



After yet another week of whip-saw trading, it is interesting to note that with the exception of the Irish market, the FTSE, DAX, and S&P are all virtually unchanged since their close two weeks ago on 18th July, while the Dow Jones is 1% lower and the NASDAQ is 1% higher. The exception to this statistic is the ISEQ which is almost 16% lower primarily due to the recent fall in Elan on the back of two pieces of negative news on its two key drugs. After the near 8% rally in markets from their 16th July lows, equity markets have tried on numerous occasions to move higher only to be met resistance in the shape of weak economic data, disappointing corporate results and rallies in the oil price from the key \$121 level with the latest move higher down to geo-political risks. What this volatile price action signifies is that while investors want to move the markets higher, particularly when oil prices ease, there are enough other issues such as global growth concerns and the corporate profit outlook into the second half of the year to curb their enthusiasm. In this regard, the week ahead will be extremely important as the Fed (Tues), Bank of England and ECB (both Thurs) all meet to decide on their respective levels of interest rates. While no change is expected from any of the Central Banks, the accompanying statements or press conferences will be monitored closely to determine if the recent pull-back in the oil price will have done anything to ease their inflationary fears. Any sign that this is the case would be sufficient to see equity markets make a more convincing move to the upside.

TRADING IDEAS, EARNINGS & PREVIEWS

Banks

Major focus last week was on AIB as the first Irish bank to report results since the "R" word or recession came into play about the Irish market. The results were better than expected, but the guidance on the future outlook was what the market was focused on. Management provided detailed information on their loan book and even gave guidance on where they expect impairments in 2009. The read through for other Irish banks is for a similar level of impairments to be predicted in their results with the effect of deteriorating credit quality only starting to be seen in 2009. On a positive note, Irish Permanent completed the refinancing of €3Bn of maturing debt and BOI issued £450m of lower tier 2 debt, indicating that wholesale markets are open for Irish banks, but at prices significantly higher than last year. In the UK, HBOS and Lloyds TSB both reported last week and had a similar story to Ireland with increased level of impairments been seen and a negative outlook for 2009 on credit quality across loan portfolios. In the case of HBOS there was concern the bank would report higher levels of write downs on credit assets, but it surprised the markets with a lower level and stated it believed this was the end of issues on these assets. The focus now for the majority of Irish and UK banks will move from assets such as CDO and Monolines to underlying loan books. In the case of Barclays some concern still remains in the market when they report results on the 7th of August, that they may report write downs greater than expected on CDO and Monoline exposure. Other UK banks reporting are HSBC on Monday, Standard Chartered on Tuesday and RBS on Friday with a large number of European banks are also reporting during the week such as Commerzbank, SocGen, BNP Paribas and Danske Bank.

Elan Update

On Tuesday, Elan released additional details on its Phase 2 Bapineuzumab. The market reacted very negatively to the worse than expected side effects as well as concerns over the drugs efficacy. The company intends to proceed with phase 3 trials although the market will be pushing back expectations of a launch. Elan sold off aggressively on the news finishing down over 30%. On Thursday Elan and partner Biogen announced two new PML cases in patients being treated with MS drug Tysabri. Both patients reside in the EU and had been receiving treatment for 14 months and 17 months respectively. Shares of Elan traded off aggressively in after hours US trading and dropped to €4.00 at one point Friday morning. Tysabri was pulled from the market in 2005 when 3 patients developed the brain infection. It was reintroduced to the US market and launched for the first time in the EU in July 2006. PML was listed as a potential side effect in 1 of every 1,000 patients in the prescribing information on its re-launch. Elan has stated that they will not be withdrawing the drug from circulation. With 31,800 patients currently on Tysabri, the likelihood of further cases is great. The company had guided for 100,000 patients by 2010, the news of the PML cases is likely to slow the rate of new patients moving on to the drug. This could be disastrous for Elan which is relying on future revenues from Tysabri to achieve profitability. We are maintaining our Neutral rating on the stock and advising our clients to avoid.

