

There are certain periods and events that occur in financial markets that become permanently engrained in peoples minds and which some time after the event spawn a raft of literature recalling with the clearest of hindsight what actually went wrong and why it should never happen again. The last two weeks will fall into this category as the global financial system stared into the abyss and fear and short-sellers became the markets biggest enemies. The loss of three of the top five US investment banks, the nationalisation of Fannie, Freddie and AIG, as well as the forced 'rescue' of HBOS are symbolic of the depth of the problems within the financial markets. More demonstrative however of how close the system was to collapse was the establishment by the US Treasury of a Resolution Trust Corporation, a government-owned asset-management company charged with acquiring 'toxic' assets. With the establishment of this Trust, which has clear momentum behind it, the authorities appear to be succeeding in averting a crisis of unthinkable proportions, while the emergency moves by regulators to ban 'short-selling' on financials has also removed a systemic risk to the banking sector. While all is still not right in financial markets, the situation is looking a bit healthier than two week-ends ago. Challenges and volatility still lie ahead, however it would appear that the authorities have succeeded in putting a 'floor' under stock prices and provided the potential for a degree of normality to return which in turn should allow for some recovery in equity markets in the coming weeks.

TRADING IDEAS, EARNINGS & PREVIEWS

Resolution Trust Corporation: Part II

On Thursday and Friday details of a new agency been formed in the US to buy troubled assets from US banks was announced. The new agency should be similar to the Resolution Trust Corporation (RTC) formed in the late 1980's after the Savings & Loan crisis. The agency will offer to buy illiquid assets from banks in an attempt to clean up their balance sheets. The uncertainty over the type of illiquid assets held on different US bank's balance sheets has resulted in banks been reluctant to lend to one another. One of the aims of this new agency is to help reduce this uncertainty and start banks lending to one another again. The US Government will have to put almost \$300Bn into the new agency increasing the Federal deficit next year to 5% of GDP, levels not seen since the 1980's. Approval of Congress is needed before the agency can be created and further details will be released this week on the type of assets that will be targeted and on a timeline when it will become operational.

Aryzta

Price: €33.60
P/E: 16.8x
Div: N/a
Target: €37.00

Buy

Fundamental View : This morning we had the release of Aryzta's results for the year ended 31st July. These are the first set of results following on from the merger of IAWS and Hiestand earlier this year. Revenue for the period was €3.13bn, while operating profit came in at €262m. Both IAWS and Hiestand have effectively preserved margins during the last year. This is particularly important given the price increases in commodity inputs over the period. One of the main benefits from the merger is the increased geographical profile of the combined entity. Aryzta's operations extend from North America, Europe, Asia and Australia.

Next Catalyst : Following on from today's results, the next likely catalyst for Aryzta is likely to be increased analyst coverage on the stock. Many institutional brokers have yet to initiate research on Aryzta, a factor which may prove positive to the stock, over the coming months. We have a buy rating on Aryzta and a 12 month price target of €37.

Apple

Price: \$139
P/E: 25x
Target: \$156

BUY

Fundamental View : While we do like the Apple story on a long-term view, in the short-term we believe there could be some weakness in the group's share price given its cautious outlook issued at its last earnings release and the slowdown in the global economy. In light of this, we believe there will be a good trading opportunity in the stock. Considering Apple's growth prospects we feel that it deserves to trade at a 20% premium to its peer group at 30x forward earnings which generates our 12-month price target of \$156, based on 30x 2008 EPS of \$5.21. However, in the short-term we believe that Apple could trade down to the \$135 level which would leave it trading in line with its peer group and we would see this as a good entry level.

Next Catalyst : The next major catalyst for Apple is on the 20th October, when the company is due to report its full year results.

Chart View: Stock is currently trading close to the bottom of its long term trading range, and recent price action has created a bullish reversal pattern indicating a change in short term trend. Expect to see price bounce, targeting initial resistance at 180.

