DOLMEN STOCKBROKERS

Traders Update

MARKET COMMENT MONDAY 19TH JANUARY 2009

Equity markets endured fresh declines last week as concerns about the state of the global banking system re-emerged. Following negative news flow concerning Commerzbank and Deutsche Bank the previous week, the focus turned to the US banks and more crucially to Ireland as the Government was finally forced into nationalising Anglo Irish Bank. This action, while obviously undesirable, was unfortunately necessary as the risk to the Irish banking system was too high if not taken. This new wave of distress in the global banking system comes at a time of increasing economic fragility and will weigh heavily on equity markets in the coming weeks. While there is the potential for a short-term 'Obama rally' as the president elect will likely promote his stimulus package in Tuesday's inauguration speech, the negative news flow from the banking sector as well as the commencement of the US 4th quarter results season will be the key influences for equity markets. While the hope of a short-term relief rally exists, we do not believe that any such rally is sustainable and would therefore use it as an opportunity to reduce exposure to equities, in-line with our strategy call at the end of 2008. In our opinion, earnings estimates remain too optimistic and therefore the scope for disappointment remains high. The main companies reporting in the coming week are IBM and J&J (Tues), Microsoft (Thurs) and GE (Fri).

TRADING IDEAS, EARNINGS & PREVIEWS

Irish Bank Update

In announcing the nationalisation of Anglo Irish Bank last week, the Department of Finance commented that the weakening funding position of Anglo and the unacceptable practises disclosed before Christmas had forced this outcome. For existing shareholders, some form of compensation may be provided, but this will be determined by a state appointed assessor. The assessor will value the bank and determine what a fair value to compensate shareholders is, but the amount and the date of payment are uncertain. The Minister of Finance did state that clients of Anglo with large loans outstanding and holding Anglo shares will not receive any compensation for their shares directly as it will be used to repay part of their outstanding debt. For the state finances, the nationalisation will put further pressure on the Irish Government and could potentially increase the amount of debt issuance it will undertake this year. Yields on Irish debt have increased and further debt issuance will be more expensive. The bail-out of Anglo will add to the risk of the Irish credit rating been downgraded from its AAA rating. The implications for the other Irish banks are significant, with the state appointed assessor potentially writing down the value of loans in Anglo, similar types of loans in the other Irish banks, would in that situation, also have to be marked-down, increasing impairment charges from the levels currently guided. Therefore, Irish financials will be under pressure over the next number of weeks as uncertainty over capital and bad debts come to the fore again. For clients who wish to invest in Irish financials, we continue to recommend Irish Life and Permanent (ILP) as the bank has no exposure to residential and commercial development loans. The bank has Life assurance and general insurance businesses that are undervalued on current prices and capital for ILP is not an issue. It will release €250m of capital from its Life Assurance book over the next three years allowing the group to “withstand whatever the current economic cycle may throw at us” according to management.

This morning the UK Government announced a further injection of capital into RBS who in turn announced the largest corporate loss in UK history. The government will now potentially own 70% of RBS as it underwrites a £5bn issue of shares to repay preference shares. The government will guarantee certain assets on the bank’s balance sheets in return for a fee. These assets will include residential, commercial and corporate loans. The plan will allow the Bank of England to buy assets such as commercial paper, corporate bonds and syndicated loans. Overall, the UK Government have shown they will try any policy to save the financial system.

Hedging

Due to the on going volatility in equity markets it may be prudent for investors to implement a hedging strategy in order to protect their investment portfolios from downside risks. For example, take an investor that has a portfolio valued at £500,000 comprised of 5 long positions in FTSE 100 companies (Vodafone, BP, Tesco, RBS and BHP) all of equal weighting. The investor must first calculate the adjusted beta value (adjusted value for each extra unit of risk versus the FTSE 100) of the portfolio which in this case works out to be £526,000. For the investor to hedge this long position we recommend that they take an opposing position (i.e. sell) the FTSE 100 futures index contract. With the FTSE 100 futures index currently trading at 4,058 (value of contract £40,580) representing the price of the index 4,058 multiplied by the value of one point £10. The investor could sell (short) 12 FTSE 100 futures contracts which represents a 93% hedge for the above portfolio. The margin requirement of for this contract would be £24,000, based on £2,000 per FTSE 100 index future.

E.ON

Price: €25.39
P/E: 8.6x
Div: 5.4%
Target: €40

Buy

Fundamental View: We continue to recommend clients focus on defensive sectors with the Utility sector being one of our preferred plays. We believe that recent sell off in equity markets has provided an attractive entry level for E.ON. E.ON is our preferred stock in the sector given its discounted valuation both on a P/E and EV/EBITDA basis of between 10%-15% when compared to peers. This is despite the group’s strong earnings prospects from its diversified business model encompassing electricity, gas and an increasing focus on renewable energy. E.ON’s balance sheet also remains strong with a debt to equity ratio of c. 50%. The group also pays an attractive current year dividend yield of c. 6.1% which is covered in excess of 2x.

