Weekly Traders Update

DOLMEN STOCKBROKERS

21 August 2006

Brief Market View

Equity markets enjoyed a much needed rally last weak as markets reacted to the apparently benign US PPI and CPI data. The in-line nature of the numbers, along with a lower oil price, spurred a broad based rally, albeit on relatively modest volume. With a dearth of any significant economic or corporate data in the week ahead this leaves the way clear for the bulls to continue the upward move. Such a move on thin holiday volume should however be treated with caution as concerns over the longer-term global growth have intensified post the Chinese interest rate increase.

With the next round of major economic data in the US not until Aug 31/Sept 1 with the July core PCE measure of inflation and August's ISM and non-farm payrolls, it could be a relatively quiet week ahead, especially now that China has raised rates (by 27bps on Friday). Fed Chairman Ben Bernanke is due to speak on Friday. Besides Bernanke's speech on Friday, Markets will also take note on Tuesday of remarks on the U.S. economy at separate events by two other Fed officials: Jack Guynn, the president of the Federal Reserve Bank of Atlanta, and Michael Moskow, the president of the Federal Reserve Bank of Chicago.In terms of data, durable goods orders are released on Thursday. We also get existing and new home sales, on Wednesday and Thursday respectively.

A relatively quiet week in Europe too. As well as the ZEW and ifo surveys, we get more detail on the breakdown of Q2 GDP growth for both Germany & France. Although distorted somewhat by the World Cup, more evidence of a pick up in domestic demand (and especially consumer spending in Germany) would enhance prospects of the strength of overall euro area GDP growth being maintained longer expected.

Below are our trading ideas for this week.

Trading ideas	
Anglo **Buy @ €12.08** **Current: €12.00** **Target: €13.50** **Stop-loss: €10.70**	Even though **Anglo Irish Bank's** rate of loan growth and earnings growth over the next 12 months will slow, it will still be significantly stronger than the European bank sector average as a result of Anglo's unique niche business model. This stronger than sector average earnings growth rate of c.15% on a sustainable basis is not fairly discounted by the current share price and as a result, a greater premium to the sector is deserved than the current c.5% premium of 11.5x forward eps. Our current 12 month price target of €13.50 (13% upside) is based on 13x forward eps of €1.04, which is an achievable rating given the bank's continued earnings growth of at least 15% : BUY.
Lloyds TSB **Buy @ 528p** **Current: 523p** **Target: 560p** **Stop-loss: 485p**	**Lloyds TSB** recently announced results for the 6 months ended 30/06/06. Profit before tax of £1.75 bn was slightly ahead of the consensus forecast of £1.72 bn, and was a year on year increase of 8%. The UK retail bad debt charge rose by 16% to £632m, but it was stated that there would be no further increase in H2 2006 as tightened lending criteria in the past 2 years feed through. We are still forecasting 2% full year eps growth in 2006 to 48p and 6% eps growth in 2007 to 51p. This provides further share price upside for investors to £5.60, based on 11x 2007 eps of 51p : BUY.
CRH **Buy @ €24.75** **Current: €25.37** **Target: €30.00** **Stop-loss: €24.30**	**CRH** will announce its results for the 6 months ended 30/06/06 tomorrow week, 29th August. Profit before tax growth of 33% to €509m is expected to be announced, in line with the company's H1 2006 trading statement. However, the announcement of further acquisitions in conjunction with the H1 results' announcement creates the potential for further earnings upgrades and share price upside. Vulcan Materials, the largest aggregates producer in the US, recently stated in its Q2 results' announcement that its asphalt and concrete products delivered strong earnings growth as price increases offset increased raw material costs. This augers well for CRH, which is the largest producer of asphalt in the US. We recently upgraded our CRH share price target from € 27 to € 30, which is based on 13x 2007 eps of € 2.32 : BUY.

