



This morning Irish GDP data was released showing negative growth in the first quarter. The fall was due to lower investment and consumer spending. Credit data showed mortgage lending has had the lowest annual increase since 1992. The next major Irish data releases will be Exchequer Borrowing Requirement on Weds plus Live Register for June due on Friday. Neither of which are expected to make for pleasant reading. This month has become the worst June on record since the Great Depression. The FOMC continues to find itself in a precarious position, battling a deteriorating economic outlook, increasing inflationary expectations, and a dollar which is showing renewed weakness. Crude hit new highs breaking through the \$140 barrier, further pressuring equity indices. On the corporate front, Oracle and Research in Motion disappointed markets by lowering guidance. In the financial sector Goldman Sachs downgraded the US financials, placing Citigroup on its conviction sell list, offsetting any positive sentiment from Barclays successful £4.5bn capital raising. Next week equity investors will focus on key US employment data and the ECB rate setting meeting where the general consensus is for a 0.25% rate hike.

### TRADING IDEAS, EARNINGS & PREVIEWS

#### CRH

Price: €17.86  
P/E: 6.8x  
Div: 4.3%  
Target: €33.00

**Fundamental View** : This Wednesday, 2nd July, **CRH** will release its H1 2008 trading statement, as well as its half yearly development strategy update, which will include details of bolt-on acquisitions completed during the period. The trading statement should confirm that the 22% of group profits generated in Poland and the Netherlands continues to grow strongly, and that the c.18% of group profits exposed to US infrastructure also remains robust, helping to offset the group's exposures to the Irish, UK and Spanish construction markets of 6%, 2% and 1% respectively.

**Next Catalyst** : As a result, CRH remains on course to generate a 2008 eps of €2.60, representing a largely flat result on the €2.63 reported for 2007, and leaving the shares currently trading at 6.7x current year earnings, a discount of c.20% to the group's European peers and a discount of c.40% to its US peers. As a result, there is the potential for this week's trading statement to act as a positive catalyst for the share price from current levels

#### BUY

**Chart View**: The unsustainable downward price trend throughout June, suggests a bounce in price in early July, short-term target level of 22.00.

#### IAWS

Price: €15.70  
P/E: 14.5x  
Div: 1.09%  
Target: €18.50

**Fundamental View** : Despite the weakness in the ISEQ over the past week, **IAWS** has held steady. The merger with Hiestand will result in both companies complementing each other rather than creating overlaps in the business areas. IAWS business comes from North America, Ireland UK and France. Hiestand is mainly focused on Switzerland, Central Europe and the Far East. With Europe having a Value Added Bakery market of €14Bn, this is significantly larger than North America and Asia-Pacific at €9Bn & €3Bn respectively. IAWS will be in a good position to benefit from growth in both of these markets moving forward.

**Next Catalyst** : IAWS shareholders will vote on the merger early August and a 75% vote in favour is required. The risk of the merger been rejected by shareholders is low as IAWS maintains the senior management position and the structure of the deal is more like a take-over by IAWS than a merger of the two companies. After the approval full year results for Aryzta will be released on the 22nd of September. The strong track record of management, diversification of earnings and the market leader position Aryzta will have in North America and Asia-Pacific will position the company to take advantage of growth in the Valued Added Bakery in these areas. We retain our Buy recommendation on IAWS with a target of €18.50 and the current share price allows for a good entry level.

#### BUY

**Chart View** : Trading in a gentle uptrend at present. If the share price can break 15.55, target levels can be set at 16.70

#### Banks

On Friday morning **RBS** gave an up-date to analysts on the performance of the group which includes Ulster Bank. Of particular interest were comments on margins and impairments for the group and which relate to other banks. As with the UK business, Ulster Bank (UB) is passing on increased funding costs to customers and RBS is confident UB will outperform both AIB and BOI going forward. Therefore, increases in net interest income will flow through in the second half of the year in UK and Ireland. On impairments, RBS see levels remaining at last years levels but did state historically, bad debts take 10 to 12 months to feed through. On UK mortgages, margins are rising and they are taking on higher quality business at higher margins. Business is mainly re-mortgages with LTV of 60% or less. On monoline insurers RBS believes they have provided enough against their exposure, but are uncertain of the effect on the downgrades. Believe the £12Bn capital raising provides significant room for RBS to absorb any further volatility and leaves the bank in a strong position compared to its competitors.

