



The rally in equity markets continued last week as an absence of economic data provided a free run for the bulls. The little data that was released last week was positive with UK industrial manufacturing and production maintaining their improving trend and the US Beige Book conveying a cautiously optimistic tone. The coming week sees a busier schedule for economic data releases and the key focus for markets will be US Advance Retail Sales due for release on Tuesday. This will be a potential market-moving number since in the midst of improving output data, the labour market continues to be soft. With many companies now finished their cost cutting programmes future earnings growth will need to be demand driven. Any evidence of a consumer weakness could stall the strong rally in equity markets. Two other readings that we will be watching closely in the coming week will be US Business Inventories (Tuesday) for any signs of restocking as well as US Capacity Utilisation (Wed). The amount of spare capacity in the system is running at historically high levels so any increase in the capacity utilisation figure will be a further confirmation that demand is recovering. Closer to home the focus will be on the finer details of NAMA which the Minister for Finance will reveal on Wednesday. This should help provide some clarity on the level of additional capital that will be required by AIB and Bank of Ireland.

TRADING IDEAS, EARNINGS & PREVIEWS

Irish Life & Permanent

Price: €5.55
Target: €6.90

Buy

Of the listed Irish financials, we see Irish Life and Permanent (IPM) as a major beneficiary from NAMA. While the bank is not moving any loans into the agency, the creation of a super mutual will provide the group a potential buyer for its banking business. As part of this transaction, we believe the group will retain a stake in super mutual. Removal of the banking business from the group will be a catalyst for revaluation of the group and allow for it to be valued more closely to its UK peers. The super mutual will be the largest Irish mortgage lender if created and would have €53.6bn of mortgages including UK mortgage books. The new bank would have a better customer deposit profile compared to IPM at the moment with €30.9bn of deposits. Due to comments by the Government on this mutual and our recent meeting with IPM, we are up-grading our price target on IPM taking into account the future value of the banking franchise that we have ignored previously. **Our new price target is €6.90 and we re-iterate our buy into the Minister's speech on Wednesday.** With the other Irish banks requiring capital following the transfer of loans to NAMA, IPM will stand out from the other Irish banks for all the right reasons this week.

NAMA Up-Date

In Ireland this week the focus will be towards Wednesday when the Minister for Finance will release details of the haircut that will be applied on the loans transferred to NAMA. The Minister's speech will include the haircut that will be applied for all the loans to be transferred into NAMA, but it is uncertain if the individual haircuts to be applied to each bank will be released at the same time. The percentage of the total payment that will be made in the new Sub-ordinated NAMA bonds will also be released in his speech. We also expect an outline of the future structure of the Irish banking system, in particular we expect details of a new super mutual to be released on Wednesday. The presentation of NAMA in the Dáil next week is the beginning of the process to stabilise the Irish banking system. Over 40% of the loans will be transferred by the end of this year with the remainder of the loans to be moved by the beginning of Q2.

Microsoft

Price: \$24.86
P/E : 14x
Div: 2.08%
Target: \$28.00

Buy

Last week, Microsoft's CFO Chris Liddell commented that he believes 'the worst is behind us' and signalled the company expects software demand to recover into 2010. With Microsoft due to release its new operating system Windows 7 in the coming months we believe the company is well placed to take advantage of this pent up demand. Microsoft has consistently remained cautious about the operating environment since the beginning of the economic downturn and we take it as a significant positive of the change in tone from Liddell. Microsoft will benefit next year from increased operating leverage as a result of its cost cutting program and likely return to revenue growth thanks to a number of new products being released in addition to Windows 7. At 14x forward earnings and providing a dividend yield in excess of 2% we believe the stock looks attractive. In addition, with in excess of \$25bn of net cash on its balance sheet Microsoft is well placed going into 2010. The group will release fiscal first quarter results on 22nd October 2009.

McDonalds

Price: \$54.39
P/E : 13.5x
Div: 3.68%
Target: \$62.00

Buy

Shares in McDonalds have underperformed the market over the last number of months as investors have chased riskier higher beta stocks. We believe this underperformance has led to an excellent buying opportunity for one of the largest brands in the world. Last week the company reported global same-store sales that increased by 2.2% for August. While the sales were slightly below expectations the results were still strong. US sales increased by 1.7%, Europe by 3.5%. Sales in Asia, the Middle East and Africa fell 0.5%, its first decline in the region since 2005 and was the main disappointment. We do not believe that this is part of an ongoing trend of weaker sales in this geographical area and expect growth will return next month. McDonalds valuation looks attractive at 13.5x forward earnings and providing a well covered dividend yield of 3.7%. The group also benefits from an underleveraged balance sheet with gearing of just 14%.

