



Equity market volatility persisted last week as economic data releases and troubles in 'Motown' dominated. The reversal in the previous by the Treasury on TARP had raised expectations that the unused funds would be diverted to other sectors experiencing extreme difficulties. One such sector is the automotive sector in which GM, Ford and Chrysler are drowning in a pool of debt that threatens the existence of these companies as well as the future of nearly 1m jobs employed both directly and indirectly by the car industry. This hope of some rescue package, while not completely gone is not less likely as Congress have requested that the sector confirm that any bail-out would be the last of its kind. Given the track record of the motor industry, this will be some job. The reverberations from this uncertainty has been reflected in increased nervousness in the credit markets where spreads have tightened considerably in recent weeks. Since the credit markets normally lead equity markets, investors need to see an easing in spreads before equity markets regain some poise. Uncertainty in the banking sector continues both domestically and internationally and this is further adding to the uncertainty. In a Holiday shortened week in the US, main focus for markets will be on the auto sector while expectations of further aggressive action from global central banks will be eyed following the 1% cut by the Swiss National Bank last week. Also of importance will be the weekly jobs data out of the US (Wed) which following last weeks disappointing number could well hinder the chance of any decent market rally.

TRADING IDEAS, EARNINGS & PREVIEWS

€/£

€/£ has weakened substantially since its all time high in July of 1.6035 to 1.2533 last Friday. The decline can be attributed to the significant fall off in economic activity in Europe over the last number of months along with the \$ being seen as a safe haven in the current environment as investors increase their positions in US treasuries. What should also put €/£ under pressure is expectations for further aggressive interest rate cuts to take place from the ECB with the market expecting that the central bank will lower interest rates by 0.50% to 2.75% on 4/12/08. While we do not discount the possibility of a technical rebound to the 1.35 level we believe that the \$ will continue to strengthen over the next 12 months.

US Stocks

We continue to recommend clients focus on large cap blue chip US stocks that benefit from operational and geographic diversity. Our top 5 US picks are **Johnson & Johnson (J&J), Microsoft, McDonalds, Hewlett-Packard (HP) and Coca-Cola**. The companies are all the leaders in their respective sectors, generate strong cashflow, have solid balance sheets and are still managing to grow earnings despite the current downturn. Given the recent sell off in equity markets the stocks are paying on average dividend yields of c. 3% (except HP 1%) which will continue to be paid and generate income for clients. All companies have operations throughout the world with over 50% of their revenue from outside of the US and an increasing focus in emerging markets. While all companies did make cautious comments on the current state of the global economy at their recent results, earnings guidance came in ahead of expectations. In addition both J&J and Hewlett-Packard raised their earnings guidance. In relation to Microsoft and HP both companies have recently announced share buyback programmes of \$40bn and \$8bn, respectively a clear indication that both companies believe that their share values are currently under valued. Our top financial pick in the US is **JPMorgan** and we have also just added it to our Dolmen Dozen fund.

J&J

Price: \$58.35
P/E: 12.5x
Div: 3.4%
Target: \$70.00
Buy

Fundamental View: Today we are adding J&J to our Dolmen Dozen fund. We like J&J due to its diversified business mix and ability to outperform in the current environment which was evident in its recent quarterly results. On 14/10/08, J&J reported third quarter EPS that rose by 30% to \$1.17 beating analyst expectations while revenue increased by 6% to \$16bn. J&J also raised its full-year 2008 EPS forecast to \$4.50-\$4.53 from its previous range of \$4.45-\$4.50. The company commented that it does not expect the slowdown in the global economy to effect sales. Shares in J&J also offer an attractive dividend yield of c. 3.4% while its forecasted P/E of 12x is undemanding.
Next Catalyst: J&J is due to report 4Q results on January 20th
Chart View: Extreme volatility continues to dominate current daily price action. Having bounced from support at 55.85 on strong volume, short term upside to 63.01 exists, as fresh buyers in the market at current levels.

