



Equity markets gave up some ground last week, however in the context of the stellar run they have enjoyed since the March 9th lows, a decline of just over 2% on average is not significant. What was possibly more significant, and an area which will come more into focus in the coming months, was the retail sales data released from the US. After a number of months of surprisingly positive readings the latest number saw a reasonably large decline of 0.5% for April against expectations of a 0.2% increase. Within this reading was a rather worrying decline of 8.6% in discretionary sales i.e. sales excluding autos and parts, food, and energy, a clear sign that the continuous monthly declines in the labour market are starting impact the consumer. The good news however was, that despite this disappointing reading, markets only fell marginally which indicates how confidence has gradually started to return compared to the earlier part of the year when such a reading would have caused more significant declines. There is no doubt that the risk appetite has increased significantly in recent months as the economic releases have signalled either a moderation in the rate of economic slowdown or in some cases signs of recovery. We feel however that a lot of this more positive newsflow has been priced into markets for the moment and in the short-term we may see some periods of profit-taking, however these signals support our start-of-year view that a recovery will occur in the second half of the year. The key focal points for the markets next week will be: **Earnings Releases**- Vodafone (Tues) and Hewlett-Packard (Tues) both release results; **US Housing Data**- with mortgage rates in the US ticking higher, will the housing market come under pressure?; **Minutes from Bank of England and Fed (both Wed)**- further insight into current QE policy will be sought.

TRADING IDEAS, EARNINGS & PREVIEWS

Thomson Reuters

Price: 1679p
P/E: 16x
Div: 5%
Target: £13.00
Sell

Thomson Reuters recently reported a solid set of first quarter results, however indicated that it was beginning to see a slowdown amongst a number of its businesses. Shares in the company have held up remarkably well over the last year until its cautious comment two weeks ago and have now begun to underperform the FTSE, a trend we expect to continue. We still view the company's guidance to generate revenue growth this year as over optimistic given the sizeable job losses that we have seen at financial institutions and negative read across it will have for Thomson Reuters. Thomson Reuters is a well managed company however given the slowdown that the company is beginning to see, we believe that the group's valuation is too high at 16x forward earnings given the lack of any earnings growth for the company over the next 12 – 18 months. Overall we see the most pressure on the group's markets division (is being held up somewhat by bond and commodities trading) and we would expect the group's professional division (focus on accountants, law and healthcare) to also show signs of weakness in the latter part of the year. Thomson Reuters second quarter results due on August 6th.

Vodafone

Price: 124p
P/E: 8.5x
Div: 6.2%
Target: 155p
Buy

Vodafone is expected to report full year fiscal 2009 results for the period ending 31/03/09. We expect Vodafone to report a 14% rise in EPS to 14.3p while revenue is expected to increase by 15% to £40.9bn. We also expect the company report free cash flow of £5.75bn the mid-point of its already raised guidance range. We also expect the company to update the market in relation to its £1bn cost savings program and look for any other savings initiatives. In relation to guidance for 2009, we do not expect the company to provide specific revenue guidance, however if it indicates that free cash flow for fiscal 2010 will be in line with 2009, the market will take this as a positive. Vodafone's valuation is extremely attractive trading at 8.5x time earnings and an EV/EBITDA of 5.5x. Vodafone also pays a well covered dividend yield of 6%.

Microsoft

Price: \$20.40
P/E : 11x
Div: 2.60%
Target: \$24.00
Buy

Last week Intel's CEO, Paul Otellini, commented that the company's second quarter is proceeding slightly ahead of company expectations. This follows on from the group's first quarter results where it said that it expected the quarter to see a bottom in the PC market. We take such comments as a positive read across for Microsoft. Otellini also indicated that Windows 7 which is due to be released towards the end of this year is an excellent operating system and major improvement on Vista. The group has a number of new products to launch over the next year in addition to Windows 7 including Office 2010 and should provide a major catalyst. Fundamentally, Microsoft's shares look undervalued trading at 11x forward earnings in addition to having c. \$25bn of net cash on its balance sheet. Shares in Microsoft provide a dividend yield of 2.6%. The group has just recently begun issuing debt for the first time taking advantage of low interest rates. The money raised may be used to fund earnings accretive acquisitions or potentially add to its current share buyback that has c. \$33bn yet to run.

Cisco

Price: \$17.92
P/E : 13.9x
Div: 0.00%
Target: \$23.00
Buy

We are today adding Cisco to our list of preferred US stocks. We believe that Cisco is well positioned over the long-term to outperform in the event of an economic recovery in 2010. Cisco's principal activities are to design, develop, manufacture and market technical support for networking and other products and services related to the provision of communications and information technology. The group has operations throughout the world including the Americas, Europe, Middle East and Asia. Customers of the company include large enterprises, public institutions, telecom companies and personal residences. Cisco was one of the first companies in early 2008 to warn in relation to the economic downturn. Recent comments from the group's CEO, John Chambers (recognised as one of the top CEO's in the US) have turned more positive as orders for its equipment have picked up. Cisco will be one of the biggest beneficiaries in the technology sector from the US infrastructure stimulus project with significant spending on state projects including schools, universities and hospitals on technology equipment. The group also benefits from a net cash position of c. \$20bn. Cisco is due to report fourth quarter results in early August.

