DOLMEN STOCKBROKERS

Traders Update

MARKET COMMENT MONDAY 22ND JUNE 2009

Having failed on numerous occasions to breach significant resistance levels, the major market indices yielded to increased selling pressure and a reduction in risk appetite, to finish on average 2.5% lower on the week. There was no one news release or event that triggered this pull-back, but rather an increase in the level of uncertainty about the strength of the economic recovery. While the Philly Fed data was stronger than anticipated and the Weekly Jobless Continuous Claims number lower than expected, capacity utilisation continued to decline which indicates that a return to an expansionary level of industrial production is still some way off. Meanwhile in the UK, weak Retail Sales data highlighted the impact that rising unemployment and declining wages are having on the consumer, while profit warnings from German chemical company K&S, French tyre maker Michelin and Swedish industrial machinery manufacturer Sandvik highlighted the challenges that face the European economy. These mixed signals from the major economies, set against very high expectations for the Chinese growth, have left investors in an uncertain frame of mind. This uncertainty has been reflected in lower than average trading volumes, and this in itself leaves the market vulnerable to further weakness in the event of any disappointing news. Given the prevailing level of uncertainty and nervousness about the upcoming earnings season, a more defensive position is recommended in the coming week. The key data points this week will be US Housing- Existing (Tues) and New (Wed) Home Sales will be monitored for signs of any stabilisation following a pick-up in mortgage rates; US Durable Goods (Wed)- while a lagging indicator, it gives a feel for demand for big ticket goods; and, The Fed (Wed) when further details on its QE policy in response to rising bond yields will be awaited.

TRADING IDEAS, EARNINGS & PREVIEWS

Vodafone

Price: 120p
P/E: 8x
Div: 6.5%
Target: 150p
Buy

Last week shares in Vodafone traded strongly gaining 5% and outperforming the FTSE by 7%. We put the outperformance down to a shift in equity allocation to more defensive names with Vodafone being one of the leading defensive names on the FTSE. We remain buyers of Vodafone given this characteristic and the potential growth opportunities through its increasing emerging market exposure in particular in India. Vodafone remains a highly cash generative company and expects to generate c. £6bn - £6.5bn in free cash flow this year ahead of the £5.7bn that it produced for its fiscal 2009 financial year. While revenue in Europe remains under pressure the group has aggressively cut costs to take account of this and is currently ahead of its target. We expect that Vodafone will continue to cut costs as economic activity, particularly in Europe remains weak hurting its top line. Vodafone trades at an attractive valuation of 8x forward earnings providing a well covered dividend yield of c. 6.5%.

Barclays

Price: 266p
P/E: 12x
Div: 1.0%
Target: 300p
Buy

Barclays recently announced it received a binding offer from Blackrock for Barclays Global Investors (BGI) for £8.2bn. Blackrock will pay for BGI in shares and cash, with Barclays receiving 37.784m new Blackrock shares and £4bn in cash. The shares will give Barclays a 19.9% stake in the enlarged Blackrock Group which will be renamed Blackrock Global Investors. The board of Barclays see this offer as superior to the transaction previously agreed with CVC Partners for iShares in April. Blackrock Global Investors will be one of the largest global providers of investment management services with pro-forma assets under management of circa $2.8trn at the end of December 2008. The purchase price proposed by Blackrock, values BGI at 11.9x 2008 EBITDA. Barclays will realise a net gain of £5.3bn based on the Blackrock closing price on the 11th of June. This gain will add to the capital position of the group, increasing equity tier 1 by 163bps as at December 2008. Taking into account the conversion of the Mandatory Convertible Notes, the sale of BGI will mean equity tier 1 and core tier 1 on a pro-forma basis is now 8.3% and 8.0% respectively. In the release, management guided the trading performance of the group has been "generally consistent" with the trends reported in its Interim Management Statement (IMS) in early May. Barclays have now restored their balance sheet to levels more consistent with their peers in the UK and Europe, without having to resort to any Government support. The increase in its capital levels has removed one of the worries over the group and with the bank due to begin cash payments of dividends in Q4 of this year, it is an interesting investment option for clients who want exposure to the financial sector.

BP & BHP Billiton

Buy

This week we are reiterating our calls for short term trades in BP and BHP Billiton. The commodity sector continues to look attractive, and the long term fundamentals for both companies are compelling. Both of these companies are high-beta stocks, generally moving in the direction of the market but with greater volatility. As our preferred in their relevant sectors, we expect both companies to outperform strongly over the next year. BHP's proposed JV with Rio Tinto for iron ore production in Australia would unlock significant cost synergies for both companies. While this deal may yet meet regulatory resistance, BHP with its underleveraged balance sheet, is well placed to pursue acquisitions in the coming months. BP is our preferred of the integrated major oil companies. The recent surge in energy prices, reduces the risk of a material change to BP's dividend policy. Technically, the short term outlook for both stocks is bullish. BP is expected to target resistance in the 540p area, with a stop loss of 472p recommended. BHP is expected to target resistance in the 1587/1632p area, with a stop loss of 1250p recommended.

