



We expect equity markets to recover this week as the concerns around the potential collapse in Dubai World dissipate. We recommend clients using any weakness seen last week as a buying opportunity in the sectors that we remain overweight including; Technology, Commodities, Telecoms and Pharma. We do however have concerns around financials following continued negative sentiment towards the sector and the potential for further capital raisings as warned by S&P. We expect the negative sentiment in financials to also spill over to property companies with the potential for less credit availability. We anticipate the dollar to resume its downward trend as the demand for riskier asset classes resumes. As a result of our expectation for further dollar weakness we see commodities moving higher, with our highest conviction on the week in oil. We do see some risk of weaker economic data particularly in the US with potential negative surprises on manufacturing on unemployment. However, this will likely fuel further the argument for lower interest rates for longer and therefore supportive of equity markets.

## TRADING IDEAS, EARNINGS & PREVIEWS

### Microsoft

**Price:** €29.22  
**P/E:** 16x  
**Div:** 1.7%  
**Target:** \$34  
**Buy**

Last week's weakness in Microsoft should be seen as a strong buying opportunity. We believe the outlook for Microsoft remains positive with an impressive line up of products including the recent release of Windows 7. Comments from Microsoft's CEO Steve Ballmer indicated that the new operating system is selling faster than the release of any of Microsoft's previous packages. While top line revenue growth from Microsoft will be possible next year due to its new product line up, profit is also being improved by the continued cost savings activities. This is something that Microsoft has not been renowned for and it has often criticised for having such a high cost base. However the market has taken very well the company's ongoing cost-containment. Another positive for Microsoft is in relation to its balance sheet. The group has c. \$30bn of net cash and has indicated that it will now step up its share buyback programme which should provide further support for the company's share price : Optimal entry level \$29.00 : Next catalyst : Second quarter results 28<sup>th</sup> January.

### BHP Billiton

**Price:** 1864p  
**P/E:** 16x  
**Div:** 2.8%  
**Target:** 2070p  
**Buy**

BHP Billiton is now our preferred play in the mining sector and we expect it to outperform Rio Tinto over the coming weeks. Recent sector news-flow has been dominated by speculation that BHP Billiton will resurrect its bid for Rio Tinto but we don't see this a realistic possibility. We feel that Rio shareholders will be unlikely to accept a deal which management already advised against at a time when the company was in a much more precarious position. Furthermore, we believe that the majority of the synergies between the companies already lie in the proposed iron ore venture in Western Australia and an all out bid by Billiton would capture limited upside. Our view is that the BHP Billiton is more likely to perform a share buyback in late 2010 or 2011 adding further weight to our argument that BHP will outperform Rio in the short term.

### Tullow Oil

**Price:** 1243p  
**P/E:** N/A  
**Div:** 0.5%  
**Target:** 1300p  
**Buy**

One of our conviction calls on the week is to be long Tullow Oil. The company's share price retreated last week on news that Eni will acquire Heritage Oil's Ugandan assets however we believe that this temporary weakness has presented investors with a good opportunity to get long. We do acknowledge the developments with Heritage are a blow to Tullow Oil's sale of its Ugandan assets but we believe that there is still sufficient interest in the assets and that recent developments in Dubai will make African oil sources more attractive. Finally, Tullow Oil has the ideal catalyst this week with the oil & gas producer expected to release a drilling update one of its Ghanaian assets. We are positive on the prospects for this update considering the company recent drilling success rate.

### CRH

**Price:** €17.10  
**P/E:** 15x  
**Div:** 3.5%  
**Target:** €19  
**Buy**

Shares in CRH retreated to our optimal entry level of €16.50 on Friday. We have been cautious on CRH over the last number of months as we believe that the market will award the company a lower earnings multiple as the recovery in its two main markets remains under pressure. However, given their recent retracement, we believe that CRH shares are beginning to look attractive on a valuation basis. We expect a flat revenue outcome for CRH next year and if revenue were to fall due to increased negativity surrounding events in Dubai, we believe the company would increase its costs savings targets even further and therefore holding profitability steady. Shares in CRH pay a well covered dividend yield of c. 4%. Optimal entry level : €16.50 Next catalyst : Full year trading statement on January 5<sup>th</sup>

### Aviva

**Price:** 380p  
**P/E:** 6.5x  
**Div:** 6%  
**Target:** 520p  
**Buy**

Concerns over Dubai have also impacted on the banking sector with worries over profitability for the sector in 2010. Credit spreads have widened over the last number of weeks and this move was heightened by the Dubai story. Wider credit spreads will impact on the Investment Banking sector, reversing some of the gains made on tighter spreads in the last number of months, impacting profitability. With no catalysts for Barclays on the horizon, a move from investment banking into the insurance sector is our recommendation. Insurers such as Aviva and Prudential have improved capital bases significantly since the start of the year. Aviva has restored its capital position over the course of this year through sales of assets and selective writing of business. An alternative play, but with a smaller dividend is Prudential, which has significant exposure to the main growth economies in Asia. Both trade at discounts to EV and the dividends are well cover in each.

