



Following the c.7% correction in equity markets over the past month, attention will this week turn to corporate earnings. The key releases will be Intel, Goldman Sachs and Johnson & Johnson on Tuesday, Nokia, IBM and JPMorgan Chase on Thursday, and Bank of America, Citigroup and General Electric on Friday. Given the prior quarter's comments from both Intel and Nokia that Q1 2009 would represent the trough quarter for both the PC and handset markets, their releases will be keenly awaited to see whether quarter on quarter growth did resume in Q2 2009. Recent better than expected results from both Oracle and Infosys showing the resilience of business spending also augers well for IBM's results on Thursday. The results of US banks, JPMorgan Chase, Bank of America and Citigroup, could also be market moving, to the extent that they indicate a stabilisation of the US housing market or a deterioration in consumer credit quality. In addition to demonstrating the resumption of quarter on quarter growth, further potential positive catalysts in next week's results could be some evidence of operating margin stabilisation following the cost cutting measures of recent quarters, or even some more upbeat outlook statements indicating the potential for revenue growth to resume in 2010. However, we maintain our differentiation investment theme of recent weeks that companies with strong balance sheets and emerging market exposure should continue to outperform companies with weaker balance sheets and western European discretionary consumer exposure. Given the sensitivity of commodity and energy demand to emerging markets, we remain buyers of the mining and oil sectors on weakness, and given the above average exposure of the German DAX index to western European discretionary consumer spending, we continue to recommend a short DAX position to hedge portfolios

TRADING IDEAS, EARNINGS & PREVIEWS

US Financials

Reporting season really begins this week with US financials starting to report Q2 earnings. Five major US banks are reporting next week, JP Morgan (JPM), Bank of America (BOA), Citigroup (Citi), Goldman Sachs (GS) and Morgan Stanley (MS). The strong earnings reported in Q1 are expected to be followed by a good Q2 in most of the banks reporting next week. While earnings in Q1 were flattered by strong trading revenues and gains in own debt, this quarter will benefit from better revenues from Asset Management, tightening spreads helping valuations on fixed income assets and stronger investment banking revenues. On the negative side, investors will focus on the level of losses coming through on personal loans, credit card debt and prime mortgages from the weaker economic conditions in the US economy. Expectations for EPS in Q2 for JPM are 16.7c with BOA and Citi at 10.5c and -28c respectively. In the case of MS, EPS is expected at -39c following a loss of 8c in Q1 and GS is expected to report EPS of \$3.57 on Tuesday. The loss in Q2 expected for MS will be mainly due to TARP charges which will be offset somewhat by strong capital market revenues. Of the four banks reporting next week we still favour JPM and we re-iterate our buy on the stock.

Irish Financials

In comparison to our own Banks here, the US market has moved back towards earnings to determine valuations. AIB and BOI have both eased back this week and are trading below our estimates of Tangible Net Asset Value (TNAV). The release date for further details on NAMA seems to be 6-weeks time, longer than what the market was expecting. This is adding to the uncertainty over the Irish financial sector and was part of the reason for the pullback over the last week. With funding costs for the Irish banks rising from the lows experience over the last number of years, Net Interest Margins will be under pressure over the next year, impacting pre-provision profits. We still remain cautious on the Irish banks due to the uncertainties over NAMA, loan losses and increased political risk. Recent comments in the national press indicating rifts in Fianna Fáil (largest party in the governing coalition) suggest risks to the fall of the government have increased again after receding following the recent elections. In the Irish banking sector we favour Irish Life and Permanent sub €3.00 and of the two clearers, our preference is BOI at levels below our estimate for TNAV of €1.50.

Ryanair

Price: €3.21

P/E : 12.3x

Div: 0%

Target: €3.80

Buy

While the current operating environment poses numerous challenges to the airline industry as a whole, Ryanair is a major beneficiary. As the lowest cost operator, Ryanair is able to increase its market share as consumers become increasingly cost sensitive. As a result of declines in oil prices, Ryanair has been able to hedge 90% of its fuel requirements for this quarter and the next at attractive levels. Ryanair will likely see its fuel bill fall by greater than €450m in the current year, due to the moderation in energy prices. Globally airline traffic has declined dramatically down 9% in the first quarter of the current year, but short haul, and economy traffic figures have fared significantly better. Ryanair's balance sheet remains the strongest in the sector with €2.3bn in cash. As a result Ryanair is in the position to increase its fleet on attractive terms. Ryanair has financing in place for 45 aircraft to be delivered between October 2009, and September 2010, based on a exchange rate of €/\$1.46, and current low interest rates. Ryanair is due to release its first quarter earnings on the 27th of July.

