



Weekly Traders Update



09 Jan 2006

Brief Market View

Equity markets recorded a good start to 2006 after a strong finish to 2005. Our Market Outlook for 2006 is available at www.dolmenstockbrokers.ie/dolmen_dozen.pdf. A number of the stocks featured in the weekly traders update in recent months are featured along with some new stocks.

Last week the Dollar fell following the release of the FOMC Minutes that indicated the peak in US interest rates is edging ever closer and the release of a weaker than expected employment report on Friday afternoon. Oil has pushed back up above \$64 a barrel but equities have broadly ignored this as the Dow approaches 11,000 today.

This week in the UK markets it will be all about the Retailers. How good was the Christmas shopping period and the outlook from management will be the key concerns for the market when **Marks & Spencer** (Tues), **Burberry** (Wed), **Boots** (Thurs), **GUS** (Thurs) and **Sainsbury** (Thurs) all report interim results. In late November, we identified the UK Non-Food Retail sector as a sector that had been oversold. Next, GUS and Kingfisher have performed well and we recommended clients take profits on Next before Xmas. Next has rallied strongly since year end following a strong set of results last week. For clients wishing to play the sector this week we would recommend buying **GUS** as outlined below. With the recent strength in the UK market we are looking for stocks that under-performed during the later part of 2005 and may have some positive catalysts in 2006. **Vodafone** and **William Hill** look the best plays from this perspective. **Travis Perkins** issue FY2005 results on Thursday which will be of relevance for **Grafton Group**, who is also expected to issue a trading statement later this week.

Our European calls performed well last year and continue to do so early in 2006. **BMW**, **Adidas** and **Inditex** remain on our buy list in Europe and we would encourage clients to speak to their Brokers regarding any of our European calls given the strong price performance in 2005 and positive outlook for 2006. The Irish Market has performed very well in recent weeks and we would advise clients to wait for a period of weakness before committing new money. (Namely CRH, DCC, Ryanair, Kingspan). However we are buyers of the following stocks at current levels: **Bank of Ireland**, **Tullow Oil**, **Fyffes**, **Independent News & Media**, **Eircom** and **Kerry Group**.

Eircom €2.05 - Back in play?

Large volume on Friday following rumours that another bid was looming for the group. Sunday press reports indicated that Smart Telecom in conjunction with a number of Irish leading business figures could be considering a bid for the group. Private equity interest is likely to remain keen in Eircom even taking account of the considerable debt level and recent acquisition of Meteor. We rate the shares a trading buy at EUR2.05.

Fyffes €2.30

Newsflow relatively quiet following the court ruling in favour of DCC. Fyffes have another two weeks to appeal the decision. The valuation remains relatively undemanding and the stock is offering a dividend yield of circa 3.3%. The spin off of the property interests of the business was welcome news and shows a commitment by management to increase shareholder value.

Independent News & Media €2.47 - Upbeat trading statement issued 22nd December 2005

One of the Dolmen Dozen selection for 2006. Advertising revenues are improving and circulation numbers were in line with expectations and management confirmed they expect to achieve double digit earnings growth on revenue growth of circa 7.5%. The 24% stake in the Indian newspaper company JPL should be viewed as a strong growth opportunity when it IPO's in March. The stock also offers an attractive dividend yield of 4.2%.

BP 647p - Trading statement tomorrow.

BP was one of our top picks for 2005 and at 648.5p we think the shares are good value. Trading statement is due tomorrow morning from the oil major. The last earnings update was disappointing with the group indicating that production targets would be impacted by the spate of hurricanes in the Gulf of Mexico. BP is currently trading on an estimated Free Cash flow Yield of 11% leaving the group significant scope to buy back up to circa \$8bn for 2006. With the oil price back above \$64 the sector will return to favour near term and BP is our preferred pick.

William Hill 561p - Going good following trading update.

A string of unfavourable betting results and its forthcoming exit from the FTSE100 have kept the William Hill share price in a downward trend over the past two months. However the acquisition of the Stanley Leisure betting shops is going according to plan, management have re-affirmed their commitment to a £350m share buy back, the valuation remains undemanding at 12.5x 2006 earnings and the stock is paying a dividend yield of 3.5%. We expect the stock to hit 600p medium term.

GUS 998.5p

One of our preferred picks in the Retail sector and performed well into year end. The trading update due on Thursday should show Lfl sales of -1% from Argos, an strong performance from their US division (Experian) with sales expected to grow by circa 34%. Homebase Lfl sales are expected to be circa -7%. Any update on a possible spin off of this US operation would be a significant catalyst for the share price.

Legal & General, Aviva

The Oil and Insurance sectors are our picks for the early part of 2006. Legal General along with Aviva are the two stocks we are buyers of in the Insurance sector. We have a clear preference for the Life Assurers given the stock equity market performance, improved pension sales and attractive dividend yield and valuation levels.

Reuters - Time to take some profit..

Stock has performed well in recent weeks and technically looks stretched at current levels. Clients should take profits at this level.

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Earnings Calendar

10-Jan M&S	Trading statement
11-Jan BP	Trading statement
11-Jan Burberry	Trading statement
12-Jan Boots	Trading statement
12-Jan GUS	Trading statement
12-Jan Abbey	H1
12-Jan Grafton	Trading statement
17-Jan Tesco	Trading statement
24-Jan Vodafone	KPIs
30-Jan Tullow Oil	Trading statement

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