



Our positive stance towards equity markets continues this week with our preferred sectors remaining technology, healthcare, telecoms and basic resources. In relation to the financial sector we prefer US banks including Bank of America and JPMorgan over European and UK banks. This as a result of US financials ability to repay state funding through private measures such as Bank of America's decision to repay \$45bn of TARP funds. Friday's better than expected nonfarm payrolls figure provides us with confidence that the economic recovery is gaining traction in the US. While the improved outlook may lead to increased interest rate expectations in the US we still believe that despite the better than expected employment report interest rates will remain on hold through 2010. As a result while we may see some short-term dollar strength we still expect €/£ to trade higher due to the more hawkish comments from ECB president Jean Claude Trichet last week. In light of this we still believe the dollar will be used as a funding currency for riskier asset classes and any dip in equities or crude oil should be seen as a buying opportunity. For this week, the Bank of England will be in focus on Thursday and the market will be looking for any further indication of additional quantitative easing, while on Friday retail sales out of the US will be closely watched.

TRADING IDEAS, EARNINGS & PREVIEWS

Core Stock Calls

We continue to like **Vodafone** and it remains one of our highest conviction defensive calls. Last week's better than expected third quarter GDP data out of the India that showed growth of 7.9% further underpins our thesis that emerging markets will play a key role in Vodafone's earnings over the next number of years. A stabilising European market in addition to increased costs saving initiatives will further underpin profitability. Vodafone also pays a well covered dividend yield of c. 5.5%.

Last week US office retailer Staples reported a strong set of quarterly results and indicated that sales of **Microsoft's** Windows 7 had been ahead of expectations. We take this as a significant positive read across for Microsoft. Microsoft remains one of our top equity picks as we believe that the release of the new operating system will provide a significant boost to earnings. Microsoft also benefits from a strong balance sheet with net cash of c. \$30bn. We view Microsoft as one of the safest ways to play the economic recovery given its positive earnings prospects and strong balance sheet. On the hardware front we believe that **Intel** represents excellent long-term value and recent strong results from Hewlett-Packard indicates that PC demand is beginning to recover.

Rio Tinto

Price: 3125p
P/E: 13.5x
Div: 1.8%
Target: 3300p
Buy

One of our conviction calls on the week is to be long Rio Tinto. The company's shares continue to perform strongly benefiting from a combination of factors including accommodative monetary policy, surging commodity prices and a high exposure to resilient emerging market growth. Last week we saw a continuation of these trends with metals pushing higher and more strong data coming out of China and India. Furthermore, concerns over aluminium prospects seem to have receded somewhat with news that the miners are starting to bring some of the mothballed capacity back online. This week will also prove to be interesting as the market begins to digest the details of the Iron ore Joint Venture between Rio Tinto and BHP Billiton. The equalisation payment that Rio Tinto will receive as a result of the deal will help the dual listed company pay down some of its debt and will mark the end of the company's capital issues. Next catalyst : Operations Review on the 14th of January

Ryanair

Price: €3.07
P/E: 15x
Div: 0%
Target: €3.20
Buy

We continue to recommend buying Ryanair shares. Although Ryanair has continued to grow into the downturn, the negative impact of this on profitability will begin to ease over the coming year. We forecast that as routes begin to mature, passengers continue to trade down to low cost airlines and network carriers take additional amounts of capacity out of the market, Ryanair's revenue trends will improve. With its next results not until February 2nd 2010, the next major catalyst for the group will be the conclusion of its Boeing negotiations. We expect an announcement before the end of the year. Aside from that, traffic trends from its peers will be in focus over the next week. These continue to point towards improving trends within the industry. Although Ryanair's shares have underperformed year to date, we suspect this trend will reverse over the coming months as the outlook for the industry and Ryanair improve.

Lloyds

Price: 56p
P/E: N/A
Div: N/A
Target: 75p
Buy

Lloyds Banking Group (LBG) is undertaking the largest ever rights issue in the UK, aiming to raise £13.5bn to avoid participating in the UK Government Asset Protection Scheme (GAPS). The rights issue is for 1.34 shares for each share held and the shares are currently trading ex-rights. We recommend clients to follow their money in LBG as the bank will retain a 25% market share in the UK retail even with the disposals forced on the group by the European Commission following its receipt of State aid. The stabilisation in NIM in Q3 of this year and the fact 50% of the mortgage book will be on standard variable rates at the end of 2010, will boost the pre-provision profitability of the group. LBG will become a highly profitable bank with large market share that will generate significant profits from 2011 on. The next catalyst for the bank is the completion of its rights issue on Friday.