Next Catalyst: E.ON is due to report full year results on 10/03/2009 and we believe the company will post another strong set of results and provide a robust outlook for 2009

CRH

Price: €18.16
P/E: 7.3x
Div : 3.7%
Target: €22.00

Buy

Fundamental View: Last week CRH announced that it had withdrawn its proposed acquisition of Pavestone in the US following the decision by the US Federal Trade Commission to investigate the deal. CRH had said in March 2008 that it was going to buy the company for $543m. We view this as a positive development for CRH for two reasons. Firstly in the current environment it is essential that companies preserve cash to strengthen their balance sheet and secondly the current valuation of Pavestone would be significantly lower than the agreed price. CRH faces many challenges over the next year with economic activity set to deteriorate further. However, it will be a major beneficiary of infrastructure stimulus packages throughout the world. CRH also has the strongest balance sheet amongst its peers and has already successfully renewed its financing requirements.

Next Catalyst : The next catalyst for CRH will be on 03/03/08 when the group will report its full-year results and provide an outlook for 2009.

BMW

Price: €19.99
P/E: 8.4x
Div: 5.4%
Target: €18.00

Sell

Fundamental View: We believe that shares in BMW will remain under pressure over the next year as less new cars are sold throughout the world. We feel that BMW is one of the most exposed European automakers to the current downturn given that it operates in the luxury end of the car market and that it will suffer as consumers trade down. The group also generates c. 25% of its revenue from the US where significant uncertainty surrounds automakers. We recommend clients sell into any strength in the stock

Next Catalyst: BMW is due to report its fourth quarter results on 18/03/09 and provide financial guidance for 2009. We believe the company will provide a cautious outlook for the year which could see profit fall by over 50%.

Earnings Week Ahead

Mon: Ovoca Gold (S/Holders), S&T Bancorp(Q4), SEB SA (Sales).

Tues: Dragon Oil (Trading), Logitech(Q3), Woodward(Q1), IG Group(Interim),IBM(Q4), Safestore (Prelim), Invensys(Q3), Forest Labs(Q3), BoA(Q4),Johnson&Johnson(Q4)

Wed: Tullow Oil(Trading),Amdocs(Q1),Abbott(Q4), Northern Trust(Q4),US Bancorp(Q4), Progressive Corp(Q4),United Tech(Q4), General Motors(Sales), Intermail (Q1), Apple(Q1), eBay(Q4).

Thurs: Easyjet (Trading), Nokia(Q4),Fiat(Q4),Ubisoft(Sales), Remy Cointreau (Sales), NCC Group(Interim),Morrison(Trading),Microsoft(Q2),BNY Mellon(Q4),BB&T(Q4), Baxter(Q4),CIT Group(Q4),Keycorp(Q4),Union Pacific(Q4)

Fri: York Pharma (Prelim), GE(Q4), Xerox(Q4), Harley-Davidson(Q4).

Economic Week Ahead

Mon: EU Economic Growth F/cast(09:45), EU Construction Output (10:00).

Tues: UK CPI&RPI(09:30),Ger ZEW Survey(10:00),ABC Consumer Confid(22:00).

Wed: Ger Producer Prices(07:00), BoE Mins(09:30), UK Jobless Claims(09:30), UK ILO Unemployment(09:30), US MBA Mortgage Applications.

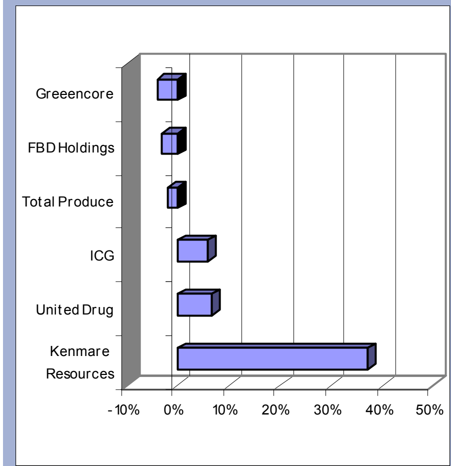
Thurs: BoJ Target Rate, ECB Jan Report(09:00), EU Industrial Orders(10:00), US Housing Starts(13:30), US Jobless Claims(13:30), Irl PPI(11:00).

Fri: UK GDP(09:30), UK Retail Sales(09:30), Irl Retail Sales (11:00).