Thomson - Reuters

Price: £13.40
P/E: 13x
Div: 4.6%
Target: £13.00

Short

Fundamental View : We continue to hold a negative stance towards corporates that generate the majority of their revenue from financial services with Thomson-Reuters being a typical case in point. The company generates over half of its revenue from financial services firms and given the current downturn in financial sector we believe the company is at risk to downgrades in earnings estimates over the next year. At Thomson Reuters' most recent second quarter results in August its Markets division (exposure to financials) saw growth decline quarter on quarter to 7% from 9% in the first quarter. We expect this slowdown to pick up over the next few quarters given that we expect financial services firms to cut back on spending over the next year. The company currently trades at 16x forward earnings a significant premium to the 11x that the media sector trades on, while on an EV/EBITDA the stock also looks expensive at c. 7.5x.

Next Catalyst : Thomson Reuters is due to report third quarter results on 12/11/08. While the company did reiterate guidance at its most recent results we believe that given the difficult environment that the company operates in there is a significant possibility that it may lower earnings guidance.

Chart View: Stock is still in downtrend. Expect to see price to bounce toward the upper band of the price channel with target resistance at 1511p.

BHP

Price: £14.89
P/E: 5.9x
Div: 2.7%
Target : £22.00

BUY

Fundamental View: We are reiterating our call from last week to take long positions in BHP Billiton. We view the mining sector as being fundamentally undervalued and we see significant upside from current price levels. BHP remains our preferred pick in the sector. BHP has operational diversity from both geographical and product range. The outlook for the company is favourable as a result of its strong pipeline and long term support for commodity prices.

Next Catalyst: Moves in the mining sector are likely to continue to be dominated by commodity prices and sentiment. Even with significantly lower commodity prices, BHP offers attractive long term value. It is our view that the proposed BHP/Rio Tinto merger is unlikely to proceed, but any developments here will affect BHP's share price. We recommend buying on weakness at the £13.50 level or below. Our 12-month price target on BHP is £22, but in the short term traders should be focused on the £15 level as their exit target.

Chart View: Stock is still in downtrend. Expect to see price to bounce toward the upper band of the price channel with target resistance at 1511p.

Earnings Week Ahead

Mon: (Aryzta,H1), (Wolseley, FY), (Hiestand, H1)

Tue: (Mitchells & Butlers TS), (Severn Trent, TS), (UniCredito H1)

Wed: (Imperial Tobacco, TS), (Ricardo, FY), (Smiths, FY), (Nike, Q1)
(Bed Bath & Beyond, Q1)

Thur: (United Utilities, TS), (Daily Mail & Trust, TS), (Discover Financial Services, Q3)

Fri: (KB Home, Q3)

Economic Week Ahead

Mon: Rightmove House Prices, UK

Tues: EU Flash PMI-Manufacturing (9.00), EU Industrial Orders (10.00)

Wed: US Existing Home Sales (15.00), Bernanke Testimony.

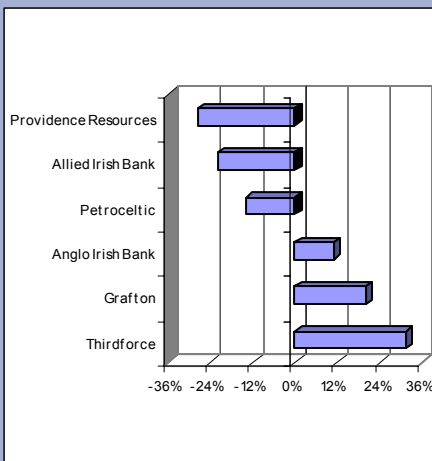
Thurs: US Durable Goods Orders (13.30), New Home Sales (15.00), US Initial Jobless Claims (13.30)

Fri: US Michigan Sentiment (14.55), US Final GDP (13.30)

