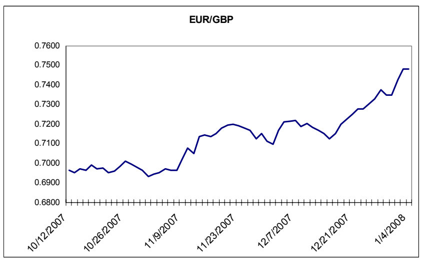
Interest Rate Outlook



Bond markets continued their sell-off last week as the market took the view that the worst of the credit crisis may be over. The yield on the US treasury rose by 18bps to 2.40% while the yield on the European equivalent increased by 3bps to 3.85%. Key this week will be the FOMC interest rate decision due on Wednesday where the Fed is expected to reduce rates by 25bps to 2.00%.

Currency Comment





The € declined against the $ on disappointing German business confidence numbers. The decline was also helped by some $ strength as US weekly jobless claims surprised to the upside possibly limiting a worse than expected nonfarm payrolls number this week. Focus will also be on first quarter GDP in the US on Wednesday and any signs of a contraction in the economy could send the $ lower.

The € was also weak against sterling last week on the disappointing German confidence numbers. Euro-Zone inflation data due on Wednesday will be closely watched and any further increases in inflation could see € trade back up to the £0.80 level.

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