

## CONTENTS

### Market View

**UK Banks** : Changes to UK financial regulation

**Associated British foods** : Operational update

**UK Housebuilders** : Barratt Developments & Redrow

**British Airways** : Formal expiration of Iberia merger

**Paddy Power** : PartyGaming trading update

**Company note** : Tullow Oil

### Market Movers

## IRISH PAPERS TODAY

Good weather boosts revenues at C&C  
*(The Irish Times)*

Tullow secures deal to develop oil finds off Ghana  
*(The Irish Times)*

IMF warns positive signs do not mean recession is over  
*(Irish Independent)*

## INTERNATIONAL PAPERS TODAY

Google to launch rival to Windows as it challenges Microsoft's dominance  
*(Financial Times)*

Darling's banking reforms attacked  
*(Financial Times)*

Bond plan is puzzle for Bank of England  
*(The Wall Street Journal)*

## DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	2.1%	7.5%
BP	-0.6%	-11.5%
CRH	3.2%	1.0%
DCC	1.3%	40.2%
E.ON	1.7%	-18.4%
HPQ	1.0%	2.5%
IL&P	-7.1%	93.0%
INM	-4.9%	-51.5%
J&J	1.5%	-4.6%
JPMorgan	-0.3%	3.7%
Microsoft	0.1%	16.0%
Vodafone	0.7%	-17.5%

## Market View

**Analyst : Stephen Taylor**

European equity markets are stronger this morning following a turnaround in the US last night that saw the Dow Jones reverse an 80 point loss to finish higher on the session. One of the catalysts for the turnaround was a stronger than expected \$19bn US 10-year bond auction that was well supported and covered close to three times. The strength of support for the auction was a relief as it indicates that demand for US government debt remains strong. Also adding to the positive open this morning was the better than expected earnings report from Dow Component Alcoa. While the company reported its third straight quarterly loss, both earnings and importantly revenue came in ahead of expectations. Alcoa also indicated that it was seeing signs of stabilisation in some of its key markets including autos, a sector that has been severely hurt by the economic downturn. In light of this stabilisation, Alcoa reiterated that it sees global demand ex-China down 10% and including China down 7%. China remains one of the key drivers of the global economy at the moment and is critical to a recovery in the US and Europe. Key for today will be the Bank of England's interest rate decision when it is expected to keep interest rates on hold at 0.50%, while in the US weekly jobless claims will be in focus. Given the negative reading in non-farm payrolls last week, this will be a key report for markets today.

### UK Banks : Changes to UK financial regulation

**Analyst : Oliver Gilvarry**

Yesterday the UK Chancellor, Alistair Darling, released details of changes to the financial regulatory regime in the UK. The announcement had little detail and it mainly rubber stamped the proposals by the FSA Chairman, Adair Turner. Some of the proposals by the FSA Chairman include doubling of shareholder equity and suggestions banks should be made to hold 3% of their total assets at the top of the economic cycle. The Turner report also recommended gathering more information from hedge funds to see how important they are to the financial system. Darling's plan yesterday stopped short of calling for the break-up of the largest banks or for a separation of their deposit gathering and prop. trading divisions. The plan left unanswered who will have the authority to prevent risky lending and what new rules are required to prevent a repeat of the current crisis. Part of the reason for this is the need to co-ordinate with the US and EU countries to implement changes in regulation. The EU plans to meet to propose changes to the regulation of the banking sector in October and the G20 will be meeting around that time also. Therefore the UK Government are limited to changes they can make to financial regulation until proposals for regulation on an international basis are agreed. On a separate note the UK Treasury Minister, Paul Myners, commented the takeover of HBOS by Lloyds TSB may reduce competition in the banking sector in the UK and "that's quite rightly receiving the focus and attention" of the EU. The comments from Darling yesterday didn't provide a large amount of detail, but do indicate the capital levels required by banks going forward will increase and this will require banks to have lower ROEs, lend at higher margins, reduce their level of lending or a mixture of all three.