#### HPQ

Price: \$44.58  
P/E: 11.2x  
Div: 0.72%  
Target: \$60.00

**Fundamental View** : Shares in **Hewlett-Packard (HP)** fell by 4% last week in line with the broader equity market. We believe that this weakness has led to an excellent buying opportunity for a company with strong earnings growth prospects. Hewlett-Packard generates c. 70% of its revenue outside of the US with an increasing focus on emerging markets. Recent comments from Intel that it is more positive on PC demand this year than it was last year should be taken as a significant positive for the group

**Next Catalyst** : The next catalyst for HP will be on the 19/08/08 when the group is due to report its third quarter earnings. We believe that HP will again report a strong quarter and outlook given that it has already raised its earnings guidance twice this year.

#### BUY

**Chart View** : Downward momentum strong at present, however if prices can rise and remain above 44.50; the stock may climb to 45.60

#### Short Updates

Two short calls that have consistently worked well for us have been on BMW and Thomson Reuters. Since we advised shorting shares in BMW in April the stock has dropped by 20%, while shares in Thomson Reuters have fallen by 21%. Both companies continue to face pressures; BMW due to high commodity prices and Thomson Reuters will struggle given its large exposure to financial services firms. However, given the sharp fall in each of the companies share prices we recommend taking profits and closing all short positions.

#### Total

Price: €52.91  
P/E: 8.6x  
Div: 3.9%  
Target: €59

**Fundamental View** : **Total** is a French registered diversified OIL & Gas major with operations across the globe. The company has a strong upstream portfolio of producing oil assets, and is actively expanding its Natural Gas interests also. Long term, the company is focused on underdeveloped "heavy" assets. These are concentrations of oil that have been ignored in previous decades as they can be difficult to extract and refine, such as tar sands deposits in Canada. Total aims to utilize new technologies to increase the yield from these assets as well as prolonging the life of maturing fields.

**Next Catalyst** : The next catalyst for Total will be on 01/08/08 when the company will release its Interim results. Given the current trends in oil and gas industry fundamentals, the industry is likely to remain in focus for some time. Total is currently trading at 8.6 times earnings.

#### BUY

**Chart View** : Stock gradually gaining momentum. Strong support at 52.35, along an uptrend. Expect price to return to June.

#### BRICS ETF

The **BRIC** countries are Brazil, Russia, India & China. They represent the economic powerhouses of the new global economies. India and China have become manufacturing superpowers as a result of low cost educated workforces. Brazil and Russia are massive commodity exporters and have benefitted massively from the recent commodity boom. The iShares FTSE BRIC 50 is an ETF which aims to track the performance of the FTSE BRIC 50 index. The weighting of the index is roughly, 40% Brazil, 30% Russia, 25% China and 5% India. From a sector view, there is a heavy commodity weighting, approximately 60%. There is also a significant weighting to Financials, although BRIC banks are significantly better placed than their western peers. As part of a long term diversified portfolio, a BRIC ETF gives exposure to commodities and growing emerging market economies.

## Earnings Week Ahead

## Economic Week Ahead

**Tues:** (IFG, AGM) (Apollo, Q3) (Constellation Brands, Q1)

**Mon:** UK Mortgage Applications (09.30), EU Inflation (10.00), Chicago PMI (14.45)

**Wed:** (CRH, TS) (Home Ret, AGM) (Taylor Wimpey, TS) (Family Dollar Stores, Q3)

**Tues:** EU PMI (09.00), US Construction Spending (15.00), ISM Manufacturing (15.00)

**Thurs:** (Ryanair, Traffic) (B.A, Traffic) (Donegal Creameries, AGM) (Game Gp, AGM) (Redrow, T.S) (Debenhams, MS) (Great Portland estates, AGM) (Greene King, FY)

**Wed:** EU PPI (10.00), US ADP (13.15), Factory Orders (15.00)

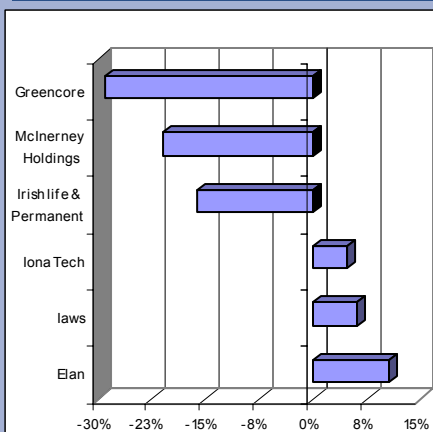
**Fri:** (Landesbank Berling, AGM) (Shires Income, AGM)

**Thurs:** EU Services PMI (09.00), Retail Sales (10.00), ECB Rate Announcement (12.45), US Non-Farm Payrolls (13.30), ISM-non Manufacturing (15.00)

