



Equity markets last week followed their now well established pattern of excessive volatility with triple digit moves up and down now almost commonplace. Despite these excessive and sometimes violent moves, the majority of equity indices are still trading in a range that has seen them fail to break above key resistance levels but equally has seen them stay above their recent October lows. This pattern of movement highlights the uncertainty that prevails amongst investors as economic data continues to deteriorate and the number of profit warnings also increases. On the positive side however, the hope remains that the aggressive series of interest rate cuts with the prospect of more to come will avert a deep and prolonged downturn, while the talk of additional stimulus packages raises hope for the consumer. The difficulty with the latter points is that interest rates take time to take effect, while over 60% of the last US stimulus package was actually saved as opposed to being spent, which was after all the intention of the package. In the face of these varying issues, not helped by the US u-turn on the TARP last week, the only fact of certainty is that there will be no quick fix to the problems creating this skittish market environment. We therefore continue to recommend that for active traders that rallies be sold and dips be bought selectively, but for longer-term investors we continue to recommend a defensive stance, at least until the current period of volatility subsides.

TRADING IDEAS, EARNINGS & PREVIEWS

Irish Banks

Last week BOI released interim results and ILP released an Interim Management Statement (IMS). Following on from AIB's IMS the previous week the market was focused on credit quality and capital levels. For ILP, impairments were guided higher than the full year at 11bps, but the change was only 3bps. The main reason for the increased level was due to the Asset Finance book and the fall in second car prices lowering the recovery value of repossessed cars. Guidance for impairments for the next 3-years remains the same at the interims at a level between 50-80bps. On capital management confirmed the first release of €100m of excess capital from the life book will be completed by the end of the year and another €100m each year thereafter. This puts ILP in the position of not having to raise any capital in the current difficult environment.

For BOI, the interim results were poor with underlying earnings falling by 31% and profits from all divisions lower than the same period last year. On impairments, the half year figure was slightly higher than guided but the full year was increase from mid 40bps to 60-75bps. For 2009/2010 guidance on impairments was increased also and the range is now 90-110bps compared to the 60-90bps previously guided. We are estimating EPS for 08/09 at 60c and for 09/10 earnings will be dependant on impairment levels. The problem for BOI is that the bank is facing at least two years of low profits due to bad debts and cash dividends will not be restored until after 2011. This will make it more difficult to achieve the bank's aim of increasing their core tier 1 from 6.3% by retaining earnings. Therefore, the concerns over capital issuance by BOI remain.

Looking at the results from the three Irish banks over the past two weeks highlight the problems on bad debts facing Irish banks and the concerns over capital. We maintain that ILP will have no need for external capital raising due to the Life book and the level of bad debts on the loan book will be lower than their other Irish peers due to their lack of residential and commercial development and commercial investment loans.

Irish Companies & € / £

Sterling has weakened substantially against both the Euro and US dollar over the past two weeks falling by c. 7% and 8%, respectively. The moves in the currencies have been more pronounced since the Bank of England (BoE) issued its monthly inflation report last Wednesday where it signalled that it is ready to continue reducing interest rates as the threat of deflation is now a distinct possibility. The BoE said that it is willing to do whatever it takes to ensure that inflation hits its 2% target level. We believe that in the short-term the BoE will lower rates more aggressively than the ECB which could place further pressure on sterling; however by the second half of next year we believe that both central banks will have lowered interest rates to at least 2%. We therefore forecast that € / £ will trade in a range of 0.82 – 0.90. The weakness in £ will put pressure on the earnings of Irish companies who have a proportion of the profits generated in sterling (amount in (%)) : Greencore (80%), DCC (70%), C&C (43%), Ryanair (40%), Paddy Power (37%), Aryzta (20%), CRH (5%).

C&C

Price: €1.42
P/E: 6.4x
Div: 8.6%
Target: €2.1

Buy

Fundamental View : Following on from the announcement by C&C on Monday regarding the appointment of a new CEO, we are upgrading our rating on C&C. John Dunsmore, best known for his previous role as Scottish & Newcastle's CEO, takes over from Maurice Pratt. Joining Mr. Dunsmore in C&C will be former Scottish & Newcastle colleagues Stephen Glancey as COO and Kenny Neison as Strategy Director. The task in front of the new management team is by no means small. C&C has lost significant market share in both the on-trade and off-trade of the UK cider market in the last 12 months. Given the expertise and relationships of the new executives, we feel that they are up to the task.

