

DOLMEN WEEKLY TRADER



Weekly Market Commentary June 8th 2010

We expect equity markets to remain volatile over the short-term as concerns around global growth and sovereign debt persist. While Friday's unemployment report out of the US was disappointing in particular on private sector hiring, we still remain comfortable with our view that the US economy is in recovery mode that is backed up by recent positive services and manufacturing data. Comments from Cisco on Friday that it expects to accelerate hiring globally provide us with confidence that corporates are beginning to spend again. We are therefore recommending investors look to use the recent weakness as a buying opportunity. With major uncertainties remaining regarding global growth, we see interest rates being maintained at exceptionally low levels in the US and Europe which should help support equities. **For investors looking to hedge portfolios for short-term downside risk we recommend taking a short position against the FTSE through either a futures contract or ETF (Bloomberg Ticker: XUKS LN).** Our short call on the €/£ has continued to perform well and with recent negative developments in Hungary likely to spill into Eurozone banks including those in Austria we continue to see the € weakening towards our 1.15 year end target. €/£'s break of the key 0.84 level sets up a move to 0.82 and we would not be surprised to see this target being hit over the coming week. On the commodity front, Gold is our preferred due to its strong technical outlook and the potential for some risk aversion re-emerging in markets. The main event next week will be the ECB press conference following its interest rate decision where we expect the base rate to remain on hold at 1%. We see a potential risk that the ECB President Jean Claude Trichet may avoid confronting underlying debt problems in the Eurozone which could pose some risk for equities. Other key events next week include the Bank of England's interest rate decision where we also expect interest rates to remain on hold at 0.5%. In the US weekly jobless claims will be closely watched, while we expect a strong retail sales figure on Friday following some upbeat comments from retailers recently.

Trading Recommendations

C&C - Buy Previous Close (€3.19) Target (€3.90) **Analyst:** Edward Keeling

Full Year Results: On the 25th May C&C posted full year operating profit of €90m, in line with market expectations. Management guided that current trading was consistent with earnings growth for the year ending February 2011.

Business Model: C&C has transformed itself from a one product company, to a portfolio of brands. In the last year it has acquired ABI's Tennant's brand and Gaymer's UK cider portfolio.

Product Mix & Off Trade: It now offers a diversified product mix, catering for both the premium and value market segments. It has increased its exposure to the off trade channel, better reflecting the structure of the UK market.

Balance Sheet: The sale of its Sprits & Liqueurs division for €300m has de-risked C&C's balance sheet, reducing net debt/EBITDA to just 0.6x. It will also allow the group to pursue further earnings enhancing acquisitions, increase dividends or engage in a potential share buyback programme.

Synergy Targets: The group will benefit from an improved route to market pushing its acquired Gaymer cider to a broader distribution network, in addition to leveraging its diverse product portfolio.

Catalysts: Soccer World Cup, AGM 5th of August & key summer trading season.

Tullow Oil - Buy Previous Close (1117p) Target (1470p) **Analyst:** Brian Gallagher

High Impact Exploration Portfolio: Tullow Oil's exploration portfolio is one of the most exciting in the sector with the second half of 2010 laden with high impact well updates

Balance Sheet Strength: The company's placing at the start of the year has lowered the company's net debt which in turn has provided management with the opportunity to accelerate its exploration schedule.

Next Catalysts: The resolution of the Lake Albert Farm-Out to Total & CNOCC and imminent updates on Ugandan & Ghanaian drilling.

Risks: Drop off in oil prices, unsuccessful drilling results & increased regulation following BP disaster.

GE - Buy Previous Close (\$15.41) Target (\$18.00) **Analyst:** Oliver Gilvarry

Diversity: GE is one of the most diverse companies in the world with exposure from Technology and Energy Infrastructure to Finance.

Geographic Exposure: The company is also well diversified geographically with operations in the US (46%), Europe 23.4% and Pacific Basin and Middle East (19%).

Signs of recovery: At first quarter results in April, the company reported profit that beat expectations and also indicated that the economic environment was continuing to improve

Risks: Continued downtrend in commercial real estate, weakening currencies outside of the US dollar

Valuation: GE trades at 13x average of next two years earnings and provides dividend yield of 2.5%

Next Catalyst: 2nd quarter results due 16th July

Bank of Ireland - Buy Previous Close (€0.77) Target (€1.20) **Analyst:** Oliver Gilvarry

Capital Raising: BOI is the first of the Irish banks to raise capital from private sources and has limited Government involvement in the bank to 36%. While volatile the rights issue has been well supported.

Rump after Rights: Due to the strong support for the rights issue, we expect the rump to be lower than previously expected. This will be a positive for the share this week.

Valuation: We based our price target on the Tangible Net Asset Value (TNAV) of the stock with a 12-month price target of €1.20.

Risks: Lack of liquidity in the wholesale money markets pushing cost of funding higher.

Catalyst: Announcement of Rump on the 9th of June.

This Week's Market Events

MONDAY

Corporate

Air Berlin PLC (TRAFFIC), SAS AB (TRAFFIC), Prudential Plc (AGM)

Economics

Factory Orders (GE)

TUESDAY

Corporate

Finnair Oyj (TRAFFIC)

Economics

Trade Balance (GE), Industrial Production (GE), ABC Consumer Confidence (US)

WEDNESDAY

Corporate

France Telecom SA (AGM), Antofagasta PLC (AGM), Babcock International (AGM)

Economics

Nationwide Consumer Confidence (UK), Total Trade Balance (UK), MBA Mortgage Applications (US), Wholesale Inventories (US), Fed's Beige Book (US)

THURSDAY

Corporate

Deutsche Lufthansa AG (TRAFFIC), Air Berlin PLC (AGM)

Economics

CPI (GE), BOE Asset Purchase Target (UK), BOE RATES, ECB Interest Rates, Trade Balance (US), Initial Jobless Claims (US), Continuing Claims (US)

FRIDAY

Corporate

Banco Santander SA (AGM)

Economics

PPI Input (UK), Industrial Production (UK), Manufacturing Production (UK), Advance Retail Sales (US), U. of Michigan Confidence (US), Business Inventories (US)

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