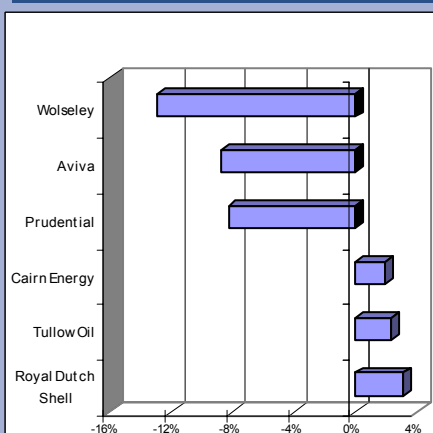
# DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/  
Worst Performers  
16/06/08-20/06/08

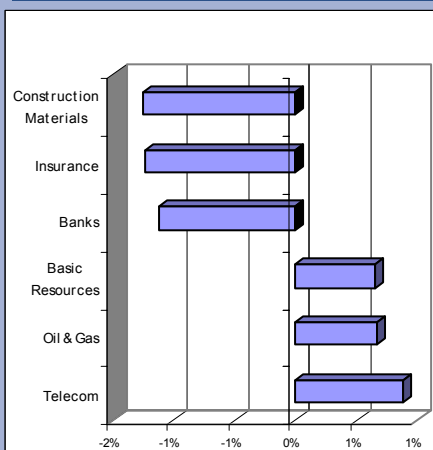
## ISEQ



## FTSE



## Sector changes WTD



# Dolmen Dozen

## WEEKLY UPDATE

Company	WTD	YTD	Relevant news
AIB	-1.5%	-38.10%	M&T Bank files a lawsuit against Deutsche Bank and HBK Investments over \$82m CDO exposure.
Aviva	-8.7%	-26.34%	Aviva shareholders could get a dividend lift if it can push ahead with the reallocation of surplus assets.
BP	0.2%	-7.40%	JP Morgan raises BP Price target to 675p from 650p, with an overweight rating.
IN&M	-11.9%	-38.12%	IN&M Chief Executive Anthony O'Reilly has increased his stake to 28%.
CRH	-6.0%	-25.59%	CRH will issue a trading statement on the 2nd of July.
Hewlett Packard	-2.3%	-11.69%	In Q1 HP nearly doubles the industry's average of 12% of increased PC sales.
IAWS	6.2%	3.98%	Heinstand CFO Martin Zwysig resigns.
IL&P	-15.3%	-40.34%	IL&P expects operating profit to fall this year, but says its capital position remains robust.
Microsoft	-2.1%	-22.39%	Bill Gates becomes non-executive chairman at Microsoft and will work part-time.
Paddy Power	-8.6%	-11.25%	Morgan Stanley raise Paddy Power's price target to €28 from €24.
Ryanair	-10.8%	-42.26%	Ryanair announce director Sean Coyle has quit to become CEO at Aer Lingus.
Vodafone	-1.4%	-23.27%	Media reports suggest Vodafone is close to buying a majority stake in Ghana Telecom for about £480m.

DD Unrealised gain YTD	-12.97%	ISEQ YTD	-25.36%
DD Realised gain YTD	-12.00%	FTSE YTD	-20.30%
DD Total YTD	<u>-20.09%</u>	Average performance	<u>-22.83%</u>
Relative Performance		<u>2.74%</u>	

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

## What it says in the 'Sundays'

Company	Paper	Headline
Kingspan	S. Business Post	Kingspan axes Welsh timber frame house factory
Greencore	S. Tribune	Greencore share trading in spotlight
DCC	S. Times	Fund boss wants DCC broken up
Elan	S. Times	Resurgent Elan plans new Dublin drugs plant
Tullow Oil	S. Independent	Tullow has plenty of room to grow

## Upcoming Corporate Visits

### COMPANY

### PRESENTATION DATE

Anglo Irish Bank

14th August 2008



## Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E08
ISEQ	5296	-3.1%	-23.6%	3.9%	7.7
FTSE 100	5530	-1.6%	-14.4%	4.7%	10.7
DAX	6422	-2.4%	-20.4%	3.8%	12.0
Dow Jones	11347	-4.2%	-14.5%	2.9%	14.3
S&P 500	1318	-3.0%	-12.9%	2.4%	21.2
Nasdaq	2316	-3.7%	-12.7%	0.9%	35.0
EuroStoxx 50	2876	-1.6%	-21.7%	4.8%	10.2
Nikkei 225	13544	-2.9%	-11.5%	1.6%	16.4

### Technical Short-Term Trading Idea:

#### Short-Term Trading Idea:

**Strategy: Sell JPY on strength, i.e. buy the Japanese Yen on weakness against the USD (currently trading at 105.52)**

Comments:

- JPY has rallied from its decade low of 95.78 on March 17<sup>th</sup> but this uptrend has now been broken. Momentum indicators continue to weaken for this cross.
- US equities provide trading fodder for this cross, i.e. a weak equity environment coupled with rising volatility favours an unwinding of carry trades. Expected strength in large-caps over small-caps could also signal a top in this JPY upward move.
- The market is becoming increasingly skeptical of the Fed's capacity to hike rates. Furthermore, the potency of their rhetoric to support the dollar at this point has to be questioned.