BP

Price: £5.21
P/E: 6.7x
Div: 4.7%
Target : £7.00

Fundamental View : The share price of BP continues to languish following on from very strong Q2 results. The stock is currently down about 15% for the year to date. In recent years the company has been plagued by operational mishaps including the Texas City refinery explosion, Alaskan pipeline leak and delays on the new Thunder Horse facility. Additionally BP's developed into one of the least cost efficient of the major oil companies. More recently the issue of control over the TNK-BP subsidiary has been a negative catalyst for the share price. The Q2 results confirmed that BP is seeing the benefits of cost cutting measures introduced by new CEO Tony Hayward. Texas City and Whiting refineries are back to 100% capacity, and Thunder Horse is now producing. TNK-BP is still an issue, BP was unable to give guidance on a resolution, despite this the current share price offers an excellent entry point.

BUY

Next Catalyst : News on TNK-BP is likely to be the main catalyst that will move BP share price in the near future
Chart View : Stock has fallen ~ 20% from its May high and is sitting just above strong support in the 500 area. Risk/reward very favourable.

CRH

Price: €16.43
P/E: 6.5x
Div: 4.5%
Target: €25.00

Fundamental View : Last week, shares in CRH were under pressure following some negative economic data along with one of its closest peers Lafarge issuing a profit warning on Friday. While there is no doubt that economic data in both Europe and the US will be challenging over the next few months, we feel that as the year on year comparisons towards the end of the year improve, this could provide a boost to CRH's share price that is currently trading at valuation metrics close to historical lows. Shares in CRH are currently trading at 6.5x forward earning well below its historical trading range of 8x-16x. While shares in CRH are likely to remain volatile in the short-term, we believe that the stock offers compelling long-term value.

Buy

Next Catalyst : The next catalyst for CRH will be on the 26/08/08 when the group is due to issue its interim management statement.
Chart View : Stock has confirmed a strong breakout from its downtrend by pulling back to the 16.00 area. Expect price to resume its upward reversal targeting short term resistance at 18.16. Low volume suggests volatile price action in the short term.

Earnings Week Ahead

Tues: SocGen, Heidelberg Cement, Addidas, Cisco, Dr Horton, Proctor & Gamble, Legal & General, Ryanair Traffic, Standard Chartered

Wed: BNP Paribas, Commerzbank, AIG, Liberty International, Standard Life

Thurs: Axa, Deutsch Telekom, Puma, Telecom Italia, Barclays, Easyjet, Friends Provident, Hammerson, Ladbrokes, Royal & Sun Alliance

Fri: RBS

Economic Week Ahead

Tues: UK Industrial Production (09.30), EU Retail Sales (10.00), US ISM Services (15.00), FOMC Rate Decision (19.15)

Wed: German Industrial Orders (11.00)

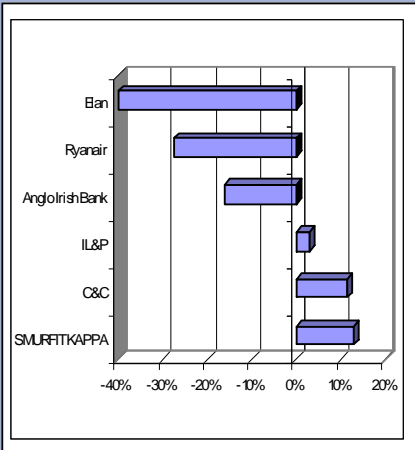
Thurs: BoE Interest Rate Announcement (12.00), ECB Interest Rate Announcement (12.45), US Jobless Claims (13.30), Pending Home Sales (15.00)

Fri: US Labor Productivity (13.30)