Tullow Oil

Price: 896p
Div: 0.6%
Target: 1050p
Buy

The recent drilling results from the Kigogole-3 exploration well in Uganda was positive, with a total of 20 meters of net oil pay discovered over 2 separate pay zones. The discovery is a positive as it extends the potential for the region, and de-risks neighbouring prospects. However, due to the small size of the discovery, the results have minimal impact on our valuation. The upcoming results from Ngassa-2 are a different matter entirely. A positive result has the potential to add over 100p to our risk adjusted NAV. The Ngassa prospect could potentially hold between 500m-600m barrels of oil. Oil exploration is an uncertain business, and the upcoming drilling results will ensure Tullow's share price remains volatile. We are bullish on Tullow on a twelve month view, but recommend investors with a long term profile to average into the stock, to reduce the effect of price volatility.

C&C

Price: €2.13
P/E : 10.8x
Div: 3.0%
Target: €2.65
Buy

Data on the UK sector points towards a tentative stabilisation of the sector in the current year. We expect this trend to continue with the Nielsen's release of off-trade trading statistics on Friday. In general the Cider market continues to gain market share of the long alcoholic drinks category in the UK. Main competitor Heineken's pricing strategy, of seeking price increases, has reduced the level of premium pricing of Magners, but has been very beneficial for volumes, given price sensitivity of consumers. The Spirits & Liqueurs business continues to operate in a difficult climate, due to global destocking. The introduction of a pear cider is a modest positive, but C&C are the third significant entrant to the market, and the long term viability of the product is uncertain. The key for management remains the stabilisation of volumes in both key markets in the current year. Other than the upcoming industry data, the key near term catalyst for C&C is likely to be related to summer weather, due to Magner's/Bulmers image as a summer beverage.

Earnings Week Ahead

Mon: Escada (Q2), Walgreen (Q3).
Tues: Debenhams (S'holders),Chemring (Interim), OMG (Interim),Alstom(S'holders) PGI Group (AGM), Kroger (Q1), Oracle (Q4), Steelcase (Q1).
Wed: ICG (AGM), Monsanto (Q3), Nile (Q4),Celsis Intl(Prelim),Titan Cement(AGM) Kesa Electricals (Prelim).
Thurs: DSG Intl(Prelim), Bauer (AGM), ConAgra Foods(Q4), Paychex (Q4).
Fri: Berkeley Group (Prelim).

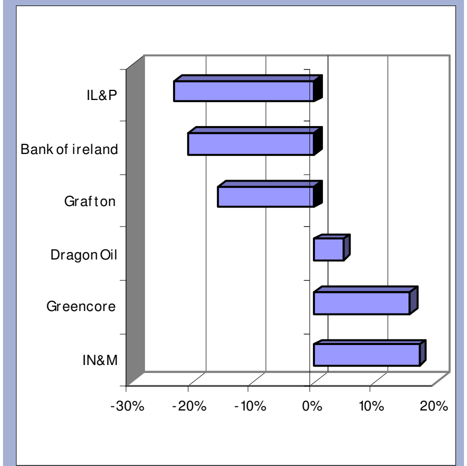
Economic Week Ahead

Mon: UK R'move Prices(00:01), Ger IFO (09:00).
Tues: Ger Gfk Consumer Confid(07:10),Ger PMI Manuf&Services(08:30), EU PMI Manuf&Services(09:00), EU OECD Econ.Outlook(10:00), Richmond Fed(15:00), US Hse Price Index&Existing Home Sales (15:00).
Wed: EU Current AC(09:00),MBA M'gageApps(12:00),Durable GoodsOrders(13:30)
Thurs: EU Industrial Orders(10:00), US GDP,Core PCE, Jobless Claims (13:30).
Fri: US Personal Income(13:30), Ger CPI (—), US Michigan Confid(15:00).