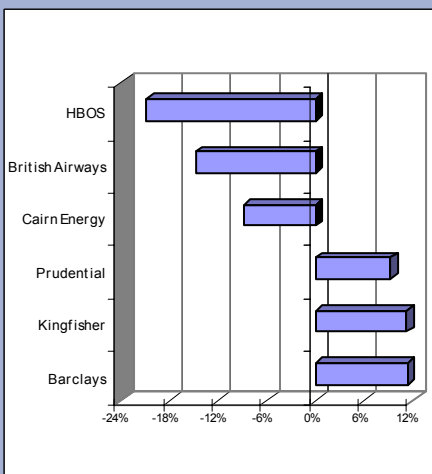
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/
Worst Performers
15/09/08-19/09/08

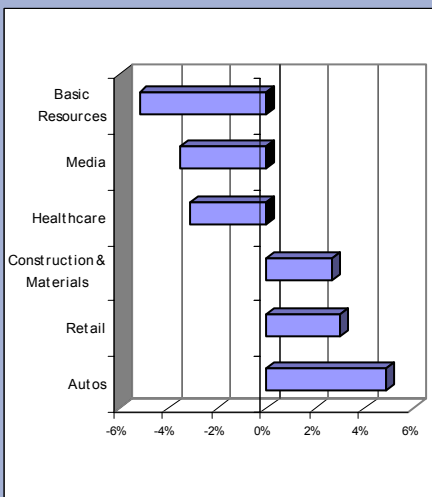
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE



Company	WTD	YTD	Relevant news
AIB	-21.9%	-60.2%	Bank of Ireland cut its dividend by half.
Aviva	5.9%	-16.0%	The UK financial Services Authority places temporary ban on short selling Aviva stock.
BP	-3.9%	-20.3%	BP's Texas City refineries have been restarted following hurricane Ike.
IN&M	-2.1%	-42.2%	The UK Indo saw circulation decline by 2.2% month on month in August
E.ON	-6.0%	-29.3%	Goldman Sachs reiterated its buy rating on E.On
CRH	-7.0%	-25.5%	JPMorgan upgraded CRH to overweight from equal-weight
Hewlett Packard	2.7%	-4.4%	HP to reduce its workforce by 7.5% in wake of EDS buy.
Aryzta	-1.2%	11.4%	Aryzta posts a pro forma operating profit of €262m.
IL&P	-9.1%	-48.0%	Irish house prices fell by 10% on the year, and 0.9% on the month according to Permanent TSB & ERSI.
Microsoft	-8.9%	-29.3%	Peer Oracle reports better than expected quarterly profits as margins rise.
Paddy Power	9.4%	-38.2%	Recently announced that full-year profits will not meet expectations
Vodafone	-4.0%	-30.0%	Reports suggest that Vodafone wants to raise stake in Poland's Polkomtel.

What it says in the 'Sundays'

Company	Paper	Headline
Elan	S. Independent	Elan's €1bn auction hit by collapse of Lehman.
Irish Banks.	S. Independent	Government to clear way for bank mergers.
Aer lingus	S.B.Post	Aer Lingus postpones cost-cutting announcement.
Bank of Ireland	S.B.Post	Rocky ride for Bank of Ireland.
AIB	S.Tribune	AIB ploughs ahead with dividend payout.
IL&P	S.Tribune	Irish Life & Permanent likely to be next target in consolidation wave.

Upcoming Corporate Visits

COMPANY

PRESENTATION DATE

ThirdForce

19th September 2008



Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E08
ISEQ	4136	-4.8%	-40.4%	5.0%	6.7
FTSE 100	5311	-2.0%	-17.7%	4.8%	10.6
DAX	6190	-0.7%	-23.3%	4.0%	12.1
Dow Jones	11388	-0.3%	-14.1%	2.9%	13.9
S&P 500	1255	0.2%	-14.5%	2.4%	24.3
Nasdaq	2274	0.6%	-14.3%	0.9%	37.1
EuroStoxx 50	2809	-1.7%	-23.7%	4.9%	10.6
Nikkei 225	11921	-2.4%	-22.1%	1.8%	14.7

