



'Do the Wall St shuffle, Hear the money rustle, Watch the Greenback tumble'- and tumble it did last week as negative comments on the US economy from Treasury Secretary Geithner sent not just the dollar but bond markets significantly lower. This state of unease weighed on equity markets at the latter end of the week after a very encouraging start. The comment from the Treasury Secretary that the US economy was still "shrinking" unsettled believers of the view that economic recovery was on the way. There is no doubt that markets are in a better place than they were this time three months ago. Credit markets are displaying some signs of normality, money market rates are also less elevated and the banking system while no where near perfect, is for the moment out of intensive care. All of this with somewhat steadier economic data from some areas of the economy helped spur markets from their March lows to their current levels. But nervousness persists. Volumes are low, breadth in the market is narrow and the inability from markets to break resistance levels is disappointing. The importance therefore of the moves in the dollar and bond yields should not be underestimated. For an equity market that is running out of momentum after a short, sharp, spurt, any instability in the biggest asset market in the world- the US bond market- could be just the excuse equities need to retrace. The key focus for equity markets in this holiday shortened week will be on: **US Housing**- the Case Shiller House Price Index (Tues) will give some up-date as to house prices in 20 metropolitan regions, Existing (Wed) and New Home Sales (Thurs) will give a further reading on house market activity: **Chicago PMI**- a widely watched indicator of economic activity with the US; and finally, **Bond Markets**- with \$101bn of US dated treasuries being issued this week, the equity market will be closely watching the move in bond yields as well as the US dollar.

TRADING IDEAS, EARNINGS & PREVIEWS

Vodafone

Price: 116p
P/E: 7.9
Div: 6.6%
Target: 150p
Buy

Last week, Vodafone reported full year results and provided guidance for its fiscal year 2010. Full year 2009 results broadly came in slightly ahead of expectations. In relation to 2010 the company guided free cash flow of £6.0bn - £6.5bn (2009 result £5.7bn) and for operating profit of £11bn -£11.8bn (2009 £11.8bn). Despite the solid guidance in the current environment we believe that shares in Vodafone were harshly treated falling by 9% on the back of concerns relating to the group's margin performance. However the company did indicate it expects margins to stabilise next year. While we are obviously disappointed by the falling share price we believe that the fundamentals of the company remain in tact. The company continues to focus on cost savings initiatives and is ahead of scheduled in relation to its current £1bn cost savings program. We believe that the company's valuation at 7.8x forward earnings and EV/EBITDA of c. 6x with a return on equity of c. 10% to be compelling and are happy to maintain our buy recommendation on the stock. Vodafone will trade ex its final dividend of 5.2p on 03/06/09.

McDonalds

Price: \$56.96
P/E: 15x
Div: 3.7%
Target: \$63.00
Buy

McDonalds remains one of our top US picks. The group's recent April sales figures showed a global increase of 6.9% highlight its defensive characteristics despite the current economic downturn. All of the group's geographical regions put in strong performances. US sales increased by 6.1%, European sales by 8.9%. Sales in the group's APMEA region increased by over 6%. The strong performance is all the more admirable that peers Wendy's and Burger King have both recently issued profit warnings. McDonalds is clearly continuing to take market share from its peers. The group McCafe is also proving a draw for customers and its lower priced offering is also taking market share from the likes of Starbucks. McDonalds trades at c. 14x forward earnings, a multiple that we view as attractive, given its growth prospects and brand recognition. McDonalds' pays an attractive dividend yield of 3.6%. McDonalds is due to host its AGM on May 27th.

C&C

Price: €2.15
P/E : 12x
Div: 4.0%
Target: €2.65

Buy

Following on from its full year results recently, we are increasing our price target on C&C to €2.65. This represents a multiple of 14x expected current year earnings. The main focus for management in the current year will be the stabilisation of cider volumes, which we believe is achievable. We are already seeing tentative signs that the rate of decline in market share for Magners in the UK is slowing. Magners off-trade volumes has seen a strong relative performance due to the twin effects of customers switching to home consumption, as well as Heineken increasing prices on Bulmers. The introduction of the pear cider has thus far performed better than expected. C&C has launched separate marketing campaigns in the UK & Ireland, recognising the differences between the two core markets. While C&C is late in bringing a pear cider to the market place, it does benefit from a strong existing brand. The main mover of C&C will continue to be the periodic industry sales data. In addition, the effect of the weather over the summer months will once more be a key catalyst for C&C. A period of strong weather in the coming months would be positive for sales, with C&C likely increasing the scale of its marketing efforts. Given the strong run over the last few months, C&C may well pull back in the short term. We are happy buying into to any such weakness.