Tullow

Price: 449p
P/E: 16.6x
Div: 1.4%
Target: 1100p
Buy

Fundamental View: Tullow is currently trading near its October lows, mainly as a result of the continuing slide in oil prices. Tullow has an attractive portfolio of exploration and development prospects, primarily base in West Africa. The company's Jubilee field, in Ghana, potentially holds over a billion barrels of recoverable hydrocarbon reserves. Tullow have two contracted two drilling rigs to carry out further drilling exploration in the Ghana licenses. Related to this, was the positive drilling results from its Ebony prospect. There is positive read-through from this discovery for the much larger Tweneboa field, which is located in the nearby deep water block. Tullow are in the process of completing several divestments, which should leave them cash neutral for year end.
Next Catalyst: Exploration results will likely drive Tullow's stock performance in the near term. In addition they are seeking to raise \$2bn for the development of the Jubilee field, expected to be completed in Q109. Tullow is a higher risk stock than BP, our preferred in the sector, but offers compelling value at current prices.
Chart View: Price is testing key support at 406.25, should this level hold expect a bounce to trendline resistance at 594.63.

Bond of the week

In our "Bond of the week" for this week, we are highlighting an AIB issue done in recent days. The bond pays a fixed coupon of 3.625%, fixed for the life of the bond, giving a yield of 3.66% based on current prices. The bond matures in September 2010, within the time period set for the Irish government guarantee. In recent weeks, we have highlighted a number of government backed Irish bank bonds. These include fixed and floating issues from AIB, BOI, Anglo Irish Bank and Irish Nationwide. We see continued value in these securities, particularly as alternatives to deposits. For example, BOI 6.45% fixed bond maturing February 2010 is currently yielding 4.86%, while the Irish Nationwide floating bond, maturing September 2010 is yielding 2.1% over quarterly Euribor interest rates. In a declining interest rate environment, fixed coupon bonds increase in value, compared to floating bonds.

Banking Update

While focus in Ireland over the weekend was on the rumoured capital injection in BOI and consolidation of the Irish banking sector, another bank bailout was underway in the US. Citigroup share price fell 60% last week and concerns were raised over its capital position. The US Government have guaranteed \$306Bn of troubled mortgages and toxic assets in an effort to stabilise the group. On the guaranteed assets Citigroup will suffer losses on the first \$29Bn plus any reserves put aside for these assets, before the US taxpayer suffers losses. A capital injection of \$20Bn in preference shares will be undertaken by the US Government paying a coupon of 8% with warrants attached convertible into 254m ordinary share of Citigroup at \$10.61. Standard Chartered also announced a capital raise this morning of £1.8Bn through a rights issue priced at £3.90, a 49% discount to the closing price on Friday. The aim is to increase its capital ratios to better able manage the current slowdown. While this capital raises are ongoing, rumours and speculation on Irish banks still continue.

Earnings Week Ahead

Mon: Campbell Soup (Q1), Analog Devices (Q4), Hewlett-Packard (Q4).
Tues: Greencore (FY), Severn Trent (Interim), Imperial Tobacco (Prelim), Dr Horton (Q4).
Wed: Tiffany & Co (Q3), Porsche (Q4), French Connection (IMS), GB Group (Interim), United Utilities (Interim), Britvic (Prelim), Mitchells & Butlers (Prelim).
Thurs: Air Berlin (Q3), Kingfisher (Trade), TUI Travel (Prelim), Antofagasta (Q3), DSG International (Interim).
Fri: ThssenKrupp (Q4).

