



The key macro events for equities last week were weaker GBP and USD, better corporate results and stronger commodity markets. CEO's provided across the board positive statements. The banking and insurance sectors while giving up some recent gains generally provided positive earnings statements. The airline sector was weak primarily as a consequence of stronger oil. The oil price lead to oils sector strength with Exxon and BP trading well and continuing to afford value. Continued strong earnings will be watched for next week with the industrial, technology, banking and energy sectors being likely the most positive while pharmaceuticals are also delivering strong earnings and improving guidance. Profit taking in these sectors affords a buying opportunity. Policy response to the USD breaking 1.50 should be watched for with higher bond yields also expected. The tech sector remains focused on the release of Windows 7 and the ongoing space grab between Microsoft, Apple and Google. Positive results from Amazon boosted sector sentiment. We continue to see equity performance continuing and weakness in either the US or UK market should be bought particularly as we see an end to GBP and USD weakness over the medium term.

TRADING IDEAS, EARNINGS & PREVIEWS

Vodafone

Price: 135p
P/E: 9x
Div: 6%
Target: 150p
Buy

We are continuing to recommend clients to use any weakness in Vodafone as a buying opportunity. The stock outperformed last week on the back of a number of positive reports from some of the large investment banks who also back our thesis on the stock. Any retracement back towards the 132p level should be used as a strong buying opportunity. As we have seen with companies reporting during the third quarter earnings season those with strong brands and international exposure are those that are beating expectations. Vodafone's strategy over the last number of years has been to focus on emerging markets such as India and Africa. In addition the stabilisation in economic data from its main markets in the UK and Europe should also be taken as a positive for the company. **Next catalyst** : Vodafone is due to report interim results on November 10th.

CRH

Price: €18.40
P/E: 16x
Div: 3.4%
Target: €20.30
Buy

Shares in CRH underperformed the market last week by c. 2%. Press reports suggest that miner Anglo American is looking to offload its UK materials division Tarmac for c. \$4bn (Tarmac EBITDA 2008 was \$487m). Recall that in 2007 there had been speculation that a number of companies including CRH and Lafarge were interested in buying Tarmac for c. \$6bn or £3bn. Following CRH's successful rights issue the company has indicated that it has c. €1.5bn to spend on acquisitions over the coming months. With the potential of Tarmac being up for sale it is possible that CRH could be linked with it again. As a result of its exposure being predominantly UK (slow growth over next number of years like CRH's main markets in Europe and the US) shares in CRH may underperform. We would however be buyers around the €18.00 level. **Next Catalyst** : CRH will issue an interim management statement on November 10th.

GSK

Price: €12.50
P/E: 11x
Div: 5%
Target: €13.25
Buy

Shares in GlaxoSmithKline (GSK) one of our core stock calls underperformed last week despite some of the major Pharma companies including Pfizer, Eli Lilly and Novartis posting better than expected earnings and or raising earnings guidance. We remain comfortable with our call on GSK given the group's strong balance sheet, earnings visibility and well covered dividend. GSK has moved to counteract the threat of generic competition by acquiring stakes in generic drug makers with a focus in emerging markets such as India and Africa. Drug sales are expected to grow at mid-teens percentage through 2013 compared to low single-digits for mature markets. With the group providing a well covered 2010 dividend yield of c. 5% we see the stock as providing a safe stable return for clients. **Next Catalyst** : GSK is due to report 3Q earnings this coming Wednesday October 28th.