CRH

Price: €18.36
P/E : 14x
Div: 3.6%
Target: €20.30

Buy

Shares in CRH rebounded strongly last week. While the company is facing pressures in each of its main markets of Europe and the US we believe that shares in CRH still provide an excellent long-term capital gain potential. Growth in its two main markets is likely to remain subdued over the short-term, however CRH will benefit from stimulus spending, particularly in the US. The group is also well placed to take advantage of earnings accretive acquisitions over the next 12-18 months due to the strength of its balance sheet. CRH has indicated that it will allow its EBITDA/net interest cover fall below its comfort level of 6x if the right opportunity arises. CRH has indicated that it has €1.5bn to spend on acquisitions. In addition, CRH will issue an interim management statement on 10/11/2009 when the group is due to issue an interim management statement.

BP

Price: 540p
P/E : 12x
Div: 5.1%
Target: 600p

Buy

BP remains our preferred pick amongst the integrated major oil companies. The stabilization in oil prices at current levels reduces the pressure on BP's very attractive dividend policy with the stock currently yielding in excess of 5%. We see the potential for BP to be a major player in the rejuvenation of the Iraqi oil industry following on from the contract to manage the Rumaila field awarded in recent months. The group recently announced the discovery of a 'giant' oil find, in the Gulf of Mexico. While the find will not immediately boost production, it still represents a significant positive for the company. BP's valuation looks attractive with the company trading at 12x forward earnings. BP is due to reported third quarter earnings on October 23rd.

Aviva

Price: 409p
P/E : 15x
Div: 7.0%
Target: 440p

Buy

The insurance sector continues its strong run with particular focus on well diversified insurers from a business and geographical basis. The insurance sector has also benefited from the rally in the markets as they are highly correlated with market indices. Our preferred insurers are Aviva and Prudential. For Aviva, a major catalyst for the stock will be the partial IPO of its Dutch operation which should be completed by the end of the year. Due to the shorter time line than we originally expected for the IPO and our positive view on markets, **we are increasing our price target to Aviva's year-end estimated EV of £4.40.** Our other preferred insurer is Prudential due to its strong capital positions and its exposure to Asia.

Earnings Week Ahead

Economic Week Ahead

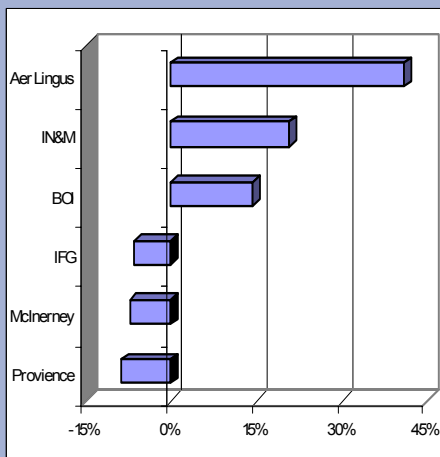
Mon: Plethora Solns(Interim),Antisoma(Prelim).
Tues: Austrian Airlines(Traffic), Volvo(Traffic), Debenhams(Trade), Energetix(Int), Ashmore Grp(Prelim), Oxford Instr(AGM), Best Buy(Q2), Kroger(Q4), Pall Corp(Q4), Adobe Systems(Q3).
Wed: Aeroports de Paris(Traffic), Alkane Energy(Int), Cape(Int), Next(Int), Northgate (Trade), Synergy Health(AGM), Oracle(Q1).
Thurs: French Connection(Int), Kingfisher(Int), Investec (Trade), FedEx (Q1).
Fri: Fortis(EGM), Bang & Olufsen(AGM), Euler Hermes(S' Holders).

Mon: EU Employment & EU Ind. Prod.(10:00)
Tues: RICS Hse Price Bal(00:01), UK CPI&RPI(09:30), Ger&EU ZEW(10:00), US Producer Prices,Retail Sales& Empire Manuf(13:30).
Wed: UK Jobless Claims&ILO Unemployment(09:30), EU CPI (10:00), US MBA M'gage Apps (12:00),US CPI&Current A/C Bal(13:30), US Ind.Prod & Capacity Utilisation(14:15), US NAHB Housing Index(18:00).
Thurs: UK Retail Sales(09:30),EU Trade Bal& Constr Output(10:00), US Housing Starts, Jobless Claims & Building Permits (13:30),Phili Fed(15:00).
Fri: Ger Producer Prices(07:00),ECB Current (09:00), UK M4 Money Supply(09:30).