Next Catalyst : The next potential positive catalyst is likely to relate to the current strategic review, the results of which are expected before calendar year end. Any changes implemented by new management will take time to take affect, and wont mitigate the expected poor industry data in the coming months. Sterling weakness is also a negative for C&C.

Chart view : Stock continues its attempt to put in a base at support at 1.02. The gradual upward price action over recent weeks has created a bullish saucer price pattern, however upside is likely to come under significant resistance at its long term downtrend at 2.17.

United Drug

Price: €2.93
P/E: 11.4x
Div: 2.6%
Target: €3.90

Buy

Results Preview : This Friday, United Drug will release its earnings statement for the year ended 30th September. We are expecting full year earnings growth of 11% to €0.256 per share. Given that United Drug confirmed consensus guidance in October, we are expecting little deviation from our estimate. Management's outlook on the effect of a reduction in healthcare expenditure by the Irish and UK governments, and estimates on the impact of a slowing economy on retail drug purchases, will be of importance. United Drug offers very attractive value at current levels, due to its defensive profile and strong cash flows. However the stock is illiquid, and as a result is most appropriate for long term portfolios. We have reduced our 12 month price target to €3.90 reflecting the decrease in multiples across the sector.

Chart view : Stock has broken out of its long term trading range to the downside. Key support now lies at 2.83. Price looks to be creating a new near term range between this support level and resistance at 3.20. Therefore trading the range is the most favourable play.

Earnings Week Ahead

Mon:	Kingspan (Interim), Lowe's Co. (Q3), Target (Q3).
Tues:	FBD Holdings (Interim), Home Depot (Q3), Barclays (Q3), Easyjet (Final), Burberry (Int.), Big Yellow (Int.), British Energy (Int.), HSBC Infra. (Int.), ICAP (Int), Oxford Instruments (Int.), Persimmon (Int.), Enterprise Inns (Int.), Lonmin (Prelim), Premier Foods (Int.), Rexam (Q3), Carphone W'house (Int), Wolseley (Int.).
Wed:	Vitec (Interim), British Land (Interim), Business Post (Interim).
Thurs:	Dell (Q3), Gap (Q3), Limited Brands (Q3), Air France-KLM (Q2), Nordex (Q3), Mothercare (Interim), National Grid (Interim), Daily Mail (Prelim), Halfords (Interim).
Fri:	United Drug (Prelim).

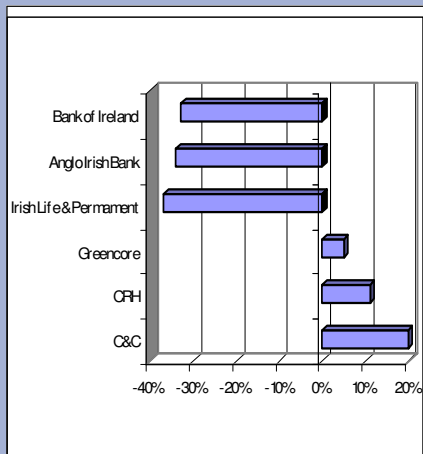
Economic Week Ahead

Mon:	UK Rightmove House Prices (00:01), EU Trade Balance (10:00), US Empire Manufacturing (13:30), US Industrial Production (14:15).
Tues:	UK CPI (09:30), UK RPI (09:30), EU Construction Output (10:00), US PPI (13:30), US NAHB Index (18:00), ABC Consume Confid (22:00).
Wed:	BoE Minutes (09:30), US MBA M'gage Application (12:00), US CPI (13:30), US Housing Starts (13:30), US Building Permits (13:30), FOMC Minutes (19:00).
Thurs:	Irl PPI(11:00),Ger PPI(07:00),UK Retail Sales (09:30), UK M4 Money (09:30), UK Net Borrowing (09:30), US Initial Jobless Claims (13:30), US Phil Fed Survey (15:00), US Leading Indicators (15:00).
Fri:	Ger PMI Manuf & Services (08:30), EU PMI Manuf & Services (09:00).

