



'So far, so good' would be the assessment on the earnings releases delivered to the market at the start of the current reporting season. Of the companies that have reported so far, Intel indicated that they appeared to have seen a bottom in the demand cycle for PC's, while Nokia, despite a sharp fall in profits, also believed that they have seen an end to destocking and that handset demand was set to rebound. The most eagerly awaited results however came from the investment banking sector where Goldman Sachs, JPMorgan and Citigroup all provided results that beat the dooms-day expectations of the market. While this was a welcome development, the market reaction was disappointing, as the main indices all failed to break through key resistance levels. One reason for this muted response would appear to be that having proclaimed to the market that January and February were very strong months, it would have been surprising if the banking results disappointed. Another reason for the failure of markets to move higher would appear to be that the earnings disappointments could come from non-financial stocks which are more sensitive to the macro issues of slower global growth and rising unemployment. The coming week sees a significant number of non-financial earnings releases with IBM(Mon), Coca-Cola(Tues), McDonalds(Wed), Apple(Wed), Microsoft(Thurs) and UPS(Thurs) to name but a few. All of these are 'real economy' companies and as such will give markets a clearer picture on corporate and consumer spending patterns in the current economic climate. Any signs of greater stability in these areas will help support the theory, based on the perceived better housing data, that 'Green Shots' are sprouting and therefore give markets a chance to move higher.

## TRADING IDEAS, EARNINGS & PREVIEWS

**Today we are recommending clients to switch holdings from GlaxoSmithKline (GSK) into Vodafone**

### Vodafone

Price: £1.28  
P/E: 9x  
Div: 6%  
Target: £1.55

**Buy**

Our rationale for our re-rating of GSK to a sell is based on declining organic constant currency earnings. Although Sterling weakness is currently boosting earnings, GSK's earnings are declining, on a constant currency basis. GSK's pipeline is unlikely to counter the number of patent expiries in coming years. Competition from generic drug makers has intensified in recent years, a trend that is likely to continue. Over the next twelve months, we expect concern over negative regulatory action in the US, to increase dramatically. GSK releases results for Q1 on the 22nd of April. Other catalysts of note would relate to legal or regulatory decisions, as well as the results of drug trials and M&A in the sector.

We continue to like Vodafone as a solid defensive stock that has significantly and successfully increased its exposure to emerging markets for growth. In addition the company has also been focussing on cost cuts that should also support profit growth going forward. In addition, in the current environment balance sheet strength is critical. Vodafone remains one of the most underleveraged telecom companies with a debt to equity ratio of c. 40% and net debt / EBITDA of 2x. Vodafone's fundamental is attractive at 9x 2010 earnings and providing a dividend yield in excess of 6% which is covered 3x on a cash flow per share basis. Vodafone is due to report full year results May 19th.

### IN&M

Price: €0.22  
P/E: 4x  
Div: 0%  
Target: €0.45

**Buy**

**Fundamental View:** Independent News & Media (INM) is due to report full year results on April 24<sup>th</sup>. The main focus however will be on any further updates in relation to the group's current debt refinancing difficulties. In March the company reported that it had been unsuccessful in raising a private subordinated bond, however did comment that talks with its banks in relation to its €200m bond that is due at the end of May had been 'purposeful'. If INM fails to re-negotiated terms then the company will have to issue new equity which will heavily dilute shareholders. In relation to the group's earnings, INM has already said that it expects to report EPS for 2008 of c. 12c and that it will not pay a final dividend. In relation to 2009, the group predicted that ad revenue would decline by 4%-6%. We view this as optimistic and would expect ad revenue to be down by double digit percentage figures on 2008. We maintain our neutral rating on the stock pre-results, however if the company is successful in renegotiating its current debt problems with banks the share price could rise close to our price target. On a risk/reward basis a trade pre results looks attractive. **Note** : this is a high risk trade.

### Mining Sector Update

**BHP Billiton** : Strongest in sector, from both balance sheet and diversity of operations. BHP will release its Q1 exploration and production report on Wednesday. Given the accuracy of management's comments over the last year, the market will pay close attention to any commentary on commodity price or economic outlook. In addition, BHP may guide on whether future expansion will be a result of new project development or acquisitions.

**Rio Tinto** : Rio Tinto issued \$3.5bn in debt last week. The issue was heavily oversubscribed by bond investors, suggesting that Rio Tinto would have considerable scope for further issues as an alternative to the Chinalco deal. Following Rio's AGM this morning, Jan Du Plessis, will take over as chairman of the company. The new chairman appears committed to the Chinalco deal, and intends to meet the larger shareholders in the coming weeks.

