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### Market Movers

## IRISH PAPERS TODAY

Smurfit to reduce staff by 140 at Cork factory  
*(The Irish Times)*

Another 11,400 join dole queue in June  
*(The Irish Times)*

State's stake in banks set for dilution  
*(Irish Independent)*

## INTERNATIONAL PAPERS TODAY

National express rail empire hopes end  
*(Financial Times)*

RBS chief Hester to defer part of £9.6m package  
*(Financial Times)*

Bond-Market finance takes hold  
*(The Wall Street Journal)*

## DOLMEN DOZEN

Aryzta	0.9%	0.0%
BP	2.6%	-7.9%
CRH	-2.3%	-5.0%
DCC	3.1%	42.7%
E.ON	1.1%	-11.7%
HPQ	0.1%	6.6%
IL&P	-2.3%	125.9%
INM	-3.1%	-43.0%
J&J	0.5%	-4.6%
JPMorgan	-1.0%	7.1%
Microsoft	1.1%	23.7%
Vodafone	2.0%	-14.6%

## Market View

**Analyst : Stephen Taylor**

European equity markets are lower this morning following a muted finish in the US and a weaker close in Asia overnight. Economic data out of the US yesterday was mixed and while the ISM manufacturing index showed a month on month increase, it was slightly below expectations. All sectors are weak this morning with commodity stocks underperforming. Concerns around the global economic outlook is weighing on commodity prices and dragging resource stocks lower. It again remains quiet on the corporate front. Next week Alcoa kicks off second quarter reporting season and earnings will be the key driver of markets over the next 8-weeks. As for today, the main focus today will be on economic data out of the Europe and the US. In Europe, the ECB is expected to leave interest rates on hold at 1%, however all focus will be on the corresponding press conference. Ambiguity still persists over the future direction of monetary policy and the market will be looking for further clarity. In the US, the main focus will be on unemployment data in the form of non-farm payrolls. The current consensus is for a decline of 365,000 and the unemployment rate rising to 9.6% from 9.4% in May. Yesterday's weaker than expected ADP employment report that showed 473,000 people lost their job in the US last month poses some risks for today's figure that is due for release at 1.30pm.

### Irish Economy: Unemployment rate rises to 11.9%

**Analyst : Oliver Gilvarry**

Live register figures were released yesterday for Ireland and the data continued the trend of weak data. For the month of June the seasonally adjusted figure increased by 11,400 to 413,500 and the unemployment rate is now 11.9%. The Taoiseach has indicated these levels could hit 500,000 by the end of the year with the unemployment rate hitting over 14% in that case. Persons under 25 made up 32% of the increase in the live register and the risk is for this to increase further as fewer graduate jobs are available due to the slowdown. A positive from the figures yesterday was that the rate of increase in unemployment has continued to slow from the large increases seen in the first quarter of this year. Despite this slowdown in job losses, the outlook for unemployment in the Irish economy is poor for this year, but a recovery in the UK and other major economies should help limit the increase in unemployment next year as workers leave Ireland to seek jobs elsewhere.

Later today Exchequer Returns for June are released and this will provide the first indicator of the effect of the recent tax increases on the consumer. The returns will provide detail on VAT and excise receipts and changes in these will help determine if the Irish consumer has regained enough confidence to begin spending or are continuing to increase their levels of savings. Exchequer Returns will be released at 4.30pm this afternoon.

### BHP: Buy Current Price (1397p) Price target (1800p) Analyst : David Dunk

As expected, Rio Tinto has seen very strong support for its \$15.2bn rights issue. The UK line had a 97% acceptance rate, equivalent to 508.6 million shares. Chinalco has taken up its proportion of the rights issue. Chinalco is Rio Tinto's largest shareholder, and offered to invest \$19.5bn into Rio Tinto through a convertible bond issue, as well as joint ventures. Separately, Rio Tinto's negotiations with Chinese steelmakers are likely to be concluded in the coming month. Chinese steelmakers had been looking for price cuts of about 45%, compared to the 33% cut being offered by Rio Tinto. It now appears that the steelmakers are willing to reduce their demands to a reduction of 33%-40%. Rio Tinto appears willing to sell iron ore in the spot market, as opposed to reducing prices further. This is partially a result of the failure of some Chinese steelmakers to honour long term contracts, after iron ore prices collapsed last year.

### BATS : Buy Current Price (1695p) Price target (1950p) Analyst : Edward Keeling

Swedish Match has announced this morning that it has agreed to sell its South African operations (SMSA) to Philip Morris International for \$225m, valuing the division at 2.5x 2008 total sales. The deal is subject to the approval by South African's competition authority and is expected to be completed during the second half of the year. SMSA is the south African leader in OTP (Other Tobacco Products), with a number one market position in the pipe tobacco category through Boxer and Best. SMSA also has strong position in the nasal snuff category with its Taxi brand. This deal does not come as a surprise and is in line with Swedish Match's strategy to focus on smokefree tobacco, cigars and lights products.