HMV

Price: 111p
P/E: 8.2x
Div: 6.7%
Target: 145p
Buy

HMV Group retails music, books, DVDs and video games. The group owns and operates the HMV Music Stores, located in the United Kingdom, Asia and North America, plus the Waterstones Book Stores located in the UK and Ireland. The company has underperformed this year around the potential structural decline in its business with consumers able to download music and DVDs. Games sales are becoming an increasing part of the group and the liquidation of Zavvi group last year, one of its closest peers in the UK, will enable HMV to grow its market share significantly. HMV also importantly benefits from a strong balance sheet with a small net cash position. The group's shares look attractive trading at 9x 2010 earnings and an EV/EBITDA of less than four. The group also provides a 6% dividend yield that is covered 1.5x. Next Catalyst : HMV will report interim results on December 11th. Optimum entry level : 111p

Aviva

Price: 379p
P/E: 6.3x
Div: 6.5%
Target: 520p
Buy

The insurance sector underperformed last week with concerns over credit spreads and weaker equity markets impacting on the sector. Despite these headwinds we remain positive on Aviva due to its exposure to non-life insurance. Comments from Axa over the last number of months indicate it is passing on premium increases in its European operations and in the UK a report by Deloitte highlights motor premiums have increased and will continue to do so in 2010. With Aviva the largest motor insurer in the UK, further increases in premiums is a positive. With non-life insurance harder to avoid compared to Life Assurance, we continue to like Aviva in the sector. The next major catalyst for the stock is its release of Full year 2009 New Business Figures on the 4th of February. In Ireland, rumours surfaced last week on **Irish Life and Permanent** with **Axa** rumoured to be looking at making a bid. The current share price significantly undervalues the life book, but we are sceptical of the rumour especially before NAMA starts moving loans, providing some sort of visibility on the future in the Irish banking system.

GSK

Price: 1311p
P/E: 10.8x
Div: 5%
Target: 1325p
Buy

GlaxoSmithKline will hold an investor day on Thursday at which it will provide an up-date on its emerging market strategy. Emerging markets are a key focus for the company's growth plans as it seeks to diversify its business model away from its more mature and lower growth developed markets. The company has already commenced this strategy by forming joint ventures with emerging market generic drug manufacturers and the company is expected to provide an up-date on any future opportunities in this area along with a pricing strategy aimed at increasing exposure to the higher growth emerging markets. Expectations in the market are for an aggressive pricing policy, however we believe that the level of price cuts will be less than anticipated. This should provide a catalyst for the stock which remains a core portfolio holding given its well covered 5% dividend yield and attractive valuation of 10.8x 2010 earnings. Optimum entry level : 1270p

Earnings Week Ahead

Economic Week Ahead

Mon: Air Berlin (Traffic), SAS (Traffic), IS Pharma (Int), Axa (S'holders), Kroger(Q3) KMG Chemicals(Q1).

Tues: Finnair (Traffic), Game Grp (Trade), Autozone(Q1), H&R Block(Q2).

Wed: Austrian Airlines (Traffic), Lufthansa (Traffic), IG Group (Trade), PZ Cussons (Trade), Rexam (Traffic), Pall Corp (Q1).

Thurs: DS Smith (Int), Sports Direct Intl (Int), Premier Farnell (Q3), Costco (Q1), National Semiconductor (Q2), Ciena Corp. (Q4).

Fri: HMV Group (Int).

Mon: EU Sentix Investor Confid(09:30),Ger Factory Orders(11:00),US Cons.Credit

Tues: UK BRC Nov Retail Sales(00:01),UK&Ger Ind. Prod.(09:30 & 11:00), US ABC Consumer Confid.(22:00).

Wed: UK N'wide Cons.Confid(00:01), Ger Trade Bal, CPI, Imports/Exports(07:00), UK Total Trade Bal(09:30), US MBA M'gage Apps(12:00).

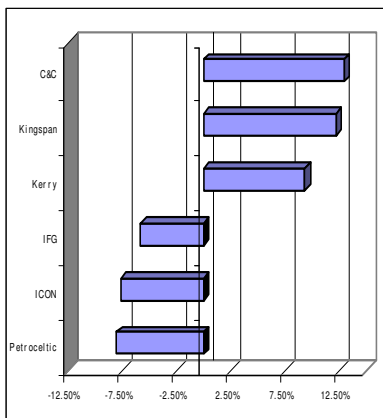
Thurs: BoE Announces Rates & Asset Purchase Target(12:00),US Trade Bal(13:30) US Initial Jobless Claims(13:30).