Sector	Weekly move%	YTD move %
Autos	4.94	-23.06
Retail	3.05	-27.72
Construction & Materials	2.69	-29.31
Banks	0.83	-29.85
Personal & Household Goods	0.64	-21.20
Industrials	0.14	-23.83
Technology	0.04	-26.74
Insurance	-0.37	-22.6
Chemicals	-0.55	-13.93
Travel & Leisure	-0.57	-24.66
Telecom	-0.87	-27.46
Utilities	-1.53	-25.28
Financial Services	-1.80	-28.00
Food&Bev	-2.21	-14.55
Oil & Gas	-2.45	-21.50
Healthcare	-3.13	-9.439
Media	-3.52	-27.12
Basic Resources	-5.20	-25.59

Commodities

	Current	Change YTD
Crude Oil	\$104.55	9.2%
Gold spot	\$859.67	3.1%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.441	-1.3%	1.45-1.50
EUR-GBP	0.785	6.9%	0.74-0.78
EUR-JPY	154.09	-5.4%	165.0

GDP Growth

	2007	2008 (est)
Ireland	5.00%	1.00%
Euro Zone	2.50%	1.50%
UK	3.10%	1.00%

Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	4.25%	4.96%	4.25%
UK	5.00%	5.81%	4.75%
US	2.00%	2.79%	2.00%

Credit Market Summary

A rollercoaster of a week for credit markets, one that will not soon be forgotten. Reeling from the triple hit of a bankrupt Lehmans, a takeover of Merrill's and a HBOS-Lloyds merger, systemic failure amongst financials appeared to be possible. Given the gravity of the situation, regulatory intervention came as no surprise, the Fed will likely setup a "Resolution Trust Company" style vehicle to buy up and hold toxic assets. Closer to home the FSA and ISE outlawed the short selling of UK and Irish financials, until 2009. While these actions caused a significant tightening in spreads, CDS insurance was still significantly more expensive compared to the previous week. Looking forward, credit markets are in a vulnerable state, and liquidity remains worryingly tight. While equity markets may benefit from a lack of short sellers going forward, credit markets will not be as fortunate.

Corporate Bonds

The turbulence in credit markets over the last year has created attractive opportunities for investors with cash to invest in corporate bonds. Some examples of Euro denominated corporate bonds we like are; Procter & Gamble fixed rate bond maturing 2011 with a yield of 5.2%, a Diageo floating rate bond maturing 2012 with a yield of 6.0%, and a Tesco fixed rate bond maturing 2016 with a yield of 6.5%. Corporate bonds usually yield returns greater than deposit accounts, with less risk than equity investments. Contact your Dolmen stockbroker for additional details.

Interest Rate Outlook

Last week we had the Fed on Tuesday and Bank of England minutes on Weds, but the market had other issues to worry about. The UK looks set to begin its rate cutting cycle in November and in the US the next rate move is more uncertain than it was this time last week. In Europe, the slowdown in growth will become more evident with the data released this week. On Tuesday, PMI figures are due for release and are expected to remain in recessionary territory. On Weds, German IFO will be released at 9.00am and the actual figure could disappoint to the downside from the consensus forecast of 94.1. With weak IFO and PMI figures, the ECB will have to begin looking at reducing rates as inflation falls.

Currency Comment

EUR/GBP

Last week was a week where economic data was ignored as the credit crisis moved onto a new level. Despite all the volatility, EUR/GBP moved in a tight range and is trading at 0.7910 at the moment. No major data releases this week in the UK except for Rightmove House Price survey released on Monday morning showing continuing falls in the UK housing market for September. The currency will continue to trade in the recent tight ranges and speeches by MPC members on Weds and Thurs the only events of note for the remainder of the week in the UK

EUR/USD

The recent Dollar rally came to halt this week as the market started to take stock of the fundamentals in the US economy. Weakness will continue this week and a sustained breach above the 1.4650 level will bring 1.50 back into play. On Thurs Durable Goods will be released at 1.30pm with the market expecting a fall of (0.50%), but there is a chance of this coming in weaker than expected and putting more pressure on the Dollar against the Euro.



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