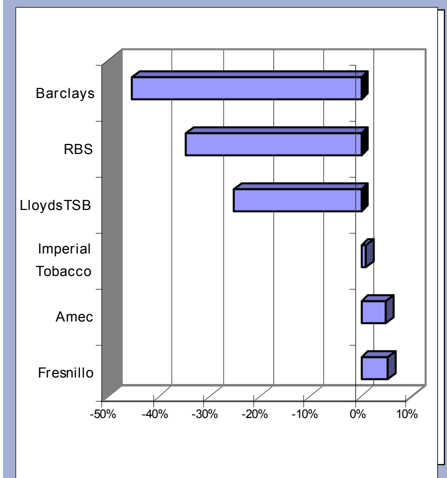
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/ Worst Performers
12/01/09-16/01/09

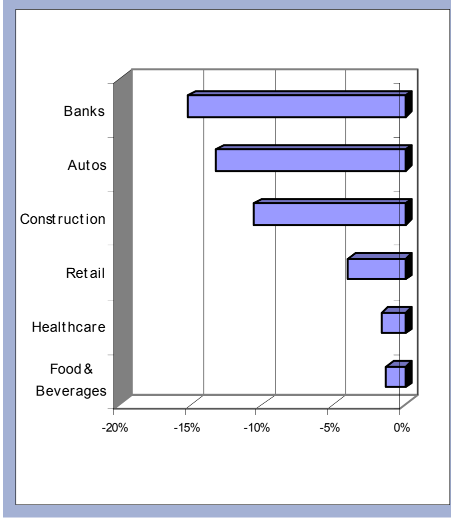
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen
WEEKLY UPDATE

Company	YTD	Relevant news
Aryzta	-9.6%	In its interim management statement, Aryzta say sales rose by 32% in the first quarter.
BP	-6.5%	Oil trades below $40 a barrell
CRH	2.2%	CRH announces the acquisition of Pavestone will not proceed
E.ON	-2.4%	European gas firms seek deal on Ukraine.
Hewlett-Packard	-4.6%	Hewlett-Packard's CFO recently expressed confidence in full year 2009 guidance.
IL&P	40.3%	Shorting ban on Irish financials to remain in place
IN&M	-16.7%	Awaiting details of potential sale of APN
J&J	-4.2%	Johnson & Johnson completes initial tender offer fpr Mentor Corp.
JPMorgan	-29.0%	Ahead of the group's full year results on 21/01/2009
Microsoft	-0.4%	Ahead of second quarter results this week.
Paddy Power	-15.4%	UK gambling levy unlikely to effect earnings
Vodafone	-2.9%	Morgan Stanley raises its price target on Vodafone to 190p from 178p.

What it says in the 'Sundays'

Company	Paper	Headline
Elan	S.Independent	Lundbeck may have revived its interest in Elan
IL&P	S. Business Post	O'Leary signals new Aer Lingus bid
Irish Banks	S. Business Post	State faces funding crux in country's two biggest banks
Anglo Irish Bank	Sunday Tribune	Government will have to redeem Anglo's bonds
AIB	S.Times	US investors 'rough up' AIB

Corporate Visits

COMPANY	PRESENTATION DATE
Grafton Group	Date to be confirmed

Last Weeks Moves

Equities

Equities	Level	Change WTD	Change YTD	Div Yield	P/E09
ISEQ	2456	-8.6%	4.8%	7.1%	4.4
FTSE 100	4147	-6.8%	-6.5%	6.2%	7.6
DAX	4366	-8.7%	-9.2%	5.7%	9.5
Dow Jones	8281	-3.7%	-5.6%	3.8%	10.4
S&P 500	850	-4.5%	-5.9%	3.3%	15.6
Nasdaq	1529	-2.7%	-3.0%	1.3%	31.8
EuroStoxx 50	2006	-7.1%	-3.7%	6.3%	8.5
Nikkei 225	8230	-6.9%	-7.1%	2.6%	12.0

Sector

Sector	Weekly move%	YTD move %
Food&Bev	-1.28	0.16
Healthcare	-1.66	3.29
Retail	-3.97	1.84
Telecom	-4.85	-1.26
Technology	-5.08	0.22
Chemicals	-5.30	-2.83
Personal & Household Goods	-5.71	-0.16
Oil & Gas	-6.20	0.48
Utilities	-6.30	-5.63
Travel & Leisure	-6.44	-1.42
Media	-6.72	-3.37
Basic Resources	-8.62	1.34
Insurance	-9.01	-5.68
Industrials	-9.02	-5.70
Financial Services	-9.03	-2.89
Construction & Materials	-10.58	-4.63
Autos	-13.19	-6.14
Banks	-15.19	-10.60

Commodities

	Current	Change YTD
Crude Oil	$36.51	-18.1%
Gold spot	$843.15	-4.1%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.327	-9.1%	1.40
EUR-GBP	0.900	-5.8%	0.93
EUR-JPY	120.37	-5.5%	120

GDP Growth

	2008	2009 (est)
Ireland	-1.70%	-3.50%
Euro Zone	1.20%	-1.00%
UK	1.00%	-1.50%

Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	2.00%	2.41%	1.50%
UK	1.50%	2.26%	1.00%
US	0.00% - 0.25%	1.14%	0.0% - 0.25%

.

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.	Tel : +353 1 633 3800/1890 400 300	E-mail: info@dsl.ie
45 South Mall, Cork, Ireland	Tel : +353 21 422 2122	E-mail: cork@dsl.ie
Theatre Court, Mallow St, Limerick, Ireland.	Tel : +353 61 436 500	E-mail: Limerick@dsl.ie