DOLMEN STOCKBROKERS
Traders Update
MARKET COMMENT MONDAY 16TH FEBRUARY 2009

There is a small but growing body of evidence in the US suggesting that economic activity is no longer falling off a cliff. Even though both the manufacturing and non-manufacturing ISM surveys remain at very low levels, they both rose in January. The pending home sales index and sales of existing homes also rose in January, showing that some buyers are venturing back into the market, and retail sales showed a 1% monthly rise. This indicates that Q1 2009 US GDP could show a slight improvement on the expected downwardly revised c.-5% for Q4 2008. The new Financial Stability Plan should generate some increase in bank lending relative to what otherwise would have been the case, and President Obama should be able to sign the amended $790 bn fiscal stimulus package into law shortly. As a result, even though it is clear that the reported economic data will continue to remain bleak for several months, it is reasonable to consider the potential for some level of economic recovery commencing in 2010. In October 2008, when Warren Buffett confirmed to The New York Times that he had 100% of his own personal net worth, outside of his company, invested in equities, he stated that the market is likely to move higher well before either sentiment or the economy turns up. With the US economy now having the potential to turn up in 2010, its equity market could start to recover in the coming months.

TRADING IDEAS, EARNINGS & PREVIEWS

Irish banks

Last week we had the recapitalisation of AIB and BOI followed by an Interim Management Statement (IMS) from BOI. BOI have increased their guidance on impairments from €3.8bn to €4.5bn with the possibility of it hitting €6bn over the next three years. The increase in impairment charges was driven by higher unemployment expectations and the corresponding effect it will have on mortgage, personal and smaller business portfolios. With €1.4bn of writedowns in the BOI loan book expected this year, the impairment charge for the next two years is expected to be between 1.1% and 1.68%.The read through for AIB is negative as its guidance before Christmas for 2008 impairments to be 0.75%, will be revised upwards at the full year results. AIB's guidance for impairments in 2009, will also have to increase from the current range of 90-110bps. The end result of the increase in impairment charges is for both banks to be loss making over the next 2-years as they start the process of repairing their balance sheets.

Despite the issues that faced Irish Life & Permanent (ILP) last week ending with the resignation of the CEO, Denis Casey, the profile of its loan book, the strength of its life business franchise and the fact it will remain profitable over the next two years makes it the most attractive of the Irish financials. Our next preferred Irish bank is AIB due to the diversity of its business lines despite the large level of bad debts it is facing over the next 2-years. The current level of its share price is more like an option premium. What should also be considered is that even with the nationalisation of Anglo, the government may repay some value back to shareholders after an evaluation of the company by an independent assessor. With the worst case scenario for an investment in AIB full nationalisation, the current share price may not be far from what a government assessor could pay in compensation.

Full year results are due from AIB on the 2nd of March and prior to that circa 36m shares or 4% of outstanding shares have to be sold due to AIB been removed from MSCI Stock Index. These two factors will weigh on the share price over the next two weeks.

CRH

Price: €17.85
P/E: 8.6
Div: 3.7%
Target: €22.00
Buy

Fundamental View: Press reports over the weekend suggest that CRH is considering a €1bn rights issue. The first thing to point out is that CRH does not require a rights issue at the moment. The group has the strongest balance sheet in the sector with EBITDA/Interest cover of c. 7x and well ahead of its covenant level of 4.5x. Forecasted net debt / EBITDA is also low at c. 2.38x. The last time CRH announced an equity raising was in 2001 raising funds to pay down debt and fund acquisitions. The group did not require to raise funds at that time also. The equity raising was in the form of a 1 – 4 rights issue issued at 50% discount to its share price. We would view a similar discounted issuance as c. 17% EPS dilutive to EPS if the company was to raise the reported €1bn. Peer of CRH, Lafarge, is due to report results this Friday. Lafarge is one of the most highly leveraged firms in the sector and needs to raise funds to pay down debt. It is possible that CRH could potentially look at acquiring some of Lafarge's European or US assets. We recommend holding off buying shares in CRH into a potential rights issue. Rights issue aside, we would look to buy shares in CRH at bottom of trading range at c. €16.00.

Next Catalyst: CRH is due to report full year results on March 3rd.

Tullow Oil

Price: 725p
P/E: 37x
Div: 0.85
Target: 900p
Buy

Fundamental View: We continue to favor Tullow, within the exploratory sub-sector of the oil & gas industry. Tullow recently secured the bulk of its financing for phase 1 of the Jubilee reservoir development, as well as £400m from a well supported equity raising. The next twelve months could be hugely transformational for Tullow's exploratory portfolio. Test drilling continues in Ghana, with significant prospects to be drilled over the next twelve months. Meanwhile, discoveries in Uganda are of sufficient size to justify commercialization, with the bulk of the identified prospects still to be drilled.

