



As we enter the final month of a year that most certainly warrants the infamous acronym 'GUBU', it was encouraging to see a recovery in equity markets last week as a degree of risk appetite returned. While the week did see a continuation of the recent run of weak economic data across the major economies, and even saw a failure of two UK retail names for good measure, investors preferred to focus on the more positive aspects of the week. Amongst these were the back-stop provided by the Fed for an under-pressure CitiGroup, the much publicised stimulus package from the UK, expectations of a proposed mega-stimulus package from President-Elect Obama, a proposed EU stimulus package as well as a rate cut from China. While all of these are certainly positive in terms of aiding a recovery in the consumer and the broader economy, their effectiveness is diluted somewhat by the time required to take effect. Certainly the market has enjoyed a good run in the short-term, however the coming week will be a real test of this new-found strength. Apart from the unrest in Mumbai, a key centre for growth in the Indian and Asia regions, there are the meetings of the Bank of England and the ECB on Thursday when the market expects 75 and 50 basis point rate cuts at a minimum, with anything short to this certain to disappoint markets. Crucially as well this week, US November Non-farm Payrolls (Fri) are released. Based on the recent weekly jobless data, this figure will not be pretty and a figure of 300,000+ is likely. Anything significantly over this will seriously test the conviction of this current market rally.

## TRADING IDEAS, EARNINGS & PREVIEWS

### Banking Update

Over the last week speculation continued over the landscape of Irish Banking with numerous combinations being proposed. Bank of Ireland (BOI) continued its strong run over the week as has Irish Life and Permanent (ILP) due to speculation on merger prospects. The next week may not provide any further clarity on the banks, but Anglo Irish Bank on Weds are releasing full year results. At the Interim Management Statement in August, the company guided EPS for FY08 at €1.57, impairments of 13-18bps and core tier 1 close to 6.00% by the end of September. Our estimates for Weds are for EPS to be in line with management guidance, but impairments will be close to 25bps in line with the increases seen from the other Irish banks since August. Following in the steps of the other Irish banks, the final dividend will be cut with no guidance on when it will be re-instated. The market will be more focused on management's guidance for FY09 and beyond. In August, consensus estimates for impairments were 70bps and Anglo's estimates were significantly below this level. With the two large clearers guiding impairments between 1-1.25% on Commercial and Residential Investment and 5% on Commercial and Residential Development, management guidance for bad debt provisions in FY09 will have to be increased significantly. With uncertainty over earnings for the next number of years and the potential for significant dilution due to capital raisings, we maintain our hold rating on Anglo.

### ECB & BOE Rate Decisions

Thursday is the day both the ECB and BOE announce interest rate decisions. Base rates are currently 3.25% and 3.00% for the Euro-Zone and the UK respectively. The market is estimating the BOE will move by 100bps to bring UK Base rates to close to 1950 levels at 2.00% with rates to fall further over the next 6-months to 1.50%. With the fiscal stimulus package announced by the UK government last week, we believe the BOE will only cut by 75bps and leave the ability for further rate cuts into 2009. Our estimate for base rates by April is 2.00% with the potential for further rates cuts over the year depending on the state of the UK economy. For the ECB a rate cut of 50bps to 2.75% is expected by the market. The market would prefer a more aggressive move by the ECB due to the poor growth outlook and weak consumer demand, but these reasons will result in further rate cuts by the ECB in 2009 to 2.00% by April. Once the BOE and ECB finish this current rate cycle, interest rates will remain at low levels for 2-years as the major economies adjust to lower growth and correct the large levels of debt companies and individuals built up over the last number of years.

### C&C

Price: €1.10  
P/E: 5.5x  
Div: 9.6%  
Target: €2.1

### Buy

**Fundamental View :** We are reiterating our recent buy recommendation on C&C. As a result of the recent management changes, we expect C&C's UK operational performance to improve dramatically over the next 12 months. 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. We are confident in our 12 month price target of €2.10, and recommend that our clients buy on weakness. We note that price action is likely to remain volatile in coming months.

**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 won't mitigate the expected poor industry data in the coming months. Sterling weakness is also a negative for C&C. There is potential for M&A activity following the management changes, but not in the short term.