British Airways

Price: 155p
Div: 0.00%
Target: 120p

Sell

We believe British Airways share price will come under pressure of the coming months for the following reasons. Lack of guidance; BA had previously guided for a FY10 EBIT loss of £150m. However at its full year results announcement on Friday, it replaced this outlook with just stating that current levels of traffic volume and yield did not improve over the fourth quarter. Net Debt; despite having cash balances of up to €1.4bn, the group's net debt currently stands at £2.4bn, up from £1.1bn in March 2008 and compared with a market cap of just £1.9bn. Pension deficit; the group's pension deficit was £1.5bn in march of last year and we estimate it could be closer to the £3bn mark when the full actuarial review of its retirement scheme is completed. The group has said it will not comment further on it until then, but it did note that if financial markets deteriorate further, its pension deficit may increase, impacting balance sheet liabilities, which may in turn affect its ability to raise additional funds. No dividend; as anticipated the group has scrapped any plans for dividend payments for the full year and we would expect this to be repeated for 2011 also. Iberia Merger; Although we view its potential merger with Iberia as a significant positive for the company, we don't envisage any completion on a deal in the foreseeable future due to both companies current restructuring processes and the severity of BA's pension deficit. Premium Travel; we believe BA's premium travel will continue to underperform as increasingly price sensitive travellers continue trade down.

Miner Sector Update

We have reviewed our outlook on ratings on the mining sector, and over the following observations. We remain bullish towards the sector, despite the recent strong market performance. We would advocate buying into weakness on a 12 month view. We favour early stage cyclical metals (and energy), primarily copper. We are least positive on iron ore and aluminium and steel producers. Our preferred picks in the sector are, in order of preference, BHP Billiton, Xstrata, Kazakhmys.

BHP Billiton: Strongest in sector, with a broad diverse portfolio of assets, and healthy balance sheet. Well placed to make acquisitions in the current climate. Medium risk. BHP is our preferred holding in the mining sector.

Xstrata: Substantial exposure to copper prices. Following successful rights issue, balance sheet concerns have abated. Still highly leveraged, but with a favourable debt maturity profile. High Risk.

Kazakhmys: Leveraged pure copper play. Vulnerable balance sheet would make Kaz a big winner for a continuation of stronger copper prices. Very high risk.

Rio Tinto: Although heavily exposed to later stage cyclical metals, aluminium and iron, Rio will offer trading opportunities in the next couple of months. In our view, the current Chinalco deal will be unsuccessful. Concessions are likely to be made to shareholders, making the deal more palatable. High Risk.

Earnings Week Ahead

Mon: St Gobain(S/holders).
Tues: Greencore (Interim), Aveva (Prelim), Deutsche Bank (AGM).
Wed: Trintech Grp(Q1),Ubisoft(Q4),Air Berlin(Q1),BSS Grp(Prelim),3I Grp(Meeting), Legal & Gen(AGM),Taylor Wimpey(EGM), Staples(Q1),Autozone(Q3), Polo Ralph Lauren(Q4).
Thurs: Tullow Oil(Sholders),ManGrp(Prelim),United Utilities(Prelim),Antofogasta(Q1) Wolsley(Trade),Tate&Lyle(Final), Scisys(AGM),Sears (Q1),Heinz(Q4).
Fri: Severn Trent(Prelim), VP(Prelim), Alcatel-Lucent(AGM), IHG(AGM), Premier Oil(AGM), Tiffany & Co (Q1).

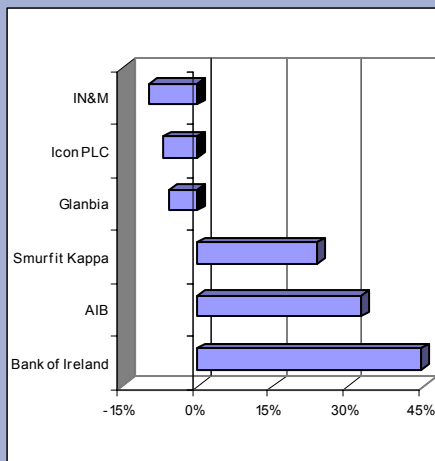
Economic Week Ahead

Mon: Ger IFO Business Climate (09:00).
Tues: UK N'wide Hse Prices, Ger GDP(07:00),Ger Imports&Exports(07:00), UK Gfk Cons.Confid(07:100),ECB CurrentA/C(09:00),EU Ind.NewOrders(10:00) S&P CaseSchiller(14:00),US Cons.Confid(15:00), Dallas&Richmond Fed(15:00)
Wed: Ger HICP, US MBA Mgage Apps(12:00),Ger CPI,US Hse Price Index(15:00), US Existing Home Sales(15:00).
Thurs: GerILO Unemployment(07:00),EU Business Climate(10:00), Irl Ind.Prod(11:00) US Durable Goods Orders(13:30),US Jobless Claims(13:30), US New Home Sales(15:00), EU Consumer Confid(10:00).
Fri: UK Gfk Cons.Confid(00:01),EU M3(09:00), EU CPI&Unemployment(10:00), US GDP,Personal Consumption,Core PCE(13:30), Chicago PMI(14:45) US Uni Michigan (15:00).

