



Equity markets gave up some of their recent gains last week as a combination of mixed economic data, political factors (G20 and the German election), foreign exchange volatility (sterling and dollar weakness) and an increase in geo-political risk (Iran) resulted in a moderation of risk appetite. In the absence of any significant corporate news, these themes are likely to be the dominant influences for equity markets in the coming week as investors await the commencement of the third quarter reporting season which starts on the 7th October when Alcoa release earnings numbers. Among the main economic releases in the coming week will be the Purchasing Management Index readings from the UK, US and Europe. These readings have been improving steadily in recent months, however as with the majority of last weeks data releases there is a risk that this improving trend may stall somewhat. Another key data point this week will be the Non-Farm Payroll number which is released on Friday. From a peak of over 700,000 monthly job losses in January this reading has steadily improved to a loss of 216,000 last month. A continuation of this trend would be positive for equity markets given the fragile state of the consumer. We expect markets to remain range bound during the coming week as investors evaluate the macro and political environment and we expect the rotation from high beta sectors into lower risk sectors such as telecoms and pharmaceuticals.

## TRADING IDEAS, EARNINGS & PREVIEWS

### IL&P

Price: €5.57  
Target: €6.90

Buy

The issuance of unguaranteed debt by AIB last week is a positive not only for AIB but for all the Irish banks. The issuance of this debt and the large amount of investor demand allows for other Irish banks to issue debt and push out the maturity profile of their liabilities for periods longer than September 2010. The issuance of debt doesn't change the fact that AIB still needs to raise ordinary equity. In the case of IPM, it doesn't need to raise equity, but it is heavily reliant on wholesale money markets to fund the banking arm. The opening of debt markets for Irish banks is positive for the bank allowing it to extend the maturity profile of its debt. IPM is still our preferred of the Irish banks and we maintain our **BUY** recommendation with a price target of **€6.90**. We maintain our current price target of €6.90 on the group based on valuing the Life Business at 0.7x Embedded Value (€4.35), the JV at BV (€0.52) and the banking business at 0.7x TNAV (€2.02) due to the funding issues it faces. With the creation of a third banking force that will include the banking arm of IPM, we have valued the new bank assuming IPM would retain a stake in the new entity of circa 45%. If valued at 1.1x TNAV, this would add €2.70 to the value of the group on top of our valuation outlined above.

### Barclays

Price: 360p  
P/E: 14x  
Div: 0.8%  
Target: 415p

Buy

The banking sector has been weak over the course of last week as equity raises by Lloyds Banking Group (LBG) and RBS have been rumoured. We remain positive on Barclays in the UK banking sector as it has raised capital in a number of ways over the last year and has an equity tier 1 of 8.8%. Unlike RBS and LBG, Barclays has avoided any Government involvements and will not have any European Commission competition decisions imposed on it. Barclays has reduced its exposure to credit markets by removing \$12.1bn of assets into a newly created asset manager called Protium. High levels of debt issuance continue and with BarCap number one in global debt underwriting, Barclays is in a strong position to benefit from this issuance. We reiterate our buy on the stock with a price target of £4.15. The bank is also expected to begin paying dividend again in Q4. Barclays will release an IMS on the 10th of November. Another beneficiary of strong debt markets is Deutsche Bank who will benefit from increased underwriting on bonds and from fair value gains on credit investments it still holds on its balance sheet. They report earnings on the 29th of October.

### Ryanair

Price: €3.44  
P/E: 17x  
Target: €3.30  
Neutral

Ryanair made some comments at its AGM last week. The low cost airline expects to carry 66m passengers this year, 1 million fewer than expected. The airline is cutting flights from London and Dublin airports over the winter months, as a result of higher charges. Ryanair reiterated its guidance for yield declines of approximately 20% in the current year. Ryanair still expects to deliver full year profits at the lower end of the €200m-€300m range. Ryanair has hedged its fuel at \$62 per barrel for the current year. Negotiations with Boeing for additional planes is going slowly. On the subject of Aer Lingus, Ryanair has ruled out the possibility of a third bid for the company. However, Ryanair would invest in Aer Lingus if required, if Aer Lingus was moving towards a lower cost model. Ryanair will continue to look at the possibility of share buybacks and an once off dividend. We retain our Neutral rating on Ryanair, and our 12 month price target of €3.30. However, strictly on a technical basis, we see the potential for profitable short term trading in Ryanair. We see €3.35 as an attractive entry point, targeting a short term move to €3.65.

### Kerry

Price: €19.65  
P/E: 12x  
Div: 1.3%  
Target: €22.50  
Buy

Aryzta Reported full year results this morning beating expectations on earnings and margins. EPS for the full year was 234.7c. Net debt for the group was lower than estimated by the market, ending the year at €659m, this was achieved by the strong cashflow generation of the group. Net cashflow from operating activities was €286.3m with working capital improvements adding €27m to Free Cashflow. On outlook, management have stated early sales trends are weaker than in the same period last year and that "consumers remain in survival mode". This follows from Starbucks' experience over the last year, with the company losing market share to lower margin competitors such as McDonalds. The company has stated consensus EPS for 2010 of 224.6c "appears reasonable". While the results were better than expected, the group is trading in line with EV/EBITDA for its sector. Our preference in the food sector is Kerry Group and we reiterate our **BUY**.

