DOLMEN STOCKBROKERS

Traders Update

MARKET COMMENT MONDAY 27TH JULY 2009

Equity markets continued their recent strong run last week with the two week gain now measuring 12% for the FTSE and Dow, while the German Dax has recorded an even more impressive 17%. The renewed vitality in equity markets has been sparked by a number of factors. Firstly, the current US reporting season has been better than expected. Just under half of US companies have reported to date and of these approximately 80% have met or exceeded expectations. Currently earnings are down between 25% and 30% from Q2 2008 against consensus estimates for declines of between 30% and 35%. Secondly, the economic data releases from all economic regions have been broadly positive, continuing the pattern of economic stabilisation. Even the most recent European and German data releases, which had previously been negative have shown signs of improvement. Thirdly, credit spreads have continued to tighten with an increasing degree of issuance which has failed to satisfy demand. On the back of these more positive indicators the question for investors is this the start of an even more prolonged market rally? We believe that equity markets will move higher over the coming months as economic conditions improve, albeit slowly, however given the sharp move higher in the last two weeks we would expect a period of consolidation or modest profit-taking. Our rationale for this view is that volumes in the recent rally have been light relative to the size of the move. Also the next two weeks sees the extention of the reporting season to the UK and Europe. While the UK results should contain no real negative surprises, German company releases provide the potential to disappoint. Finally, while the US results to date have been positive, the poor results from Microsoft, American Express and Amazon highlight the fact that negative surprises are still possible.

TRADING IDEAS, EARNINGS & PREVIEWS

Ryanair
Price: €3.05
P/E : 13x
Div: 0%
Target: €3.80
Buy

Ryanair has released details of its Q1 earnings this morning. Adjusted net profit was €136.5m for the period, up from €21m for the same quarter in the previous year. Total revenues were flat, with an 11% rise in traffic offset by the 13% decline in average fares. Ancillary revenues increased by 13% over the period. As a result of the fall in fuel prices, and better fuel hedges, fuel costs were 42% lower than the previous year, at €214m. Fuel hedging has been extended to 90% requirements to the end of Q3 at $610 per tonne, and 60% for Q4 at $620 per tonne. Ryanair has given a cautious outlook for the full year. Traffic growth targets of 15% remains on target, with 67m passengers expected for the full year. Ryanair is now forecasting passenger yield declines of 20% or more, compared with a forecasted yield decline of 15-20% previously. As a result, Ryanair are now guiding for net profit at the lower end of the €200m-€300m profit range. In our opinion, management are being overly bearish, on the outlook for the year. We reiterate our buy rating on the stock, and will update in a full note tomorrow.

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

On Friday Vodafone issued a reassuring trading statement for its first quarter of its 2010 financial year and reiterated earnings guidance. Vodafone reported first quarter revenue that increased by 9.3% to £10.7bn in line with analyst expectations. Net debt also showed an improvement primarily due to favourable currency moves falling back to £31.2bn from £34bn. Free cash flow increased by 21.2% over the quarter to £1.9bn boosted by the company's ongoing £1bn cost cutting program that is on track for completion next year. Ex-currency movements service revenue declined by 2.1% impacted in particular by weakness in Europe where total organic revenue declined by 4.4%, however this was slightly better than expectations for a 5% decline. Service revenue in the UK fell by 4.8%, Spain by 8.1% and Germany by 4.8%. Vodafone has expanded its emerging market base over the last number of years in particular India and Africa to make up for the weakness due to economic conditions and intense competition in Europe. India showed particular strength with service revenue growing by 23% while in Africa and Central Europe revenue increased by 27.8%. Overall we take Vodafone's results as a positive with its reiteration of operating profit, free-cash flow and margins is a positive for the stock. We believe the stocks valuation looks attractive at 8.5x forward earnings providing a dividend yield of 6.5%.

Rio Tinto
Price: 2417p
P/E : 15x
Div: 1.9%
Target: 2800p
Buy

Rio Tinto is up about 80% since the start of the year as a result of the strong rally in commodity prices, and signs of stabilisation in the global economy. Additionally management has taken dramatic steps to reduce debt levels from $40bn to $20bn in the current year, including a $15bn rights issue. Negotiations with Chinese steel mills on iron ore prices are unresolved, as is the issue of 4 Rio Tinto executives currently being detained by the Chinese authorities. We expect iron ore negotiations to be resolved swiftly, in favour of Rio Tinto, as iron ore is trading close to $100 per ton in the spot market, substantially above levels being offered to Rio Tinto. Rio Tinto's recent production report pointed towards strong production levels, particularly in iron ore, and has maintained its guidance for 200 million tons for the full year. We rate Rio Tinto a buy and have a £28 price target, which is based on a current year P/E of 18x and an EPS of $2.57, below the historical P/E multiple of 20x.