### Thomson Reuters

Price: £12.82  
P/E: 11x  
Div: 7.23%  
Target: £10.00

### Sell

**Fundamental View :** We believe that the outlook for companies heavily exposed to financial services is likely to remain difficult throughout 2009 and expect further earnings downgrades to come. Thomson Reuters is particularly exposed to this downturn as it generates c. 55% of its revenue from financial firms. With up to 15% of employees expected to lose jobs at financial services firms in the City of London and Wall Street over the next year, at 11x forward earnings the company looks expensive in the current environment. Citigroup recently announced it was due to cut 50,000 jobs an indication that the loss of jobs across the industry could be worse. Note : with all short positions we recommend using a stop and in this case we recommend the level of £13.50.

**Next Catalyst :** Thomson Reuters is due to report fourth quarter earnings on 24/02/09 and we expect the company to issue cautious guidance on 2009.

### Wolseley

Price: £2.90  
P/E: 8.4x  
Div: 3.70%  
Target: £2.40

### Sell

**Fundamental View :** On 18/11/08, Wolseley (building materials and plumbing supplier) reported first quarter pretax profit that declined by 45% and also issued cautious guidance for the rest of the year. While the company continues to implement cost savings strategies to produce annualised savings of £134m, we believe the group's top line revenue growth will remain under significant pressure as its markets in Europe (64%) and US (36%) continue to deteriorate. The group also has net debt of £2.7bn with £2.4bn maturing in 2011. Wolseley trades at a premium to the construction sector at 7x 2009 forecasted EBITDA of £650m compared to the sector average of c. 6x. Our price target 240p is based on the group trading in line with the sector. Note : with all short positions we recommend using a stop and in this case we recommend the level of £3.40

**Next Catalyst :** Wolseley is due issue a trading update on 26/01/08.

### Ryanair makes new Aer Lingus bid

Ryanair has made a new bid for Aer Lingus, announcing an all cash offer this morning of €1.40 per share. The deal values Aer lingus at €748m and it represents a 28% premium to Aer Lingus' share price at the close of business on Friday. The Irish government would receive €188m in cash from the deal and Ryanair have said it would double Aer Lingus' short haul to 66 aircraft over a 5 year period and would generate 1000 new associated jobs. In response to the offer, Aer Lingus have urged shareholders not to take any action and said it will issue a further statement in due course. We will issue a detailed note covering the offer tomorrow.

## Earnings Week Ahead

- Mon:** Arysza (IMS), Aberdeen Asset Mgmt (Prelim), Fortis (S/Holders).
- Tues:** Thomas Cook (Prelim), Game Group (Interim), Tesco (Trading), OMG (Prelim), Ford Motors (Sales), General Motors (Sales), Greene King (Interim).
- Wed:** Anglo Irish Bank (Final), Sage Group (Prelim), British Airways (Traffic), Aeropostale (Q3), Del Monte Foods (Q2).
- Thurs:** Origin Enterprises (AGM), WM Morrison (Interim), JC Penny (Sales), Abercrombie & Fitch (Sales), Gap (Sales), Wal Mart (Sales).
- Fri:** Berkeley Group (Interim), SAS (Traffic), Assoc. British Foods (AGM).

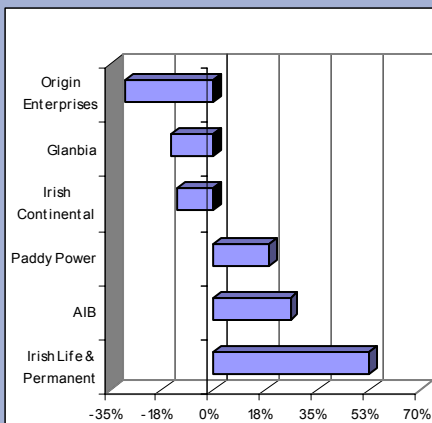
## Economic Week Ahead

- Mon:** Ger Retail Sales (07:00), Ger PMI Manuf. (08:55), UK M4 Money (09:30), UK Consumer Credit(09:30),UK PMI Manuf(09:30), US ISM Manuf (15:00)
- Tues:** UK PMI Construction (09:30), EU PPI (10:00), US Domestic Vehicle Sales, US ABC Consumer Confidence (22:00).
- Wed:** UK N'wide Consumer Confid (00:01), Ger PMI Services (08:55), EU PMI Services (09:00), UK PMI Services (09:30), EU Retail Sales (10:00), Irl Live Register (11:00), Irl Unemployment (11:00), Fed Beige Book (19:00), US ADP Employment (13:15), US MBA Mortgage Applications (12:00).
- Thurs:** EU GDP(10:00),BoE Announce Rates(12:00),ECB Announce Rates (12:45) US Initial Jobless Claims (13:30), US Factory Orders (15:00).
- Fri:** Ger Factory Orders (11:00), US Non-Farm Payrolls (13:30), IIS Unemployment (13:30) IIS Consumer Credit (20:00)

