



# Weekly Traders Update



## Brief Market View

A busy first week of the month as economic data is expected to dominate the headlines. In the US, Septembers ISM (Manufacturing Survey) and Non Farm Payrolls are the highlights of the week. The market may well look through any rogue figures in either survey given the likely impact from Hurricane Katrina and Rita. Q3 reporting season in the US starts this week with Dow component Alcoa reporting on Friday. We are about two weeks away from the may batch of early Q3 quarterly updates in the US. Next week sees the onset of a number of trading updates from UK Retailers. This week Ryanair host an investor conference on Tuesday, British Airways issue September Traffic statistics. On Friday, J Sainsbury issue a Q2 trading update and Easyjet have September traffic stats. Technically, European equity markets look like further gains are likely near term with the FTSE and DAX the most likely winners near term. Euro/USD has broken below 1.20 again this morning and may trade lower. Any sustained move toward the lows of 1.1760 would be a good opportunity for clients to sell Dollars and buy the Euro. Sterling weakness is likely to continue near term and we expect Euro/GBP to rally to 0.70 as the market focuses on the possibility of another rate cut by the Bank of England before year end.

## McInerney €8.55

Results from the group were weaker than expected but the price performance was reasonable strong given the lower Full Year UK house completions. Management are expecting a strong H2 2005 to deliver on full year market earning expectations. We maintain our near term EUR9.00 target and are buyers of the stock sub EUR8.50

## Wolseley 1239p

Results last week in line with expectations but management relatively cautious on UK outlook. Stock has enjoyed a reasonable performance post results and we are recommending clients take profits and switch into Grafton Group at €8.45 to maintain exposure in the sector.

## Glaxosmithkline 1466p

Press coverage over the weekend focused on the groups possible intentions to double its R&D spend to £5.6bn per year. The group currently spends circa 15% of annual revenues on research and development of its pipeline of new drugs. At a recent presentation to city analysts, Mr Tachi Yamada (Head of GSK R&D), communicated the view from top management that the R&D spend may be increased to speed up the progress in the development of new drugs. Nothing concrete has been outlined by management but any such moves would be viewed positively by the market. The stock is up 2% this morning on a UK broker upgrading their price target to 1480p commenting that the strength of the GSK pipeline and sales of new promoted drugs maintain their positive outlook on the stock. **BUY**

## BOC Group 1156p

Initiated two weeks ago with a BUY and news flow has been relatively quiet however we remain confident in the medium prospects for BOC Group. German chemicals group BASF commented last week that they do not expect to make any major acquisitions near term which has caused slight weakness in the share price. Even without any M&A speculation the strong balance sheet of BOC Group, capex programme and cost cutting at their US operation Edwards should support the share price near term. **BUY**

## European Stock calls....

Given the continued strength in the Irish market and the number of stocks that are fully valued we are reviewing our European calls to focus on stocks that we feel will provide good upside potential over the next few months. Last week we covered BMW and Deutsche Bank, Adidas looks equally attractive at current levels.

## Adidas €143.66

Following our recent meeting we management in Germany, we remain bullish on the medium term prospects for the worlds second largest sportswear retailer. Group management remains confident that the recent acquisition will boost their US market share given the sizeable exposure Reebok has to the NFL and NBA markets. The group has also secured exclusive sponsorship of the next three soccer World Cups and is bullish on the outlook for their exposure in Asia. **BUY**

## Summary Calls:

**Irish Buys** - IFG Group, Bank of Ireland, CRH, Grafton Group, Independent News & Media  
**UK Buys** - O2, RBOS, Hilton Group, Legal & General, Friends Provident, Reuters, GUS, Kingfisher, British Land, BOC Group, Tesco  
**Other European Buys** - Deutsche Bank, BMW  
**Take Profits** - BHP Biliton, Astrazeneca, Boots, Wolseley

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## Events Calender

### October

04Oct - Ryanair Investor Day  
- BP Trading Stat.  
11Oct - C&C (H1)  
12Oct - GUS (H1)  
28Oct - Elan (Q3)

### November

01Nov - Viridian (Interims)  
03Nov - DCC (Interims)  
07Nov - Ryanair Trading Stat  
10Nov - Waterford WW (Q3)  
18Nov - Greencore (FY05)  
23Nov - Anglo Irish Bk (FY)  
- Trintech (Q3)  
- United Drug (FY)  
24Nov - Bank of Ireland (Ints)

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