Dolmen Daily

DOLMEN STOCKBROKERS

Wednesday 6th, May 2009

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(The Irish Times)

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(The Irish Times)

Treasury agency director named CEO of 'bad bank'

(Irish Independent)

INTERNATIONAL PAPERS TODAY

Economy contracts 'faster than in 1930s'

(Financial Times)

Bernanke calls a recovery
(Financial Times)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	7.8%	2.6%
BP	1.5%	-6.3%
CRH	2.3%	15.5%
DCC	4.8%	38.7%
E.ON	-2.2%	-8.9%
HPQ	-0.9%	1.4%
IL&P	4.0%	34.6%
INM	-3.7%	-32.7%
J&J	1.1%	-9.1%
JPMorgan	-2.7%	10.4%
Microsoft	-2.0%	1.8%
Vodafone	1.4%	-8.3%

Market View — Analyst : Edward Keeling

European markets are little changed this morning as investors pause for breath after strong gains yesterday and fears surrounding US banks' capital requirements inject some caution. Bank of America, which has already received $45bn in public funds is at the top of analysts' list of those believed to need more capital. Citigroup's capital deficiency is expected to be more modest with media reports suggesting the group requires an additional $5bn - $10bn. On a more positive note however, talk of economic recovery continued yesterday with Janet Yellen, President of the Federal Reserve Bank of San Francisco and voting member of the Federal Open Market Committee. Yellen is now hopeful that the recession will end in the second half of the year as a result of aggressive monetary and fiscal policies, and the operation of typical business cycle mechanisms. Her forecasts are for output growth to turn positive in 2009 and proceed near trend in 2010. Furthermore, the US Business Council's confidence survey has indicated that confidence among US chief executives climbed to the highest level in three years in April as corporate lenders increasingly anticipate that the recession will ease. While all such data is encouraging, particularly considering its forward looking nature, we reiterate our cautious stance. We anticipate equity markets will pull back from current levels as investors take profits and considering that valuations across the board are beginning to look quite ambitious.

CRH : Buy Current Price (€19.05) Price Target (€19.00) Analyst : Stephen Taylor

This morning, CRH has issued a trading statement for the first four months of 2009. The company pointed out that trading had proved extremely challenging in comparison with the equivalent period last year. CRH noted that demand patterns across most of its markets have been impacted by weakening economic activity, which has been exacerbated by the most severe winter for many years in both Europe and North America. The company indicated that the normal second quarter pick-up in demand has to-date not been as strong as expected. CRH expects its profit outcome for the first half of the year to show a sharper decline than previously expected. The group expects that the continuation of a more stable backdrop for energy and other input costs, together with benefits from the infrastructure stimulus package in the US, will lead to a pick-up in the second half of the year.

European materials produced a poor performance with Ireland and Ukraine showing the largest falls with 50% declines in cement volumes. In Poland and Finland volumes were lower by in excess of 33% hit by harsh weather and weaker economic activity, however in recent weeks Poland has seen a slight improvement in activity boosted by infrastructure products. On the positive side cement pricing trends are positive across all of its markets compared to 2008. European products has seen underlying sales decline by 25%.

In the US similar weakness has been seen. Bad weather and lower private sector investment resulted in a 30% fall in aggregates and asphalt volumes. On the positive side pricing continued to be strong. The group expects the pace of infrastructure project approvals under the American Recovery and Reinvestment Act to provide a boost to activity in the second half of the year. In relation to its Products division sales have declined by c. 20%.

Overall we are not surprised by CRH's cautious statement today. Shares in CRH are 5% lower and despite it being the strongest company in its sector, on a valuation basis in the current environment the company has become expensive. We would wait for further pull back in the group's share price toward the €17 mark to buy the stock.

Two of CRH's peers have also reported results this morning. Swiss peer Holcim reported first quarter net profit of CHF74m missing analyst expectations of CHF194m. The group indicated weakness across all geographic regions and in relation to the US, it sees an 'upswing' in 2010. French peer Lafarge reported a first quarter net loss of €17m. The group said it is difficult to provide earnings forecasts for 2009 and said that it has not seen any sign of recovery in the US. On the positive side and similar to CRH, the company said that it sees solid pricing over the year.

BP : Buy Current Price (490p) Price Target (600p) Analyst : David Dunk

Total released its Q1 trading statement today. Total's results were better than expected, continuing the trend of the integrated major oil companies beating analyst expectations. Adjusted net profit for the quarter was €2.1bn, compared to analyst's expectations of €1.98bn. Revenue for the quarter was €30bn, down from €44.2bn for the same quarter last year. Total didn't buy back its own shares in Q1. Asset sales amounted to €359m, mainly related to shares of Sanofi. Upstream production was 2.3 million barrels of oil equivalent per day. The company is maintaining its investment and dividend policies. We continue to see long term value in the sector, with BP as our preferred pick. Today's announcement will have little impact on the sector, given that the many of Total's peers have already reported.