Irish Economy

With the European and local elections due on the 5th of June, concerns have been raised over the performance of the dominant party in the current coalition, Fianna Fáil. Recent opinion polls have highlighted the fall in support for the governing party. Support for the current government has fallen to a record low of 10% and 86% of voters are now dissatisfied with its performance. The main beneficiary of the slump in support for Fianna Fáil is the main opposition party, Fine Gael. These results raise the question of what effect a change in government or leadership of Fianna Fáil will have on the Irish equity and bond markets. Fianna Fáil currently is the largest party in the state in relation to local government seats and it has four European seats. It seems likely it will lose its place as largest party to Fine Gael in local government terms, but it is uncertain what losses it may face in European seats, a loss of three could mean a change in the current Taoiseach (Prime Minister) and a potential general election as coalition partners the Greens, may use the change of leadership as a valid reason to leave the government. In such a scenario a coalition involving Fine Gael and Labour would be likely.

The effect of such a scenario on Irish bonds would be negative due to the uncertainty over the election result and the paralysis in policy making while the general election is fought. Widening of Irish yields compared to German government debt would occur. The Irish banks would also be negatively effected by an election especially if it occurred prior to legislation being passed setting up NAMA. The Labour party has called for the full nationalisation of the banking sector and Fine Gael has proposed a national bank to be created while the existing banks work through their problem loans and broken into "Good" and "Bad" parts. Without NAMA being created prior to a general election, greater uncertainty will exist for the Irish banking sector that even currently exists. Making the Irish banking sector at most risk to a General Election if the elections on the 5th of June result in a change of government in the next number of weeks.

IN&M Update

This morning Independent News & Media has announced that it has agreed an extension with bondholders in relation to the repayment of its €200m bond which was due for maturity today. The repayment of the bond has been pushed back until June 26th and may be extended further. The group's banks have also agreed to a €15m working capital facility. INM has previously indicated that it will sell assets to pay down debt. The group's South African outdoor advertising operations and a number of non-core assets such as Veriox and Cashcade may be sold. We would look to buy shares in INM in the €0.20 to €0.25.

Earnings Week Ahead

Mon: Aeroports de Paris(Traffic),Ark Therapeutics(Trade),Cranswick(Prelim), Greentech Energy(AGM),BG Grp(AGM),Big Yellow(Prelim).
Tues: Bol(Prelim), DCC (Prelim),Home Depot(Q1),HP(Q2),Analog Devices(Q2), AirFrance-KLM(Q4), Cairn Energy(Trade),Renovo(Interim),Burberry(Prelim), Vodafone(Prelim),M&S(Prelim),ICAP(Prelim),Next(AGM),Premier Oil(Trade).
Wed: Limited Brands(Q1),Target Corp(Q1),Deere&Co(Q2),Experian(Prelim), Volvo(Traffic),Yell Grp(Final),Britvic(Interim),Mothercare(Prelim),GSK(AGM).
Thurs: Gap(Q1),Hormel Foods(Q2),Close Bros(Trade),Cable&Wireless(Final), Daily Mail (Interim), Scottish& Southern Energy (Prelim), Investec (Prelim).
Fri: Campbell Soup(Q3),Nordex(Q1),BA(Q4),HSBC(AGM).

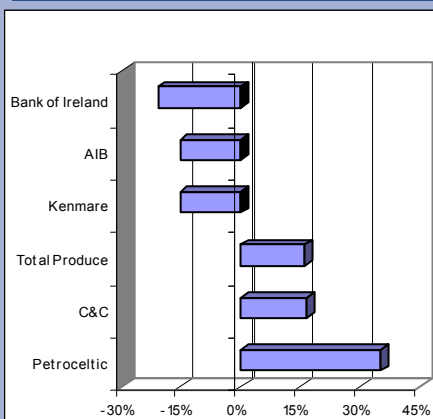
Economic Week Ahead

Mon: UK R'move Hse Prices(00:01),EU Trade Bal(10:00), NAHB Hse Index(18:00).
Tues: UK CPI & RPI(09:30),Ger ZEW(10:00),EU Constr.Output(10:00), US Hse Starts & Building Permits(13:30), ABC Consumer Confid(22:00).
Wed: Ger PPI(07:00),BoE Mins(09:30),MBA MgageApps(12:00),Fed Mins(19:00).
Thurs: UK Retail Sales(09:30),UK Net Borrowing(09:30),UK M4(09:30),GerPMI(08:30) EU PMI(09:00), US Jobless Claims(13:30), US Phil Fed(15:00).
Fri: BoJ Target Rate, UK GDP(09:30), UK Personal Consumption(09:30), UK Govt Spending(09:30), UK Exports/Imports(09:30).

