

Equity markets enjoyed a better week as investors took heart from a more dovish statement from the Fed after its latest move to cut interest rates to 2%. Also adding to a greater level of investor confidence was a better than expected Non-Farm Payroll number along with better than expected readings for first quarter US GDP and manufacturing services data. These data readings helped off-set a weaker consumer confidence reading which hit a 25 year low and continues to be a concern for equity markets. There is no doubt also that the broad picture for first quarter earnings reported thus far has been more positive than anticipated at the start of the reporting season and this has clearly helped sentiment, however the outlook for Q2 and Q3 earnings remains uncertain. The coming week is fairly light in terms of economic releases, with the main focus being on the Bank of England and the ECB, however both are expected to leave rates on hold. Of probably more importance for equity markets will be the April sales data due out on Thursday, from two of the biggest US retailers, Wal-Mart and JC Penny, which will give an indication as to how badly the weak housing market is impacting the consumer.

TRADING IDEAS, EARNINGS & PREVIEWS

IN&M

Price: €1.95
P/E: 11x
Div: 6.8%
Target: €2.30

Fundamental view : The Group Chief Operating Officer of **Independent News & Media** (INME), Gavin O'Reilly, and its Chief Financial Officer, Donal Buggy, both recently visited us to give an update on the group's prospects following its full year results' announcement in March. 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 : Recent press reports that Carlos Slim Helu, the Mexican billionaire who is one of the world's wealthiest men, has accumulated a stake of more than 1% in INME, indicates that there remains an above average probability of further major shareholder stake-building, providing a 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 (19% upside) is based on 12x 2008 eps of 19.5c. When combined with a current year dividend yield of c.7.4%, this provides a very attractive 12 month total return from current levels : **BUY**.

Chart View : Stock is constantly struggling to sustain any upside momentum and the chart outlook is far from positive. Watch €2.00.

BUY

Prudential

Price: 726p
P/E: 18.9x
Div: 2.5%
Target: 810p

Fundamental view : Last month, **Prudential** reported year on year sales growth of 13% to £729m for Q1 2008, 4% ahead of the consensus forecast of £703m. The growth was primarily driven by 30% Asian sales growth to £375m, combined with market outperforming 4% UK sales growth to £189m. The recent strengthening of the US dollar is also an important positive for Prudential, with c.60% of the group's profits coming from dollar or dollar-related currencies.

Next catalyst : Further indications of the continuing strong growth of its Asian division contained in the group's AGM statement on Thursday week, 15th May, could act as a positive near term share price catalyst. Our new 12 month share price target of £8.10 (12% upside) is based on 1.5x 2007 embedded value per share of £5.40. The above average volatility of Prudential's share price, with a market beta of c.1.3x, also generates frequent short-term trading opportunities : **BUY on weakness**.

Chart View : Short-term trend is positive with the stock finally having made a clean break through 700 on solid volume.

BUY

CRH

Price: €25.16
P/E: 9.2x
Div: 2.8%
Target: €33.00

Fundamental View : This Wednesday, 7th May, **CRH** will issue a trading statement ahead of its AGM. The statement is not likely to downgrade current consensus 2008 earnings as a result of continuing strength in Central and Eastern European construction markets, such as Poland and the Ukraine, combined with US infrastructure spending growth, more than offsetting weakness in the c.8% of group operating profit exposed to US new housing.

Next Catalyst : As a result, with the shares still trading at 9.1x and 8.5x 2008 and 2009 eps of €2.75 and €2.95 respectively, representing a discount of c.20% to its European peers, this week's trading statement could act as a positive share price catalyst. With c.45% of group profits US dollar denominated, any further strengthening of the US currency versus the Euro this week could also help drive the share price higher : **BUY**.

Chart View : The €22-€27 range of the last 6 months continues to provide trading opportunities. Buy on weakness.

BUY

Ryanair

Price: €3.18
P/E: 9.6x
Target €4.50

Fundamental View : Our view in recent weeks that one way of capitalising on any correction in the oil price from recent record high levels was to **BUY Ryanair** has proved profitable, with the airline's share price rising by 14% over the past week helped by a 5% fall in the oil price. Yesterday, 5th May, Ryanair's checked in baggage fee was increased from €9 to €10, and its airport check-in fee was increased from €4 to €5. For the 60% of the airline's passengers who continue to check in a bag, this total €2 increase, or €1.20 per passenger, represents a significant 5% contribution towards the c.€23 per passenger full year total fuel cost.

