



Weekly Traders Update

DOLMEN STOCKBROKERS
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Brief Market View

Equities recovered some lost ground last week led by a strong performance from the Asian markets, better corporate earnings results in Europe and the US and renewed M&A activity in the UK. This week there is no shortage of economic data that could move the market. Mr Bernanke takes over at the helm of the US Federal Reserve after the Fed meeting on Tuesday night. US Rates are expected to rise by 0.25% to 4.50%. US Jan consumer confidence is also released on Tuesday, Q4 non farm productivity is out on Thursday while the important employment data (non farm payrolls) are released at 1.30pm on Friday (+225k exp). The Bank of England and ECB meet on Thursday to decide on interest rates and we not expecting any change from either. The ECB will continue to monitor inflation, money supply and growth before making any further move from 2.25%. The Dollar has had a strong start to the week with Euro/USD trading sub 1.21 this morning. In the UK, a number of the heavy weight FTSE100 constituents report this week with the highlights being Friends Prov (Tues), BSKyB (Wed), Astrazeneca (Thurs), RD Shell (Thurs), Rio Tinto (Thurs) and British Airways (Fri). Equity markets look overbought at current levels and have managed to weather disappointing economic data, a number of disappointing corporate earnings announcements and an oil price back to \$68. We felt that a period of correction is due at some stage over the next few weeks and would be cautious about putting new money into the market at such elevated levels. However there are a number of stocks that remain attractive at current levels namely;

Wilson Bowden (WLB.L) 1458p Sector outlook improving, good dividend yield play near term

UK homebuilder, Wilson Bowden, is due to report its results for the 12 months ended 31/12/05 on 01/03/06. Even though the results themselves are likely to show year on year declines (profit before tax and eps of £224m and £1.63 versus £252m and £1.86 respectively), they should confirm that a recovery in the UK housing market has started to take hold in recent months, as shown by increased reservation rates per site and a better than average forward order book. The key UK house selling season lasts from mid February to the end of April, and so with further interim results due from peers Barratt Development and Bellway on 29/03/06 and 19/04/06 respectively, further evidence of this UK housing market recovery should be available in April. Wilson Bowden enters 2006 with plans to have c.5% more sites and is well placed to deliver volume growth of c.9%. The company is also expected to pay a final dividend per share of c.50p in early May (4th May last year), which would represent a yield of c.3.4% on the current share price. The company also has a track record of being one of the best managed UK homebuilders. **UK Market Outlook:** Given that UK demographics should continue to drive strong housing demand and that there remains a shortage of supply, the medium term outlook for the UK housing market remains buoyant. Recent trading updates from the leading mortgage providers in the UK have pointed to a pick up in new mortgage lending. Our view on UK Interest Rates is that we may see another rate cut from the current level of 4.50% over the next 6 months. The combination of a gradual improvement in the new sales figures and a positive interest rate outlook should see the home building sector continue to improve during 2006.

Eircom €1.89 Telecom sector sentiment poor last week.

A poor performer last week as Telecom sentiment remains weak. Somewhat disappointing Vodafone results did little to help last week. Technically 1.90/1.91 looks like a good support level for the stock. Dividend yield of circa 6% at current price.

Fyffes €2.34 Buy at current levels

As announced before Christmas, Fyffes will pay a special dividend of 5.7c to shareholders on the register as at 08Feb. This dividend is expected to be paid 3rd March. News flow has been relatively quiet following the speculation that prominent property developers may have been building a stake in the company. We rate the shares a buy at current levels.

BP 681p - Oil price continues to support energy sector.

Oil price remains firm and the Oil sector is one of our top picks for 2006 and we are recommending BP for traders and portfolio clients at current levels. A substantial share buy back programme, good dividend yield and strong free cash flow yield make a compelling valuation argument for BP. Other stocks to consider in the sector at lower levels are Tullow Oil (sub 280p) and Sterling Energy (at 18p).

Glaxosmithkline 1453p

Speculation over the weekend that Glaxo may be considering a bid for Italian pharmaceutical company Serono which has caused some slight weakness this morning. We view this weakness as a buying opportunity. The pharmaceutical sector should be one of the best performers of 2006. Glaxosmithkline is a preferred pick in the sector given the strong share buy back, 3.7% dividend yield and industry leading pipeline of new drugs. Late last week a US advisory panel voted to recommend that GSK's Xenical weight loss drug be available over the counter, with the FDA normally following the panel's decision, making the first OTC weight drug potentially available in the key US market by the end of the year.

Vodafone 120.5p KPI's in line, Subscribers better, ARPU declining.

The group reported key performance indicators last week which were inline with expectations. However the shares traded off on the day of results over concerns on declining average revenue per user (ARPU). Significant pricing competition in Germany, UK and Italy have pushed ARPU's lower by between 4% and 8% in those regions. Net additions during the period of 7.1m was well ahead of market expectations of 6m. Most notably, group CEO Arun Sarin confirmed that Vodafone would not be selling their 45% in US mobile company Verizon. There is no doubting that the trading environment for Vodafone is likely to get tougher but with a significant share buy back programme, dividend yield of 4% and a 15% discount to sector valuation multiples we would expect the stock to recover from current levels. **Hold**

William Hill 574p - Going steady.

Stanley leisure integration going according to plan with improved product rollout and technology expected to boost returns from newly acquired Stanley shops within the next 12 months. 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%.

Adidas €175 Shareholders agree Reebok acquisition at AGM last week.

At the AGM last week Reebok shareholders approved the merger with Adidas and the European commission unconditionally cleared the deal. Late on Friday evening, Adidas said that sales at its soccer division will be significantly exceed EUR1bn in 2006. Full year results are due from Adidas on 2nd March. Clients that the stock bought before Christmas may think about booking some profits given the 10% rally in 4 weeks. Adidas remains one of our top European calls for 2006 but equity markets may experience some weakness over the next few weeks and it may be prudent to lock in early gains and revisit.

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Earnings Calendar

31 Jan	Friends Prov (New Biz)
31 Jan	Tullow Oil (Trading)
01 Feb	BSkyB (H1)
02 Feb	Deutsche Bank (FY05)
02 Feb	ABN Amro (FY05)
02 Feb	Astrazeneca (FY05)
02 Feb	Royal Dutch Shell (Q4)
02 Feb	Deutsche Bank (FY05)
02 Feb	Rio Tinto
03 Feb	British Airways (Q3)
06 Feb	Ryanair
07 Feb	Aviva (New Business)
07 Feb	BP (FY05/Q4)
08 Feb	BHP Billiton (H1)
08 Feb	Glaxosmithkline (Q4)
09 Feb	BOC Group (Q1)
13 Feb	Lafarge (FY05)
15 Feb	Total (FY05)
15 Feb	BNP
16 Feb	Bradford & Bingley
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
01 Mar	HBOS
02 Mar	William Hill

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