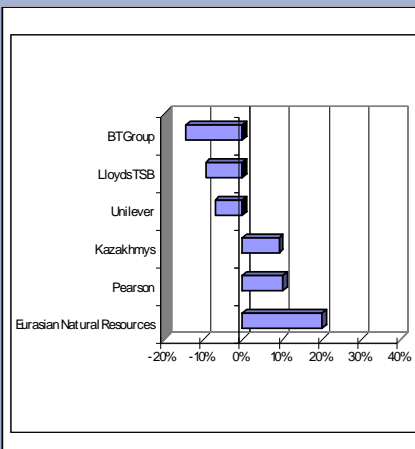
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/
Worst Performers
25/07/08-01/08/08

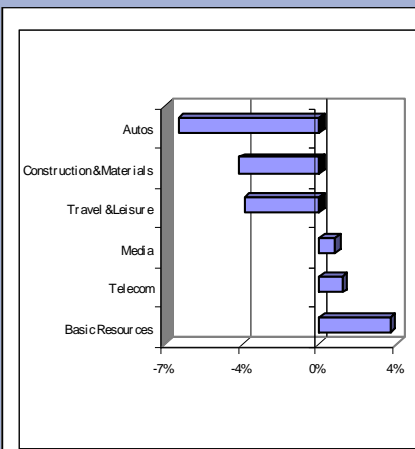
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE



Company	WTD	YTD	Relevant news
AIB	-4.2%	-47.7%	AIB said that earnings may fall by up to 10% during 2008
Aviva	+1.8%	-23.9%	Aviva reported a 12% increase in EEV operating profit
BP	0.7%	-17.9%	BP reported 2Q profit well ahead of analyst expectations
IN&M	-1.3%	-33.3%	Reported strong growth at its Indian venture
CRH	-2.9%	-31.60%	Lehman Brothers upgraded the stock to Overweight from neutral
Hewlett Packard	0.5%	-13.41%	EDS shareholders agree merger with HP
IAWS	-0.8%	+0.3%	Announced that it now owns 64% of Heistand
IL&P	2.3%	-52.8%	Completed €3bn of debt financing
Microsoft	-2.6%	-29.1%	Yahoo investors voted in support of Board at AGM
Paddy Power	-6.9%	-20.7%	Recently added to Goldman Sachs conviction buy list
Vodafone	3.6%	-26.1%	Vodafone's new CEO, Vittorio Colao, officially took charge of the company

DD Unrealised gain YTD	-17.48%	ISEQ YTD	-40.76%
DD Realised gain YTD	-10.96%	FTSE YTD	-22.73%
DD Total YTD	<u>-24.87%</u>	Average performance	<u>-31.74%</u>
Relative Performance		<u>6.87%</u>	

What it says in the 'Sundays'

Company	Paper	Headline
Vodafone	Sunday Times	Overdone—a simple SOTP valuation yields 180p
Grafton	Sunday Times	Share watch BUY
Ryanair	S. Times	Brokers warn of €2bn bad debts
BP	Sunday Telegraph	CFO Quits TNK-BP
HSBC	Sunday Telegraph	Asian outlook provides greatest outlook

Upcoming Corporate Visits

COMPANY

PRESENTATION DATE

Anglo Irish Bank	14th August 2008
AIB	To be confirmed



Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E08
ISEQ	4090	-16.1%	-41.0%	5.0%	6.2
FTSE 100	5320	-0.6%	-17.6%	4.8%	10.4
DAX	6350	-1.4%	-21.3%	3.9%	10.6
Dow Jones	11284	-0.8%	-14.9%	2.9%	13.8
S&P 500	1249	-0.7%	-14.9%	2.4%	24.1
Nasdaq	2286	-1.1%	-13.8%	0.9%	35.7
EuroStoxx 50	2824	-1.2%	-23.3%	4.9%	10.4
Nikkei 225	12915	-3.1%	-15.6%	1.7%	15.9