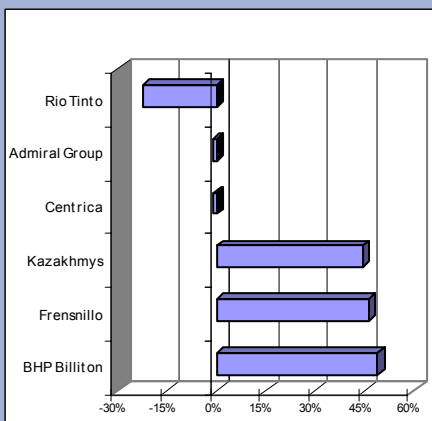
# DOLMEN STOCKBROKERS Traders Update

## Last Weeks Best/ Worst Performers 24/11/08-28/11/08

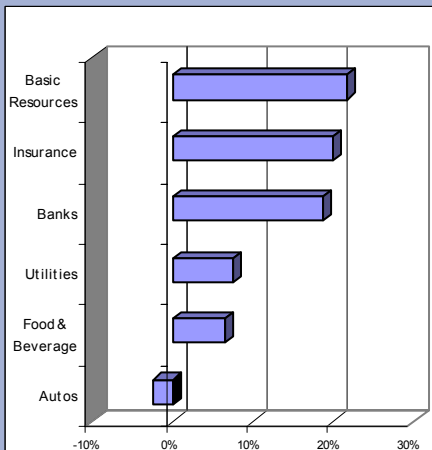
### ISEQ



### FTSE



### Sector changes WTD



## Dolmen Dozen

WEEKLY UPDATE

Company	WTD	YTD	Relevant news
Aryzta	11.4%	-22.0%	La Brea's sales are now more than double the level which existed at the time of the IAWS purchase.
BP	14.0%	-14.3%	TNK - BP will cut downstream business staff by 15% to 250 people before the end of the year.
CRH	11.5%	-28.6%	CRH completes the renewal and extension of €1.5bn of its banking facilities.
E.ON	16.7%	-43.3%	E.ON's chief executive says financial crisis won't impact sale of German transmission pwr grid sale.
Hewlett-Packard	10.3%	-30.5%	Hewlett-Packard posts stronger than expected results and raises guidance.
IL&P	52.7%	-85.7%	Irish finance minister says state would consider supplementing private investment.
IN&M	-6.1%	-80.6%	IN&M announce it is re-locating its London operations to Kensington in west London.
J&J	4.4%	-12.6%	Johnson & Johnson to acquire Israel's Omrix Bio-pharmaceuticals for \$27 a share or \$465m.
JPMorgan	33.4%	-28.5%	JPMorgan suspends Pakistan operations.
Microsoft	14.9%	-43.4%	Speculation over Microsoft and a \$20bn online search deal with Yahoo.
Paddy Power	18.9%	-38.5%	Irish government makes some favourable amendments to bookmaker tax.
Vodafone	13.1%	-32.3%	Vodafone plans to sell 10 year benchmark sterling bond.

### What it says in the 'Sundays'

Company	Paper	Headline
IN&M	Sunday Times	O'Brien in call for Indo talks
Microsoft	Sunday Times	Microsoft offers \$20bn for Yahoo online search
Irish Banks	Business Post	Lenihan has €4bn ready cash for bank fund
IN&M	Business Post	O'Brien goes to INM head office for first face to face meeting with O'Reilly

### Corporate Visits

COMPANY	PRESENTATION DATE
---------	-------------------



## Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E08
ISEQ	2538	9.4%	-63.4%	7.1%	5.4
FTSE 100	4288	13.4%	-33.6%	6.1%	7.8
DAX	4669	13.1%	-42.1%	5.6%	10.9
Dow Jones	8829	9.7%	-33.4%	3.6%	10.7
S&P 500	896	12.0%	-38.9%	3.2%	19.4
Nasdaq	1536	11.0%	-42.1%	1.4%	30.2
EuroStoxx 50	2159	14.0%	-41.4%	6.2%	8.6
Nikkei 225	8512	7.6%	-44.4%	2.7%	12.2

