



# Weekly Traders Update



23 Jan 2006

## Brief Market View

Not a great start to the Q4 corporate earnings season with a number of US bell weather names disappointing the market. Roughly 19% of the S&P500 companies have reported quarterly earnings so far. Of these names 58% reported ahead of expectations, 18% were in line but investors focused on the 24% of names that missed earnings expectations. A particularly choppy trading week in Asia didn't help investor confidence in Europe with the German market (+27% in 2005) was down 3% on the week. However the Irish and UK markets performed relatively well in light of the global market turbulence during the week. Defensive sectors such as Oil, Pharmaceuticals and Utilities performed solidly. Another big week for corporate earnings with US highlights being Xerox (Wed), Microsoft & GM (Thurs). **Vodafone** reports on Tuesday and is commented on below. In Europe, **Nokia** will be crucial for the Tech market when it reports FY2005 numbers. Further selling could be possible this week if earnings disappoint and the Oil price remains at its current level of \$68.

### Ryanair €7.72 Buy on weakness as higher Oil price remains a near term concern.

The oil price back above \$68 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 at €7.50

### Eircom €1.93 Telecom sector sentiment poor last week.

A profit warning from France Telecom did little to help sentiment in the Telecom sector last week as France's number one Telecoms provided 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.

### C&C Group €5.60 Market Share of Cider market continues to rise.

Stock has fallen nearly 9% in recent weeks as a number of the Irish second liners fell on profit taking. Most recent industry survey data from AC Nielson indicates that as at November 2005 in the on-trade cider market indicates that Magners market share stands at 0.70% in the UK. In London, Magners has 27.6% of the cider market versus 10.4% in November 2004. At €5.60 the stock is a trading buy.

### Fyffes €2.25 Buy at current levels

News flow relatively quiet last week and volume considerably lower than average. We are buyers of the stock at current levels and Fyffes is one of the Dolmen Dozen for 2006 and was covered in our 2006 Market Outlook.

### Independent News & Media €2.70 Buy on weakness

Relatively flat last week despite the market trading lower. Fundamentally the stock looks attractive but would wait for any weakness toward €2.50 - €2.60 before putting new money to work. IPO of stake in Indian newspaper group JPPL came to the market last week. INWS owns 26% of the company.

### BP 660p - Near term target 700p

Defensive play should market weakness continue near term. Oil sector is one of our top sector picks for 2006 and BP, Tullow and Sterling Energy are our preferred plays.

### Glaxosmithkline 1418p Recent weakness good buying opportunity

Pharmaceutical stocks has been weak since the start of the year following a spate of profit taking and marginally disappointing results in the US. Glaxo has one of the strongest pipelines of drugs in their sector. The company also has a significant share buy-back programme and a dividend yield of 3.5%. Glaxo is a core portfolio holding and a Buy a current level for traders.

### Vodafone 119p KPI's due tomorrow

The group reports Q4KPI's (Key performance Indicators) tomorrow morning. The company broker last week noted that investors should not be expecting any hugely positive update from Vodafone which prompted some investors selling mid-week. The recent France Telecom profit warning and fears over the outlook for Vodafone's Japanese margins has pushed the stock lower. Vodafone has been a poor performer over the past 3 months but at 119p we feel there is room for some near term upside.

### William Hill 577p - Going steady.

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 in line, no earnings upgrades.

As expected, the group traded lower following the earnings update that was in line with expectations. Tesco has range traded for the past year 300-330p. We are buyers of the stock at 300p level for traders.

## Short Idea's:

**Cable & Wireless 117.25p:** Trading statement due from the company on Feb28th. Expecting weak numbers and a challenging outlook from management.

**Reuters 413.25p:** High beta UK name, strong performer in Q4 last year, expect stock to revisit 375p-380p level.

**Next 1677p:** News flow will be limited for 2 months, sector likely to see some selling near term after strong performance in November / December.

**Astrazeneca 2649p** - Strong run since December, expect further selling pressure, large \$ exposure and weakness pipeline in the sector

### FTSE iShare 566p (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.

European names to buy on weakness are **Inditex, BMW, Adidas and Deutsche Bank**

## Contact Details

Stephen Tynan  
+353 1 6333 873

Colm O'Reilly  
+353 1 6333 870

Suzanne Berkery  
+353 1 6333 881

Sheena Coen  
+353 1 6333 874

Richard Power  
+353 1 6333 891

Paul Kelly  
+353 1 6333 867

Mark Kelly  
+353 1 6333 883

Michael Nolan  
+353 1 6333 628

## Main Dealing Line +353 1 6333 640

### Earnings Calendar

23 Jan	Wolseley (Trading)
23 Jan	Barratt Developments
24 Jan	BHP (Production figs)
24 Jan	Vodafone (KPI's)
25 Jan	Northern Rock
25 Jan	Prudential (New Biz)
25 Jan	SAP(FY05)
26 Jan	Iona
26 Jan	Legal & General
26 Jan	Nokia (FY05)
26 Jan	Siemens (Q1)
26 Jan	Microsoft
27 Jan	Partygaming
30 Jan	Tullow Oil
01 Feb	BSkyB (H1)
02 Feb	Deutsche Bank (FY05)
02 Feb	Astrazeneca (FY05)
02 Feb	Royal Dutch
03 Feb	British Airways (Q3)
06 Feb	Ryanair
07 Feb	BP (FY05/Q4)
08 Feb	BHP Billiton (H1)
08 Feb	Glaxosmithkline (Q4)
08 Feb	BOC Group (Q1)
13 Feb	Lafarge (FY05)
15 Feb	Total (FY05)
15 Feb	BNP
16 Feb	Daimler Chrysler (FY)
16 Feb	Kingfisher (Q4)
21 Feb	AIB
21 Feb	Barclays
22 Feb	Anglo American
23 Feb	Reuters
24 Feb	Lloyds
27 Feb	C&C Group (Trading)
28 Feb	Kerry Group
28 Feb	RBS

Dolmen Stockbrokers  
Dolmen House  
4 Earlsfort Terrace, D2.  
www.dolmenstockbrokers.ie  
Fax: (01) 6777 044