### C&C: Buy Current Price (€2.48) Price target (€2.65) Analyst : David Dunk

Greene King, the UK pub group has released its preliminary full year results this morning. Revenues of £954.6m were ahead of analysts expectations of £938m. Operating profits excluding exceptional items was £216.2m, with a pre-tax profit of £118.5m. The full year EPS is 39.5p, and the company proposes to pay a 15.1p final dividend. Recent trading for the group has been strong, with better volume performance in the past 5 weeks. However, management did warn that the outlook remains uncertain. Greene King's recent strong performance has positive implications for C&C, as it points towards tentative signs of stabilisation in the UK on-trade.

# BHP Billiton

**Buy**

**Current Price : £13.95**

**Price Target : £18.00**



**DOLMEN STOCKBROKERS**

**Analyst: David Dunk**

Thursday, 1st July 2009

- Since its low in March BHP Billiton has rallied by over a third. Long term the outlook for the mining sector looks positive. While metal prices are unlikely to reach the heady levels of 2008 in the near future, the outlook for industrial commodities is bullish in the long term. The tightness of supply relative to demand that drove prices to record highs last year, are likely to come into play again once global growth resumes. The lack of credit funding available to the sector in recent years has resulted in a lower level of capital expenditure in the industry which will likely lead to supply shortfalls in the future.

- BHP Billiton recently announced a proposed joint venture (JV) with Rio Tinto to combine the iron mining operations in Western Australia of both companies. Both companies would have an equal stake in the JV, with BHP making a payment of \$5.8bn to Rio. This is a result of Rio Tinto's larger contribution of output to the JV. The value of the cost synergies to BHP from the deal could be in excess of \$5bn. The deal is non-binding, with a mutual break-fee of \$275.5m.

- The deal has a significantly greater probability of receiving regulator approval as a result of the operational structure. BHP and Rio propose to separate the production operations, from the sales process. As a result both companies will continue to market their products separately. The JV would account for approximately 30% of global iron ore output.

- The Chinese authorities are likely to resist the proposed joint venture, but are unlikely to be able to prevent it. Iron ore prices are not traded actively on financial markets. Instead prices are negotiated between producers and customers. Production within the industry is highly concentrated, with the top 3 producers (Vale, Rio, BHP) accounting for 70% of volume. In recent months, Chinese restocking of industrial metal reserves has supported commodity prices. The additional purchases have effectively countered for the decline in demand from OECD countries.

- While BHP has a diverse portfolio of low cost commodity assets, across the globe, its strongest competitive advantage comes from its underleveraged balance sheet. BHP had net debt of just \$4.2bn as of the end of 2008, compared with the current market cap of £87bn, and an expected operating profit of \$18.5bn in the current year. BHP's is well positioned to pursue acquisitions in the current market, as many in the industry are overleveraged, and are unable to satisfy capex requirements.

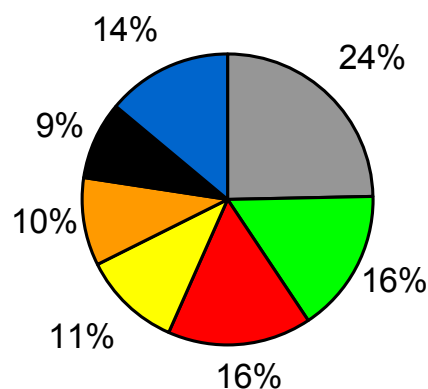
- We rate BHP a buy and have a £18 price target. BHP is currently trading at less than 7x current year EV/EBITDA multiple. This is attractive given our long term outlook for commodity prices. Our price target is based on BHP historical P/E of 17.4x current year earnings, which is a EV/EBITDA multiple of 10x. BHP like most miners is a high beta stock, with significant price volatility. We therefore recommend our clients buy into the stock on periods of weakness. Upcoming catalysts for BHP include the full year results, due on August 12th, as well as M&A activity in the sector, and commodity price movements.