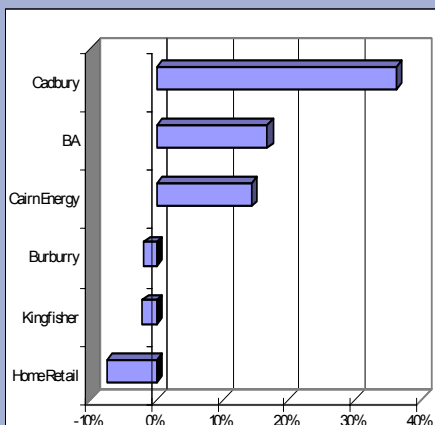
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/ Worst Performers

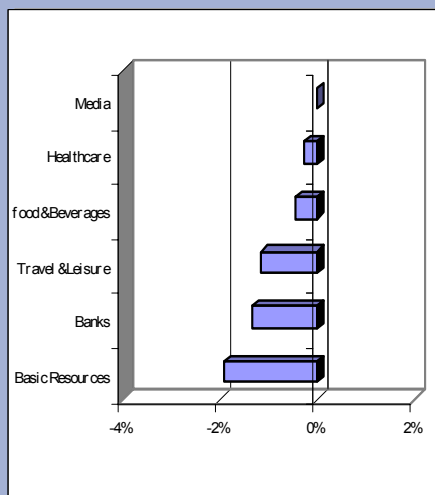
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE

Company	YTD	Relevant news
Aryzta	14.0%	Recently reiterated earnings guidance.
BP	2.1%	BP recently discovered a "giant" oil discovery in the Gulf of Mexico
CRH	13.0%	Recent interim results were in line with expectations
DCC	64.8%	We remain positive on the group after meeting with management
E.ON	-0.28%	E.On recently completed a giant US wind farm
Hewlett-Packard	27.3%	Q3 results slightly ahead of consensus estimates
IL&P	254.2%	We increase our price target to €6.90
IN&M	-29.7%	Reports of potential strategic investors
J&J	1.0%	J&J and Elan to restructure deal following court case
JPMorgan	34.7%	Deutsche Bank initiated coverage with buy rating.
Microsoft	27.8%	Intel CEO makes positive comments on Windows 7
Vodafone	-0.8%	Reports suggest they may bid for T-mobile UK

What it says in the 'Sundays'

Company	Paper	Headline
Irish Financials	S. Tribune	Institutional investors poised for investment
Irish Financials	S. Tribune	Lenihan will tell banks to consolidate or perish
Greencore	S. Indo	Carroll's €100m Greencore stake may be put on market
Irish Financials	S. Bus Post	Nama deal plans to give up to €60bn to banks
IN&M	S. Bus Post	INM infighting could scare off 'white knight'

Corporate Visits

COMPANY

PRESENTATION DATE

Irish Life & Permanent	1st September
McInerney	2nd September



Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield
ISEQ	3258	7.2%	39.0%	1.8
FTSE	5011	3.3%	13.0%	3.9
DAX	5624	4.5%	16.9%	3.7
DOW	9605	1.7%	9.5%	2.9
S&P 500	1043	2.6%	15.5%	2.5
NAS	2081	3.1%	32.0%	0.9
EUROSTOXX	2445	2.6%	17.3%	3.9
NIKKEI	10444	2.6%	17.9%	1.9

Sector	Weekly move%	YTD move %
Media	0.02	9.93
Healthcare	-0.26	2.53
Food&Bev	-0.44	14.05
Retail	-0.52	24.41
Telecom	-0.55	6.17
Personal & Household Goods	-0.58	24.83
Utilities	-0.58	-1.88
Autos	-0.67	15.70
Chemicals	-0.67	21.45
Industrials	-0.78	29.93
Technology	-0.79	25.60
Construction & Materials	-0.80	28.59
Oil & Gas	-0.90	16.34
Financial Services	-0.93	27.42
Insurance	-1.03	11.83
Travel & Leisure	-1.16	13.93
Banks	-1.32	50.18
Basic Resources	-1.91	65.61

Commodities

	Current	Change YTD
Crude	69.29	55.4%
Gold	1005.20	14.3%

Exchange Rates

	Current	YTD Change	Year End (est)
eur usd	1.457	-0.1%	1.40
eur gbp	0.875	-8.5%	0.85
eurjpy	132.15	3.7%	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%	0.77%	1.00%
UK	0.50%	0.63%	0.50%
US	0.00% - 0.25%	0.30%	0.0% - 0.25%



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