



Equity markets last week behaved much as we expected last week with sideways trade and lower volumes typifying a holiday shortened week. In a week that was light on economic releases the focus was on the imminent Q1 reporting season. Alcoa got the ball rolling with a set of results that could have been worse, but in truth failed to dispel concerns that this reporting season could be ugly. Expectations for the upcoming reporting season have deteriorated significantly since the start of the year. On 1st January expectations were for a Year-on-Year decline of Q1 earnings for the S&P of 13%. Now the consensus is for a decline of 37%, with earnings declines expected in all sectors, even the for example the traditionally defensive healthcare and utility sectors. While the headline earnings themselves will be watched carefully, the more critical issue for markets will be the forward guidance that a company's the earnings releases. Should CEO's provide an up-beat assessment of the coming months then equity markets have the potential to break higher from the trading ranges that have been in place for the last two weeks. The key results to watch next week are JPMorgan (Thurs) and CitiGroup (Fri). Also key to market direction next week will be releases from Intel (Tues) and GE (Fri). As well as these key corporate releases there is a raft of economic data scheduled for release with US Housing Starts and Building Permits (both Thurs) potentially market moving. Equity markets have reacted positively to the last few house market releases and any other sign of stabilisation in this sector would be positive. The biggest risk however rests with the earnings releases where any negative news flow could test the resolve of the bulls.

TRADING IDEAS, EARNINGS & PREVIEWS

Irish Financials

After numerous leaks and speculation, the basic details of "Bad Bank" or NAMA were released during the budget speech on Tuesday last. NAMA will purchase loans such as development loans, associated work in progress loans and certain investment property loans. The total book value of these loans will be between €80-90bn, but the purchase price will be lower than this. Participating banks will not have the choice on what assets to transfer and under the terms of the scheme and the largest property backed exposures of all banks must be transferred. The terms and conditions of the loans will not change and NAMA will not be taking the property from any developers if they continue to meet these conditions agreed with their bank previously. The loans will be purchased by the government at a percentage discount depending on the type of underlying security. Comments from the government would indicate the purchase price will be lower than the current written down values. The state will pay for the loans by issuing new bonds to the participating banks, either directly by the government or by NAMA. The price the government will pay for the assets is a large uncertain in the whole process. The price paid will have an effect on the capital basis of Irish banks and will result in a level of erosion. The Minister did state that if banks capital ratios need to be increased due to the scheme, the state will take equity in the relevant institution. We believe the scheme is a positive for the Irish financial system as it is the beginning of dealing with the problems assets on their balance sheets. It reduces the risk of full nationalisation of the three listed banks, but we do believe the state will have an equity stake in AIB and BOI once the assets are transferred. The reason for this will be to ensure equity Tier 1 ratios remain above 4%. The Minister has also commented since the budget the "government is prepared to take majority stakes in the banks". The key issue to value AIB and BOI going forward is the price paid for their loans and the level of dilution they suffer from government stakes. With the European banking sector trading at 0.6x tangible net book value (TNAV) and even the strongest of European banks only at 0.7x TNAV, AIB and BOI will trade at discounts to their TNAV for a number of years due to the weakness in their major markets. We will release up-dates on our valuations on BOI and AIB in the next week based on the developments last week.

Aviva

Price: €2.50
P/E: 3.7x
Div: 14.4%
Target: £1.90

Sell

Since we initiated our short call on Aviva last week the stock has fallen by 7%. To reiterate our reasons for shorting Aviva, the company still has significant exposure to property with shareholders exposed to £27.1bn of property loans. The refusal of the company to reduce its dividend has put capital generation under pressure. The total year dividend is £0.9bn which is almost the same as the capital generation ability of the company insurance book. Aviva has a solvency ratio of 1.12x which is the lowest of the UK insurers. The Tangible Net Asset Value (TNAV) for Aviva was £1.95 at year end and we expect this to fall further during 2009. The stock is trading at 1.3x and in our opinion should not trade at a premium to TNAV. From a technical view, the short-term uptrend is vulnerable and a close below the 220 area would suggest a revisit to the recent 160 low is on the cards. As with all shorts, we recommend using stop losses and in the case of Aviva a stop loss at £2.63, just above the current resistance level

Mining Sector Update

The mining sector will be in focus next week with an AGM and quarterly update from Rio Tinto on Wednesday. Given the resistance to the Chinalco investment proposal from shareholders and regulators, management are expected to give an update. Anglo American also has its AGM statement on Wednesday, ahead of its Q1 trading update on the 30th of April. Next Wednesday, BHP will give an update on production and exploration. Given that BHP's management have had the most accurate insights into the industry in the last couple of years, their comments will be watched by the market. On a fundamental basis, our bias remains negative towards the sector. Recent gains have been very significant, and are possibly overdone, given the still weak global economy. Demand from China, particularly for copper, is strong, relative to the developed Western nation. It remains our view that this strength in copper prices is likely to be short-lived, and we therefore reduce our fundamental rating on Kazakhmys to Neutral, and maintain our £4.00 price target.