GSK : Sell Current Price (1020p) Price Target (900p) Analyst : David Dunk

GlaxoSmithKline has announced that it will divest the rights to Wellbutrin in the US. Biovail is purchasing the US Wellbutrin rights for $510m. Wellbutrin represents a very small portion of Glaxo's pharmaceutical portfolio. We do not anticipate a material share price move on the news. We remain negative on the sector, due to generic competition, weak pipelines and the threat of increased regulation.

Ryanair : Sell **Current Price** (€3.46) **Price Target** (€2.85) **Analyst :** David Dunk

easyJet announced its half yearly report as well as passenger statistics for April. Net revenues were £1.03bn, up from £892.2mln from the same period of the previous year. The company has reported a pre tax loss of £116.5mln for the period. Passenger numbers were up 2.9%. The company gained market share in the first half of the year. easyJet expects to be profitable for the full year. Thus far, bookings for the second half of the year are broadly in line with last year. easyJet expects a 2% growth in seats flown. Load factor's and total revenue per seat, are expected to be in line with last year. We continue to remain negative on the airline sector following today's announcement. We believe airlines are overpriced at current levels.

United Drug : Buy **Current Price** (€2.05) **Price Target** (€4.30) **Analyst :** David Dunk

United Drug has released an interim report for the first half of 2009. Sales were €850.9mln for the period, up 1% on the previous year. Pre tax profit was €30mln, excluding exceptional items. The company is encountering "more challenging trading conditions". United Drug expects to make a full year profit that is at least in-line with 2008 levels. The company will pay an interim dividend of €0.0223 per share. We will review our recommendations on United Drug in the coming days, and release a full report.

US Financials: US government stress test **Analyst :** Oliver Gilvarry

Overnight, reports have emerged that Bank of America (BOA) may require $35bn in capital based on the results of US government stress tests. This is the largest requirement of the 19 banks being tested. Citigroup will require a lower amount due to the prior agreement to convert part of its government held preference shares into ordinary equity. Comments on JPM indicate it has sufficient capital reserves to manged the current economic cycle. BOA has received $45bn through preference shares from the US government last year and its ability to raise $35bn in ordinary capital from private sources will be limited especially as its market cap is currently $69.4bn. The requirement of further capital by the bank is due to the acquisitions it completed in the last year of Countrywide and Merrill Lynch. If BOA is unable to raise the capital through private sources, conversion of government preference shares into equity is likely, potentially making the US government the largest shareholder in the bank. The full details of the stress tests will be released tomorrow, but it does seem a large amount of the details have already been pre-released into the market over the last two weeks.

Irish Exchequer Figures: €7.3bn Deficit **Analyst :** Oliver Gilvarry

Exchequer figures for the period to April were released yesterday evening and the deficit has widened to €7.3bn in April. Tax revenues fell by 24% to €10.1bn compared to the same period last year. The decline in taxes was broad based with CGT down 69%, stamp duty down 64%, VAT down 21%, corporation tax down 45% and income tax fell by 6%. Current expenditure increased in the period by 4.5% and social welfare spending is higher by 13% over the same period last year as the unemployment rate increases. Capital spending by the government has fallen by 14.4%.

The fall in income tax follows the imposition of the civil service levy and has held up reasonably well despite the increases in the numbers on the live register. The budget tax increases come into play from this month and the next set of exchequer figures will show the effect of the tax increases. The figures released yesterday do indicate the next steps to be taken by the government has to be on spending cuts.

In a separate development, an interim Managing Director has been appointed to NAMA. The person appointed is Brendan McDonagh, currently Director of Finance, Technology and Risk at the NTMA. He played a central role in the development of government policy towards the banking crisis. The Minister for Finance stated he will be assisted by a high level advisory committee to be appointed shortly.

In other news, the Irish Times has reported today that the Irish pension funds, as part of plan devised by the Construction Industry council and already submitted to the Minister for Finance Brian Lenihan, would be willing to invest €6bn into state infrastructure projects over three years. Under the proposed structure the pension funds would invest in a state infrastructure bond and the government could then use the proceeds to invest in a range of infrastructure projects. It is thought it could save up to 70,000 jobs in the construction industry and the funds would receive a return on their money over a period of possibly 20-25 years at a rate superior to that of Irish government paper.