## Commodity Update

Our view on commodities remains positive despite the recent concerns over Dubai. Investor demand for precious metals in particular continues to remain strong with holdings in gold exchange traded funds reaching new all time highs last week. Furthermore central banks have shown a continued desire to diversify their reserves as rumours emerged last week that India would try to purchase the remainder of the IMF's gold. This follows their 200 tonne purchase at the start of the month and underlines central banks move away from the US dollar. Production metals also continue to test their highs and comments on China by mining companies continue to be positive. Oil prices also dropped off in the middle of the week but rallied again on Friday as American markets bought the dip following the Thanksgiving Holiday. In conclusion, we don't believe that Dubai story affects the long term fundamentals of commodities and that still we see any weakness as a buying opportunity.

## Earnings Week Ahead

## Economic Week Ahead

**Mon:** Arysza(Q1), Aberdeen AM(Prelim), St Ives(AGM), Inergy Hldgs(Q4),Alloy(Q3).

**Tues:** Laurent Perrier(Q2), OMG(Prelim), Tui Travel(Q4), Staples (Q3).

**Wed:** Sage Grp (Prelim), France Telecom & Compaigne de St.Gobain (S'holders).

**Thurs:** Siemens (Final), Shaftesbury(Prelim), BA (Traffic), Kingfisher(Trade), Ashtead Grp(Q2), Volkswagan(EGM), Novell (Q4).

**Fri:** Bellway (Trade), Berkeley Grp(Int.), Assoc. British Foods (AGM), Big Lots(Q3).

**Mon:** UK GfK Cons Confid(00:01), UK Net Consumer Credit & M4 Money (09:30), EU CPI Estimate(10:00), Chicago PMI(14:45), Dallas Fed Manuf(15:30).

**Tues:** N'wide Hse Prices(07:00), Ger Retail Sales & Unemployment (08:55), EU & Ger PMI Manuf(09:00), UK PMI Manuf(09:30), US ISM Manuf(15:00), US Pending Home Sales & Construction Spending(15:00).

**Wed:** UK PMI Constr.(09:30), EU PPI(10:00), US MBA M'gage Apps(12:00), US ADP Employment(12:30), Fed's Beige Book(19:00).

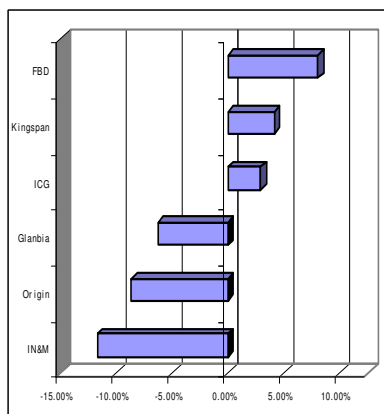
**Thurs:** Ger, EU & UK PMI Services (09:00/09:30), EU Retail Sales & GDP(10:00), ECB Announce Rates(12:45), US Jobless Claims(13:30), ISM Non-Manu (15:00)