### Carnival

Price: 2174p  
P/E: 15x  
Div: 1.3%  
Target: 2425p  
Buy

Carnival PLC is a cruise and vacation company. The company has a portfolio of cruise brands and is a provider of cruises to all vacation destinations. The cruise brands of the company include Carnival Cruise Lines, Princess Cruises, Costa Cruises, Holland America Line, P&O Cruises and Cunard Line. The company recently reported third quarter earnings of \$1.33 well ahead of market expectations of \$1.18. The company also raised its full-year earnings guidance to between \$2.16 and \$2.20 from its previous range of \$2.00 to \$2.10, and significantly above market estimates of \$2.07. The key drivers for this earnings growth has been the lower cost of fuel from a year previously and a competitive yet profitable pricing policy which has resulted in a 20% year-on-year increase in booking volumes for the remainder of 2009 and the first half of 2010. While capacity within the sector is expected to increase over the coming year, the industry has reflected this in its current pricing strategy which has resulted in almost 100% occupancy despite the slower consumer back-drop. The stock trades on an EV/EBITDA of 6 times compared to its main competitor, Royal Caribbean at 7.8x. The stock currently trades on a 2010 P/E of just over 15x earnings compared to historic multiples of 17 times. Even applying a 5% discount to reflect the slower consumer environment we derive a price target of 2425p.

### Abbott

Price: \$47.33  
P/E: 14x  
Div: 3.4%  
Target: \$55.00  
Buy

This morning Abbott Laboratories has announced that it will acquire Solvay's Pharmaceuticals Business. The news does not come as a surprise, as it had been reported by various press sources last week. In recent years Abbott Laboratories had been focusing on expansion into the healthcare industry, as opposed to the Pharmaceutical industry. However, this deal does make sense to Abbott from a strategic perspective. The acquisition will reduce Abbott's over-reliance on its Humira drug, which is expected to account for over 15% of sales in the current year. Abbott and Solvay have an existing partnership in place, with Abbott's royalty payments to Solvay making up a significant proportion of Solvay's pharmaceutical earnings. The deal involves a consideration of €4.5bn in cash and further payments of up to €300m relating to various sales goals, out to 2013. Abbott will fund the transaction from cash. The deal is scheduled to close in the first quarter of 2010, and thus will not impact the current year financial results. Abbott expects the deal to add \$0.10 to earnings in 2010, and \$0.20 by 2012. We see the deal as positive for Abbott, and reiterate our buy. We continue to view the Pharmaceutical sector favourably, and expect to see the recent outperformance continue.

## Commodities Update

**Crude Oil:** After breaking its long term uptrend, we now expect crude oil to retrace back to \$61.38 support over the short term  
**Natural Gas:** The recent rally in Natural Gas is fast approaching resistance at \$4.162. Until this level is broken on the upside the current long term downtrend remains intact.  
**Gold:** We see any pullback to \$876 as an opportunity to buy into short term weakness and maintain our longer term upside target of \$1095.  
**Silver:** Long term upward channel continues, however with price rejecting channel resistance at \$17.69 we expect a correction back to channel support at \$14.15.

## Earnings Week Ahead

**Mon:** Aryzta (Final), Wolseley (Prelim), McInerney Holdings(EGM).  
**Tues:** Compass Grp(Trade), Daily Mail (Trade), Enterprise Inns(Trade), AG Barr(Int), Barratt Dev(Prelim), Close Bros(Prelim), France Telecom(S'holders), Walgreen (Q4), Nike(Q1).  
**Wed:** ESI Grp(Q2), Mulberry Grp(Int), Sibir Energy(Int), Man Grp(Trade), M&S (Q2), Smiths Grp(Prelim), Misy's (AGM).  
**Thurs:** Dominos Pizza(Trade), Constellation Brands(Q2).  
**Fri:** Helphire Grp(Prelim), Hammerson(Interim).

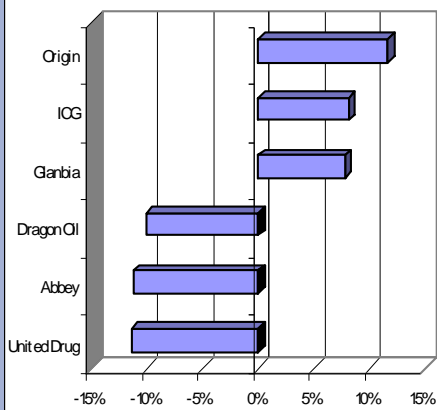
## Economic Week Ahead

**Mon:** Hometrack Hse Survey(00:01), Gfk Consumer Confid(07:10), Ger CPI, Chicago Fed(13:30), Dallas Fed (15:30).  
**Tues:** UK GDP, Consumer Credit, M4 Money(09:30), EU Cons.Confid(10:00), S&P Case Schiller(14:00), US Cons.Confid(15:00).  
**Wed:** UK Gfk Cons.Confid(00:01), Ger Retail Sales, Ger Unemployment(08:05), EU CPI(10:00), ADP Employment(13:15), US GDP(13:30), Chicago PMI(14:45).  
**Thurs:** Ger PMI Manuf(08:55), UK PMI Manuf(09:30), EU Unemployment(10:00), US Jobless Claims(13:30), US ISM Manuf& Pending Home Sales(15:00).  
**Fri:** UK PMI Constr(09:30), EU PPI(10:00), US Non-Farm Payrolls(13:30).