BP
Price: 518p
P/E : 13x
Div: 6.6%
Target: 600p
Buy

This week we are expecting earnings from all 6 of the major integrated oil companies. BP reports on Tuesday, Conoco-Philips reports on Wednesday, Shell and Exxon report on Thursday, Chevron and Total on Friday. Energy prices for the second quarter of the year were noticeably higher than the first quarter, which is positive for profits, but also relieves pressure on dividend payouts. BP is our preferred major, due to the low relative value of petroleum reserves, and the ongoing business restructuring, that will enhance shareholder value. We are expecting net income of $2.8bn for the quarter, and an eps of $0.148, and a dividend of $0.14 per share. Refining revenues likely suffered in the quarter, but will be offset by production revenues. Production over the period should be solid 3.9-4 million barrels of oil equivalent per day, up 3% year on year, but slightly below Q1. We remain bullish for the long term prospects for oil, and oil companies. We feel that the majors have been able to cut costs at a greater rate than expected, and see material upgrades to BP's full year target for $2bn in cost cuts. We are recommending taking profits on long positions in Tullow from the last couple of weeks, and switching into BP ahead of results this week.

JPMorgan Indian Investment Trust

JPMorgan Indian Investment Trust is a fund which aims to provide capital growth from investing in India. The fund invests in both Indian and non-Indian companies which derive a material part of their revenues from India. There have been some fears of late surrounding the Indian political election and potential budgetary concerns. On July 6th, Finance Minister Pranab Mukherjee said that he expects the budget deficit to widen to 6.8% of GDP this year, the highest level since 1994. S&P however confirmed that the deficit was in its projections. The budget deficit has widened as the government has continued to increase spending to ensure the economy grows strongly. We believe that current levels provide a good entry level into one of the world's fastest growing economies. Despite fears over a sharp decline in foreign investment, India's industrial sector has sustained high levels of growth owing to a domestic credit creation rate of c.20% per anum. Furthermore, the government's focus on increased spending in rural deprived areas has resulted in better than expected consumer spend growth. The investment fund that we are recommending for exposure to India is the JPMorgan Indian Investment Trust and can be traded on the London Stock Exchange. The Bloomberg and Reuters tickers for the Trust are JII LN and JII.L respectively. With the potential for growth in India far superior to Western economies over the next number of years we believe JPMorgans' Indian Investment Trust offers excellent growth potential.

Earnings Week Ahead

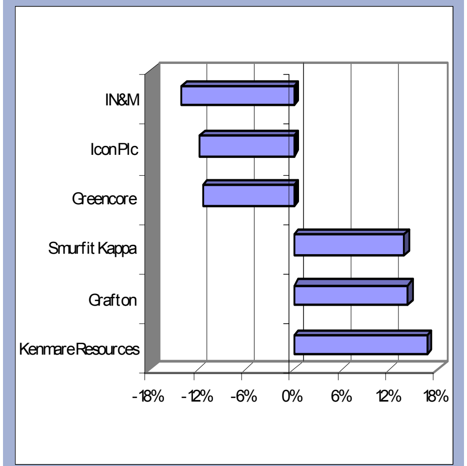
Mon: Ryanair(Q1),Pearson(Interim),National Grid(Trade),Amgen(Q2),Verizon(Q2).
Tues: Addex(Int),Vedanta(Q1),BP(Q2),Randgold(Q2),Sage (Trade),Vodafone(AGM), Unisys(Q2),US Steel(Q2), Valero(Q2),Viacom(Q2),Prov.Financial(Int).
Wed: Peugeot(Int),SAP(Q2),Bayer(Q2),Daimler(Q2), Deutsche Bank(Q2),Moody(Q2) Arcelor Mittal(Int),Santander(Q2),Easyjet(Q3),Halfords(Trade),BG Grp(Q2), Hertz(Q2),ConocoPhillips(Q2),CocoCola(Q2),Time Warner(Q2),Wellpoint(Q2).
Thurs: L'Oreal(Int),AIR France(Q1),Renault(Q2),BASF(Q2),MAN(Q2),Volkswagen, Siemens(Q3),RD Shell(Q2),Telefonica(H1),BSkyB(Final),Astrazeneca(H1), BATS(Int),BT Grp(Q1),ExxonMobil(Q2),Kellogg(Q2),Motorola(Q2),WaltDisney(Q3)
Fri: Lafarge(H1),Total(Q2),Audi(Q2),AngloAmerican(Int),BA(Q1),SABMiller(Trade) Allergan(Q2),Chevron(Q2), Washington Post(Q2).

