DOLMEN STOCKBROKERS

Traders Update

MARKET COMMENT MONDAY 19TH OCTOBER 2009

Equity markets while giving up some ground at the tail-end of the week still mananged to record a stronger weekly performance as the reporting season got into full swing. The estimate beating results from JPMorgan and Goldman Sach underpinned the markets recent strength and more than off-set slightly disappointing numbers from GE, J&J, Bank of America and CitiGroup. The key disappointment with the GE and J&J numbers was the absence of top-line revenue growth, however on a collective basis for the results to-date top-line reveune growth is up by about 4%.The coming week sees some key Dow constituents report quarterly results and they provide the potential for a futher improvement in the revenue growth trend. The key stocks that provide the greatest potential for this are Apple, Coca-Cola, McDonalds and Texas Instruments, with Apple, Coca-Cola and McDonalds all expected report year-on-year quarterly EPS increases. Both Coca-Cola and McDonalds remain two of our preferred US stocks while Microsoft, which also reports quarterly earnings this week is also one that features on our list of preferred US stocks. With the outlook for a top-line revenue growth positive for the coming week we continue to be positive on the outlook for equity markets, with any short-term weakness similar to that of last Friday providing a good buying opportunity.

TRADING IDEAS, EARNINGS & PREVIEWS

Vodafone
Price: 133p
P/E: 9x
Div: 6%
Target: 150p
Buy

Following a strong start to the week shares in Vodafone have returned to our target entry level of 130p – 132p. Last week, while Nokia had a disappointing set of results (mainly company specific), on the mobile side it was able to increase its forecast for mobile phone industry sales to -7% year on year from -10% last year. In India, where Vodafone generates the majority of its growth the negative share price action seen amongst its peers Reliance Communications and Bharati Airtel appears to have settled down following reports of an intense price war in the country. We believe that the weakness attributed to this has been overdone and represents and excellent buying opportunity for a company that has significant free-cash flow generating abilities. At 9x 2010 EPS and providing a dividend yield of c. 6%, we believe the company represents excellent long-term value. Vodafone is due to release interim results November 9th.

HMV
Price: 116p
P/E: 9x
Div: 6%
Target: 145p
Buy

HMV Group retails music, books, dvds and video games. The group owns and operates the HMV Music Stores, located in the United Kingdom, Asia and North America, and the Waterstones Book Stores located in the UK and Ireland. The company has underperformed this year around the potential structural decline in its business with consumers able to download music and DVDs. Games sales are becoming and increasing part of the group and the liquidation of Zavvi group last year one of its closets peers in the UK, will enable HMV to grow its market share significantly. HMV also importantly benefits from a strong balance sheet with a small net cash position. The group's shares look attractive trading at 9x 2010 earnings and an EV/EBITDA of less the four. The group also provides a 6% dividend yield that is covered 1.5x. HMV is due to report interim results on December 11th.

Ryanair
Price: €3.38
P/E: 14x
Div: 0%
Target: €4.00
Buy

Despite the weak consumer environment, Ryanair has chosen a strategy of continued expansion. It is aggressively competing on fares, underpricing its competitors in attempt to gain market share. The unknown variable is by how much the airline will have to reduce its average ticket price to attract its desired passenger volume. Management is currently guiding for full year passenger fare declines of slightly greater than 20%. The company's next update is November 3rd and we believe there is upside risks to the company's passenger yield outlook which would drive the share price higher towards our price target of €4.00. With a far superior cost base and considering the amount of capacity that has been taken out of the market, we believe company's passenger fare outlook is excessively cautious. It is also worth noting that the year on year comparables will get progressively more supportive towards the end of the year. Our recommendation remains BUY.

GSK
Price: €12.58
P/E: 11x
Div: 5%
Target: €13.25
Buy

GlaxoSmithKline (GSK) remains one of our core stock calls given its strong balance sheet, earnings visibility and well covered dividend. US healthcare reform, generic competition and product pipeline have all eased. GSK has moved impressively to counteract the threat of generic competition by acquiring a 16% stake in Africa's biggest generic drug maker Aspen Pharmacare and is also in talks to acquire a 5% stake in Indian drugmaker Dr. Reddy's. This is consistent with the company's stated strategy of counteracting the threat of generic competition by closer alliances with generic manufacturers, growth by smaller strategic alliances and gaining exposure to the emerging markets where drug sales are expected to grow at mid-teens percentage through 2013 compared to low single-digits for mature markets. We expect earnings in 2010 to hit £1.26 helped by better FX moves and from better earnings from their recent JV agreements in Asia. Valuing the company at a 10% discount to its European Peers due to a weaker drug profile we value the shares at £13.25. Plus the 2010 dividend yield is 5.00% and is well covered, providing a return of 10.30%. We see the stock as providing a safe stable return for portfolio clients.

