



One year on from the Lehman Bros. collapse we felt it opportune to evaluate where financial markets are currently and also provide an outlook for the remainder of 2009 and into 2010. This is covered in our latest Strategy Review which we have just issued. The following is a summary of our key observations:

- Economies will continue their tentative pace of recovery, while monetary policy will remain accommodative for longer than has historically been the case.
- Interest rates will remain low due to the weaker labour and consumer markets, a consequence of cost cutting and consumer de-leveraging.
- M&A is likely to resume as companies having eliminated all possible costs focus on acquisitions to deliver synergistic cost savings, capacity decreases and an international foot-print in an environment of moderate earnings growth.
- Emerging markets will continue to be the 'sweet-spot' of the global economy with continued inward demand providing the antidote for slower demand by western consumers.
- Corporate cost cutting and a gradual recovery in the developed economies will provide the platform for a recovery in earnings into the end of 2009 and into 2010 and therefore be the spring-board for further advances in equity markets over the next year.
- Our key recommendation for clients is to remain disciplined and to continue to focus on financially robust companies, with earnings visibility but also with operational leverage, exposure to the BRIC economies and the potential for value releasing M&A activity.

## TRADING IDEAS, EARNINGS & PREVIEWS

### Microsoft

Price: \$25.20

P/E : 14x

Div: 2.08%

Target: \$28.00

**Buy**

Shares in Microsoft continue to perform well and we expect this outperformance to continue over the next 12-months. The group's CFO Chris Liddell recently commented that he believes 'the worst is behind us' and signalled the company expects software demand to recover into 2010. With Microsoft due to release its new operating system Windows 7 in the coming months we believe the company is well placed to take advantage of this pent up demand. Microsoft has consistently remained cautious about the operating environment since the beginning of the economic downturn and we take it as a significant positive of the change in tone from Liddell. Microsoft will benefit next year from increased operating leverage as a result of its cost cutting program and likely return to revenue growth thanks to a number of new products being released in addition to Windows 7. At 14x forward earnings and providing a dividend yield in excess of 2% we believe the stock looks attractive. In addition, with in excess of \$25bn of net cash on its balance sheet Microsoft is well placed going into 2010. The group will release fiscal first quarter results on 22<sup>nd</sup> October 2009 and with corporate spend show signs of life, we expect the group to deliver gross margins at the top end of market expectations.

### GE

Price: \$16.60

P/E : 17x

Div: 2.4%

Target: \$18.00

**Buy**

On August 17<sup>th</sup> we added General Electric (GE) to our list of US recovery stocks. The shares have performed well rising by 20%. Despite the strong gains in GE's share price we continue to like stock and see further upside. Like all of the US blue chip companies that we like GE benefits from geographical and operational diversity. The group has operations throughout the world with operations in Technology Infrastructure, Energy, Consumer & Industrial in addition to its Capital Finance Division. Geographically the company has a major presence in the US, Europe, Pacific, the Americas in addition to the Middle East and Africa. The company is highly cash generative with about \$7.1bn in free cash flow from operating activities in the first half of the year and expects to generate between \$14bn - \$16bn this year. At GE's second quarter results in July it also indicated that its Capital Finance division that has been the subject of much uncertainty is on track to be profitable this year. The group also pointed out that it has reached its 2009 long-term funding goals for GE Capital and that is has pre-funded about one third of its 2010 target. We also expect GE to be a major beneficiary of the stimulus package. The group's CEO Jeffery Immelt pointed out that GE has targeted 400 projects related to the stimulus package said to be worth \$200bn. While Immelt indicated that it expects second half earnings to benefit from the stimulus package. Our price target for GE is based on the group trading at 15x 2011 EPS of \$1.20. GE is due to report third quarter results on October 16th and we believe the impact from the stimulus package and the improvement in the performance of the financial unit we expect GE to post an strong earnings.. Note that given the group's financial services exposure we see GE as a higher risk investment.

### Total

Price: € 41.65

P/E : 11.7x

Div: 5.5%

Target: €48.00

**Buy**

We continue to retain a bullish stance with regards to the prospects of the oil industry. For clients seeking to avoid currency exposure, we recommend Total, the French integrated oil major, which reports its earnings, and pays its dividends in Euros. Total is the 5<sup>th</sup> largest oil company in the world with operations in over 130 countries. Total expects to return to production growth in 2010, with at least a 2% per annum growth rate in production until 2014. Total has brought 5 major new upstream projects on-stream in 2009, with a further four major projects due to be up on running by 2012. Total is the largest refiner in Europe, with 12 refineries. Given the excess of capacity in this area, any moves to restructure this division would be taken positively by the market. Based on our price target of €48, Total would be trading on a multiple of 13.5x, current year earnings, and just over 10x next year earnings. Total is currently offers dividend yield of 5.5%, with management reiterating its commitment to its dividend policy at the recent half year results.