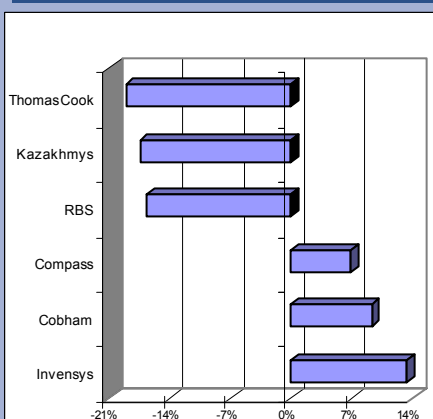
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/
Worst Performers
11/05/09-16/05/09

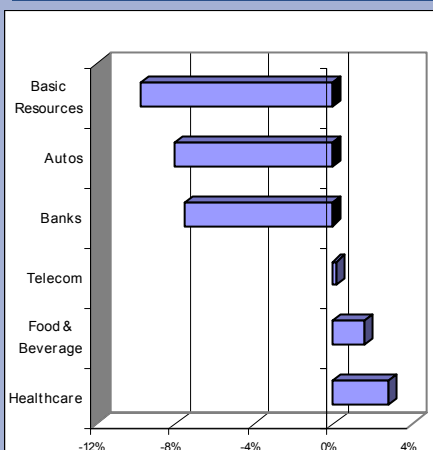
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE



Company	YTD	Relevant news
Aryzta	-0.2%	Lion capital sells its 4 million shares of Aryzta
BP	-4.8%	BP indicate it will continue to invest in future production and pay dividends despite falling oil price.
CRH	0.9%	Trading update indicates conditions remain challenging
DCC	35.7%	Game group results point to continued resilience in computer game market
E.ON	-4.7%	E.On says it is looking to buy back €4.25bn of bonds to make more efficient use of cash.
Hewlett-Packard	-2.8%	Peer Intel posts better than expected Q1 results.
IL&P	61.7%	Speculation over restructuring of the group persist.
IN&M	-24.4%	IN&M gets standstill on €200m bond
J&J	-7.8%	J&J reports resilient Q1 earnings.
JPMorgan	-11.1%	JPMorgan successfully issues \$3bn non-government guaranteed bond at T+350bps.
Microsoft	4.8%	Microsoft will deliver \$1.5bn annual saving by the middle of 2010 through 5000 headcount reduction.
Vodafone	-11.4%	Ahead of its full year results this week

What it says in the 'Sundays'

Company	Paper	Headline
Irish Banks	S. Business Post	Irish banks buy one-third of NTMA bonds
IN&M	S. Business Post	IN&M reaches standstill agreement with bondholders
AIB	S. Tribune	Top 50 AIB customers owe €19bn as debts escalate
C&C	S.Times	Bulmers looks at lower prices
DCC	S. Independent	Major shareholder warns DCC

Corporate Visits

COMPANY

PRESENTATION DATE

Bank of Ireland	21st May
Paddy Power	10th June



Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E09
ISEQ	2633	-1.6%	12.4%	4.4	8.4
FTSE	4,348	-2.6%	-1.9%	4.8	24.1
DAX	4,738	-3.6%	-1.5%	6.4	24.5
OW	8,269	-3.6%	-5.8%	3.7	17.3
500	883	-5.0%	-2.2%	3.2	14.4
NAS	1,680	-3.4%	6.5%	1.1	25.3
EUROTO	2,055	-2.6%	-1.4%	5.8	13.0
NIKKEI	9265	-1.8%	4.6%	2.1	

Sector	Weekly move%	YTD move %
Healthcare	2.76	-8.26
Food&Bev	1.60	1.02
Telecom	0.15	-9.41
Personal & Household Goods	-0.77	4.97
Utilities	-1.69	-11.68
Technology	-1.74	7.97
Retail	-1.85	12.27
Chemicals	-2.03	3.55
Financial Services	-2.51	10.87
Oil & Gas	-2.81	7.77
Industrials	-3.63	5.94
Construction & Materials	-4.48	6.49
Travel & Leisure	-4.52	2.78
Media	-4.86	-0.07
Insurance	-7.1	-8.96
Banks	-7.56	13.41
Autos	-8.05	1.29
Basic Resources	-9.74	28.09

Commodities

	Current	Change YTD
Crude	56.34	26.3%
Gold	931.80	6.0%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR USD	1.350	-7.5%	1.40
EUR GBP	0.889	-7.0%	0.93
EUR JPY	128.48	0.8%	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%	1.24%	1.00%
UK	0.50%	1.34%	0.50%
US	0.00% - 0.25%	0.79%	0.0% - 0.25%



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