Tullow Oil
Price: £12.56
P/E: 15x
Div: 0.5%
Under Review

The main influence on Tullow's share price over the last number of weeks has been Exxon Mobil's bid for Tullow's Jubilee partner Kosmos. We view the deal as broadly positive for Tullow as the involvement of a oil major underscores the potential of the company's assets in Ghana. There has since been reports that the Ghanaian government is now trying to block the $4bln deal and is believed to be constructing a counter offer with another investor but the overriding theme remains positive for Tullow. In other news Tullow gave an update on its latest drilling operations and the results were mixed. Mahogony 4 encountered 43 metres of light oil in sandstone while the South Grand Lahou 1 Wildcat was found to be water bearing. The results did little to the share price but the Mahogony 4 find is a slight positive as it means the Jubilee field extends farther eastward than it was originally believed. The next catalysts for the company are an IMS statement on the 11th of November and a drilling update on Mahogony 2 which is expected shortly. We are currently reviewing our recommendation on Tullow.

Irish Banks Update

Over the recent week BOI and AIB have both fallen back and we see no catalyst over the next number of weeks for each. Part of the move back in the last week was due to the strength in EUR/GBP exchange rate as the impact on the SME sector of a strong Euro will be negative from a credit perspective for BOI and AIB. We see no catalyst over the next week or so for AIB or BOI to push them significantly higher, but for longer term investors we remain buyers of BOI. The bank is in a better position to raise capital in the short-term from the market and it has moved a larger percentage of its land and development portfolio than AIB. Comments from the bank over the weekend seem to indicate it will not be in a position to raise equity until next year. This is due to the timeline required to pass NAMA through the Dáil. Due to the better quality loan book we believe BOI offers better value than AIB at this stage. BOI is due to release half year results on the 4th of November. While IPM wis not directly involved in NAMA, the creation of Super Mutual will be a key catalyst to unlock value in the bank. It remains our preferred Irish financial on valuation grounds and the group releases an Interim Management Statement (IMS) on the 12th of November.

Earnings Week Ahead

Mon: StIves(Prelim),Texas Instruments(Q3),Apple(Q4),BB&T Corp(Q3),Hasbro(Q3).
Tues: Total(S'holders),Forest Labs(Q2),BNYMellon(Q3),DuPont(Q3),M&T Bank(Q3) Pfizer(Q3),State St(Q3),CocaCola(Q3),United Tech(Q3),Yahoo(Q3).
Wed: ICON(Q3),Peugeot(Q3),Fiat(Q3),Iberdrola(Q3),Cadbury(Trade),eBay(Q3), Eli Lilly(Q3),Amgen(Q3),Boeing(Q3), Wells Fargo(Q3),NorthernTrust(Q3).
Thurs: PernodRicard(Q1),DragonOil(Trade),Nestle(Q3),Debenhams(Prelim),3M(Q3) AT&T(Q3),Chubb(Q3),McDonalds(Q3),Merck&Co(Q3),PhilipMorris&UPS(Q3) Xerox(Q3),Wyeth(Q3),NY Times(Q3), Bristol Myers Squibb(Q3).
Fri: Saab&Volvo(Q3),Microsoft(Q1),Provident Financial(Trade),BSkyB(Q1).

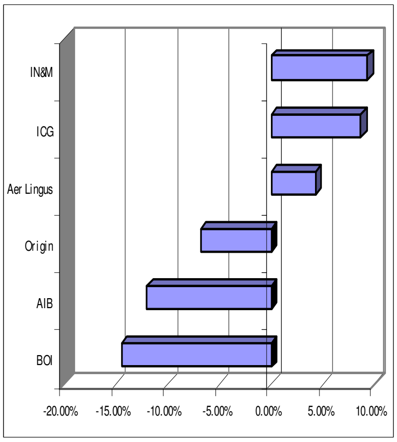
Economic Week Ahead

Mon: UK R'move Hse Price(00:01), EU Construction Output(10:00).
Tues: GerProducer Prices(07:00),UK M4Money(09:30),US Producer Prices(13:30), US HousingStart&Building Permits(13:30),BofCanada Rate (14:00).
Wed: BoE Mins(09:30),US MBA M'gage Apps(12:00), US Fed Beige Book(19:00).
Thurs: EU Current A/C(09:00),UK Retail Sales(09:00), US Initial Claims(13:30), US House Price Index & Leading Indicators(15:00).
Fri: Ger IFO Business Climate(09:00),UK GDP(09:30),EU Industrial Orders(10:00) US Existing Home Sales(15:00).