Economic Week Ahead

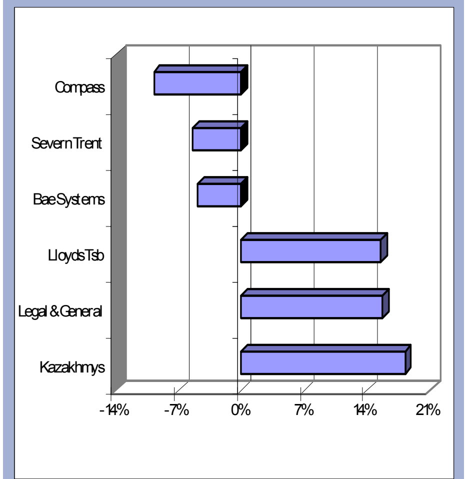
Mon: GfK Consumer Confid(07:10),New Home Sales(15:00), Dallas Fed(15:30).
Tues: S&P CaseSchiller(14:00),US ConsumerConfid(15:00),RichmondFed(15:00)
Wed: EU M3(09:00),Net ConsumerCredit(09:30),UK M4(09:30),Ger CPI, US MBA M'gage Apps(12:00),US Durable Goods(13:30), Beige Book(19:00)
Thurs: Ger Retail Sales(08:00),GerUnemployment(08:55),EU ConsConfid(10:00), US Initial Jobless Claims(13:30).
Fri: UK GfK ConsConfid (00:01), EU CPI (10:00), EU Unemployment(10:00), US GDP, Personal Consumption, Core PCE(13:30), Chicago PMI(14:45).

Last Weeks Best/ Worst Performers
20/07/09– 24/07/09

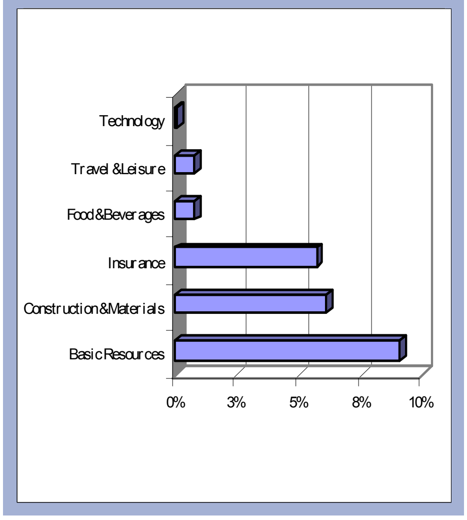
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen
WEEKLY UPDATE

Company	YTD	Relevant news
Aryzta	5.9%	Reiterates earnings guidance.
BP	-2.9%	BP indicate it will continue to invest in future production and pay dividends despite falling oil price.
CRH	-2.0%	Current trading below expectations; cost cutting ahead of forecasts
DCC	45.2%	We remain positive on the group after meeting with management
E.ON	-10.7%	E.On says it is looking to buy back €4.25bn of bonds to make more efficient use of cash.
Hewlett-Packard	13.1%	Formed joined venture with Alcatel Lucent
IL&P	101.6%	Speculation surrounding restructuring of the group persist.
IN&M	-47.6%	Confirms extension to standstill agreement with bondholders
J&J	1.9%	Reports earnings in line with expectations
JPMorgan	20.6%	Posts Q2 results well ahead of market forecasts.
Microsoft	19.6%	Disappointing Q2 revenue
Vodafone	-13.5%	Issues reassuring trading update

What it says in the 'Sundays'

Company	Paper	Headline
IN&M	S. Times	O'Brien not putting in further money into INM unless it makes commerical sense
IN&M	S. Business Post	Breathing space in a good week for INM
Elan	S. Tribune	Elan rules out patient watch for Europe
IL&P	S. Tribune	Permanent TSB a 'zombie' mortgage lender, says IMAF
Greencore	S. Independent	Carroll rejects bids for stake in Greencore

Corporate Visits

COMPANY	PRESENTATION DATE
IFG	6th July

Last Weeks Moves

Equities

Equities	Level	Change WTD	Change YTD	Div Yield	P/E09
ISEQ	2803	3.8%	19.6%	2.9	14.2
FTSE	4577	4.3%	3.2%	4.5	35.3
DAX	5229	5.0%	8.7%	3.9	29.6
OW	9093	4.0%	3.6%	3.2	12.5
500	979	4.2%	8.4%	2.8	16.2
NAS	1966	4.2%	24.7%	1.0	31.6
EUROSTOXX	2248	4.1%	7.9%	4.3	15.0
NIKKEI	9945	5.8%	12.2%	1.9	

Sector

Sector	Weekly move%	YTD move %
Basic Resources	9.07	54.08
Construction & Materials	6.08	11.60
Insurance	5.71	-2.47
Autos	5.63	20.91
Financial Services	5.56	20.93
Banks	5.07	31.36
Industrials	4.91	13.84
Chemicals	4.73	11.10
Telecom	4.23	-2.74
Personal & Household Goods	4.19	14.41
Healthcare	4.02	-0.57
Oil & Gas	3.83	11.37
Media	3.27	-0.72
Retail	3.16	22.96
Utilities	2.74	-10.91
Food&Bev	0.79	7.94
Travel & Leisure	0.77	-2.11
Technology	0.07	10.54

Commodities

	Current	Change YTD
crude	66.73	49.6%
gold	932.25	6.0%

Exchange Rates

	Current	YTD Change	Year End (est)
eur usd	1.398	-4.2%	1.40
eur gbp	0.856	-10.5%	0.93
eurjpy	134.26	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%	1.05%	1.00%
UK	0.50%	1.12%	0.50%
US	0.00% - 0.25%	0.55%	0.0% - 0.25%

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