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DOLMEN DOZEN

Market View

Analyst : Edward Keeling

European equity markets have opened higher this morning, following their lead from the US and Asia overnight. Stocks in the US rose as an upgrade from Goldman on its year end oil price forecast to \$85 raised investor hopes for an economic stabilisation. US crude prices surged following the news, closing over 4% higher at \$68.81. Dolmen's preferred US financial JPMorgan advanced some 4% to \$35.35 as Citigroup upgraded its price target on the stock. As expected yesterday, the ECB left European interest rates on hold and indicated it has no immediate plans to increase its asset purchase plan. We do note however a slightly more hawkish tone from the ECB President Jean Claude Trichet and the subsequent rise in the March 2010 EURIBOR futures from 1.29% to 1.44%, indicating a slight rise in interest rate expectations. Despite Gordon Brown's future being in doubt after five ministers resigned from the cabinet this week, rallies in both Rio Tinto and BHP Billiton have helped push the FTSE 1.5% higher this morning. The latest minister to resign was the Works and Pension Secretary James Purnell, who stated that Gordon Brown was leading the Labour party to defeat and should step down. Speculation has mounted that today the UK Prime Minister will initiate a Cabinet reshuffle and replace the Chancellor of the Exchequer Alistair Darling with Ed Balls, a cabinet ally currently in charge of education policy. Looking forward to today, all eyes will be on the latest US non-farm payrolls data. The data will be released at 13:30 and the market is forecasting that the US economy lost 520,000 jobs last month.

Irish Financials : Anglo's debt downgraded

Analyst : Oliver Gilvarry

Moody's Investor Service (Moody's) has cut its senior debt rating for Anglo Irish Bank (Anglo) to A3. It has put the ratings of AIB, BOI and Irish Life and Permanent on review. The downgrade of Anglo was due to the large losses the bank reported last week and the "serious challenges faced by the bank as indicated by significant capital erosion and a liquidity position highly reliant on central bank support." Moody's also believe that Anglo will have to undergo significant restructuring to develop a viable business model going forward. The review of the other three banks by Moody's will look at the ability of the Irish Government to provide support to the Irish banking system taking into account the high levels of borrowing the Government is undertaking due to the weak fiscal position it is experiencing. In April, the IMF estimated the cost of the bailout of the Irish financial system would equate to 13.9% of GDP and with Ireland running a government deficit of 10.75% of GDP in 2009, concerns have been voiced over the ability of the Government to afford such a cost.

From the comments by Moody's on the Irish financial system, it now is extremely unlikely Ireland will retain its AAA rating from the rating agency. It was placed under review on the 17th of April and an announcement is likely in the next number of weeks. After the downgrade of the Irish credit rating by S&P and Fitch, the market has priced in a Moody's downgrade. More data on the Irish economy is due out at 11am today with Live Register figures due for release. The unemployment rate in April increased to 11.4% and a further increase is expected in May. Our estimate for 2009 unemployment is 14.5% with a further increase in 2010.

Grafton : Neutral Current Price (€3.11) Price target (€2.45) Analyst : Stephen Taylor

UK homebuilder Bellway has released an interim management statement this morning. The group said that since its interim results on March 31st there has been no major change in demand for its products. Bellway pointed out that first time buyers are continuing to find it difficult to raise deposits to purchase houses. On a positive note, the company said that Southern England had seen a slightly stronger market and it expects turnover at this division to be much higher by the year end. However, its northern divisions remain fragile, particularly in the Midlands, Yorkshire and North West England. Despite cancellation rates remaining at record highs, net reservations since February 1 have remained at an average of 105 per week thereby securing its volume target of 4,200 homes, underpinning the group's performance for the full year. To achieve these reservation targets, Bellway said that incentives are still being used in the form of cash discounting, part exchange and share equity. Overall we have seen some stabilisation in the UK housing markets of the last few months. Bellway's statement this morning indicates that caution still remains in the market.

Vodafone : Buy Current Price (111p) Price target (150p) Analyst : Stephen Taylor

Carphone Warehouse has released full year results. The group reported net income that increased to £550m on revenue of £1.39bn. Revenue was expected to come in at £1.37bn. The group also reiterated full year earnings forecasts for its 2010 financial year to generate over £150m in free cash flow and for its deal with Tiscali to boost EPS by 10%. The group also said that it plans to separate into two businesses by July 2010 at the latest. Carphone Warehouse has put part of its business into a joint venture with US electrical retailer Best Buy, which plans to roll-out a new chain of electrical goods stores in Europe.