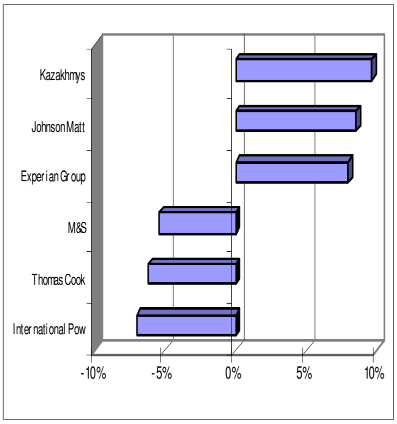
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/ Worst Performers

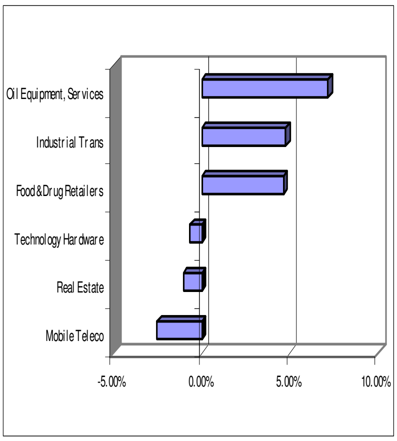
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen
WEEKLY UPDATE

Company	YTD	Relevant news
Aryzta	17.2%	UBS raises Aryzta price target by 8%
BP	6.9%	BP recently discovered a “giant” oil discovery in the Gulf of Mexico
CRH	20.9%	Continue to see as beneficiary of US fiscal stimulus
DCC	79.2%	We remain positive on the group after meeting with management
E.ON	-7.8%	E.On recently completed a giant US wind farm
Hewlett-Packard	33.3%	Q3 results slightly ahead of consensus estimates
IL&P	259.9%	Nama may turn a €5billion profit
IN&M	-51.0%	Debt restructuring details announced
J&J	1.05%	J&J report this Tuesday
JPMorgan	46.1%	Q3 results surpass expectations
Microsoft	36.3%	Launch Windows 7 on Thursday
Vodafone	-3.3%	Competition heats up in India

What it says in the ‘Sundays’

Company	Paper	Headline
Irish Banks	S. Times	Ex BoSI exec raising funds for Nama for rival
Microsoft	S. Times	Microsoft bites Apple with Windows 7
Nama	S. Independent	Ex-BoS boss Duffy raises €3bn for Nama rival
Irish Economy	S. Tribune	Irish Stock Exchange now backs short selling
Irish Economy	S. Bus Post	High euro hits Irish exporters to Britain

Corporate Visits

COMPANY	PRESENTATION DATE
Cove Energy	8th October

Last Weeks Moves

Equities

Equities	Level	Change WTD	Change YTD	Div Yield
ISEQ	3267	1.1%	39.4%	1.5
FTSE	5190	4.0%	17.1%	3.6
DAX	5743	5.0%	19.4%	3.6
DOW	9996	5.4%	13.9%	2.8
S&P 500	1088	6.1%	20.5%	2.3
NAS	2157	5.3%	36.8%	0.8
EUROSTOXX	2469	4.2%	18.5%	3.7
NIKKEI	10258	5.4%	15.8%	1.5

Sector

Sector	Weekly move%	YTD move %
Autos	1.78	23.77
Food&Bev	1.68	18.95
Chemicals	1.46	30.74
Construction & Materials	1.43	35.82
Basic Resources	1.19	76.43
Banks	1.16	58.28
Oil & Gas	1.11	20.12
Industrials	1.10	35.38
Travel & Leisure	0.93	12.48
Insurance	0.92	21.47
Technology	0.84	24.74
Financial Services	0.81	34.00
Personal & Household Goods	0.75	28.72
Retail	0.60	23.79
Healthcare	0.53	4.94
Media	0.52	13.84
Utilities	0.39	-5.96
Telecom	0.38	6.10

Commodities

	Current	Change YTD
Crude	78.53	76.1%
Gold	1053.60	19.8%

Exchange Rates

	Current	YTD Change	Year End (est)
eur usd	1.490	2.2%	1.40
eur gbp	0.911	-4.7%	0.85
eurjpy	135.47	6.3%	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%	0.74%	1.00%
UK	0.50%	0.58%	0.50%
US	0.00% - 0.25%	0.28%	0.0% - 0.25%

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