Ryanair

Price: €3.13
P/E: 13x
Div: 0%
Target: €4.00
Buy

Airline share prices across all nations have been weak of late as oil prices have once more surged beyond the \$80 a barrel mark. With fuel making up over 35% of Ryanair's cost base at its Q1 results, it has been no different. In addition, cautious outlook statements from various US airlines last week weighed on investor sentiment. While there is no doubt rising oil prices are a negative for Ryanair, it is important to remember that it has 90% of this fuel requirements until March 2010 hedged at c.\$63 a barrel. It is also worth noting the impact that high jet fuel prices have on its competitors. With significantly less efficient business models and less favourable hedging positions, it would surely mean an increase in the rate of capacity exiting the market and less pressure on Ryanair's average fare. Notwithstanding the recent spike in oil prices, we remain positive on Ryanair ahead of its upcoming Q2 results on November 2nd. We will be paying close attention to any comments in relation to the group's growth strategy. We believe that failure to achieve a deal with Boeing will act as positive catalyst for the group's share price as concerns regarding overexpansion from the market would subside.

Tech Update

Technology remains one of our preferred sector picks and we expect it to continue its outperformance given the global and innovative nature of the business. Microsoft's positive set of results on Friday, in addition to the release of its new Windows 7 operating system, will be a key catalyst for the sector. Other than Microsoft we expect Intel and the PC maker Hewlett-Packard to be the major beneficiaries of the release and the major driver of technology spend over the next year. We will updating our Microsoft price target (currently \$28) in a full note this week.

Aviva & Prudential

We remain comfortable with Aviva and Prudential being our top picks in the insurance sector. After a recent strong run since their March lows, both Aviva and Prudential have fallen back to levels that we see as excellent buying opportunities. Sentiment towards the sector has improved due to stronger capital positions and improving markets. The recent announcement by Aviva of an IPO of part of Delta Lloyd has been a positive catalyst for the share price. Aviva's dividend yield is 6.00% and in the case of Prudential the yield is 3.00%. With both stocks highly correlated to equity markets, a good way to play further increases in equity markets over the next number of months is through the purchase of **Aviva or Prudential**. Both of which have attractive yields for longer term holders.

Exxon Mobil & BP

Oil majors remain among our top picks and we are currently recommending Exxon Mobil and BP. Last week's strong corporate earnings and US housing data provided more evidence that the global economy is recovering with the oil majors set to benefit. Furthermore oil's recent rally to new yearly highs will allow companies to plan capital expenditure projects with greater certainty and open up projects that were unfeasible at lower oil prices. Exxon is currently trading at an undemanding 5.4xEV/EBITDA and its debt free balance sheet leaves it in a strong position to pursue acquisitions. We also see sterling denominated BP shares as a good investment given the company's high dividend yield and their better than expected Q3 results. **Next Catalyst** : This week Q3 earnings will act as for both companies with the market expecting an EPS of \$1.02 for Exxon Mobil and £0.163 for BP.

Mining Update

We continue to remain positive on mining sector primarily because we see it as a sector that will produce EPS growth in 2010. In addition miners are currently benefitting from the recent rally in commodities with copper, gold and oil all making new yearly highs. Demand for commodities has been driven by a weaker dollar and the continued growth of China reinforced again last week by strong manufacturing and GDP data. Also last week's we saw strong results from the US copper and gold miner Freeport McMoRan, a stock which we flagged in our US recovery list back in July at \$43. In addition both Anglo American and BHP released production updates last week that were well received by the market. Our top recommendation in the sector is Rio Tinto as we feel that it is in the best position to take advantage of a continued recovery in commodity prices and the global economy.