BHP : Buy **Current Price** (1596p) **Price target** (Under Review) **Analyst** : David Dunk

Rio Tinto announced last night the cancellation of the Chinalco capital raising deal that consisted of a convertible bond issue, plus the sale of stakes in Rio Tinto's key assets. As a result, Rio Tinto will now pay a \$195m break fee to Chinalco. Rio Tinto also announced the details of a \$15.2bn deeply discounted rights issue. The new shares will be issued at a price of £14, for the UK line, giving a theoretical ex-rights price of £22.66. There had been speculation in recent days, that Rio would dilute the Chinalco deal, and launch a rights issue of between \$5-10bn. The Chinalco deal became increasingly unattractive as commodity prices rallied from their lows, and alternative methods of capital raisings became available. Management of Rio Tinto had come under pressure from large institutional investors, seeking an alternative to the Chinalco deal, which was seen to favour Chinalco, as the largest shareholder. In addition, Rio Tinto has announced the details of a joint venture with BHP Billiton. The Australian iron ore operations of both companies will be combined in an effort to produce cost synergies. BHP will input \$5.8bn in equity to the deal, which is expected to be finalised in 2010. The proposed joint venture may run into anti-trust regulatory issues similar to those faced by BHP's bid for Rio Tinto. However, with the \$15.2bn from the rights issue, the pressure on Rio Tinto's balance sheet is greatly lessened, and the completion of the joint venture will not be viewed as essential. BHP also noted that they had not ruled out making a bid for Rio Tinto in the future. Chinalco has made a statement noting its disappointment in the failure of its deal, and has not yet committed to the rights issue. Shares of both BHP and Rio Tinto are likely to trade sharply higher this morning on the news.

C&C

Buy

Current Price : €2.30

Price Target : €2.65



DOLMEN STOCKBROKERS

Analyst: **David Dunk**

Wednesday 5th June 2009

- We recently upgraded C&C's price target to €2.65 reflecting the expectation of a stabilisation of its core business in the current year. Recent Nielsen data showed a relatively strong performance from the UK on-trade cider market. The on-trade cider category continues to grow, with volumes increasing 1.3% against an overall LAD market decline of 8.3%. While Magners volumes continue to decline, down 10.3% in March, the rate of decline is decreasing.

- The recently released full year results held few surprises. Revenue for the period declined by 11% in constant currency terms, to €514.4m. Operating profit was €100.4m for the period, excluding exceptional items, but including a €10.2m gain from currency hedges. Operating margins were 17.9% over the year. The proposed final dividend will be €0.03, bringing the total dividend for the year to €0.09. Management has guided for a dividend of at least €0.06 per share in the coming year.

- After taking into account exceptional charges, C&C has reported a basic loss per share of €0.194. Exceptional charges amounted to €159.6m for the year. €136.5m relates to write-downs on fixed assets & land, €11.1m to inventory write-down's, and €12m for restructuring costs. Adjusted diluted earnings per share, which excludes exceptional items, declined by 15%, to €0.254, and €0.222 excluding the hedging gain.

- Overall, results were in line with the trading statement released on March 3rd. The reiteration of guidance by management was significant for markets. An operating profit of between €77m to €82m is expected for the current trading year. A key focus for the company is a stabilisation of cider volumes in the UK market, which management expect to achieve this year.

- C&C also updated on trading for the 10 weeks since March. Overall, trading over the period was mixed. Revenues were flat, on a constant currency basis, with cider volumes increasing 9% on the previous year. Spirits revenues were down 28% on the previous year, which is attributable to global destocking in the sector, but also a decline in consumer demand in Eastern Europe, that may persist for some time.

- C&C's balance sheet strengthened last year. The lower levels of capital expenditure, and lower dividend payments has resulted in cash balances increasing from €32.7m to €83m. Net debt decreased from €256.2 to €226.2.

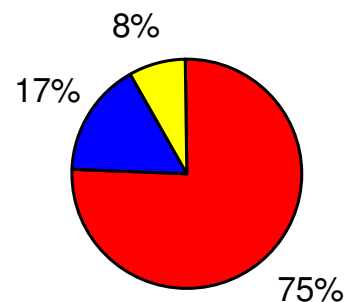
- Despite the difficult trading conditions facing C&C, particularly in its UK market, the company is undervalued at current levels. A stronger sterling exchange rate would be particularly beneficial to C&C. In addition, strong summer weather, would likely see a resurgence of sales in Ireland and the UK.