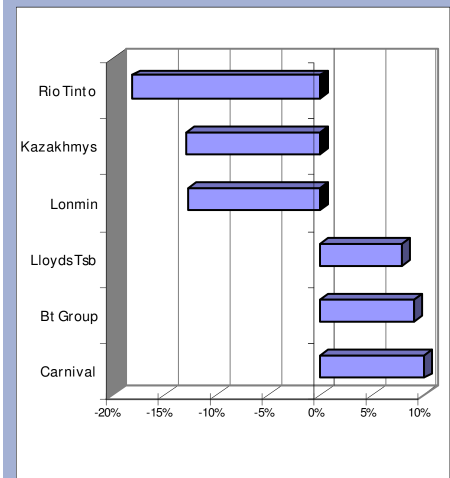
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/ Worst Performers
15/06/09-19/06/09

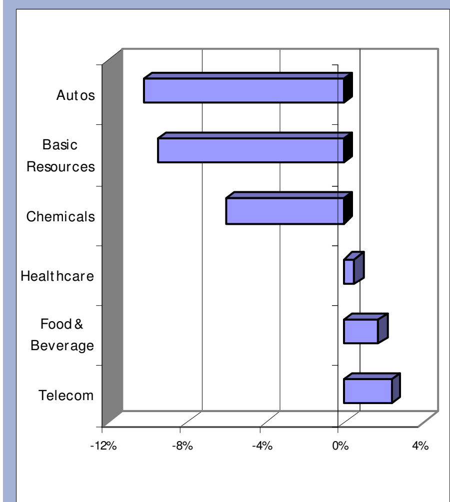
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen
WEEKLY UPDATE

Company	YTD	Relevant news
Aryzta	-1.7%	Reiterates full year earnings guidance
BP	-5.5%	BP indicate it will continue to invest in future production and pay dividends despite falling oil price.
CRH	0.8%	Due to issue trading statement July 7th
DCC	34.1%	We remain positive post meeting with management
E.ON	-9.3%	E.On says it is looking to buy back €4.25bn of bonds to make more efficient use of cash.
Hewlett-Packard	5.3%	Formed joint venture with Alcatel Lucent
IL&P	93.6%	Named Kevin Murphy as CEO
IN&M	-19.5%	Company indicates possible discounted rights issue
J&J	-5.7%	J&J recently reported resilient Q1 earnings.
JPMorgan	8.4%	JPMorgan successfully issues $3bn non-government guaranteed bond at T+350bps.
Microsoft	24.1%	Added to Goldman Conviction Buy list
Vodafone	-13.7%	Morgan Stanley retains Vodafone as one of its top telco picks

What it says in the 'Sundays'

Company	Paper	Headline
Irish Financials	S.Tribune	Government set to raid state cash pile for €4bn of An glo Irish funding
IN&M	S.Bus Post	INM keeps 'schtum' on O'Reilly's parting deal
IL&P	S. Independent	Murphy getting ready to split Irish Life & Permo
IN&M	S.Times	INM mulls cash call in bid to end bondholder crisis
BA	S. Tribune	Don't bail out BA, says Branson

Corporate Visits

COMPANY	PRESENTATION DATE
DCC	12th June

Last Weeks Moves

Equities

Equities	Level	Change WTD	Change YTD	Div Yield	P/E09
ISEQ	2,815	-5.2%	20.1%	2.9	13.9
FTSE	4,346	-2.2%	-2.0%	4.8	29.9
DAX	4,839	-4.5%	0.6%	4.4	25.6
OW	8,540	-2.9%	-2.7%	3.4	11.3
500	921	-2.6%	2.0%	3.0	14.5
NAS	1,827	-1.7%	15.9%	1.0	27.8
EUROTO	2,138	-2.5%	2.6%	4.7	13.6
NIKKEI	9,786	-3.5%	10.5%	2.0	

Sector

Sector	Weekly move%	YTD move %
Telecom	2.37	-7.21
Food&Bev	1.73	2.63
Healthcare	0.51	-3.28
Utilities	-0.56	-9.81
Personal & Household Goods	-1.08	6.85
Media	-1.60	-4.89
Retail	-2.01	14.09
Technology	-2.14	12.07
Travel & Leisure	-2.85	1.16
Financial Services	-3.3	14.14
Construction & Materials	-3.70	4.99
Oil & Gas	-3.9	10.36
Industrials	-4.53	5.80
Insurance	-4.80	-8.54
Banks	-4.82	19.498
Chemicals	-6.01	5.45
Basic Resources	-9.44	38.30
Autos	-10.17	4.17

Commodities

	Current	Change YTD
Crude	69.55	55.9%
Gold	934.05	6.2%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR USD	1.394	-4.5%	1.40
EUR GBP	0.845	-11.6%	0.93
EUR JPY	134.20	5.3%	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%	1.22%	1.00%
UK	0.50%	1.24%	0.50%
US	0.00% - 0.25%	0.61%	0.0% - 0.25%

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