Earnings Week Ahead

Mon: Merck(Q3), Scania(Q3), National Oilwell Varco(Q3), Verizon(Q3).
Tues: Vestas Wind(Q3), Bayer(Q3), Daimler(Q3), FriendsProv(Q3), BP(Q3), AK Steel(Q3), Cabot Oil&Gas(Q3), Valero Energy(Q3), USSteel(Q3), Visa(Q4).
Wed: SAP(Q3), Arcelor Mittal(Q3), Heineken(Q3), France Telecom(Q3), Santander(Q3), BATS(Trade), Prudential(Trade), BG Grp(Q3), GSK(Q3), Conoco Phillips(Q3).
Thurs: Axa(Q3), Renault(Q3), BASF(Q3), Continental(Q3), DeutscheBank(Q3), MAN(Q3), Deutsche Lufthansa(Q3), Volkswagen(Q3), RDSShell(Q3), Cairn Energy(Trade), Astrazeneca(Q3), Standard Life(Q3), Procter&Gamble(Q1), Allergen(Q3), ExxonMobil(Q3), Kellogg(Q3), Moody's(Q3), Motorola(Q3).
Fri: Alcatel Lucent(Q3), Sanofi-Aventis(Q3), Audi(Q3), Shire(Q3), Chevron(Q3), NYSE Euronext(Q3), ITT Corp(Q3), WPP Grp(Q3).

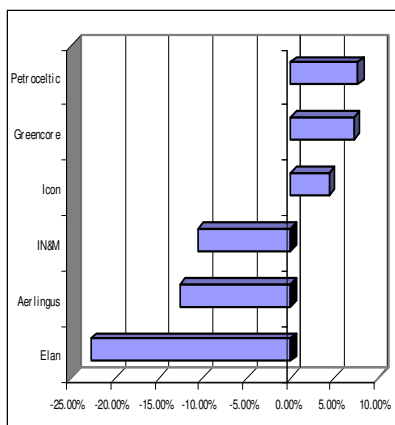
Economic Week Ahead

Mon: UK Hometrack Housing Survey(00:01), Chicago & Dallas Fed (12:30 & 14:30).
Tues: EU M3 (09:00), S&P CaseShiller(13:00), US Cons.Confid&Richmond Fed(14:00)
Wed: Ger CPI, UD MBA M'gage Apps(11:00), US Durable Goods Orders(12:30), US New Home Sales(14:00).
Thurs: Ger Unemployment(08:55), UK Net Consumer Credit&M4 Money(09:30), EU Cons.Confid(10:00), US GDP (12:30), US Personal Consumption(12:30), US Core PCE(12:30), yumJobless Claims(13:30).
Fri: UK GfK Consumer Confid(00:01), Ger Retail Sales(11:00), EU CPI(10:00), EU Unemployment(10:00), US Personal Income&PCE(12:30), Chicago PMI(13:45)

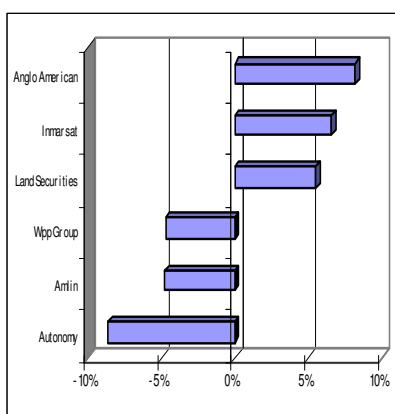
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/ Worst Performers

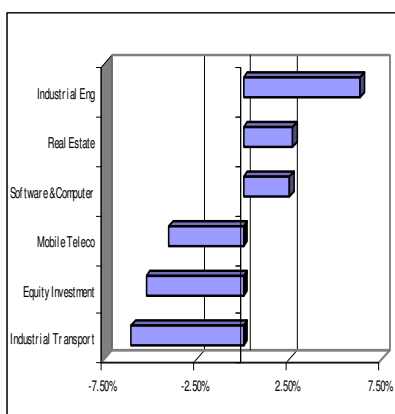
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE



| Company | YTD | Relevant news |
|-----------------|--------|---|
| Aryzta | 14.4% | UBS raises Aryzta price target by 8% |
| BP | 13.5% | BP third quarter results beat analysts expectations |
| CRH | 12.4% | Continue to see as beneficiary of US fiscal stimulus |
| DCC | 69.2% | Positive gaming read-through from Microsoft results |
| E.ON | 5.31% | E.On recently completed a giant US wind farm |
| Hewlett-Packard | 31.9% | Q3 results slightly ahead of consensus estimates |
| IL&P | 259.6% | Nama may turn a €5billion profit |
| IN&M | -50.0% | Debt restructuring details announced |
| J&J | 0.43% | Q3 results inline with expectations |
| JPMorgan | 38.9% | Q3 Fixed Commodity and Currencies trading outperforms |
| Microsoft | 47.5% | Report blockbuster Q3 results |
| Vodafone | -2.09% | Competition heats up in India |