**Xstrata** : Following on from the acquisition of the Prodeco mining assets, Xstrata now has a significant exposure to coal prices. While some metal prices, such as copper, have hardened in recent weeks, coal prices remain near relatively close to their lows. Xstrata took control of Prodeco, from its largest shareholder Glencore, when Glencore lacked cash to subscribe to Xstrata's recent rights issue. Given that Glencore has an option to buyback the Prodeco asset for \$2.25bn in 2010, Xstrata is unlikely to benefit from any recovery in coal prices next year. Xstrata may still breach its banking covenants this year, due to current commodity prices and an overleveraged balance sheet. Xstrata's AGM and Q1 production update are due on the 5th of May.

### Ryanair

Price: €3.24  
P/E: 15x  
Div: 0%  
Target: €2.85

**Sell**

**Fundamental View:** We are changing our rating on Ryanair to sell, primarily on valuation grounds. Our price target remains unchanged at €2.85, with the recent price appreciation in the stock prompting our downgrade. While recent data suggests a slight hardening in fares, we still expect a double digit decline in passenger yields. We expect traffic numbers to hold up reasonably well in the coming year, for low cost, short haul carriers, like Ryanair. However, we expect passengers to be increasingly cost sensitive, over the period. We see potential for ancillary revenues per passenger to decline significantly in coming months.

**Next catalyst:** Ryanair is due to report its full year results on the 2nd of June. In the meantime, traffic figures, and peer results will be the main drivers of the stock.

### Earnings Week Ahead

**Mon:** Trinity Biotech (Q1), IBM (Q1), Bank of America(Q1), Eli Lilly(Q1).  
**Tues:** Morgan Stanley(Q1), Assoc Brit Foods(Interim), Tesco (Prelim), AKSteel(Q1),BNYMellon(Q1), M&T Bank(Q1),Merck(Q1),NorthernTrust(Q1) State Street(Q1),Coca Cola(Q1),NY Times(Q1),Yahoo(Q1),United Tech(Q1)  
**Wed:** Arriva(Q1),GSK(Q1),AT&T(Q1),eBay(Q1),McDonalds(Q1),Apple(Q1), Wells Fargo(Q1), Boeing(Q1), Carphone Warehouse(Q4),Elan (Q1).  
**Thurs:**FIAT(Q1),Credit Suisse(Q1),Debenhams(Interim), Schrodgers(Q1),Amgen(Q1),CIT Grp(Q1),Conoco Phillips(Q1),Microsoft(Q1)  
**Fri:** Independent News&Media(Prelim),Volvo(Q1),3M(Q1),Johnston Press(Q1).

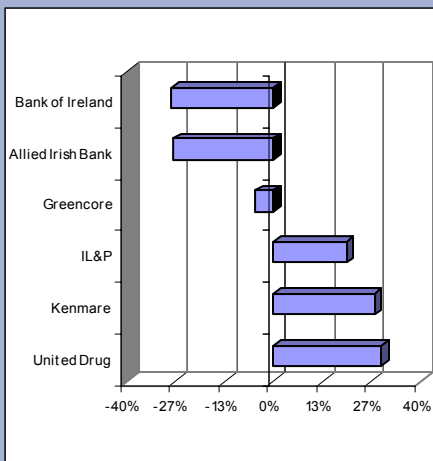
### Economic Week Ahead

**Mon:** UK R'Move Hse Prices(00:01), US Leading Indicators(15:00).  
**Tues:** Ger Producer Prices(07:00), UK CPI&RPI (09:30), Ger&EU ZEW Survey(10:00).  
**Wed:** BoE Mins (09:30), UK Jobless Claims, ILO Unemployment & M4 Money (09:30), US MBA M'gage Apps(-11.00%), UK Budget Statement (12:30) US House Price Index (15:00).  
**Thurs:** EU Current Account(09:00),EU Ind.New Orders(10:00),US Jobless Claims(13:30) US Existing Home Sales(15:00), Iri PPI(11:00).  
**Fri:** Ger IFO (09:00), UK GDP & Retail Sales(09:30), US Durable Goods(13:30) US New Home Sales(15:00).