Sector	Weekly move%	YTD move%
Basic Resources	3.962	-10.512
Telecom	1.061	-28.353
Media	0.731	-27.002
Financial Services	0.404	-25.38
Industrials	0.33	-21.393
Personal & Household Goods	0.237	-22.841
Insurance	0.197	-25.431
Oil & Gas	-0.079	-16.952
Utilities	-0.553	-19.717
Technology	-0.607	-23.634
Food&Bev	-0.735	-22.535
Healthcare	-1.106	-9.799
Chemicals	-1.178	-10.635
Banks	-2.082	-31.259
Retail	-2.782	-32.724
Travel & Leisure	-3.403	-26.239
Construction & Materials	-3.599	-33.084
Autos	-6.386	-31.284

Credit Sector Movements

Irish Banks: mixed in the sector – Irish Permanent was the big winner on the week, tightening almost 6% as the company confirmed it had completed the last of its €3bn term funding raising, although the company declined to comment on the cost of the deal. AIB and Anglo were largely flat on the week. Bank of Ireland widened 11% despite a lack of catalyst.

Telecoms: mixed in the sector –BT narrowly missed on its quarterly earnings, warning of margin pressures, the company's spreads widened 10% on the news. Vodafone were wider 3.4% while Deutsche Telekom narrowed 4.3%.

Interest Rate Outlook

On Friday the UK released Q2 GDP estimates, the first for any of the major economies. The figure was in line with expectations, but it shows the headwinds that are facing all the major economies, but inflationary pressures still remain a problem. Divisions are seen in the BOE and the Fed on interest rate setting policy with lines been drawn between the Doves and the Hawks and a similar problem is in place with the ECB, but not publicised. The outlook for the three major economies is for rates to remain on hold for the remainder of this year and into most of 2009 until inflationary pressures ease. Fiscal policy is all that is available to support growth in the current downturn and the US and the UK are limited in this option. On the data front the key figure will be Euro-Zone inflation on Thursday and manufacturing PMI on Friday.

Currency Comment

Continued weakness in the UK economy was highlighted last week with a much weaker than expected retail sales plus GDP figures that were the weakest since early 2005. The BOE minutes gave GBP some support with Besley voting for a rate hike, but the break down of the vote really only shows how difficult monetary policy setting is in the current environment. The longer the BOE leave rates on hold the larger the level of rate cuts that will have to be put through in 2009 & 2010 as the economy moves closer and closer to recession and no fiscal stimulus are available to support the economy. Data for next week will mainly focus on consumer credit and mortgage applications on Tuesday and a key figure will be manufacturing PMI for July which will be released on Friday

EUR/USD continues to be the "Contest of the Ugly Duckling" with the market waiting to see which economic zone's data will be the worst. Any strength in the USD is helping the oil price to fall back and dollar strength was helped by a weaker than expected IFO figure from Germany on Thursday. Current support level for the EUR/USD is 1.5661 and this level wasn't seriously tested last week. For the week ahead a large amount of data is due out. Non-farm payrolls will be key on Friday as decreases have remained below 100k despite the slowing US economy. Advance GDP for Q2 will be released on Thursday and a strong figure is expected which will result in USD strength.

Commodities

	Current	Change YTD
Crude Oil	\$125.10	+30.6%
Gold spot	\$911.47	+9.3%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.57	+6.7%	1.45-1.55
EUR-GBP	0.789	+7.7%	0.74-0.78
EUR-JPY	167.45	+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	4.25%	4.97%	4.25%
UK	5.00%	5.78%	5.00%
US	2.00%	2.80%	2.00%

Credit Market Summary

Similar to equity markets, credit spreads were little changed on the week. Merrill Lynch announced on Tuesday that it would write-down \$5.7bn following on from the \$9.4bn write-down taken 10 days previous. Merrill spreads finished the week tighter as markets interpret the latest write-down as light at the end of the tunnel. General Motors reported an incredible \$15.5bn loss for the second quarter of the year as sales fell 27 percent while Ford sales dropped 15% for the period. S&P promptly responded by downgrading the "Big three" US automakers. Looking at the week ahead, the main market movers are likely to be central banks rate decisions and subsequent comments. Credit spread indices are likely to be range bound for the near term.



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