What it says in the 'Sundays'

| Company | Paper | Headline |
|---------------|-------------|---|
| UK Financials | S. Times | Lloyds seeks €25bn to exit state scheme |
| Ryanair | S. Tribune | Ryanair may freeze pay for three years |
| UK Economy | Weekend FT | Sterling tumbles as recovery hopes fade |
| Irish Economy | S. Tribune | Regulator zones in on €148bn mortgage threat |
| Irish Economy | S. Bus Post | Government plans to slash capital spend by €1 billion |

Corporate Visits

COMPANY

PRESENTATION DATE

Cove Energy

8th October



Last Weeks Moves

| Equities | Level | Change WTD | Change YTD | Div Yield |
|-----------|-------|------------|------------|-----------|
| ISEQ | 3146 | -3.7% | 34.3% | 1.6 |
| FTSE | 5243 | 1.0% | 18.2% | 3.7 |
| DAX | 5740 | 0.0% | 19.3% | 3.7 |
| DOW | 9972 | -0.2% | 13.6% | 2.8 |
| S&P 500 | 1080 | -0.8% | 19.6% | 2.3 |
| NAS | 2154 | -0.1% | 36.6% | 0.8 |
| EUROSTOXX | 2474 | 0.2% | 18.7% | 3.8 |
| NIKKEI | 10283 | 0.2% | 16.1% | 1.5 |

| Sector | Weekly move% | YTD move % |
|----------------------------|--------------|------------|
| Oil & Gas | 1.71 | 21.02 |
| Food&Bev | 0.79 | 21.44 |
| Personal & Household Goods | 0.76 | 27.11 |
| Healthcare | 0.71 | 4.52 |
| Utilities | 0.18 | -5.92 |
| Retail | -0.05 | 23.44 |
| Media | -0.18 | 10.87 |
| Telecom | -0.33 | 6.92 |
| Technology | -0.61 | 20.45 |
| Industrials | -1.02 | 30.56 |
| Travel & Leisure | -1.15 | 8.14 |
| Basic Resources | -1.27 | 73.97 |
| Chemicals | -1.39 | 26.59 |
| Financial Services | -1.61 | 29.90 |
| Construction & Materials | -2.27 | 27.07 |
| Autos | -3.48 | 19.72 |
| Banks | -3.70 | 49.48 |
| Insurance | -5.61 | 11.48 |

Commodities

| | Current | Change YTD |
|-------|---------|------------|
| Crude | 80.50 | 80.5% |
| Gold | 1055.40 | 20.0% |

Exchange Rates

| | Current | YTD Change | Year End (est) |
|---------|---------|------------|----------------|
| eur usd | 1.50 | 2.9% | 1.40 |
| eur gbp | 0.920 | -3.8% | 0.85 |
| eurjpy | 138.14 | 8.4% | 120 |

GDP Growth

| | 2008 | 2009 (est) |
|-----------|--------|------------|
| Ireland | -1.70% | -8.50% |
| Euro Zone | 1.20% | -2.00% |
| UK | 1.00% | -4.25% |
| US | 2.60% | 2.10% |

Central Bank Interest Rates

| | Current | 3 month | Year End (est) |
|-----------|---------------|---------|----------------|
| Euro Zone | 1.00% | 0.73% | 1.00% |
| UK | 0.50% | 0.59% | 0.50% |
| US | 0.00% - 0.25% | 0.28% | 0.0% - 0.25% |



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