### ABF : Trading statement

**Current Price (757p)**

**Analyst : Oliver Gilvarry**

Associated British Foods (ABF), owner of the Penny's, released a trading statement this morning. The outlook for full year earnings is "little changed", but operating profit will increase. Group revenue to the 20<sup>th</sup> of June was 19% ahead of the same period last year and this increase was helped by the weakness of GBP against other currencies in the period. On a constant currency basis, group revenue was still up 8%. The high street retailing arm of the group, Primark, has performed well in the period with sales up 20% on the same period last year. This would have been helped by the depreciation of sterling against the euro, but the value offering of this arm of the business has been in demand due to the current economic conditions. The group continues to open new stores in Europe with the first stores opened in Germany and Portugal during the second half of the year. Another store was opened in the period in Spain, bringing the total to 13 stores. The statement today highlighted the move by consumers from higher margin products with the group stating they are experiencing a fall in demand for speciality teas and infusions in the UK. The sugar and agricultural businesses had strong performances in the period with the agricultural businesses benefiting from the specialist nutrition business. The group sees the increase in operating profits been eroded by increased financing costs this year resulting in little change in earnings for the full year. The statement highlights the consumer remains cost conscious and increases in the cost of credit will continue to have an impact on the profitability of firms going forward.



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**UK Homebuilders: Barratt Developments & Redrow****Analyst : Stephen Taylor**

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UK homebuilders Barratt Developments and Redrow have both issued trading statements this morning :

Barratt, the UK's largest housebuilder by volume said its total completed sales fell 29% to 13,202 in the year end to June. Private sales were 25% lower at 2,069, while social housing completions accounted for 15.7% of total completions. The average selling price was down 14%. Barratt indicated that it had continued to see early signs of market stability as prices begin to level off. However, the group did caution that any sustained improvement in trading will not be possible until there is a greater availability of mortgage finance. Barratt also said that it will not write-down the value of its land holdings further and it is operating within its financial covenants.

Redrow said that it expects trading results to be at the lower end of expectations, however the company did indicate that sales volumes and prices have stabilised in the last six months. Redrow is the smallest housebuilder by market value and it completed 2,113 new homes in the year end to June versus 3,925 last year. Average selling prices declined by 13%.

Both trading statements this morning further highlight the stabilisation that is beginning to take place in the UK housing market and follow on from Persimmon's more upbeat statement on Tuesday.

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**BA : Sell****Current Price (120p)****Price target (100p)****Analyst : David Dunk**

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El Economista has reported that Iberia has informed British Airways in writing of the formal expiration of their merger discussion. The two parties failed to agree on key issues including management structure, the stake each party would control in the combined entity, and BA's large pension deficit. In response, British Airways has stated that it has not received a letter from Iberia, with regard to the termination of merger talks, and that discussions are on going. Separately, British Airways have begun talks with unions regarding job cuts the airline is looking for in the current year. The UK state mediator, the Advisory, Conciliation and Arbitration Service is overseeing the talks. BA is looking for 3,700 job cuts from its 40,000 staff in the current year.

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**Paddy Power: Buy Current Price (€16.85) Price target (€21.50) Analyst : Edward Keeling**

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PartyGaming this morning issued a trading update covering the period since April 6th. Overall the group's revenue has remained robust and despite the impact of seasonality, is in line with first quarter levels. PartyCasino, PartyGaming's main casino site, is experiencing strong double digit revenue growth, benefitting from a increase in product range and a major international marketing programme. Poker revenue has continued its recent trend lower, as it faces continued competition from the US and a reduction in poker yields due to increased bonus and loyalty costs. Of most relevance to Paddy Power, sports betting revenue is down on the previous quarter, reflecting lower betting volume due to the end of the European football season. This is not surprising however and we believe that Paddy Power's more diverse product portfolio, special offers and unique brand will help offset any seasonal downturn. In response to the seizures of player funds from the US facing sites, PartyGaming has increased its marketing spend. This has led to an increase in costs to in excess of its full year guidance of 30%-40% of net revenue. However, the group remains confident that lower staff and overhead costs will mitigate the increase in marketing costs and as a result still expects margins to be line with those achieved in 2008.