**Fri:** US Non-Farm Payrolls & Unemployment Rate(13:30), US Factory Orders (15:00).

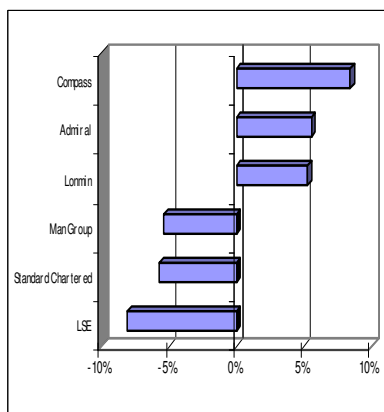
# DOLMEN STOCKBROKERS Traders Update

## Last Weeks Best/ Worst Performers

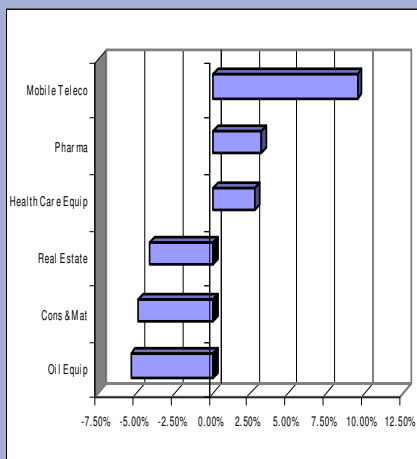
### ISEQ



### FTSE



### Sector changes WTD



## Dolmen Dozen

### WEEKLY UPDATE



Company	YTD	Relevant news
Aryzta	9.57%	UBS raises Aryzta price target by 8%
BP	10.4%	BP-TNK Joint Venture announces Russian Chief Executive
CRH	4.05%	Q4 EBITDA expected to be weaker than Q3
DCC	74.27%	Positive gaming read-through from Microsoft results
E.ON	-7.35%	HSBC raises the stock to overweight from underweight
Hewlett-Packard	35.2%	Q3 results slightly ahead of consensus estimates
IL&P	114.7%	Increases impaired loans provisions
IN&M	-60.7%	Bondholders accept restructuring
J&J	3.06%	Q3 results inline with expectations
JPMorgan	31.1%	Finalises approach for Cazenove
Microsoft	50.31%	Report blockbuster Q3 results
Vodafone	-1.22%	Q3 results show solid revenues

## What it says in the 'Sundays'

Company	Paper	Headline
M&A Activity	FT Weekend	Cadbury warms to Hershey tie-up
AIB	S. Independent	New AIB boss backed secret tax haven plan
IN&M	S. Business Post	O'Brien to sink €13m more into INM shares
AIB	S. Tribune	Colm Doherty starts to reshape AIB's direction
Geopolitical Events	S. Times	Abu Dhabi rides in to save Dubai

## Corporate Visits

### COMPANY

### PRESENTATION DATE

ICG 1st of December



## Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield
ISEQ	2,846	-1.1%	21.5%	1.8
FTSE	5,246	-0.1%	18.3%	3.6
DAX	5,686	0.4%	18.2%	3.7
DOW	10,310	-0.1%	17.5%	2.7
S&P	1,091	0.0%	20.9%	2.2
NASDAQ	2,138	-0.4%	35.6%	0.9
EUROSTOXX	2,465	-0.1%	18.3%	3.7
NIKKEI	9082	-4.4%	2.5%	1.7

Sector	Weekly move%	YTD move %
Basic Resources	-0.23	82.65
Banks	-0.31	44.35
Chemicals	-0.59	33.70
Retail	-0.53	30.18
Industrials	-0.56	29.05
Personal & Household Goods	-0.08	26.89
Construction & Materials	-0.78	25.21
Financial Services	-0.91	24.39
Food&Bev	-0.69	22.35
Oil & Gas	-1.09	16.82
Technology	-1.07	13.95
Autos	-0.22	13.34
Media	-0.61	8.93
Insurance	-1.05	7.97
Telecom	-0.53	7.77
Travel & Leisure	-0.36	7.35
Healthcare	-0.63	6.55
Utilities	-1.10	-6.16

## Commodities

	Current	Change YTD
Crude	76.05	70.5%
Gold	1178	33.9%

## Exchange Rates

	Current	YTD Change	Year End (est)
eur usd	1.499	2.7%	1.55
eur gbp	0.908	-5.0%	0.85
eurjpy	129.63	1.7%	132.00

## 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%	0.72%	1.00%
UK	0.50%	0.61%	0.50%
US	0.00% - 0.25%	0.26%	0.0% - 0.25%



## Regulatory Information

Dolmen Securities Limited is regulated by the Financial Regulator. Dolmen Securities Limited is a member firm of the London Stock Exchange. Dolmen Stockbrokers is regulated by the Financial Regulator. Dolmen Stockbrokers Limited is a member firm of the Irish Stock Exchange and the London Stock Exchange.

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes in order to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor.

Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgment as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuer(s) in advance of publication.

Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. The income you get from your investment may go down as well as up. Figures quoted are estimates only, they are not a reliable guide to the future performance of this investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

This report is the property of Dolmen and may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

## Conflicts of Interest & Share Ownership Policy

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments / derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in the companies they publish research, views and recommendations on. Accordingly analysts involved in the production of this report may have positions in any securities herein. Dolmen ensures that all staff dealing is undertaken in strict compliance with Dolmen's internal staff dealing procedures. Therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

## Analyst Certification

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Oliver Gilvarry, Stephen Taylor and Edward Keeling are responsible for the production of this report. Oliver Gilvarry is Head of Research and Stephen Taylor and Edward Keeling are equity analysts.

## For US Persons Only

This report is only provided in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.

Dolmen Stockbrokers, 75 St. Stephen's Green, Dublin 2, Ireland.



## DOLMEN SECURITIES LTD

75 St. Stephen's Green, Dublin 2, Ireland.  
45 South Mall, Cork, Ireland  
Theatre Court, Mallow St, Limerick, Ireland.

Tel : +353 1 633 3800/1890 400 300  
Tel : +353 21 422 2122  
Tel : +353 61 436 500

E-mail: info@dsl.ie  
E-mail: cork@dsl.ie  
E-mail: Limerick@dsl.ie