Next Catalyst : Any further correction in the oil price this week, or any further weakening of the Euro versus Sterling, could act as near term positive share price catalysts. Evidence of any progress being made in passing on some of the impact of higher fuel costs in the form of higher average fares contained in the airline's full year results' announcement on 3rd June could also drive the share price higher : **BUY on weakness**.

Chart View : Much improved outlook with the stock breaking trend resistance on solid volume.

BUY

Coca-Cola

Price: \$58.72
P/E: 19.0x
Div: 2.6%
Target \$68

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 represents 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 : Despite recent weakness the \$56.50-\$60.00 area should provide solid support.

BUY

Vodafone

Price: 164p
P/E: 13.7x
Div: 4.3%
Target 200p

Fundamental View : Today, **Vodafone** announced that it has signed an agreement with Apple to sell the iPhone in ten of its markets around the world including, Australia, Italy, India and Portugal. Given the success of the iPhone this should be seen as a positive for Vodafone. Vodafone is also benefiting from its increased exposure in emerging markets emphasised by its recent substantial acquisitions in India and Turkey.

Next Catalyst : The next major catalyst for Vodafone will be on 27/05/08 when the group is due to report its fiscal full-year 2008 results. We expect the company to report a 9% rise in EPS to 12p with revenue increasing by 13% to £35.2bn. We also expect Vodafone to issue a positive outlook for its 2009 financial year given its strong growth prospects from emerging markets.

Chart View : Stock has broken above the key 162 area and this suggests there is more upside to follow. Should find support in the 158 area on any pullback.

BUY

Earnings Week Ahead

Economic Week Ahead

Mon:

Tues: (United Drug, H1) (Addidas, Q1) (UBS, Q1) (Xstrata, Q1) (Lloyds, M.S)

Wed: (Anglo, H1)(CRH, AGM) (Axa, Q1) (Lafarge, Q1) (Total, Q1) (Vallourec, Q1) (Commerzbank, Q1) (BHP Billiton, T.S) (EasyJet, H1) (AirBerlin, Traff) (BAE, AGM)

Thurs: (Grafton, AGM) (Carlsberg, Q1) Deutsche Telekom, Q1)(HeidelbergCEment, Interim) (Unilever, Q1) (AIG, Q1) (JC Penny, Sales) (Wal-Mart Sales) (Next, M.S)

Fri: (C&C, FY) (Smurfit Kappa, Q1) (Kenmare, Q1) (Conenergy, Q1) (Allianz, Q1)

Tues: EU PMI (9.00), UK PMI (9.30)

Wed: UK Industrial Production (9.30), EU Retail Sales (10.00), US Labour productivity (13.30), Pending Home Sales (15.00)

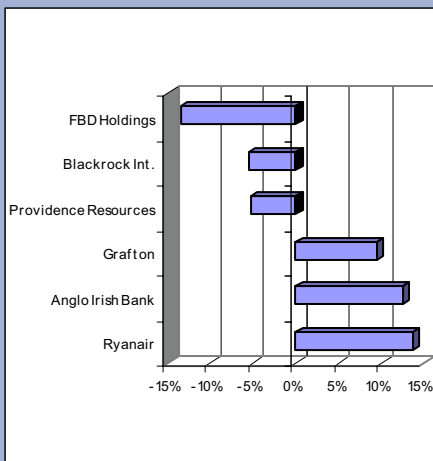
Thurs: BoE Interest Rate Announcement (12.00), ECB Interest Rate Announcement (12.30), US Jobless Claims (13.30)

Friday: US Trade Balance (13.30)

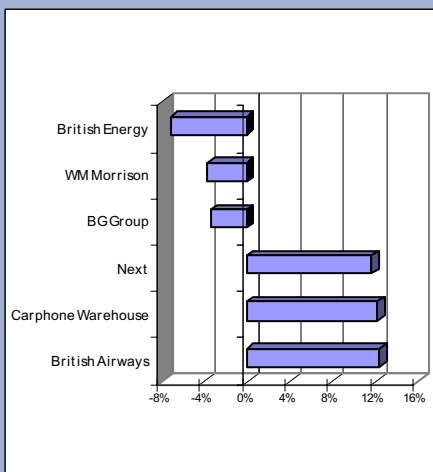
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/
Worst Performers
28/04/08-02/05/08