### Barclays

Price: 370p

P/E: 8x

Div: 1%

Target: 415p

**Buy**

Barclays were presenting at a bank conference last week where John Varley, Group CEO, outlined the aims of the bank over the coming year. He guided the trends in Barcap seen in 1H have continued into the second half of the year. Global Retail & Commercial banking will look for growth in Africa and Asia over the coming years, with the aim of reaching the same level of PBT from this division as the UK generates. Barclays have recently moved a number of its monoline exposures off its balance sheet by selling them to investors and providing vendor finance. This will reduce the volatility from the group's balance sheet. The capital position remains strong with equity tier 1 at 8.8% and the bank has the lowest percentage of government guarantee debt compared to Lloyds and RBS. It has also been able to tap the market for debt as it has issued £10bn of debt without Government support. Tangible Net Asset Value (TNAV) is estimated at £3.10 by the end of the year and the group will be profitable in 2009, unlike many other banks in Europe. Its peers such as BNP Paribas and Deutsche Bank trade at 1.4x TNAV and we believe Barclays deserves top trade at equivalent levels. We are increasing our price target to £4.15 based on a slight discount to its peers. Barclays also intends to pay a final dividend this year of circa 3p.

### Abbott

Price: \$45.90

P/E : 12.4x

Div: 3.5%

Target: \$55.00

**Buy**

US based healthcare company Abbott Laboratories offers an attractive investment opportunity at current levels. The company has made a series of opportunistic acquisitions in the current year, including the recent \$320m purchase of Evalve. The move compliments Abbott's existing portfolio of interventional cardiology treatments. Evalve's main product is MitraClip, a device used in heart surgery, currently marketed in the EU, with upcoming FDA trial data expected in coming weeks. Abbott's investment represents a move into a novel device area with potentially \$1bn in sales. Separately, Abbot managed to pass on a 4.9% price hike for its arthritis treatment Humira earlier this month. The drug which accounts for over 15% of company revenues is expected to see revenues increase 15%-20% in the current year. Our price target of \$55 is based on 15x current year earnings, and the stock also yields 3.5% dividend.

## Earnings Week Ahead

**Mon:** Alliance Trust (Interim), Total Systems (AGM).  
**Tues:** AGI Therapeutics(Interim),Imperial Tobacco(Trade),JD Sports Fashion(Interim)  
 Ridge Mining (Interim), ConAgra Foods(Q1).  
**Wed:** Game Group (Interim),TEG Grp(Prelim), United Utilities(Trade), Autozone(Q4),  
 General Mills (Q4).  
**Thurs:**Ryanair (AGM), Escada (Q3), Scisys(Interim), Mitchells&Butlers(Trade),  
 Peter Hambro Mining (Meeting), McCormick & Co (Q3).  
**Fri:** Alexon Group (Interim).

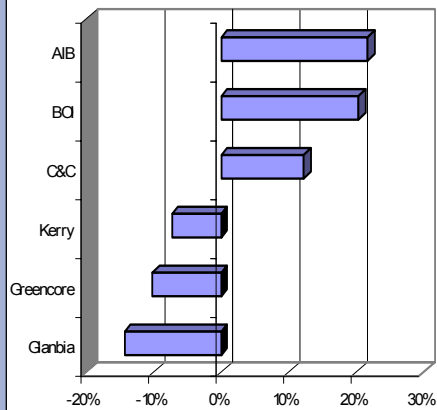
## Economic Week Ahead

**Mon:** UK R'move Hse Prices (00:01), US Leading Indicators (15:00).  
**Tues:** US Richmond Fed(15:00), US Hse Price Index(15:00).  
**Wed:** Ger & EU PMI Manuf&Services (08:30 & 09:00), BoE Mins (09:30),  
 EU Industrial New Orders (10:00), MBA M'gage Apps(12:00),  
 FOMC Rate Decision (19:15).  
**Thurs:** Ger IFO Bus.Climate (09:00), US Initial Jobless Claims(15:00).  
**Fri:** EU M3 Money Supply(09:00),US Durable Goods(13:30),US Uni Michigan(15:00)  
 US New Home Sales (15:00).