Descriptive Stats		Shareholders	
Year to date	8%	Barclays	5.5%
52 Week High	£19.29	Blackrock	4.7%
52 Week Low	£7.32	L&G	4.4%
Bloomberg	BLT LN	State Street	3.0%

	06/07	06/08	06/09e
Revenue (\$m)	47,473	59,473	49,408
Operating Profit	19,957	24,388	18,440
EPS	2.3	2.8	1.7
DPS	0.47	0.70	0.82
P/E	6.0	5.0	7.9
Div Yield	3.4%	5.1%	6.0%

Peer Analysis	P/E 08	P/E 09	Div Yield
Rio Tinto	12.0	13.71	3.2%
Total	5.1	16.2	0.6%

2008 Revenue by Product



- Base Metals
- Petroleum
- Iron Ore
- Energy Coal
- Aluminum
- Steel
- Other



### International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,691	-0.5%	14.2%
FTSE	4,341	2.2%	-3.0%
Dow Jones	8,504	0.7%	-3.1%
S&P	923	0.4%	2.2%
Nikkei	9,876	-0.6%	11.5%
Stoxx 50	2,450	2.0%	-1.1%

### Sector Performances

Sector	Index	1-Day	YTD
Construction	215	1.0%	3.8%
Technology	173	1.7%	11.8%
Oil & Gas	290	2.2%	7.5%
Financials	181	1.5%	18.9%
Retail	215	2.5%	16.5%
Food & Drink	242	2.3%	4.1%

### Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	69.3	-0.8%	25.1%
Copper	233.1	2.6%	61.7%
Gold	940.8	1.5%	6.5%
Silver	13.8	1.2%	21.3%
Wheat	506.3	-1.0%	-19.6%
Cattle	85.8	0.6%	-0.5%

### Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.414	0.8%	0.9%
€/£	0.858	0.6%	-11.0%
£/\$	1.648	0.1%	10.8%
\$/JPY	96.65	0.3%	6.2%
€/JPY	136.69	1.1%	7.1%
€/SFR	1.521	-0.3%	1.8%

### 5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	125.4	-6.3%	-28.4%
High Yield	796.7	-2.1%	-22.5%
Financials	106.9	-5.2%	-10.2%
BoI	363.7	-0.8%	50.8%
AIB	367.4	0.1%	79.0%
RBS	165.4	-2.1%	23.2%

### Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.4%	0.3%
3-Month	1.1%	1.2%	0.6%
1-Year	1.4%	1.4%	0.8%
2-Year	1.8%	2.3%	1.5%
5-Year	2.9%	3.7%	2.9%
10-Year	3.6%	4.2%	3.8%

### Date Company Region Event

Date	Company	Region	Event
02/07/2009	Donegal Creameries	IE	AGM
02/07/2009	NCC Group	GB	PRELIM
02/07/2009	Game Group	GB	AGM
03/07/2009	British Airways	GB	TRAFFIC
03/07/2009	Bank of Ireland	IE	AGM
03/07/2009	Big Yellow Group	GB	AGM
03/07/2009	Tesco	GB	AGM
06/07/2009	EasyJet	GB	TRADE
06/07/2009	Caledonia Investments	GB	TRAFFIC
07/07/2009	CRH PLC	IE	TRADE
07/07/2009	ALCOA Inc	US	Q2
07/07/2009	Finnair Oyj	FI	TRAFFIC
07/07/2009	Air Berlin PLC	DE	TRAFFIC
07/07/2009	SAS AB	SE	TRAFFIC
07/07/2009	Michael Page Internatio	GB	TRADE
07/07/2009	Persimmon PLC	GB	TRADE
08/07/2009	Tullow Oil PLC	IE	TRADE
08/07/2009	Family Dollar	US	Q3
08/07/2009	Axis AB	SE	Q2
08/07/2009	Touchstone Group PLC	GB	PRELIM
08/07/2009	Laurent-Perrier SA	FR	S/HOLDERS
08/07/2009	Schwarz Pharma AG	DE	AGM

### Date Event Region Estimate

Date	Event	Region	Estimate
02/07/2009	PMI Construction	UK	--
02/07/2009	Euro-Zone Unemployment R	EC	9.30%
02/07/2009	Euro-Zone PPI (MoM)	EC	0.00%
02/07/2009	ECB Announces Interest Rai	EC	1.00%
02/07/2009	Change in Nonfarm Payrolls	US	-375K
02/07/2009	Unemployment Rate	US	9.60%
02/07/2009	Initial Jobless Claims	US	610K
02/07/2009	Factory Orders	US	0.50%
03/07/2009	PMI Services	GE	44.3
03/07/2009	PMI Services	EC	44.5
03/07/2009	PMI Services	UK	51.5
03/07/2009	Euro-Zone Retail Sales (MoM)	EC	-0.20%
06/07/2009	Sentix Investor Confidence	EC	--
06/07/2009	ISM Non-Manf. Composite	US	--
07/07/2009	Industrial Production (MoM)	UK	--
07/07/2009	Manufacturing Production (M	UK	--
07/07/2009	Factory Orders MoM (sa)	GE	--
07/07/2009	ABC Consumer Confidence	US	--
08/07/2009	Nationwide Consumer Confic	UK	--
08/07/2009	Euro-Zone GDP s.a. (QoQ)	EC	--
08/07/2009	Industrial Production MoM (s	GE	--
08/07/2009	MBA Mortgage Applications	US	--

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