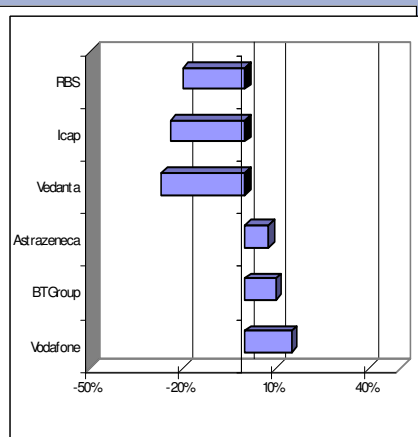
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/ Worst Performers 10/11/08-14/11/08

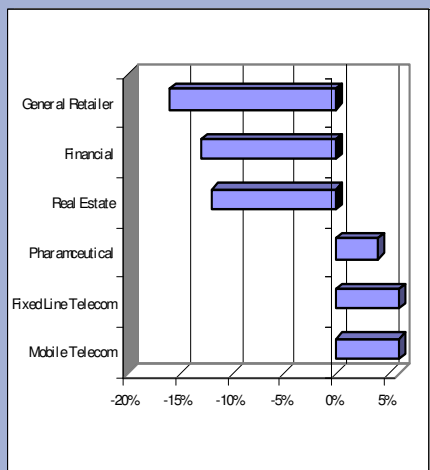
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE



Company	WTD	YTD	Relevant news
AIB	-18%	-82%	AIB cuts its 2008 eps forecast to €1.20, citing higher funding costs and weaker credit quality.
Aviva	-8%	-49%	Peer RSA insurance reports 3Q premiums rose 11%, driven by growth in the international business.
BP	-5%	-21%	BP capital markets sell \$3bn in five year notes.
IN&M	-22%	-76%	Denis O'Brien said it he will not sell stake in Independent News & Media
E.ON	-9%	-44%	Confirmed 2008 earnings forecasts
CRH	11%	-26%	As expected lowered earning guidance for full year 2008
Hewlett Packard	-11%	-40%	Ahead of the group's results on November 24th
Aryzta	-11%	-35%	La Brea's sales are now more than double the level which existed at the time of the IAWS purchase.
IL&P	-40%	-87%	The group suspended its dividend indefinitely
Microsoft	-9%	-44%	Microsoft may sign search deal with Verizon Wireless
Paddy Power	-13%	-50%	Gave a cautious outlook for 2009
Vodafone	15%	-34%	Vodafone reiterated earnings forecasts last week

What it says in the 'Sundays'

Company	Paper	Headline
AIB	Sunday Tribune	AIB quizzed by SEC in US
C&C	Sunday Tribune	High price for new board
Aryzta	SBP	Uncertainty over Lion capitals 8% stake
Barclays	Telegraph	Middle East investor turning south
Vodafone	S. Times	Long-term buy

Corporate Visits

COMPANY	PRESENTATION DATE
Kerr Group	17th November
Bank of Ireland	25th November



Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E08
ISEQ	2674	-5.4%	-61.4%	7.6%	5.5
FTSE 100	4233	-3.0%	-34.4%	6.1%	7.5
DAX	4710	-4.6%	-41.6%	5.4%	10.5
Dow Jones	8497	-5.0%	-35.9%	3.7%	10.2
S&P 500	873	-6.2%	-40.5%	3.4%	18.8
Nasdaq	1517	-7.9%	-42.8%	1.3%	29.1
EuroStoxx 50	2154	-5.7%	-41.5%	6.1%	8.8
Nikkei 225	8462	-1.4%	-44.7%	2.6%	12.3

Sector	Weekly move%	YTD move %
Banks	-13.944	-59.822
Insurance	-10.646	-49.851
Technology	-9.888	-50.159
Travel & Leisure	-9.383	-47.967
Financial Services	-8.73	-51.972
HPC	-8.512	-40.454
Retail	-8.302	-42.775
Basic Resources	-7.631	-59.923
Oil & Gas	-6.878	-36.933
Autos	-5.833	-34.712
Industrials	-4.874	-50.257
Utilities	-4.605	-35.289
Media	-4.348	-42.121
Construction & Materials	-4.178	-50.56
Food&Bev	-4.063	-26.163
Chemicals	-4.04	-39.04
Healthcare	0.417	-10.849
Telecom	2.389	-36.679

Commodities

	Current	Change YTD
Crude Oil	\$57.04	-40.4%
Gold spot	\$742.10	-11.0%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.261	-13.6%	1.45-1.50
EUR-GBP	0.854	16.2%	0.74-0.78
EUR-JPY	122.39	-24.9%	165.0