Next Catalyst: Tullow's drilling campaign remains the key catalyst for the share price. Results from Tweneboa, a neighboring prospect to Jubilee, are expected towards the end of February, start of March. Tullow has a 49.95% working interest in the Tweneboa prospect, versus a 36.4% stake in the Jubilee field, Tweneboa potentially holds 500-750m barrels of oil, compared with an estimated 1-1.2bn for Jubilee.

C&C

Price: €0.88
P/E: 4x
Div: 13%
Target: €2.10
Buy

Fundamental View: We continue to see value in C&C despite the weak economic environment, and the impact this will have on earnings. C&C are being impacted negatively by a weak consumer, and Sterling. We are expecting stabilization in cider volumes over the next 18 months. Trading in C&C is likely to continue to be volatile and broader market negative sentiment against the stock may persist.

Next Catalyst: C&C will release its 2008 trading update. Critically, the new management team, headed by ex-S&N CEO John Dunsmore, will give its first outline of future company strategy. We also expect management to cut the annual dividend payout from the current level of €0.12 per share. Although the operating environment is likely to remain difficult over the coming months, we believe that the market is seriously undervaluing C&C at current levels.

Gold ETF

Buy

Reuters / Bloomberg: BULL.L / BULL LN

Gold has performed well of late on the back of fears over the outlook for the global financial system and the perceived risks associated with various currencies. We believe that these factors will continue to offer support to this safe-haven and we would look for Gold to breach its March 2008 $1,033/oz record high in the not too distant future as its secular bull trend continues. We are seeing massive investment flows into this hard asset store-of-value as a lack of confidence in the US government's ability to handle the financial crisis persists. Fears over sovereign debt risks abound. We believe that deflationary fears are being overplayed at the present time given the size of policymaker actions and we hence believe that the main threat to higher Gold prices remains an unexpected resurgence in the greenback. The chart outlook remains constructive following last weeks breach of key trend resistance in the $915 area. Gold exchange traded funds (value of which is highly correlated with spot Gold) offer an easy and accessible way of gaining exposure to this commodity.

Earnings Week Ahead

Mon: L'Oreal (Final), TNT (Q4), Aeroports de Paris (Traffic).
Tues: United Drug (S/Holders), Intercontinental Hotels (Prelim), Daimler(Q4), Benetton Prelim), Wal-Mart(Q4), Iberdrola (Q4).
Wed: Thortons (Interim),Acergy (Q4),Sports Direct International(Trade), Carlsberg(Q4)
Thurs: Euler Hermes(Q4), SocGen(Q4), Commerzbank (Q4), Heineken (Final), ING Groep (Q4), Analog Devices(Q1), Deere&Co (Q1),Hewlett Packard(Q1), Ameren Corp (Q4), Constellation Energy (Q4), Goodyear (Q4).
Fri: Kingfisher(Q4),BAE Systems(Prelim), Ladbrokes (Prelim),Travis Perkins(Prelim) Axa (Final), BNP Paribas(Final), MAN AG(Q4), Nestle (Final), Swiss Re(Q4).

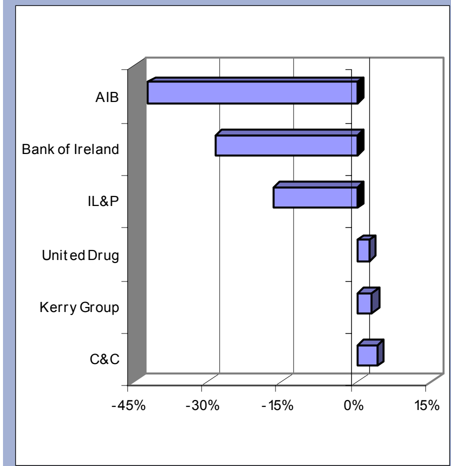
Economic Week Ahead

Mon: UK Rightmove House Price Index (00:01).
Tues: UK CPI & RPI(09:30),Ger & EU ZEW Survey(10:00),EU Trade Bal(10:00) US Empire Manuf.(13:30), US ABC Consumer Confid(22:00).
Wed: BoE Minutes(09:30), EU Constr.Output(10:00), MBA Mgage Apps(12:00) US Industrial Prod (14:15), US Housing Starts (13:30).
Thurs: UK M4 Money Supply(09:30), US PPI & Initial Jobless Claims(13:30). US Phili Fed Survey (15:00).
Fri: EU&Ger PMI Manuf&Services(08:30), UK Retail Sales(09:30), US CPI (13:30).