Sector	Weekly move%	YTD move %
Autos	-2.36	-43.75
Food&Bev	6.69	-27.64
Utilities	7.46	-38.12
Retail	7.74	-43.25
Healthcare	8.30	-16.82
Telecom	9.67	-35.05
Personal & Household Goods	9.82	-38.99
Media	10.48	-39.19
Technology	11.95	-48.42
Chemicals	13.57	-39.98
Financial Services	14.86	-52.55
Oil & Gas	16.01	-34.08
Travel & Leisure	16.36	-44.00
Industrials	17.19	-47.65
Construction & Materials	17.55	-49.2
Banks	18.72	-60.47
Insurance	19.94	-47.91
Basic Resources	21.67	-59.67

## Commodities

	Current	Change YTD
Crude Oil	\$54.43	-43.2%
Gold spot	\$818.50	-1.9%

## Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.269	-13.0%	1.45-1.50
EUR-GBP	0.825	12.3%	0.74-0.78
EUR-JPY	121.23	-25.6%	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%	3.85%	2.75%
UK	3.00%	3.91%	2.50%
US	1.00%	2.22%	1.00%

## Credit Market Summary

Newsflow from credit markets was subdued last week, in comparison to recent weeks. There were some market moving stories however. The Fed announced two new facilities on Tuesday, designed at encouraging lending into the retail sector. The Fed will purchase \$600bn of agency MBS debt, mortgage backed debt that the Fed already guarantees. This week saw the first of the US banks issuing debt under the FDIC guaranteed bond scheme. Similar to European peers, US banks can issue government guaranteed debt. Goldman were the first to issue under the new scheme, with an expected \$600bn expected over the next 6 months. Confusingly, the debt issued by GS is yielding 200bps over treasuries of the maturity, despite US government backing. Primary market issuance continues for real economy companies, with Danone, BP and Diageo all issuing new debt.

## Credit Sector Movements

**Building Materials**- Spreads on Heidelbergcement jumped over 1,000bps to close just under 4,000bps following on from S&P downgrading the company 2 notches to BB-. The downgrade stems from the company's large debt levels relating to its purchase of Hanson Plc for €14bn at the peak of the market, last year. Elsewhere in the sector, spreads are lower, Lafarge is trading at 877bps and St Gobain trades at 392bps.

## Interest Rate Outlook

This week is all about the BOE and ECB on Thursday and how much they will cut rates by. The market is 100% certain they will cut rates, but the issue is over how much? We believe the ECB will cut rates from 3.25% to 2.75% allowing for more aggressive moves next year. The market believes the BOE will cut by 75bps and maybe as much as 100bps. With the fiscal stimulus package announced last week and the decision of the UK to borrow 20% of GDP over the next 5-years a 50bps cut is likely. This allows more room for the BOE to cut rates in 2009 and at 2.50%, UK interest rates are now at levels not seen since the 1950's.

## Currency Comment

**EUR/GBP**  
Excluding the Bank of England decision on Thursday economic data releases are limited. On Monday UK Manufacturing PMI is released with them market expecting a figure of 40 and on Tuesday Services PMI is due with the market expecting 41.2. Both of the figures are still indicating UK growth is continuing to contract. EUR/GBP broke 0.83 on Friday, but with the UK economy facing more headwinds than the Euro-Zone and moves to 0.85 are possible this week.

**EUR/USD**  
US data this week will be all focused on Non-Farm payrolls on Friday with a decrease of 300k expected bringing job losses to early 2000's levels. For the rest of the week ISM data for Manufacturing and PMI for Services are due on Monday and Weds respectively. Both figures are expected sub 50 and could even fall below 40 providing further proof the US is facing negative growth for the next number of quarters. The EUR last week had a good run against the dollar, but the weaker than expected inflation figures on Friday stopped the rally. Despite the issues facing the US economy and the large level of debt issuance next year, flight to safety continues to favour the dollar over the Euro. Over this week the Euro will remain on the backfoot and 1.25 is a possibility.



## 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  
45 South Mall, Cork, Ireland Tel : +353 21 422 2122  
Theatre Court, Mallow St, Limerick, Ireland. Tel : +353 61 436 500

E-mail: [info@dsl.ie](mailto:info@dsl.ie)  
E-mail: [cork@dsl.ie](mailto:cork@dsl.ie)  
E-mail: [Limerick@dsl.ie](mailto:Limerick@dsl.ie)