Descriptive Stats		Shareholders	
Year to date	59%	Causeway	7.5%
52 Week High	5.55	Invesco	6.7%
52 Week Low	0.74	Morgan Stanley	6.7%
Bloomberg	GCC ID	Artremis	5.3%

	FY07	FY08	FY09e
Revenue	555	514	438
Operating Profit	125	100	82
EPS	0.31	0.25	0.19
DPS	0.27	0.09	0.06
P/E	7.5	9.2	12.2
Div Yield	11.7%	3.9%	2.6%

Peer Analysis	P/E 09	P/E 10	Div Yield
Carlsberg	15.1	13.37	1.0%
Heineken	58.9	12.5	2.5%

2009 Revenue by Division



- Cider
- Spirits & Liqueurs
- Distribution



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	1,991	2.3%	-12.9%
FTSE	3,712	0.5%	-14.9%
Dow Jones	7,170	3.5%	-18.3%
S&P	751	4.1%	-16.9%
Nikkei	7,569	5.2%	-14.6%
Stoxx 50	1,963	1.5%	-18.2%

Sector Performances

Sector	Index	1-Day	YTD
Construction	169	1.6%	-15.1%
Technology	144	2.4%	-4.9%
Oil & Gas	248	0.0%	-5.5%
Financials	106	3.0%	-27.0%
Retail	177	1.8%	-1.8%
Food & Drink	203	-1.0%	-11.6%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	47.0	11.1%	-8.0%
Copper	162.5	-0.1%	16.7%
Gold	926.6	1.9%	4.7%
Silver	12.9	1.1%	14.6%
Wheat	525.0	3.3%	-15.7%
Cattle	83.9	1.6%	-5.6%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.291	0.6%	7.9%
€/£	0.926	0.1%	3.0%
£/\$	1.394	0.5%	4.8%
\$/JPY	97.72	0.5%	-7.6%
€/JPY	126.18	1.1%	-0.3%
€/SFR	1.530	3.4%	-2.8%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	198.8	-6.3%	9.5%
High Yield	1,085.5	0.2%	5.0%
Financials	197.6	1.2%	65.2%
BoI	640.0	2.7%	163.8%
AIB	609.2	1.4%	204.9%
RBS	227.8	4.5%	63.5%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.8%	0.5%	0.3%
3-Month	1.7%	2.6%	1.3%
1-Year	1.8%	1.8%	1.5%
2-Year	2.0%	2.2%	1.7%
5-Year	2.8%	2.9%	2.5%
10-Year	3.4%	3.5%	3.0%

Date	Company	Region	Event
13/03/2009	ENI SpA	IT	FINAL
13/03/2009	JD Wetherspoon PLC	GB	INTERIM
13/03/2009	SAS AB	SE	AGM
16/03/2009	Clarkson PLC	UK	PRELIM
16/03/2009	Aéroports de Paris SA	FR	TRAFFIC
16/03/2009	Gladstone PLC	UK	MEETING
17/03/2009	Royal Dutch Shell Plc	TRADE	NL
17/03/2009	Friends Provident PLC	PRELIM	GB
17/03/2009	Hikma Pharmaceuticals f	PRELIM	GB
17/03/2009	Tribal Group PLC	PRELIM	GB
17/03/2009	Macromedia	Q1	US
17/03/2009	Escada AG	Q4	DE
18/03/2009	EiRx Therapeutics Plc	INTERIM	IE
18/03/2009	Alliance Pharma Plc	PRELIM	GB
18/03/2009	French Connection Group	PRELIM	GB
18/03/2009	Nike	Q3	US
19/03/2009	Prudential Plc	FINAL	GB
19/03/2009	Investec Plc	TRADE	GB
19/03/2009	T Clarke PLC	PRELIM	GB
19/03/2009	Premier Farnell plc	FINAL	GB
19/03/2009	FedEx	Q3	US
19/03/2009	Hermes International SC	Q4	FR

Date	Event	Region	Estimate
13/03/2009	Euro-Zone Labour Costs (Yo'	EC	--
13/03/2009	Trade Balance	US	--
13/03/2009	Import Price Index (MoM)	US	--
13/03/2009	U. of Michigan Confidence	US	--
16/03/2009	Rightmove House Prices (Mc	UK	--
16/03/2009	Euro-Zone CPI (MoM)	EC	--
16/03/2009	Eurozone Employment (QoQ)	EC	--
16/03/2009	Euro-Zone CPI - Core (YoY)	EC	--
16/03/2009	Empire Manufacturing	US	--
16/03/2009	Industrial Production	US	--
16/03/2009	NAHB Housing Market Index	US	--
17/03/2009	ZEW Survey (Econ. Sentime	GE	--
17/03/2009	ZEW Survey (Econ. Sentime	EC	--
17/03/2009	Producer Price Index (MoM)	US	--
17/03/2009	Housing Starts	US	--
17/03/2009	Building Permits	US	531K
17/03/2009	ABC Consumer Confidence	US	--
18/03/2009	BOJ Target Rate	JN	--
18/03/2009	Bank of England Minutes	UK	--
18/03/2009	Jobless Claims Change	UK	--
18/03/2009	ILO Unemployment Rate (3m	UK	--
18/03/2009	Construction Output SA MoM	EC	--

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