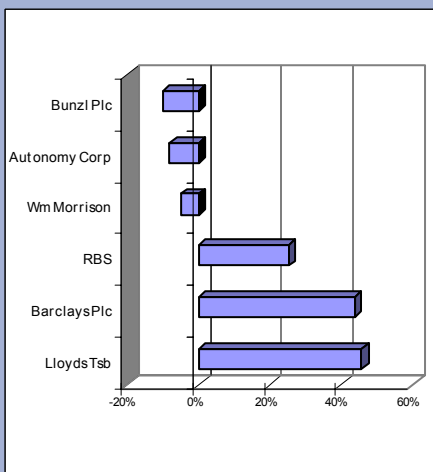
# DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/  
Worst Performers  
14/04/09-17/04/09

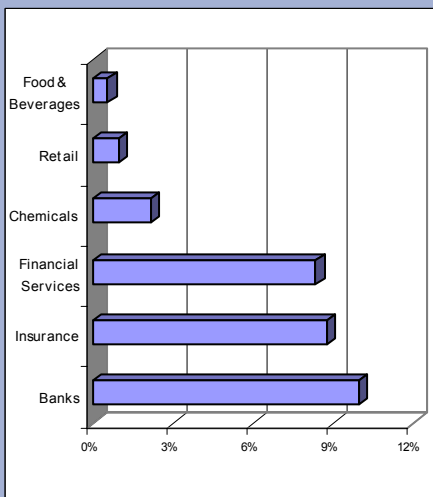
## ISEQ



## FTSE



## Sector changes WTD



# Dolmen Dozen

## WEEKLY UPDATE



Company	YTD	Relevant news
Aryzta	-10.7%	Lion capital sells its 4 million shares of Aryzta
BP	-14.9%	BP indicate it will continue to invest in future production and pay dividends despite falling oil price.
CRH	-0.8%	US data continues to show some improvement
E.ON	-18.5%	E.On says it is looking to buy back €4.25bn of bonds to make more efficient use of cash.
Hewlett-Packard	-0.5%	Peer Intel posts better than expected Q1 results.
IL&P	36.9%	Details of Nama announced within supplementary budget
IN&M	-54.8%	Ahead of results due this Friday
J&J	-11.1%	J&J reports resilient Q1 earnings.
JPMorgan	-6.0%	Merrill lynch raises its JPMorgan recommendation to Buy
Microsoft	-6.0%	Microsoft discloses its plans for marketing its next generation windows operating system.
Vodafone	-6.7%	Morgan Stanley raise Vodafone to Overweight with Price Target of 175p.

## What it says in the 'Sundays'

Company	Paper	Headline
IN&M	S.Times	INM seeks to clinch debt roll-over deal at 121th hour
Tesco	S.Times	Tesco to storm mobile market
IN&M	S.Tribune	INM in talks with holders over €200m bond expiry
IL&P	S.Tribune	Consultants on track for IL&P report ahead of AGM
AIB	S. Independent	Nationwide near the end

## Corporate Visits

### COMPANY

### PRESENTATION DATE

Paddy Power 10th June



## Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E09
ISEQ	2450	3.2%	4.6%	5.1%	7.2
FTSE 100	4093	2.7%	-7.7%	5.0%	17.2
DAX	4677	4.1%	-2.8%	5.3%	17.9
Dow Jones	8131	0.6%	-7.3%	3.8%	15.2
S&P 500	870	1.5%	-3.7%	3.3%	12.9
Nasdaq	1673	1.2%	6.1%	1.2%	23.1
EuroStoxx 50	1996	4.1%	-4.2%	5.7%	11.6
Nikkei 225	8908	-0.6%	0.5%	2.1%	28.2

Sector	Weekly move%	YTD move %
Banks	9.98	7.57
Insurance	8.8	-10.86
Financial Services	8.37	7.22
Autos	6.86	9.18
Construction & Materials	6.48	3.31
Industrials	6.42	3.59
Technology	6.2	13.24
Travel & Leisure	5.41	3.702
Basic Resources	5.15	24.03
Telecom	4.11	-4.43
Personal & Household Goods	3.39	-0.12
Media	3.07	-0.6
Utilities	2.83	-14.11
Healthcare	2.39	-10.49
Oil & Gas	2.30	-1.36
Chemicals	2.17	2.07
Retail	0.94	7.89
Food&Bev	0.55	-7.22

## Commodities

	Current	Change YTD
Crude Oil	\$50.30	12.8%
Gold spot	\$868.80	-1.2%

## Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.304	-10.6%	1.40
EUR-GBP	0.882	-7.8%	0.93
EUR-JPY	129.33	1.5%	120

## GDP Growth

	2008	2009 (est)
Ireland	-1.70%	-5.00%
Euro Zone	1.20%	-2.00%
UK	1.00%	-2.00%

## Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	1.25%	1.41%	1.00%
UK	0.50%	1.52%	0.50%
US	0.00% - 0.25%	1.10%	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.  
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](mailto:info@dsl.ie)  
E-mail: [cork@dsl.ie](mailto:cork@dsl.ie)  
E-mail: [Limerick@dsl.ie](mailto:Limerick@dsl.ie)