Tullow Oil

Price: 849p

P/E : 27x

Div: 0.71%

Target: 1050p

Buy

Last week Tullow released a scheduled trading statement and operational update. In Ghana, the development plan has been finalised, and awaits formal approval. Although Tullow will be drilling up to 14 wells in the second half of the year, 5 of these are potentially transformational, 4 of which are based in the Ghana licenses. Tullow is attempting to replicate the success of Jubilee with a test drill on the South Grand Lahou prospect, in Cote d'Ivoire, which has a similar geographical profile to Ghana. In Uganda the positive drilling test results from Wairindi-1 is a small positive, but the Ngassa-2 will be delayed until August. Production from Tullow's core assets is disappointing, with a below expectations full year estimated production of 58,000 barrels. We are fundamentally bullish on oil as a commodity, and see material upside from Tullow's portfolio of exploration and development assets as a result. The results from Ngassa-2 are likely to be the next major news flow from the company, with expectations of further M&A from the sector as a whole.

JPMorgan Indian Investment Trust

Shares in India's main stock exchange the Sensex (Bombay Stock Exchange) have fallen by 10% over the last week, however still remain 40% higher year to date. The main catalyst for the sell off was concerns around the Indian election and potential budgetary concerns. On July 6th, Finance Minister Pranab Mukherjee said that he expects the budget deficit to widen to 6.8% of GDP this year, the highest level since 1994. S&P however confirmed that the deficit was in its projections. The budget deficit has widened as the government has continued to increase spending to ensure the economy grows strongly. We believe that the sell off has provided a good entry level into one of the world's fastest growing economies. The investment fund that we are recommending to gain exposure to India is the JPMorgan Indian Investment Trust and can be traded on the London Stock Exchange. The Bloomberg ticker for the Trust is JII LN. With the potential for growth in India far superior to Western economies over the next number of years we believe JPMorgans' Indian Investment Trust offer excellent growth potential.

Short DAX

This week we are recommending that our clients that are looking for a hedge to their European equity exposure, consider a short position of the DAX index. The German blue-chip index is down about 2% for the year to date, but has rallied almost 30% since the low in March. Due to its large weighting towards cyclical stocks, the DAX index should be particularly vulnerable to weakening in economic expectations, or renewed risk aversion in equity markets. Auto manufacturers currently account for a 12% weighting of the index, and are particularly vulnerable to lower consumer confidence data readings. Chemical producers account for over 17% of the index, financials account for almost 23% and over 14% of the index is made up of Industrial companies. All of which are vulnerable to weak economic data.

C&C Update

This morning, C&C announced a correction to the data presented last week, as part of its operational update. Revenue figure, quoted in constant currency were incorrect. Overall revenues declined 5%, instead of increasing 3%, as originally stated. In the Cider division, Irish revenues were flat, as opposed to an increase of 7%, UK revenues declined 12% instead of a decline of 1%. Revenues for spirits & liqueurs were down 22%, instead of a decline of 12%. Data for volumes and the operating profit guidance towards the upper end of the €77m-€82m remain unchanged. The release didn't give an reason for the errors. We hope to get further detail from C&C on the issue today, and expect to release a full update tomorrow. In the mean time our price target and rating on C&C are under-review.

Earnings Week Ahead

Mon: Experian (Q1), Philips (Q2).
Tues: Glanbia (Trade), Iberia (Traffic), BA (AGM), Intel (Q2), CSX (Q2), Altera (Q2) Intel (Q2), J&J (Q2), Goldman Sachs (Q2)
Wed: Austrian Airlines (Traffic), BTG(Trade), Land Securities (Trade), Northern Foods (Trade), Rio Tinto (Output), JD Wetherspoon (Trade), BT Group (AGM), ICAP (AGM), J Sainsbury (AGM), Abbott (Q2),
Thurs: Elan(AGM), Nokia(Q2), Carrefour (Sales), Novartis (Interim), Enterprise Inns (Trade), Mitchells & Butlers (Trade), Mothercare (Q1), Sports Direct (Prelim), Harley-Davidson (Q2), IBM (Q2), JPM (Q2), Marriott (Q2), Google (Q2)
Fri: DCC (AGM), Pernod Ricard (Trade), Invensys (Q1), Cable & Wireless (AGM), Bank of America (Q2), Citigroup (Q2), General Electric (Q2)

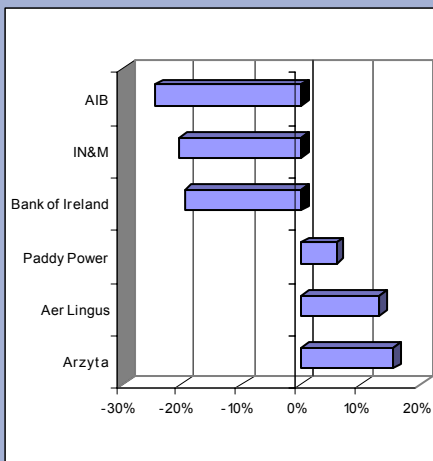
Economic Week Ahead

Mon: US Budget Statement (19.00)
Tues: RICS UK house price (00.01), UK CPI (09.30), EC ZEW (10.00), US PPI (13.30), US Advance Retail Sales (13.30), US Business Inventories (15.00)
Wed: UK Jobless (09.30), EC CPI (10.00), US Mortgage Applications (12.00), US CPI (13.30), US Empire Manufacturing (13.30), US Industrial Production (14.15), US Fed Minutes (19.00)
Thurs: US Initial Jobless (13.30),
Fri: EC Trade Bal (10:00), US Housing Starts (13.00), Building Permits (13.30)

