



# Weekly Traders Update



16 Jan 2006

## Brief Market View

A relatively disappointing start to the US reporting season with Dow constituents Alcoa and DuPont both missing earnings forecasts. A number of the blue-chip US companies report this week namely **IBM** and **Intel** on Tuesday, **Apple** and **Ebay** on Wednesday, **Merrill Lynch** and **Motorola** on Thursday, **Citigroup** and **General Electric** on Friday. A relatively quiet week in the UK with a trading statement from **Tesco** due tomorrow morning and **Dixons (DSG)** reporting interims on Wednesday the main highlights. In Ireland, **McInerney** issue a trading statement on Thursday morning. From an economic perspective in the US we can expect the NY Fed Manufacturing survey (Tues), Fed's Beige Book and CPI (Wed), Philly Fed survey (Thurs) and Michigan business sentiment on Friday afternoon.

Given the strong run in equity markets since the beginning of November it is quite possible that any further disappointments on the earnings front in the US could prompt investors to take some profits and re-assess their positions short term. We remain positive on markets for 2006 but the trading theme alluded to in our Outlook 2006 will remain key for investors throughout. The FTSE iShare is highlighted below as a useful instrument for hedging UK FTSE100 stock exposure. In Ireland we are buyers of **Ryanair**, **Bank of Ireland**, **Tullow Oil**, **Fyffes**, **Grafton**, **Eircom** and **Kerry Group**. Our preferred picks in the UK at present are **Vodafone**, **William Hill**, **Glaxosmithkline**, **Legal & General**, **BP** and **Aviva**.

## Ryanair €7.96 Buy on weakness

The oil price back above \$64 per barrel is a near term concern for Ryanair as the company has only hedged its Oil exposure to March of this year. However we feel that any further weakness in the share price will provide a good trading buy entry level. Buy sub €7.80

## Eircom €2.07

A profit warning from France Telecom did little to help sentiment in the Telecom sector last week as France's number one Telecoms provider indicated that revenues would be 2% lower than expectations. Eircom remains one of our new money buys in Ireland and the attractive 5% dividend yield should not be overlooked.

## Fyffes €2.35 Rumoured property developers interest

Sizeable volume last week with over 6% of the company traded. Press coverage over the weekend focused on two well known property developers that may have been building stakes in the company last week. Fyffes is one of our Dolmen Dozen picks for 2006 and we are buyers of the stock at current levels.

## Independent News & Media €2.70 - O'Brien takes 3.1% stake

Confirmation last week that Telecom entrepreneur Denis O'Brien acquired 22.6m shares in the Group pushed the shares to EUR2.80 on Wednesday, however a spate of profit taking from investors saw the stock sell off marginally towards the end of the week to close at €2.69 on Friday. Press coverage over the weekend focused on a number of scenario's that could unfold following O'Brien's move but at present we are viewing the developments as a vote of confidence for the underlying business of Independent News & Media and would wait for any weakness below 2.60 to put new money into the stock.

## BP 660p - Trading in line

Trading statement in line with expectations and the stock rallied towards the end of the week as Crude oil hit \$64 a barrel. A defensive play for the next few weeks should the markets experience some short term weakness BP is a defensive name that investors should consider.

## William Hill 561p - Going good following trading update.

Very little news on William Hill last week but stock continues to improve. Valuation remains undemanding and the stock is one of our top picks for new money in the UK market at present. P/E 13x, Dividend Yield 3.5%.

## Tesco 319.5p Trading Statement tomorrow

Tesco traded in a range of 300p - 325p for the majority of 2005 and at current levels we do not see the trading statement as a strong catalyst to prompt earnings upgrades or any material move upwards by the stock. Would wait for the any weakness towards 300p before buying the stock. Lfl sales (ex-food) is expected to be 5.5%.

## FTSE iShare 576p (ISF.L) Hedging opportunity for UK portfolio's.

We have a relatively cautious view on the market short term driven by the technically over-bought state of the market (in particular FTSE and DOW). Clients who are long FTSE100 shares can hedge their exposure by selling the FTSE iShare on CFD. The iShare trades like a normal share and is a proxy for the FTSE100 constituents. Clients should speak to their broker if they have any questions. The current price and ticker are indicated above and it is a very liquid instrument with daily volume on average of circa 1m shares.

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## Earnings Calendar

17 Jan	Tesco
17 Jan	Pearson
18 Jan	Dixons
18 Jan	Rio Tinto
19 Jan	McInerney
23 Jan	Wolseley
24 Jan	Vodafone
25 Jan	Northern Rock
25 Jan	Prudential
26 Jan	Lafarge SA
26 Jan	Legal & General
26 Jan	Nokia
27 Jan	Hilton Group
30 Jan	Tullow Oil
02 Feb	Deutsche Bank
02 Feb	Astrazeneca
02 Feb	Royal Dutch
03 Feb	British Airways
06 Feb	Ryanair
07 Feb	BP
08 Feb	BHP Billiton
09 Feb	BOC Group
09 Feb	Glaxosmithkline
15 Feb	Total
15 Feb	BNP
16 Feb	Daimler Chrysler
16 Feb	Kingfisher
21 Feb	AIB
21 Feb	Barclays
22 Feb	Anglo American
23 Feb	Reuters
24 Feb	Lloyds
28 Feb	Kerry Group
28 Feb	RBS
01 Mar	HBOS
02 Mar	William Hill

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