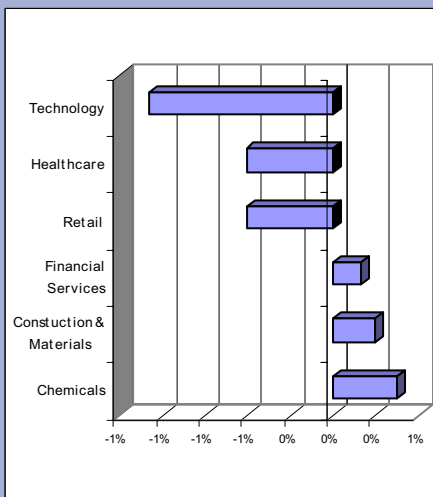
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE

| Company | WTD | YTD | Relevant news |
|-----------------|-------|---------|---|
| AIB | 4.6% | -11.54% | AIB halves its mortgage broker commissions to 0.5%. |
| Aviva | 5.1% | -14.05% | Aviva confirmed it is dropping the use of its Norwich Union brand in the UK. |
| BP | 5.3% | -1.46% | BP posts Q1 net profit of \$9.08bn, up 25% from \$7.28bn a year earlier. |
| IN&M | 3.2% | -15.79% | CEO Anthony O'Reilly raises his stake to 27.82% through the purchase of 1 million shares. |
| CRH | 5.5% | 3.58% | Speculation that CRH could bid for German building products group Xella. |
| Hewlett Packard | 1.9% | -4.36% | HP to premiere YouTube on its connected entertainment products. |
| IAWS | 2.9% | 8.29% | IAWs has increased the number of branded Tim Horton self serve coffee kiosks by 20% in Q1. |
| IL&P | -0.6% | -9.57% | Interim Management Statement IP&M says that earnings should be in line consensus estimates. |
| Microsoft | -2.0% | -18.31% | Microsoft withdraws takeover offer for Yahoo. |
| Paddy Power | -1.5% | -3.34% | Peer PartyGaming reports that Overall group revenues were up 21% in Q1. |
| Ryanair | 14.4% | -34.04% | Ryanair increases baggage check in charges . |
| Vodafone | 2.5% | -14.22% | Vodafone wins deal to sell Apple iPhones in ten countries. |

| | | | |
|------------------------|---------------|---------------------|---------------|
| DD Unrealised gain YTD | -4.31% | ISEQ YTD | -6.86% |
| DD Realised gain YTD | -10.96% | FTSE YTD | -3.67% |
| DD Total YTD | <u>-8.89%</u> | Average performance | <u>-5.26%</u> |
| Relative Performance | <u>-3.63%</u> | | |

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

What it says in the 'Sundays'

| Company | Paper | Headline |
|-----------|------------------|---|
| BOE | S. Independent | Bank of England suggests that credit crisis is easing |
| C&C | S. Business Post | C&C to avoid seasonal mistakes |
| Greencore | S. Business Post | Greencore to go ahead with US investment. |
| Anglo | S. Tribune | Better days ahead? |
| ICG | S. Tribune | Duo finally in same boat? |

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 | 6475 | 4.8% | -6.6% | 3.2% | 9.4 |
| FTSE 100 | 6216 | 2.1% | -3.7% | 4.0% | 12.1 |
| DAX | 7043 | 2.1% | -12.7% | 2.7% | 12.7 |
| Dow Jones | 13058 | 1.3% | -1.6% | 2.4% | 14.8 |
| S&P 500 | 1414 | 1.1% | -3.7% | 2.1% | 23.0 |
| Nasdaq | 2477 | 2.2% | -6.6% | 0.8% | 36.6 |
| EuroStoxx 50 | 3294 | 2.6% | -10.6% | 4.1% | 11.4 |
| Nikkei 225 | 14049 | 1.3% | -8.2% | 1.5% | 16.5 |

Technical Short-Term Trading Idea:

Strategy: Buy the euro on dips

Comments:

Following the record high of \$1.6018 on April 22nd the euro has seen sharp falls

This should be viewed as a short-term correction in an uptrend

There is a risk of a spike down to the 1.5280 area but this is considered unlikely

Trade:

Buy the euro vs. the dollar at 1.5440

Short-term target is 1.5625

Place a stop at 1.5320

Support: 1.5342, 1.5283, Resistance: 1.5644, 1.5712

Foreign exchange contracts can be traded through CFD accounts. One standard contract bought at 1.5440 would return \$2,000 if closed at 1.5625, versus a loss of \$1,200 if stopped out at 1.5320. Mini contracts are also available and represent one tenth the exposure of a regular contract.