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Earnings Calendar

Company	Date	Event
CRH	29-Aug	H1
Glanbia	30-Aug	H1
C&C	31-Aug	Pre-close
IL&P	5-Sep	H1
Kerry	5-Sep	H1
Kingspan	5-Sep	H1
FBD	6-Sep	H1
ICG	6-Sep	H1
Tullow Oil	6-Sep	H1
Paddy Power	6-Sep	H1
Grafton	13-Sep	H1
Horizon	14-Sep	H1
INWS	19-Sep	H1
BOI	20-Sep	Pre-close
IAWS	26-Sep	FY

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Trading calls (contd)

Trading ideas	
Petroceltic **Buy @ 18p** **Current: 19.75p** **Target: 33p** **Stop-loss: 15p**	**Petroceltic** recently announced that drilling at its Algerian Isarene Permit had started, and is expected to last for the three months of August, September and October. Given the relatively low risk geology of this prospect, there is a high probability of the initial two wells significantly increasing the permit's proven reserves and acting as a catalyst for share price upside. Following the company's oversubscribed share placings earlier this year, at 14p and 18p, it is fully funded for this drilling programme, with one week's initial drilling remaining, and then a further two weeks testing : Speculative BUY.
BHP **Buy @ 989p** **Current: 1032p** **Target: 1250p** **Stop-loss: 960p**	BHP will report its results for the year ended 30/06/06 this Wednesday, 23rd August. The consensus forecast is for net profit and eps of $10.12 bn and $1.67 respectively, representing year on year growth of 57% and 61%. This very strong earnings growth will have been driven by production increases and higher commodity prices. Following the c.14% correction in the BHP share price over the last 3 months, from its closing high of £12.12 on 11/05/06, BHP is now trading at 9.7x consensus eps of £1.07 for the 12 months ending 30/06/07, the very bottom end of the 10x to 19x eps range at which the shares have traded over the past 6 years, and an excessively low multiple for further consensus 22% growth over the next 12 months. Our current 12 month price target of £12.50 (20% upside) is based on 12x eps of £1.04 for the year ending 30/06/07. News of a small 0.27% rate hike in China last week hit mining stocks as markets grew concerned about a slowing of Chinese economic growth. However we feel that the effect of the interest rate increase will only slow the economy very modestly from current 11% growth levels. BUY.
Vodafone **Buy @ 110p** **Current: 110p** **Target: 130p** **Stop-loss: 107p**	**Vodafone's** share price has fallen by c.6% following Deutsche Telekom's (DT) recent Q2 results and profit warning in relation to its mobile business, T-Mobile. Even though following this warning it is prudent to reduce EBITDA forecasts for the group's German and UK businesses by 3% and 1% respectively, this may now be fully discounted in the current share price. What may not be discounted by the current share price is the strong recent quarterly results from the group's US and Indian associate businesses, Verizon Wireless and Bharti, as well as the strong subscriber growth of its recent acquisitions in Turkey, Africa and Sweden, which mean that the overall reduction to group EBITDA and eps is only c.1%, to £12.046 bn and 10.8p respectively for the year ending 31/03/07. Our current 12 month price target of £1.30 is based on the current incumbent sector average multiple of 12x current year eps of 10.8p, and the shares will also pay a dividend of 6.5p (5.9% yield) for waiting for this upside to be achieved : BUY.
Paddy Power **Buy @ 13.55** **Current: 13.75** **Target: 15.00** **Stop-loss: 12.25**	On Thursday Ladbrokes will report its first set of results as a standalone betting operator since being spun off from the Hilton Group just prior to the start of 2006. We believe that the numbers will benefit from the areas recently highlighted in William Hill's forecast beating results, and the results could act as a catalyst for shares in Paddy Power. Earnings are expected to have been underpinned by the World Cup but will also look strong against weak comparable results last year. We remain positive on the betting sector and Paddy Power, which will report interim results on September 6th, is our top pick. BUY
BP **Buy @ 620p** **Current: 621p** **Target: 650p** **Stop-loss: 600p**	The recent news that the company is to shut down 50 percent of its Alaskan production facility has seen the shares retreat to the pre-results level again. While the production shutdown will impact on earnings estimates for 2007, this will be a short-term issue. The fundamentals of the stock remain strong as the recent results demonstrated (4% ahead of consensus net income forecasts), while oil at almost $77 per barrel will support its strong cash generation, thereby reinforcing it's $50bn buy-back programme for the next three years. **Buy** on current weakness with a 650p short-term price target (6%) upside. BUY

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