GDP Growth

	2007	2008 (est)
Ireland	5.00%	0.50%
Euro Zone	2.50%	1.50%
UK	3.10%	0.50%

Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	3.25%	4.47%	2.75%
UK	3.00%	4.50%	2.50%
US	1.00%	2.29%	1.00%

Credit Market Summary

The rescue package for AIG was deemed to be insufficient in size, and has being increased to \$150bn. China's stimulus package impressed credit markets, but only very briefly. American Express applied for commercial banking status, a move that would give the company greater access to funding. The TARP programme will no longer seek to buy troubled assets off balance sheets, mainly as a result of pricing difficulties. Given the lack of alternatives suggested by the Fed chief Hank Paulson, further developments could be critical. Although clearly absent from equity markets, there are signs of risk appetite returning to credit markets. There is a shortage of sellers in the secondary market, and primary issuance continues to be well supported.

Credit Sector Movements

Automakers- European automakers may be better positioned than their US peers, but they are still trading at elevated levels. Five year spreads on Daimler, Peugeot Renault and BMW are all currently trading between 350bps and 380bps. Nevertheless, BMW's debt placing last week was issued at 610bps over benchmark. Meanwhile, GM is currently trading at over 6,000bps and Ford at over 4400bps.

Interest Rate Outlook

The dramatic events in the UK last week resulted in UK base rates hitting their lowest levels since the 1950's and this isn't the end of the rate cuts. In the Euro-Zone, the 50bps cut will be followed by another on the 4th of December as Trichet heavily hinted towards another cut at the Press Conference on Thursday. Data for the week ahead in the Euro-Zone will be focused on GDP released on Friday at 10am. This will show another quarterly fall and the Euro-Zone will have entered its first recession since the formation of the single currency union in 1999.

Currency Comment

EUR/GBP

The poorer economic outlook for the UK economy has left sterling on the backfoot to the Euro over the last week. The large rate cut on Thursday resulted in a GBP rally at first, but this soon ran out of steam as the market considered why the BOE cut rates so aggressively. Retail sales on Tuesday should result in a fourth month in a row where they have fallen as the UK consumer pulls back on discretionary spending. The reason for this pull back will be highlighted with unemployment data on Weds with the claimant count for October released at 9.30 in the morning.

EUR/USD

The dollar is maintaining its gains against the Euro as a number of issues come to the fore. The slowdown in the Euro-Zone is beginning to pick up pace and this week GDP figures on Friday should show the Euro-Zone in recession. Another factor is the background concern over the stability of the single currency experiment and if a prolonged downturn would lead to cracks in the single currency. The result of this is that the dollar will not be replaced as reserve currency any time soon and will help maintain dollar strength even with the large fiscal spend coming through next year.



Disclosures

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes only to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor.

Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgment as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuers(s) in advance of publication.

Past performance is not necessarily a guide to future returns. The value of investments and the income from them can fall as well as rise. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

This report may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

Dolmen Securities Limited is regulated by the Financial Regulator. Dolmen Securities Limited is a member firm of the London Stock Exchange. Dolmen Stockbrokers is regulated by the Financial Regulator. Dolmen Stockbrokers Limited is a member firm of the Irish Stock Exchange and the London Stock Exchange.

Conflicts of Interest & Share Ownership Policy

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments/ derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in issuers they publish research, views and recommendations on and accordingly analysts involved in the production of this report may own stocks in a company covered in it. Any own account staff trading is undertaken in strict compliance with Dolmen's own account internal rules and therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

Analyst Certification

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Oliver Gilvarry, David Dunk, Stephen Taylor & Edward Keeling are responsible for the production of this report. Oliver Gilvarry is Head of Research and David Dunk, Stephen Taylor and Edward Keeling are equity analysts.

For US Persons Only

This report is only provided in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.



DOLMEN SECURITIES LTD

75 St. Stephen's Green, Dublin 2, Ireland.
45 South Mall, Cork, Ireland
Theatre Court, Mallow St, Limerick, Ireland.

Tel : +353 1 633 3800/1890 400 300
Tel : +353 21 422 2122
Tel : +353 61 436 500

E-mail: info@dsl.ie
E-mail: cork@dsl.ie
E-mail: Limerick@dsl.ie