Technical View

We have outlined below our technical view on some of the mining stocks. The views are based on Technical analysis, and not Fundamental analysis, and are therefore most suitable for short term trading as opposed to long term investing.

Rio Tinto

Our medium/long term technical view on Rio remains bullish. Price has found support at its 100 day moving average at 2120. For the short term, provided support at 2120 holds we expect price to target resistance at 2568.

Kazakhmys

We expect any downside this week to be capped at the 403 level and are happy to initiate more longs on intraday weakness targeting a break above 480 resistance. Our long term upside target lies at 609 resistance.

Xstrata

This stock's recent rally has now resulted in price filling its sharp downward gap. The key level to watch lies at 592. A break above this level would result in the stock targeting 702 resistance. Should 592 resistance hold, expect to see a retracement back to 495 trend support.

BHP Billiton

Despite the short term range bound trading on Billiton; medium term momentum behind the stock remains bullish as its 20, 40 & 100 day MAs continue to trend higher. Support at 1301 has held, and we expect the stock to now target 1523 resistance. Our longer term target level lies at 1743 resistance, and ultimately we believe that the stock will break 1523 and test this level over the medium term.

E.ON

Price: €22.88
Target: €31.00
Buy

Fundamental View: Shares in E.ON have rebounded strongly since it reported earnings on March 11th. E.ON is our top pick in the Utilities sector given its diversified operations with an increasing focus on wind energy and relatively underleveraged balance sheet when compared to its peer group with a debt to equity ratio of c. 60%. The group is also highly cash generative and paying a dividend yield of c. 7%. The group full year dividend of €1.50 is due to trade ex. on May 7th.

Next Catalyst: E.ON is due host its AGM on May 6th and report first quarter results on May 13th

TRIL

Price: 1711p
Target: 1000p
Sell

Fundamental View: Despite the recent rally in Thomson Reuters shares our view remains that the company is overvalued at current levels trading at c. 15x forward earnings. This is despite the group generating c. 60% of its revenue from its markets division which is highly exposed to the financial sector. With investment banks shedding significant amounts of jobs we believe that demand for Reuters equipment and data will slow significantly. The group's largest shareholders, the Woodbridge Group, has now completed its share swap between the Canadian line and UK line. As a result we believe the technical event that partly drove the strength in the group's share price will now have subsided.

Next catalyst: Thomson Reuters is due to report first quarter results on May 7th

Earnings Week Ahead

Economic Week Ahead

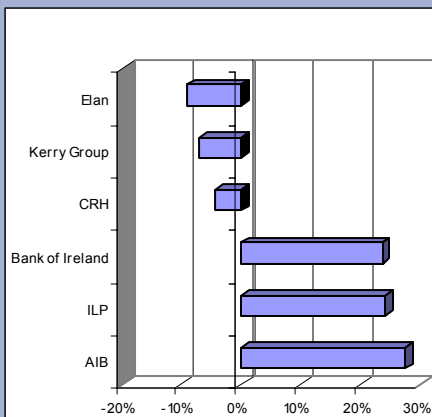
Mon: —
Tues: Intel Corp (Q1), Johnson&Johnson(Q1), Iberia (Traffic), Banco Santander (S/holders).
Wed: Kenmare Resources (Prelim), Rio Tinto(AGM), Anglo American(AGM), Abbott (Q1), Progressive (Q1), UBS (AGM).
Thurs: Experian (Trade), Rio Tinto (Q1 Output), BP (AGM), Baxter(Q1), Harley Davidson(Q1), JP Morgan(Q1), Nokia(Q1), SABMiller(Trade).
Fri: BB&T Corp (Q1), Citigroup(Q1), GE(Q1), Swiss Re (S/holders).

Mon: —
Tues: US PPI & Retail Sales (13:30), US Business Inventories (15:00), US ABC Consumer Confidence (22:00).
Wed: UK RICS Hse Price Bal(00:01), US MBA M'gage Apps(12:00), US CPI(13:30), US Empire Manuf.(13:30), US Ind.Prod(14:15), Fed Beige Book(19:00).
Thurs: UK Trade Balance(09:30),EU CPI&Ind. Prod.(10:00), US Housing Starts(13:30), US Initial Jobless Claims & Building Permits(13:30), US Phil Fed(15:00).
Fri: EU Trade Balance &Construction Output(10:00), Uni. Michigan Confid.(15:00).

