DOLMEN
# WEEKLY TRADER
DOLMEN STOCKBROKERS

## Weekly Market Commentary March 29th 2010

We expect equity markets to nudge higher this week as we enter the final trading week of the first quarter. Improving economic trends, this time seen in Europe last week, with positive IFO and PMI figures and stability among sovereign debt should lead to the risk trade remaining on in markets and therefore push equity markets slightly higher. Given the rally we have had in March, we are recommending a market neutral approach to equities with our preferred higher beta sectors continuing to be Technology and Energy in addition to adding positions to the more defensive Healthcare sector. Our conviction currency trade on the week is to go long $/JPY as the improvements seen in the US economy and continued deflationary concerns in Japan should see the currency pair trade higher. We have become more neutral on the €/$ as the bailout announcement for Greece last week will provide some support for the single currency. Crude oil remains our preferred commodity and we recommend getting long between the $79-$80 a barrel level. As for the week ahead from an Irish perspective the main focus will be on Irish banking results and the potential recapitalisation announcement. Internationally with Q1 results still a number of weeks away the main focus will be on economic data out of the US. We expect consumer confidence data for March to show a sharp rebound from the weak reading in February. The key event of the week however will be the nonfarm payrolls report on Friday which is expected to show job growth of close to 200,000 boosted by increase in temporary workers related to the annual census.

## Trading Recommendations

### Smurfit Kappa - Buy
Previous close (€6.02) Target (€7.25) **Analyst:** Edward Keeling

**Costs:** Input costs have risen more sharply than expected since the New Year reflecting adverse weather conditions and stronger than expected Chinese demand.
**Margins:** This will lead to unavoidable margin pressure for Smurfit Kappa as there is an industry lag of c.6 months before full integrated box producers such as Smurfit can pass cost increases through.
**Valuation:** Smurfit Kappa is currently trading on a forward EV/EBITDA multiple of 5.4x (compared with historical sector multiples of 7x). Such a multiple more than incorporates the current risks to consensus estimates.
**Balance Sheet:** Net debt/EBITDA 4x at its full year results and set to move towards to 3x by year end. Debt maturity profile is favourable with no significant debt maturing until 2013.
**Risks:** Fails to pass through higher corrugated box prices.
**Next Catalyst:** Peer Stora Enso interim review: 22nd April.

### Pfizer - Buy
Previous close ($17.14) Target ($20.00) **Analyst:** Stephen Taylor

**Description :** Pfizer is one of the largest pharmaceutical companies in the world developing and marketing medicines for humans and animals. The group offers products that range from cardiovascular to central nervous system disorders.
**Valuation :** Pfizer's valuation looks compelling trading at just under 8x 2010 earnings and an EV/EBITDA of 5x. The stock also pays an attractive dividend yield of c. 4%.
**Risks :** Increasing pressures from generic competition has the potential to weigh on earnings.
**Synergies :** Synergies from Wyeth acquisition should continue to feed though in 2010.
**Next Catalyst :** Pfizer are due to report earnings at the end of April 28th (est).

### Irish Bank Results
**Analyst:** Oliver Gilvarry

This week the Irish banking system starts the process of recovery. A number of Irish banks report and the haircuts on the first loans moved to NAMA should be announced. Bank of Ireland will release results for the period to December 2009 on Wednesday. We expect an underlying loss of €1.507bn and operating profit before impairments of €900m. We still expect the impairment charge over the period to be €8.427bn. Of key focus in the results will be guidance on impairments over the next number of years and the capital alternatives for the bank. On the same day the Regulator is expected to announce the new capital levels required by Irish banks on Tuesday with the Minister for Finance due to make a speech on the Irish banking system in the Dáil around 5.00pm. Also next week Anglo Irish Bank will release results for the 15-month period to December 2009 on Wednesday, expected to report the largest ever loss in Irish corporate history. Overall, the detail given this week will provide more clarity on the Irish banking system and will be the beginning of the recovery in the system.

### Result Presentations

Last week senior management from **Glanbia, Grafton Group, Kingspan and Independent News & Media** presented their recent results to our research and sales teams. A common takeaway from all four presentations was the continued weakness of the Irish economy. Furthermore, the respective firms gave quite a downbeat and pessimistic outlook for their Irish operations in 2010. Despite this, the updates did provide a valuable insight on the recovery in the UK with Grafton Group and Kingspan stating that they are seeing further signs of improvement in the UK housing market. Glanbia also provided us with an update on the progress of its negotiations with the Co-Op on a deal, which if completed, would provide the PLC with a greater ability to focus on its growing products and markets. Finally, Independent News & Media met with us only hours after selling its UK assets to Alexander Lebedev. They are now confident that they can look forward with greater confidence having restructured the company's debt.

## This Week's Market Events

### MONDAY
**Corporate**
Kenmare Resources PLC, Fiat SpA, Petrofac Ltd, Apollo Grp

**Economics**
M4 Money Supply UK, Business Climate Indicator EC, Euro-Zone Consumer Confidence EC, Personal Income US, PCE Deflator US, PCE Core US, Consumer Price Index GE, Dallas Fed Manf. Activity US

### TUESDAY
**Corporate**
Wendel SA, McInerney Holdings PLC, Banco Popolare Sc, SAS AB, Swiss Life Holding AG, Babcock International Group PLC, Asterand Plc, Kazakhmys PLC, Zurich Financial Services AG

**Economics**
GDP UK, Current Account UK, S&P/CaseShiller Home Price Ind US, Consumer Confidence US, ABC Consumer Confidence US

### WEDNESDAY
**Corporate**
Theolia SA, Aareal Bank AG, 3U Holding AG, Compass Group PLC, Enterprise Inns PLC, Northern Foods Plc, Xyratex Ltd, Finnair Oyj

**Economics**
Unemployment Rate GE, Euro-Zone Unemployment Rate EC, Euro-Zone CPI Estimate EC, MBA Mortgage Applications US, ADP Employment Change US, Chicago Purchasing Manager US, Factory Orders US

### THURSDAY
**Corporate**
Mothercare PLC, MAN SE

**Economics**
PMI Manufacturing GE, PMI Manufacturing EC, PMI Manufacturing UK, Initial Jobless Claims US, ISM Manufacturing US, Construction Spending US

### FRIDAY
**Corporate**
No Announcements

**Economics**
Change in Nonfarm Payrolls US, Unemployment Rate US

**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 Limited 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**

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments / derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

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.

**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 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.

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 |