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# Tullow

## Buy

Current Price : £8.50

Price Target : £10.50



**DOLMEN STOCKBROKERS**

Analyst: **David Dunk**

Thursday, 9th July 2009

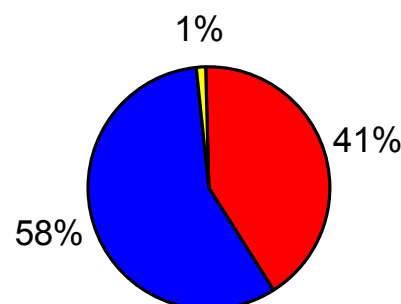
- Yesterday Tullow released its scheduled trading statement and operational update. In Ghana, Tullow has finalised phase 1 of the development plan for Jubilee with the Government of Ghana, and now awaits formal approval of the Minister for Energy. The development of Jubilee remains on track to produce first oil in the second half of 2010.
- Under the terms of the development plan, the considerable volumes of gas, present in the Jubilee reservoir will be used for export to the local market, and for gas injection. This will increase the production of oil, and avoid the need to flare unwanted gas. Tullow will supply the first 200bcf of gas production to the Ghana National Petroleum Corporation (GNPC) at no cost. This will enable the GNPC to fund the construction of necessary gas infrastructure.
- In Uganda, Tullow announced the discovery of oil in Wahrindi-1, which is part of the Victoria Nile Delta play. This is positive, but has very little impact on our NAV, due to the small size of the discovery. Test results from Ngassa-2 have been delayed by 3-4 weeks, as a result of difficult drilling conditions. The well encountered a few meters of thin oil sands, at the top of the main target interval, with full results expected next month. While the initial showings of oil sands is encouraging, there remains considerable risk with this well.
- In addition to Ngassa, Tullow will drill up to 14 exploratory and appraisal wells over the remainder of the year. The company has identified 5 of these as potentially transformational for the company. In Ghana the Mahogany-4 (22.9%), Mahogany-Deep-2 (22.9%), Tweneboa-2 (49.95%) and Teak-1 (22.9%), and in Cote d'Ivoire, South Grand Lahou (22.5%). Cote d'Ivoire has similar geological traits to Ghana, with South Grand Lahou identified as a possible Jubilee type prospect.
- We are of the view that the likelihood of further mergers & acquisitions activity in the sector is high. The recent bid from Sinopec, a Chinese state oil company, for Addax, highlights the appetite for oil & gas assets from China. While Tullow may be too large an acquisition target, although it cannot be ruled out, the farming out of some or all of Tullow's licenses is a distinct possibility. In addition, there has been speculation recently that Kosmos Energy, Tullow's partner in Ghana, is looking to sell its stake in the Ghanaian offshore licenses for between \$3bn-\$4bn.
- **Increase Price Target:** We have updated our risked NAV slightly to £10.75 reflecting recent news flow. This provides the basis for our £10.50 price target. We note that additional M&A activity in the sector would increase our price target above 1x NAV. The next major catalyst should be the drilling results from Ngassa, due in August. A successful result here may lead to a farm out of the Ugandan license. Following this, Tullow's busy drilling schedule for the rest of the year should provide a constant stream of newsflow.

Descriptive Stats		Shareholders	
Year to date	29%	Blackrock	9.9%
52 Week High	1049	Prudential	9.0%
52 Week Low	406	IFG	4.9%
Bloomberg	TLW LN	Legal & General	4.0%

	FY07	FY08e	FY09e
Revenue (£m)	613	692	549
Operating Profit	254	56	156
EPS	16.0	30.5	8.9
DPS	5.0	6.0	6.2
P/E	53.0	27.8	95.3
Div Yield	0.6%	0.7%	0.7%

Peer Analysis	P/E 08	P/E 09	Div Yield
BP	8.7	11.33	7.6%
Total	8.8	9.8	6.3%

2008 Revenue Breakdown



■ Europe

■ Africa

■ Asia



### International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,661	0.5%	14.5%
FTSE	4,140	-1.1%	-6.1%
Dow Jones	8,178	0.2%	-6.8%
S&P	880	-0.2%	-2.6%
Nikkei	9,291	-1.4%	4.9%
Stoxx 50	2,291	-1.3%	-5.6%

### Sector Performances

Sector	Index	1-Day	YTD
Construction	203	-0.5%	0.4%
Technology	165	-0.6%	9.1%
Oil & Gas	269	-1.0%	1.4%
Financials	171	-2.2%	15.2%
Retail	207	-0.2%	14.0%
Food & Drink	239	-0.4%	2.3%

### Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	60.1	-4.4%	10.3%
Copper	215.9	-3.0%	53.8%
Gold	909.5	-1.6%	3.7%
Silver	12.9	-2.8%	14.2%
Wheat	517.3	0.9%	-19.9%
Cattle	83.4	-1.0%	-2.9%

### Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.388	-0.3%	-0.1%
€/£	0.864	0.1%	-10.5%
£/\$	1.607	-0.4%	9.4%
\$/JPY	92.89	-2.1%	3.0%
€/JPY	128.95	-2.4%	3.0%
€/SFR	1.513	-0.2%	1.3%

### 5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	139.8	-6.3%	-21.8%
High Yield	864.9	2.2%	-16.3%
Financials	116.6	3.1%	-1.6%
BoI	375.2	0.9%	56.2%
AIB	383.0	1.5%	83.8%
RBS	168.3	1.3%	24.5%

### Money Market Rates

Rate	EUR	UK	US
Overnight	0.5%	0.4%	0.3%
3-Month	1.0%	1.1%	0.5%
1-Year	1.3%	1.2%	0.7%
2-Year	1.6%	2.0%	1.3%
5-Year	2.7%	3.5%	2.6%
10-Year	3.5%	4.1%	3.5%

### Company Events

Date	Company	Region	Event
09/07/2009	Chevron	US	Q2
09/07/2009	Netgem SA	FR	Q2 SALES
09/07/2009	Deutsche Lufthansa AG	DE	TRAFFIC
09/07/2009	Associated British Food	GB	TRADE
09/07/2009	Barratt Developments P	GB	YRTRADE
09/07/2009	Man Group Plc	GB	Q1 TRADE
09/07/2009	Premier Oil PLC	GB	TRADE
09/07/2009	Hays PLC	GB	Q2 TRADE
09/07/2009	AIR France-KLM	FR	S/HOLDERS
10/07/2009	British Land Co Plc	GB	AGM
10/07/2009	The Progressive Corpor	US	Q2
10/07/2009	Bovis Homes	GB	INTERIM
13/07/2009	Experian PLC	IE	Q1 TRADE
13/07/2009	Philips	NL	Q2
13/07/2009	Novellus Systems, Inc.	US	Q2
14/07/2009	Glanbia PLC	IE	TRADE
14/07/2009	Iberia Lineas Aereas de	ES	TRAFFIC
14/07/2009	Headlam Group PLC	GB	INTERIM
14/07/2009	British Airways PLC	GB	AGM
14/07/2009	CSX Corporation	US	Q2
14/07/2009	Altera Corporation	US	Q2
14/07/2009	Intel Corporation	US	Q2

### Event Estimates

Date	Event	Region	Estimate
09/07/2009	Trade Balance	GE	9.0B
09/07/2009	Current Account (EURO)	GE	3.7B
09/07/2009	CPI - EU Harmonised (MoM)	GE	0.00%
09/07/2009	Imports SA (MoM)	GE	0.80%
09/07/2009	Exports SA (MoM)	GE	1.50%
09/07/2009	ECB July Monthly Report	EC	
09/07/2009	Total Trade Balance (GBP/M)	UK	-£2850
09/07/2009	BOE ANNOUNCES RATES	UK	0.50%
09/07/2009	Initial Jobless Claims	US	--
09/07/2009	Wholesale Inventories	US	-1.00%
10/07/2009	PPI Input NSA (MoM)	UK	0.80%
10/07/2009	PPI Output n.s.a. (MoM)	UK	0.30%
10/07/2009	Trade Balance	US	-\$30.0B
10/07/2009	Import Price Index (MoM)	US	2.00%
10/07/2009	U. of Michigan Confidence	US	70.6
14/07/2009	RICS House Price Balance	UK	--
14/07/2009	DCLG UK House Prices (Yo	UK	--
14/07/2009	CPI (MoM)	UK	--
14/07/2009	RPI (MoM)	UK	--
14/07/2009	ZEW Survey (Econ. Sentime	GE	--
14/07/2009	ZEW Survey (Econ. Sentime	EC	--
14/07/2009	Euro-Zone Ind. Prod. sa (Mo	EC	--

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