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Market Movers

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International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,703	3.1%	13.1%
FTSE	4,337	2.2%	-2.2%
Dow Jones	8,411	-0.2%	-4.2%
S&P	904	-0.4%	0.1%
Nikkei	8,977	1.7%	1.3%
Stoxx 50	2,408	-0.5%	-1.5%

Sector Performances

Sector	Index	1-Day	YTD
Construction	230	0.7%	11.2%
Technology	172	-1.9%	12.6%
Oil & Gas	285	0.4%	6.5%
Financials	176	3.6%	17.6%
Retail	206	-0.8%	13.6%
Food & Drink	221	-0.5%	-4.6%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	53.8	-1.2%	1.6%
Copper	208.3	-2.9%	47.7%
Gold	897.2	-0.5%	2.3%
Silver	13.4	2.3%	18.4%
Wheat	553.5	0.5%	-12.8%
Cattle	82.1	0.3%	-4.6%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/$	1.333	-0.6%	-5.0%
€/£	0.883	-1.0%	-7.9%
£/$	1.509	0.5%	2.7%
$/JPY	98.81	0.0%	7.7%
€/JPY	131.72	-0.5%	3.1%
€/SFR	1.509	-0.1%	1.1%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	155.8	-6.3%	-11.8%
High Yield	944.3	-0.6%	-8.9%
Financials	144.6	-2.4%	21.8%
BoI	365.1	-0.1%	48.8%
AIB	362.6	0.0%	77.8%
RBS	183.2	-2.8%	32.7%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.5%	0.4%	0.2%
3-Month	1.3%	1.4%	1.0%
1-Year	1.6%	1.5%	1.1%
2-Year	1.8%	2.1%	1.5%
5-Year	2.7%	3.1%	2.6%
10-Year	3.5%	3.8%	3.3%

Date	Company	Region	Event
06/05/2009	Carlsberg A/S	DK	Q1
06/05/2009	BNP Paribas SA	FR	Q1
06/05/2009	JCDecaux SA	FR	Q1
06/05/2009	Lafarge SA	FR	Q1
06/05/2009	Total SA	FR	Q1
06/05/2009	BMW Bayerische Motor	DE	Q1
06/05/2009	Deutsche Post AG	DE	Q1
06/05/2009	CRH PLC	IE	TRADE
06/05/2009	Anglo Irish Bank Corp p	IE	INTERIM
06/05/2009	United Drug PLC	IE	INTERIM
06/05/2009	Adecco SA	CH	Q1
06/05/2009	British Airways PLC	GB	TRAFFIC
06/05/2009	British American Tobacc	GB	TRADE
06/05/2009	EasyJet PLC	GB	INTERIM
06/05/2009	Sage Group PLC	GB	INTERIM
06/05/2009	Next Plc	GB	TRADE
06/05/2009	Provident Financial Plc	GB	TRADE
06/05/2009	JD Wetherspoon PLC	GB	TRADE
06/05/2009	E.ON AG	DE	AGM
06/05/2009	Cisco Systems	US	Q3
06/05/2009	Symantec	US	Q4
06/05/2009	Pulte Homes Inc.	US	Q1
06/05/2009	Centex Corporation	US	Q4

Date	Event	Region	Estimate
06/05/2009	Nationwide Consumer Confic	UK	42
06/05/2009	PMI Services	GE	43.5
06/05/2009	PMI Services	EC	43.1
06/05/2009	PMI Services	UK	46.3
06/05/2009	Euro-Zone Retail Sales (MoM	EC	0.10%
06/05/2009	MBA Mortgage Applications	US	--
06/05/2009	ADP Employment Change	US	-643K
07/05/2009	Factory Orders MoM (sa)	GE	-0.80%
07/05/2009	BOE ANNOUNCES RATES	UK	0.50%
07/05/2009	ECB Announces Interest Rat	EC	1.00%
07/05/2009	Initial Jobless Claims	US	--
07/05/2009	Consumer Credit	US	-$3.3B
08/05/2009	Trade Balance	GE	8.0B
08/05/2009	Imports SA (MoM)	GE	-0.90%
08/05/2009	Exports SA (MoM)	GE	-1.30%
08/05/2009	PPI Input NSA (MoM)	UK	0.80%
08/05/2009	PPI Output n.s.a. (MoM)	UK	0.20%
08/05/2009	Industrial Production MoM (s	GE	-1.30%
08/05/2009	Change in Nonfarm Payrolls	US	-620K
08/05/2009	Wholesale Inventories	US	-1.00%
12/05/2009	RICS House Price Balance	UK	--
12/05/2009	Consumer Price Index (MoM	GE	--
12/05/2009	DCLG UK House Prices (Yo'	UK	--

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