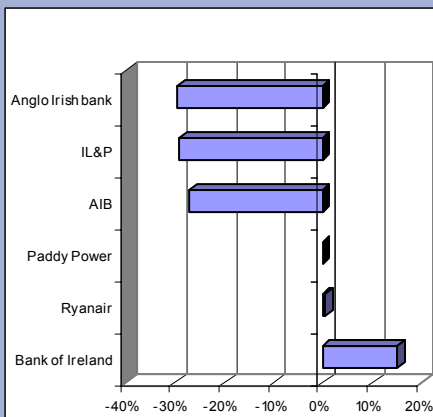
Economic Week Ahead

Mon: Ger IFO Business Climate (09:00), Euro-zone Current Account (09:00), EU Industrial New Orders (10:00), OECD Nov Econ. Outlook, US Existing Home Sales (15:00).
Tues: Ger GDP (07:00), Ger GfK Consumer Confid (07:10), US GDP (13:30), US Case Schiller Index (14:00), US Consumer Confid (15:00), US Richmond Fed Index (15:00), US House Price Index (15:00).
Wed: Ger CPI (07:00), UK GDP (09:30), UK Govt Spending (09:30), US MBA Mortgage Apps (12:00), US Durable Goods Orders (13:30), US Jobless Claims (13:30), US New Home Sales (15:00).
Thurs: Ger Unemployment (08:55), Ger IFO Business Survey, EU M3 (09:00), EU Business Climate Indicator (10:00), EU Consumer Confid (10:00).
Fri: UK GfK Consumer Confid Survey (00:01).

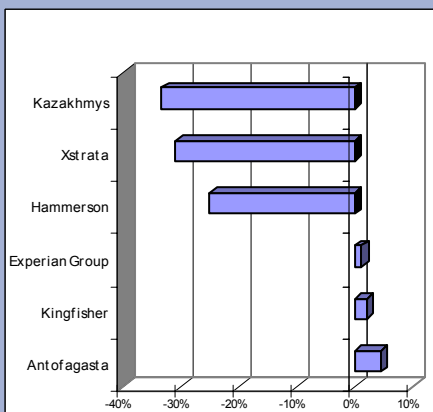
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/
Worst Performers
17/11/08-21/11/08

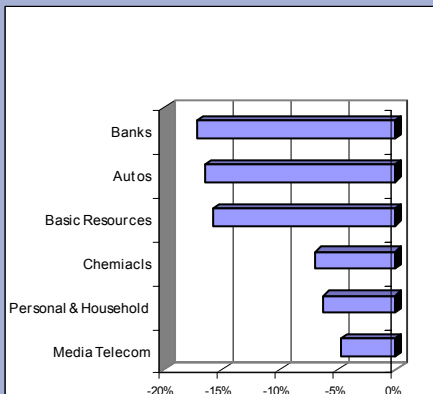
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE



Company	WTD	YTD	Relevant news
Aryzta	-13.6%	-27.6%	La Brea's sales are now more than double the level which existed at the time of the IAWS purchase.
BP	-5.3%	-24.8%	Goldman Sachs increases price target from 600p to 650p.
CRH	-15.1%	-35.9%	CRH completes the renewal and extension of €1.5bn of its banking facilities.
E.ON	-16.2%	-51.4%	E.ON extends €7.5bn credit facility and issues two bonds in different currencies.
Hewlett-Packard	8.9%	-34.3%	Hewlett-Packard posts stronger than expected results and raises guidance.
IL&P	-29.0%	-90.9%	Speculation surrounding consolidation in the sector.
IN&M	-13.3%	-79.3%	Announces restructuring programme at its London based newspapers.
J&J	-8.1%	-17.3%	Johnson & Johnson to acquire Israel's Omrix Biopharmaceuticals for \$27 a share or \$465m.
JPMorgan	-39.8%	-52.4%	Debt guarantee programme for US banks is altered.
Microsoft	-6.7%	-47.4%	Oppenheimer raises Microsoft to outperform from perform.
Paddy Power	-0.1%	-48.2%	Irish government makes some favourable amendments to bookmaker tax.
Vodafone	-8.5%	-40.1%	Vodafone plans to sell 10 year benchmark sterling bond.

What it says in the 'Sundays'

Company	Paper	Headline
Anglo Irish Bank	Sunday Times	Anglo taps markets to stay solo
Bol	Sunday Times	Bol shareholders' fear
Bol	Sunday Tribune	Bol investors say state backs bank buyouts
Anglo Irish Bank	Sunday Tribune	Anglo Irish must reveal Quinn stake - IAIM
Bol	Business Post	Pressure on to finalise Bank of Ireland deal