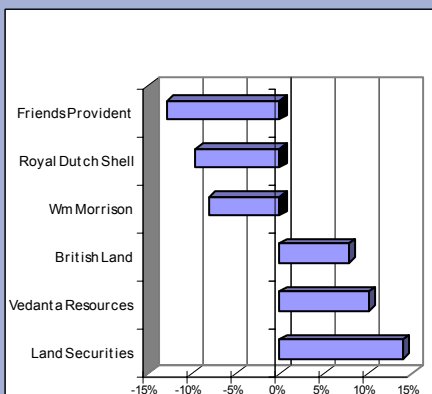
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/
Worst Performers
06/04/09-10/04/09

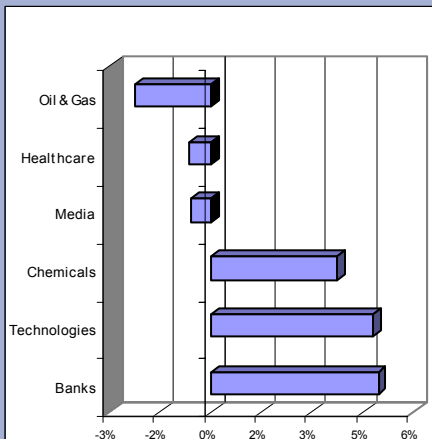
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE



Company	YTD	Relevant news
Aryzta	-10.7%	Goldman Sachs raises Aryzta to Buy from Neutral.
BP	-15.2%	BP indicate it will continue to invest in future production and pay dividends despite falling oil price.
CRH	-5.1%	US data continues to show some improvement
E.ON	-19.0%	E.On says it is looking to buy back €4.25bn of bonds to make more efficient use of cash.
Hewlett-Packard	-5.2%	Peer Intel due to post Q1 results this evening.
IL&P	22.3%	Details of Nama announced within supplementary budget
IN&M	-58.3%	IN&M appoints advisers in respect to the proposed engagement with holders of the outstanding bond.
J&J	-14.1%	Ahead of its Q1' results this evening.
JPMorgan	-3.0%	JPMorgan reportes Q1 results on Thursday.
Microsoft	-0.2%	Microsoft discloses its plans for marketing its next generation windows operating system.
Vodafone	-11.6%	Morgan Stanley raise Vodafone to Overweight with Price Target of 175p.

What it says in the 'Sundays'

Company	Paper	Headline
IL&P	S.Times	Biggest beneficiary of Government banking initiative
Irish financials	S.Times	NAMA could raise substantial risk capital from private equity and specialist property Investment funds
Irish Financials	S.Tribune	Most toxic assets held by just 50 developers
Aer Lingus	S.Tribune	Former Aer Lingus finance chief tipped to replace Man nion
AIB	S.Bus Post	Government may take controlling stake in AIB

Corporate Visits

COMPANY

PRESENTATION DATE

Paddy Power

10th June



Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E09
ISEQ	2373	1.08%	1.3%	5.3%	7.2
FTSE 100	3984	-1.1%	-10.2%	5.2%	18.2
DAX	4491	2.4%	-6.6%	5.8%	17.7
Dow Jones	8083	0.8%	-7.9%	3.8%	15.2
S&P 500	857	1.6%	-5.1%	3.3%	12.7
Nasdaq	1653	1.9%	4.8%	1.2%	22.5
EuroStoxx 50	1918	1.1%	-8.0%	6.1%	11.4
Nikkei 225	8964	2.4%	1.2%	2.2%	27.9

Sector	Weekly move%	YTD move %
Banks	4.96	-2.18
Technology	4.84	6.63
Chemicals	3.76	-0.09
Utilities	3.21	-16.48
Travel & Leisure	2.69	-1.62
Autos	2.09	2.17
Financial Services	1.12	-1.05
Basic Resources	0.81	17.95
Construction & Materials	0.54	-2.98
Food & Bev	0.21	-7.73
Personal & Household Goods	0.04	-3.40
Insurance	-0.07	-18.07
Industrials	-0.30	-2.66
Retail	-0.37	6.88
Telecom	-0.44	-8.20
Media	-0.58	-3.56
Healthcare	-0.65	-12.58
Oil & Gas	-2.22	-3.58

Commodities

	Current	Change YTD
Crude Oil	\$52.24	17.1%
Gold spot	\$881.65	0.3%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.319	4.96%	1.40
EUR-GBP	0.898	5.81%	0.93
EUR-JPY	132.19	2.79%	120

GDP Growth

	2008	2009 (est)
Ireland	-1.70%	-5.00%
Euro Zone	1.20%	-2.00%
UK	1.00%	-2.00%

Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	1.25%	1.42%	1.00%
UK	0.50%	1.54%	0.50%
US	0.00% - 0.25%	1.12%	0.0% - 0.25%



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