Trade:

- Sell JPY in the 106.50 area.
- Short-term target is a break below 104.00.
- Place a stop at 108.50 area.
- Support: 105.10/15, 104.16, Resistance: 106.60, 107.75.

### Commodities

	Current	Change YTD
Crude Oil	\$140.21	+46.4%
Gold spot	\$927.82	+11.3%

### Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.576	+8.0%	1.45-1.55
EUR-GBP	0.790	+7.6%	0.74-0.78
EUR-JPY	167.5	+2.8%	165.0

### GDP Growth

	Current	Year End (est)
Ireland	5.00%	1.00%
Euro Zone	2.50%	1.50%
UK	3.10%	1.50%

### Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	4.00%	4.95%	4.25%
UK	5.00%	5.95%	5.00%
US	2.00%	2.79%	2.00%

### Credit Market Summary

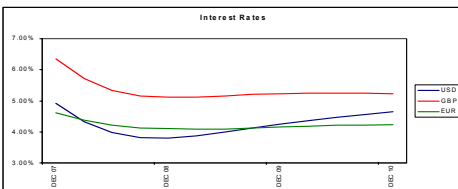
Credit spreads decisively broke through the recently established trading ranges this week with high yield spreads breaking through the 500bps barrier to reach 528bps on Thursday when bankruptcy rumours in the US auto sector and speculation of further banking write-downs caused concern amongst investors. Spreads continue to be led by equities and while there may be a short term bounce tighter the long term direction is very much wider - most likely a creeping wider rather than a blow-out.

## Credit Sector Movements

**Automotive:** Sentiment was very bearish in the Auto sector this week with spreads in all European automakers back at Mid-April levels. Thursday's rumour of a bankruptcy filing by Chrysler (private equity owned) was the tipping point however for spreads in the sector which had been under pressure for the past number of weeks due to concerns over consumer spending and rising fuel costs. However the biggest concern was amongst US automakers GM and Ford which saw spreads jump wider on Thursday - GM widened 61% to 2325bps while Ford was 31% wider at 1949bps - talk of a possible merger between GM and Ford hit the news wires Friday but didn't calm investors.

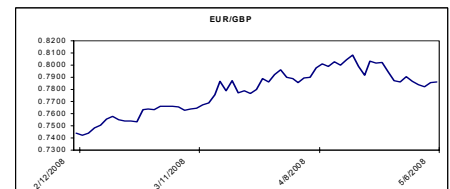
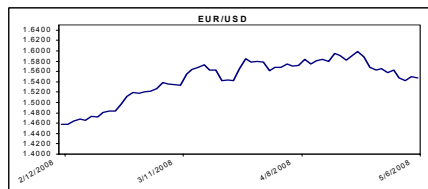
**Retail:** Food retailers were all wider as Tesco and Asda announce they have cut prices further in reaction to weak consumer spending, leading to intense pricing competition between food retailers. Dixons only widened 11% this week after reporting weak results in line with expectations. Spreads in Dixons have been trading over 400bps recently, and fast approaching the 450bps highs seen in March.

### Interest Rate Outlook



On interest rates, we had the Federal Reserve last week and now the ECB announcement on Thurs. If Euro-Zone inflation comes in as expected on Monday at 3.9% for June, the rate hike will be a done deal. Trichet is speaking on Tuesday and this will allow him to prepare the market for Thurs. For the US Thurs is key with ISM and Non-Farm Payrolls. Weekly Jobless claims have been increasing over the past number of weeks and could lead to a worse Non-Farm than the market is expecting.

### Currency Comment



EUR/GBP flat trading range during the week. Comments from the BOE remain consistent with the letter to the Chancellor, inflation will remain high but it is due to external factors and interest rates will remain as is. EUR/GBP has traded in a range of 0.7766 to 0.8098 with resistance at 0.7955. Against the EUR you can only see weakness in GBP and the data this week will not help. PMI for services and manufacturing will show continued weakness and add more housing data later in the week and GBP will remain on the back foot against the EUR.

Fed decision was as expected, but comments were not as hawkish as expected with the comments balanced between growth and inflation. USD sold off after the release and we saw a number of days of weak equity markets. The USD should see further weakness this week once the ECB hike on Thursday with a key resistance level at 1.5845. Economic conditions in both economies are deteriorating with the EUR having a slightly upper hand due to yield differential.



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