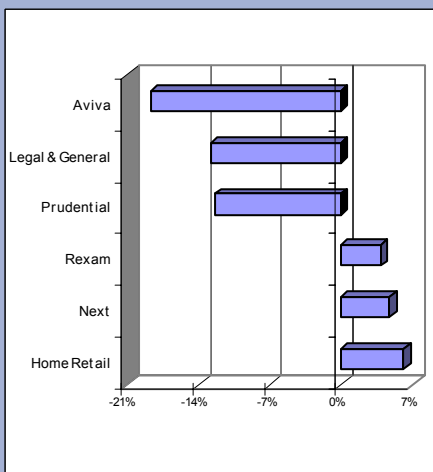
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/
Worst Performers
06/07/09-10/07/09

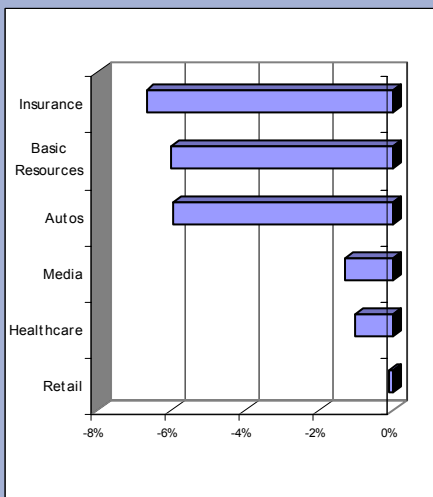
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE



Company	YTD	Relevant news
Aryzta	7.8%	Reiterates earnings guidance.
BP	-3.7%	BP indicate it will continue to invest in future production and pay dividends despite falling oil price.
CRH	-0.6%	Current trading below expectations; cost cutting ahead of forecasts
DCC	-1.2%	We remain positive on the group after meeting with management
E.ON	-5.2%	E.On says it is looking to buy back €4.25bn of bonds to make more efficient use of cash.
Hewlett-Packard	-2.2%	Formed joined venture with Alcatel Lucent
IL&P	-17.8%	Speculation surrounding restructuring of the group persist.
IN&M	-20.4%	Confirms extension to standstill agreement with bondholders
J&J	1.5%	Ahead of Q2 earnings this week.
JPMorgan	0.9%	JPMorgan successfully issues \$3bn non-government guaranteed bond at T+350bps.
Microsoft	-4.8%	Added to Goldman Sach's conviction buy list.
Vodafone	-1.3%	Press reports suggest Vodafone is considering offer for T- Mobile UK

What it says in the 'Sundays'

Company	Paper	Headline
AIB	S. Tribune	Gets cold feet over Polish sale
Diageo	S.Times	Compelling buy at 12x 2010 earnings
C&C	S. Times	Party on hold till they clean up or flog spirits division
Irish Financials	S.Business Post	Cost of guarantee may treble for financial institutions
Aer Lingus	S.Business Post	Aer Lingus close to naming new chief

Corporate Visits

COMPANY

PRESENTATION DATE

IFG	6th July
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Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E09
ISEQ	2573	-4.5%	9.8%	3.2	12.9
FTSE	4127	-2.6%	-6.9%	5.0	31.5
DAX	4576	-2.8%	-4.9%	4.5	25.5
OW	8147	-1.6%	-7.2%	3.5	10.9
500	879	-1.9%	-2.6%	3.1	14.0
NAS	1756	-2.3%	11.4%	1.1	26.7
EUROSTOXX	2016	-2.9%	-3.3%	4.8	13.1
NIKKEI	9287	-5.4%	4.8%	2.1	

Sector	Weekly move%	YTD move %
Retail	-0.1	14.9
Healthcare	-1.03	-7.99
Media	-1.32	-8.19
Food&Bev	-1.33	2.21
Technology	-1.81	7.56
Personal & Household Goods	-1.83	4.16
Telecom	-2.83	-10.16
Chemicals	-2.84	-1.73
Travel & Leisure	-3.26	-4.74
Industrials	-3.32	1.25
Banks	-3.64	13.78
Financial Services	-3.66	5.85
Construction & Materials	-4.08	-2.05
Utilities	-4.43	-17.25
Oil & Gas	-5.22	0.29
Autos	-5.93	-1.58
Basic Resources	-5.99	26.02
Insurance	-6.67	-16.29

Commodities

	Current	Change YTD
crude	66.73	49.6%
gold	932.25	6.0%

Exchange Rates

	Current	YTD Change	Year End (est)
eur usd	1.398	-4.2%	1.40
eur gbp	0.856	-10.5%	0.93
eurjpy	134.26	5.4%	120

GDP Growth

	2008	2009 (est)
Ireland	-1.70%	-8.50%
Euro Zone	1.20%	-2.00%
UK	1.00%	-4.25%

Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	1.00%	1.05%	1.00%
UK	0.50%	1.12%	0.50%
US	0.00% - 0.25%	0.55%	0.0% - 0.25%



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