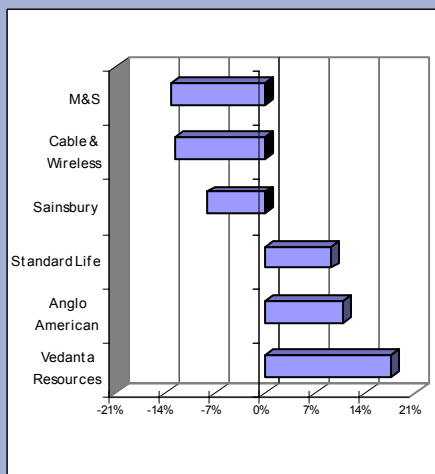
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/
Worst Performers
18/05/09-22/05/09

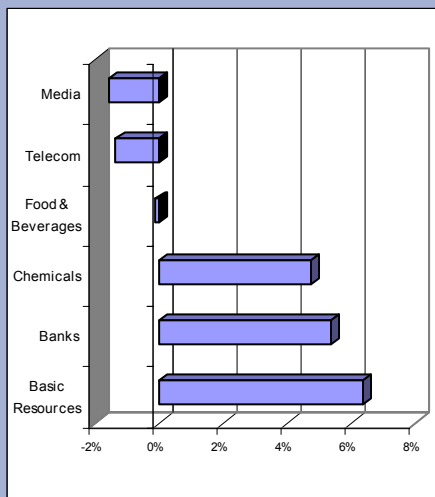
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE

Company	YTD	Relevant news
Aryzta	-4.8%	Lion capital sells its 4 million shares of Aryzta
BP	-4.8%	BP indicate it will continue to invest in future production and pay dividends despite falling oil price.
CRH	0.3%	Trading update indicates conditions remain challenging
DCC	38.8%	Game group results point to continued resilience in computer game market
E.ON	-12.4%	E.On says it is looking to buy back €4.25bn of bonds to make more efficient use of cash.
Hewlett-Packard	-5.2%	Peer Intel posts better than expected Q1 results.
IL&P	91.1%	Speculation surrounding restructuring of the group persist.
IN&M	-31.7%	Awaiting details on bond refinancing
J&J	-7.6%	J&J reports resilient Q1 earnings.
JPMorgan	11.0%	JPMorgan successfully issues \$3bn non-government guaranteed bond at T+350bps.
Microsoft	1.9%	Micosoft will deliver \$1.5bn annual saving by the middle of 2010 through 5000 headcount reduction.
Vodafone	16.9%	Vodafone posts results in line with expectations

What it says in the 'Sundays'

Company	Paper	Headline
Irish Financials	S.Bus Post	INM close to Cashcade cash-in
IL&P	S.Bus Post	Bol agrees new terms on €6bn overdue loans
Irish Financials	S. Independent	Stand by for the new rights issue stampede
Irish Economy	S.Tribune	Anglo to report largest loan loss in history
AIB	S.Tribune	B of I turns heads by being not as bad as expected

Corporate Visits

COMPANY PRESENTATION DATE

Paddy Power 10th June



Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E09
ISEQ	2,676	2.1%	14.2%	4.3	8.1
FTSE	4,462	5.2%	0.6%	4.8	21.8
DAX	4,914	3.0%	2.2%	6.0	24.0
OW	8,575	4.4%	-2.3%	3.6	18.0
500	929	5.8%	2.9%	3.0	15.1
NAS	1,739	1.8%	10.3%	1.1	26.3
EUROTO	2,110	4.1%	1.3%	5.8	12.9
NIKKEI	9433	5.1%	6.5%	2.0	73.8

Sector	Weekly move%	YTD move %
Basic Resources	6.36	36.54
Banks	5.39	19.32
Chemicals	4.73	8.26
Autos	3.27	4.47
Financial Services	2.86	14.26
Construction & Materials	2.82	9.51
Insurance	2.72	-6.66
Utilities	2.54	-9.19
Industrials	2.23	8.29
Travel & Leisure	1.63	4.34
Technology	1.50	9.67
Oil & Gas	1.10	9.04
Personal & Household Goods	0.70	5.59
Healthcare	-0.05	-8.18
Retail	-0.10	12.10
Food&Bev	-0.10	1.02
Telecom	-1.35	-10.61
Media	-1.58	-1.64

Commodities

	Current	Change YTD
Crude	58.63	31.5%
Gold	916.65	4.2%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR USD	1.363	-6.6%	1.40
EUR GBP	0.895	-6.4%	0.93
EUR JPY	134.27	5.4%	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%	1.31%	1.00%
UK	0.50%	1.42%	0.50%
US	0.00% - 0.25%	0.94%	0.0% - 0.25%



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