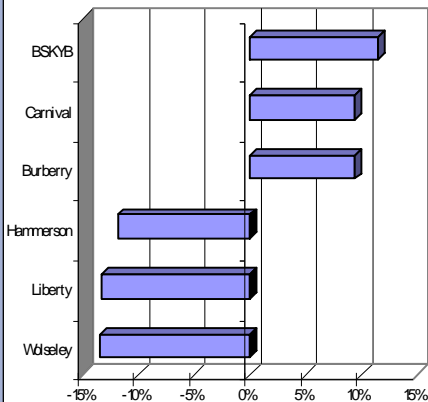
# DOLMEN STOCKBROKERS Traders Update

## Last Weeks Best/Worst Performers

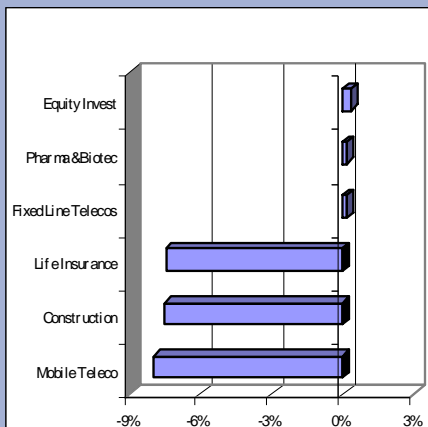
### ISEQ



### FTSE



### Sector changes WTD



## Dolmen Dozen

### WEEKLY UPDATE



Company	YTD	Relevant news
Aryzta	18.2%	Results ahead of market consensus estimates.
BP	4.3%	BP recently discovered a "giant" oil discovery in the Gulf of Mexico
CRH	14.8%	Recent interim results were in line with expectations
DCC	63.6%	We remain positive on the group after meeting with management
E.ON	1.6%	E.On recently completed a giant US wind farm
Hewlett-Packard	29.6%	Q3 results slightly ahead of consensus estimates
IL&P	247%	We increase our price target to €6.90
IN&M	-33.3%	Reports of potential strategic investors
J&J	1.3%	J&J and Elan announce restructured deal
JPMorgan	38.4%	Deutsche Bank initiated coverage with buy rating.
Microsoft	31.4%	Intel CEO makes positive comments on Windows 7
Vodafone	0.86%	Merrill lynch increase price target to 160p

## What it says in the 'Sundays'

Company	Paper	Headline
IN&M	S. Times	O'Brien may call in lawyers in battle with O'Reillys
Irish Financials	S. Tribune	Interbank lending shows tentative signs of recovery
Irish Economy	S. Tribune	Irish bond prices return to pre-guarantee levels
Irish Economy	S. Bus Post	Poll shows Yes side on course for Lisbon win
IN&M	S. Bus Post	INM board to block O'Brien move

## Corporate Visits

### COMPANY

### PRESENTATION DATE

Irish Life & Permanent	1st September
McInerney	2nd September



## Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield
ISEQ	3310	-4.2%	41.3%	1.7
FTSE	5082	-1.8%	14.6%	3.8
DAX	5581	-2.1%	16.0%	3.7
DOW	9665	-1.6%	10.1%	2.9
S&P 500	1044	-2.2%	15.7%	2.4
NAS	2091	-2.0%	32.6%	0.9
EUROSTOXX	2421	-2.2%	16.2%	3.8
NIKKEI	10266	-1.0%	15.9%	1.8

Sector	Weekly move%	YTD move %
Utilities	0.66	-2.41
Healthcare	0.03	3.51
Personal & Household Goods	-0.26	21.90
Oil & Gas	-0.61	12.67
Travel & Leisure	-0.67	10.40
Industrials	-0.76	27.40
Retail	-0.77	20.99
Food&Bev	-0.80	14.15
Banks	-0.92	52.06
Telecom	-0.97	5.52
Insurance	-0.99	11.75
Construction & Materials	-0.99	25.87
Autos	-1.03	12.05
Chemicals	-1.05	19.34
Media	-1.11	9.84
Financial Services	-1.14	24.34
Technology	-1.23	23.00
Basic Resources	-2.03	56.49

## Commodities

	Current	Change YTD
Crude	66.02	48.0%
Gold	991.00	12.7%

## Exchange Rates

	Current	YTD Change	Year End (est)
eur usd	1.469	0.7%	1.40
eur gbp	0.921	-3.7%	0.85
eurjpy	131.68	3.4%	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%	0.74%	1.00%
UK	0.50%	0.55%	0.50%
US	0.00% - 0.25%	0.28%	0.0% - 0.25%



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