Corporate Visits

COMPANY

PRESENTATION DATE



Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E08
ISEQ	2321	-13.2%	-66.5%	7.9%	4.8
FTSE 100	3781	-10.7%	-41.4%	6.9%	6.7
DAX	4127	-12.4%	-48.8%	6.2%	9.9
Dow Jones	8046	-5.3%	-39.3%	3.9%	9.7
S&P 500	800	-8.4%	-45.5%	3.8%	17.3
Nasdaq	1384	-8.7%	-47.8%	1.5%	26.9
EuroStoxx 50	1894	-12.1%	-48.6%	6.8%	7.7
Nikkei 225	7911	-6.5%	-48.3%	2.8%	11.5

Sector	Weekly move%	YTD move %
Media	-4.78	-44.87
Telecom	-6.23	-40.67
Personal & Household Goods	-6.92	-44.58
Travel & Leisure	-7.78	-52.00
Technology	-7.86	-53.98
Retail	-7.97	-47.38
Food&Bev	-8.55	-32.43
Oil & Gas	-9.68	-43.10
Industrials	-10.26	-55.36
Utilities	-10.73	-42.27
Construction & Materials	-12.70	-56.85
Chemicals	-13.21	-47.09
Financial Services	-13.78	-58.74
Insurance	-14.15	-56.92
Healthcare	-14.38	-23.68
Basic Resources	-15.86	-66.84
Autos	-16.52	-45.50
Banks	-17.25	-66.73

Commodities

	Current	Change YTD
Crude Oil	\$49.93	-47.9%
Gold spot	\$800.40	-4.0%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.259	-13.7%	1.45-1.50
EUR-GBP	0.844	14.8%	0.74-0.78
EUR-JPY	120.71	-25.9%	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%	4.02%	2.75%
UK	3.00%	4.04%	2.50%
US	1.00%	2.16%	1.00%

Credit Market Summary

The renewal in primary market activity continued this week, with many companies, including Vodafone, BSKyB and E.On, tapping the markets new found enthusiasm for debt. Bank of America will pay \$7bn to nearly double its stake in China Construction Bank, weeks after receiving a \$15bn capital injection from the US government. Private Equity deals are coming under increasing pressure, due to the high price paid, and the excess levels of debt in the deals. Citigroup was under pressure last week despite reassurances from management on the outlook for the company. CDS spreads traded up from 210bps to over 400bps on the week, resulting in further capital injections and guarantees by the US government over the weekend. The US government's commercial paper program contained over \$270bn last week, evidence that the accessibility of financing for regular economy companies is drying up.

Credit Sector Movements

Chemicals- Spreads on chemical companies underperformed last week, driven by a profit warning from BASF. BASF spreads widened 61bps to 158, on the news that current year profits would fall short of profits for the previous year. Linde widened 35bps to 122bps, and Akzo Nobel spreads widened 46 bps to 106bps. Despite last week's performance, spreads on chemical companies are tighter than most other sectors.

Interest Rate Outlook

In the Euro-Zone the main economic release is flash inflation estimate for November with the market expecting 2.4% from the previous month's level of 3.2%. The significant fall in inflation leaves no barrier for the ECB to continue aggressive rate cuts in 2009 with base rates at 2.00% by April of next year. For the general economy the ECB also release M4 money supply figures on Thursday and the detail of this release will be examined to see if consumer and corporate credit is continuing to contract.

Currency Comment

EUR/GBP

GBP should come under pressure on Monday with the release of the Pre-Budget statement in the UK. This should outline the fiscal stimulus package expected by the market, but it will result in increased government deficits putting GBP under pressure against the EUR and USD. Excluding Monday there is little in economic data that will move the currency with consumer sentiment on Friday just after midnight the only other release of note. Further weakness is expected with the market expecting -38 from -36 last month.

EUR/USD

Data from the US continues to be poor and the dollar continues to hold its gains. The week will be quiet in the US with Thanksgiving on Thursday. On Weds Durable Good Orders are released for October with a fall of -2.5% expected. On the same day Initial Jobless claims is out with an increase of 536K indicating the risk for poor non-farm payroll figures in Dec and into 2009. The next key data release is Chicago PMI with a very weak 37 expected. The dollar will continue to hold its gains for the week due to the concerns over risk and flight to safety resulting in cash going into the dollar.



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