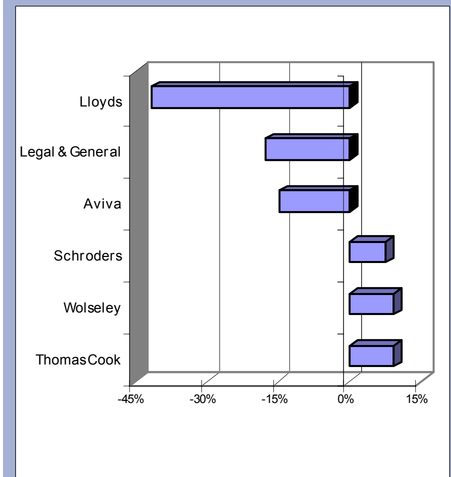
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/ Worst Performers
09/02/09-13/02/09

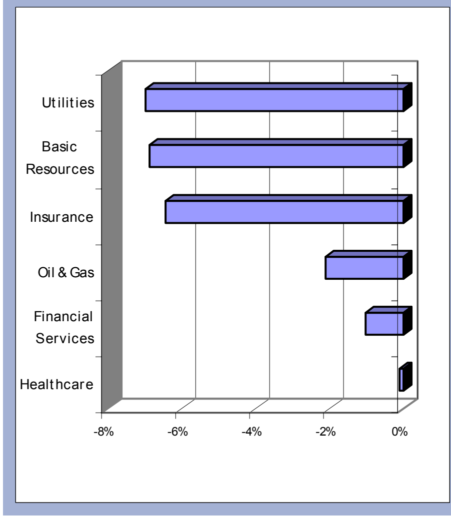
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen
WEEKLY UPDATE

Company	YTD	Relevant news
Aryzta	-16.7%	Peer Premier foods sells its speciality bakery group.
BP	-3.9%	BP posts big drop in net profit for the fourth quarter but maintained its investment levels for 2009.
CRH	5.0%	US senate attempts to increase infrastructure allocation in the stimulus plan.
E.ON	-19.4%	E.On says it is looking to buy back €4.25bn of bonds to make more efficient use of cash.
Hewlett-Packard	-1.0%	Apple releases Q4 results that are better than expected.
IL&P	0.6%	IL&P raises €1bn in bond offering.
IN&M	-54.3%	Concerns over its ability to pay down its debt.
J&J	-4.5%	Johnson & Johnson reports fourth quarter earnings of $2.71bn, compared with $2.37bn a year earlier.
JPMorgan	-20.7%	Goldman Sachs adds JP Morgan to conviction buy list.
Microsoft	-1.0%	Microsoft discloses its plans for marketing its next generation windows operating system.
Paddy Power	-17.1%	Morgan Stanley maintains its overweight rating.
Vodafone	-3.5%	Vodafone signs Linux deal with US firm Azingo.

What it says in the 'Sundays'

Company	Paper	Headline
Anglo, IL&P	S.Tribune	Anglo IL&P face €5m fine over deposits
IL&P	S.Tribune	Murphy now pole position for top job at IL&P/EBS
Irish Banks	S. Business Post	Strict new regulation for banks
Irish Banks	S. Business Post	AIB warns of fallout from Anglo debacle
IL&P	S. Independent	Insurance giant doubles its stake in troubled IL&P

Corporate Visits

COMPANY	PRESENTATION DATE
Bank of Ireland	19th February

Last Weeks Moves

Equities

Equities	Level	Change WTD	Change YTD	Div Yield	P/E09
ISEQ	2344	-4.8%	0.1%	7.3%	4.6
FTSE 100	4190	-2.4%	-5.5%	6.4%	8.8
DAX	4413	1.1%	-8.2%	5.8%	10.8
Dow Jones	7850	-5.2%	-10.5%	4.0%	10.3
S&P 500	827	-4.9%	-8.4%	3.4%	23.1
Nasdaq	1534	-3.6%	-2.7%	1.3%	109.59
EuroStoxx 50	1966	-3.9%	-5.6%	6.6%	9.5
Nikkei 225	7779	-3.7%	-12.2%	2.8%	23.5

Sector

Sector	Weekly move%	YTD move %
Healthcare	-0.09	-0.76
Financial Services	-1.03	-8.21
Oil & Gas	-2.1	6.65
Chemicals	-2.23	0.06
Food&Bev	-2.37	-5.61
Autos	-2.72	-4.33
Personal & Household Goods	-2.90	2.35
Telecom	-3.10	-3.43
Construction & Materials	-3.42	-3.84
Industrials	-3.70	0.38
Retail	-3.99	5.87
Media	-4.07	-2.17
Technology	-4.85	1.62
Travel & Leisure	-5.45	-2.39
Banks	-5.94	-15.35
Insurance	-6.43	-14.91
Basic Resources	-6.84	9.99
Utilities	-6.96	-10.07

Commodities

	Current	Change YTD
Crude Oil	$37.51	-15.9%
Gold spot	$941.70	7.1%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.286	-11.8%	1.40
EUR-GBP	0.896	-6.3%	0.93
EUR-JPY	118.38	-7.1%	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	2.00%	1.94%	1.50%
UK	1.0%	2.07%	1.00%
US	0.00% - 0.25%	1.24%	0.0% - 0.25%

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