Commodities

| | Current | Change YTD |
|-----------|----------|------------|
| Crude Oil | \$116.32 | +21.4% |
| Gold spot | \$856.45 | +2.7% |

Exchange Rates

| | Current | YTD Change | Year End (est) |
|---------|---------|------------|----------------|
| EUR-USD | 1.542 | +5.7% | 1.45-1.55 |
| EUR-GBP | 0.787 | +7.0% | 0.74-0.78 |
| EUR-JPY | 162.5 | -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% | 4.86% | 3.50% |
| UK | 5.00% | 5.82% | 4.25% |
| US | 2.25% | 2.77% | 1.50% |

Credit Market Summary

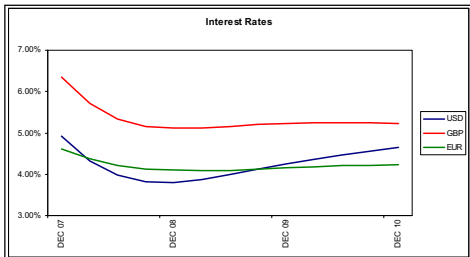
Improving sentiment drove credit markets on a tightening spree, tightening to the lowest levels in almost 3 months. Credit markets had a very strong month in April, which prompted issuers to come back to market to take advantage of the lower cost of debt. Friday's surprising 'better than expected' non-farm payroll number was further cause for tightening with high yield spreads falling below 400bps for the first time since early January. Strong macro data has supported the bulls however we need to remain mindful that the US housing market remains strained and global central banks continue to provide market stimulus packages in an attempt to improve beleaguered liquidity.

Credit Sector Movements

Retail: Tighter in the sector – food retailers all tightened significantly this week with the risk in the big three UK retailers clearly distinguished – Tesco 31bps; Morrisons 53bps while Sainsbury is a lofty 115bps. However the more pronounced tightening was seen in non-food retailers where despite negative sentiment regarding the UK housing markets Kingfisher and Dixons tightened 13% and 8% respectively, while MKS led the charge with spreads 21% tighter at 139bps (still off the 33bps seen in this name pre-crisis)

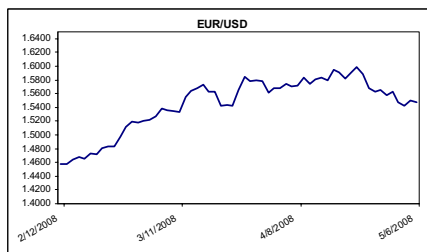
Food/Beverages: Tighter in sector – Cadburys continues to storm ahead, tightening another 14% this week to 49bps (only 10bps wide of the pre-crisis levels) – following news this week that Mars agreed to buy Wrigley which could force more consolidation in the sector. Diageo tightened 11% this week to 40bps while Compass tightened 8% to 41bps.

Interest Rate Outlook

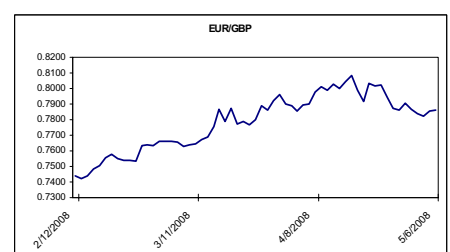


Treasuries continue their sell-off last week as the yield on the US two-year treasury increased by 4bps to 2.45% as funds rotated out of government securities and flowed into equity markets. Key this week will be on Wednesday with US Pending home sales data due and any signs of further deterioration in the housing market could see treasuries regain some of their recent losses.

Currency Comment



The \$ continued to strengthen against € last week as better than expected GDP data and expectations that the US Federal Reserve may hold off lowering interest rates further pushed the currency higher. The € may see some support this week however with the ECB expected to keep interest rates on hold at 4.00% and reiterate its hawkish stance on inflation.



€/£ remained broadly flat last week ahead of interest rate decisions from the ECB and Bank of England this Thursday. Both central banks are expected to keep rates on hold at 4.00% and 5.00%, respectively. With the Bank of England likely to lower rates further in June and the ECB very much on hold for the short-term we could see € retesting the £0.80 level.



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