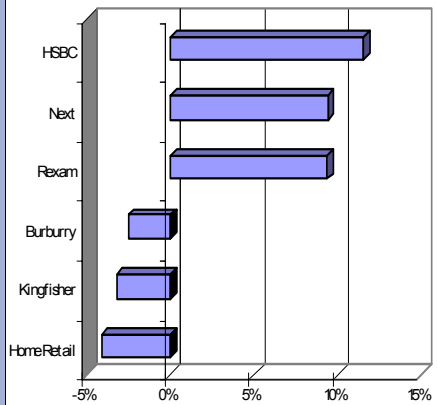
# DOLMEN STOCKBROKERS Traders Update

## Last Weeks Best/ Worst Performers

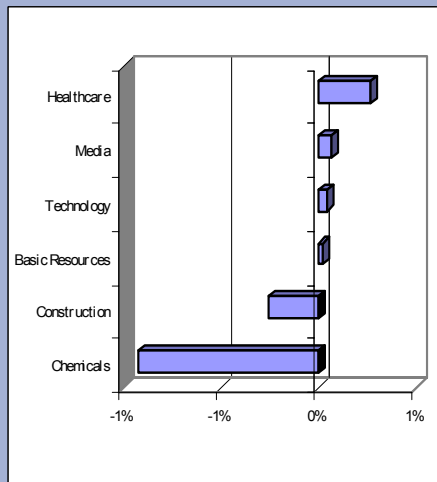
### ISEQ



### FTSE



### Sector changes WTD



## Dolmen Dozen

### WEEKLY UPDATE



Company	YTD	Relevant news
Aryzta	19.9%	Recently reiterated earnings guidance.
BP	5.8%	BP recently discovered a "giant" oil discovery in the Gulf of Mexico
CRH	23.3%	Recent interim results were in line with expectations
DCC	73.2%	We remain positive on the group after meeting with management
E.ON	-0.4%	E.On recently completed a giant US wind farm
Hewlett-Packard	27.7%	Q3 results slightly ahead of consensus estimates
IL&P	236.9%	We increase our price target to €6.90
IN&M	-28.7%	Reports of potential strategic investors
J&J	1.6%	J&J and Elan announce restructured deal
JPMorgan	42.5%	Deutsche Bank initiated coverage with buy rating.
Microsoft	29.9%	Intel CEO makes positive comments on Windows 7
Vodafone	0.5%	Reports suggest they may bid for T-mobile UK

## What it says in the 'Sundays'

Company	Paper	Headline
Irish Financials	S. Times	Independent cedes 46% of shares in bond deal
Irish Financials	S. Indo	Aer Lingus boss expects State to sell 25pc stake
Greencore	S. Indo	Watchdogs eye bank share-trading before Nama
Irish Financials	S. Bus Post	State faces new Anglo cash call
IN&M	S. Bus Post	Green push for NAMA changes

## Corporate Visits

### COMPANY

### PRESENTATION DATE

Irish Life & Permanent	1st September
McInerney	2nd September



## Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield
ISEQ	3455	6.0%	47.5%	1.7
FTSE	5173	3.2%	16.7%	3.7
DAX	5704	1.4%	18.6%	3.7
DOW	9820	2.2%	11.9%	2.9
S&P 500	1068	2.4%	18.3%	2.4
NAS	2133	2.5%	35.2%	0.9
EUROSTOXX	2475	1.2%	18.8%	3.8
NIKKEI	10371	-0.7%	17.0%	1.8

Sector	Weekly move%	YTD move %
Healthcare	0.26	3.95
Media	0.07	12.64
Technology	0.04	27.19
Utilities	-0.16	-0.64
Autos	-0.17	14.45
Telecom	-0.27	6.79
Oil & Gas	-0.40	16.73
Retail	-0.45	24.78
Personal & Household Goods	-0.46	24.19
Travel & Leisure	-0.58	13.73
Food&Bev	-0.59	16.34
Industrials	-0.60	32.08
Insurance	-0.68	12.89
Financial Services	-0.79	29.44
Banks	-0.85	56.15
Chemicals	-0.92	25.03
Construction & Materials	-1.10	32.55
Basic Resources	-1.67	66.59

## Commodities

	Current	Change YTD
Crude	72.04	61.5%
Gold	1007.6	14.6%

## Exchange Rates

	Current	YTD Change	Year End (est)
eur usd	1.471	0.8%	1.40
eur gbp	0.904	-5.5%	0.85
eurjpy	134.34	2.79%	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%	0.76%	1.00%
UK	0.50%	0.57%	0.50%
US	0.00% - 0.25%	0.29%	0.0% - 0.25%



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