Fri: UK PPI Input/Output(09:30), US Import Price Index& Retail Sales(13:30), US Uni. Michigan Confid & Business Inventories(15:00).

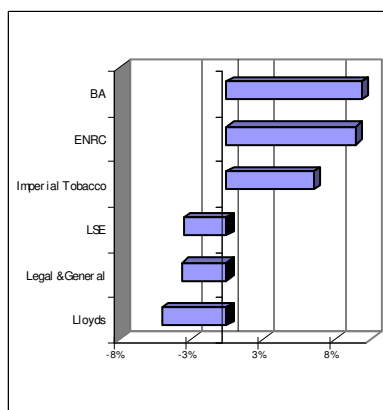
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/ Worst Performers

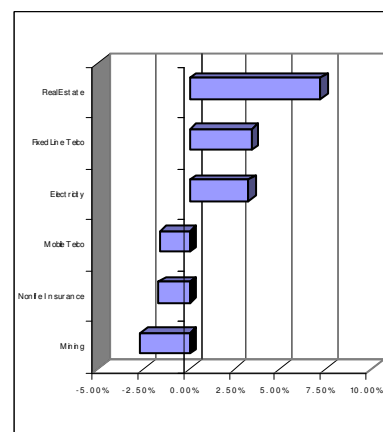
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE



Company	YTD	Relevant news
Aryzta	10.9%	UBS raises Aryzta price target by 8%
BP	10.7%	BP-TNK Joint Venture announces Russian Chief Executive
CRH	9.98%	Q4 EBITDA expected to be weaker than Q3
DCC	83.11%	Positive gaming read-through from Microsoft results
E.ON	-2.67%	HSBC raises the stock to overweight from underweight
Hewlett-Packard	37.2%	Recent results indicate PC demand is recovering
IL&P	141.1%	Increases impaired loans provisions
IN&M	-62.5%	Bondholders accept restructuring
J&J	7.57%	Q3 results inline with expectations
JPMorgan	32.4%	Finalises approach for Cazenove
Microsoft	54.22%	Report blockbuster Q3 results
Vodafone	2.12%	Q3 results show solid revenues

What it says in the 'Sundays'

Company	Paper	Headline
US Economy	FT Weekend	US payroll data "most hopeful sign yet"
Budget 2010	S. Independent	Taoiseach to take €57,000 pay cut
Budget 2010	S. Business Post	Spending cuts to hit welfare, services and pay
NIB	S. Tribune	NIB to announce job losses and branch closures
Nama	S. Times	Plunging Nama loans deepen taxpayer woes

Corporate Visits

COMPANY

PRESENTATION DATE

ICG 1st of December



Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield
ISEQ	2,987	5.0%	27.5%	1.8
FTSE	5,322	1.5%	20.0%	3.5
DAX	5,818	2.3%	20.9%	3.6
OW	10,389	0.8%	18.4%	2.6
S&P 500	1,106	1.4%	22.5%	2.2
NASDAQ	2,194	2.6%	39.1%	0.9
EUROTOXX 50	2,527	2.5%	21.2%	3.6
NIKKEI	10,023	10.4%	13.1%	1.6

Sector	Weekly move%	YTD move %
Basic Resources	-1.75	83.60
Banks	-1.29	48.74
Chemicals	-1.03	39.22
Retail	-1.02	32.24
Industrials	-1.06	31.67
Construction & Materials	-1.12	31.51
Personal & Household Goods	-0.92	31.36
Food&Bev	-0.86	26.59
Financial Services	-0.98	26.01
Oil & Gas	-1.21	18.69
Autos	-0.74	16.42
Technology	-0.28	15.20
Media	-0.51	12.62
Travel & Leisure	-0.64	12.06
Telecom	-1.24	10.50
Insurance	-0.87	9.61
Healthcare	-1.09	8.91
Utilities	-0.73	-3.61

Commodities

	Current	Change YTD
Crude	75.47	69.2%
Gold	1161	32.1%

Exchange Rates

	Current	YTD Change	Year End (est)
eur usd	1.486	1.8%	1.55
eur gbp	0.902	-5.7%	0.85
eurjpy	134.53	5.6%	132.00

GDP Growth

	2008	2009 (est)
Ireland	-1.70%	-8.50%
Euro Zone	1.20%	-2.00%
UK	1.00%	-4.25%

Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	1.00%	0.72%	1.00%
UK	0.50%	0.61%	0.50%
US	0.00% - 0.25%	0.26%	0.0% - 0.25%



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