



Historically October has been a month that has created the greatest unease amongst investors as it is the month most associated with significant market corrections e.g. 1929, 1987. Certainly the volatility evident in the month just past reflected the deep unease among investors as economic data releases such as a record low US Consumer Confidence increased the level of concern about the outlook for global growth. If investors are concerned, they are not on their own as the move by the Fed to cut interest rates by 50 basis points to 1% demonstrated. The accompanying statement supported these concerns with comments focusing on further downside risks to growth and highlighting the collateral damage the credit crunch has inflicted on the global economy. We are now entering a period of low growth, rising unemployment and a tougher earnings environment which will see both the ECB and the Bank of England this week commence a process of aggressive monetary easing. In this environment Big will most definitely be Beautiful and will provide investors with a buffer against the economic headwinds that lie ahead. The more defensive, but to some investors boring sectors such as utilities, pharmaceuticals and consumer staples have year-to-date outperformed the broader market by 14%. These sectors contain some of the biggest companies in the world and support our investment thesis outlined in this publication last week. In light of the challenges that still face markets we see no reason at this stage to deviate from this view.

## SECTOR AND STOCK PREFERENCES

	PRICE	P/E	YIELD
<b>UTILITIES</b>			
E.On	€28.68	8.14	6.31%
<b>PHARMACEUTICAL</b>			
GSK	1172p	11.00	5.01%
<b>TELECOMS</b>			
Vodafone	116p	8.21	7.41%
<b>CONSUMER STAPLES</b>			
Aryzta	€27.20	10.22	1.43%
Diageo	929p	12.48	4.08%
<b>TECHNOLOGY</b>			
Microsoft	\$22.63	11.09	2.03%
<b>OIL &amp; GAS</b>			
BP	489p	6.26	7.31%

## US Presidential Election

4/11/2008

By Thursday the next President of the United States will be known. Compared to other years the market has ignored the effect of the election of either candidate on the economy and on markets. Neither candidate has been especially strong on economics, but Obama seemed slightly more comfortable in speaking on the current crisis and this was due to his heavy hitting economic advisors, including Volker and Larry Summers. The fiscal position the winner will inherit will be very different to Bush in 2000 with a budget deficit above \$1Tr next year and a debt to GDP moving towards 100% by 2010.

The impact of an Obama win will be for lower spending on defence as he withdraws America from Iraq with increased taxes on the wealthy and more focus on healthcare spending and other social projects. His plans will be paid by higher taxes on the wealthy, higher employment taxes and the possibility of windfall taxes on oil companies

McCain's economic policies focus on continued low taxes and shoring up equity markets by reducing capital gains taxes. His plans will lead to continuing deficits plus troops will remain longer in Iraq under McCain putting further pressure on the country's finances.

Both sides' plans are vague and in reality their ability to implement what they want will be dependent on the composition of Congress with the possibility the Democrats having a majority in both houses allowing a Democrat president to implement his plans easier than a Republican. We believe Obama will be the winner of the US election and implementation of his economic plans will be made easier due to the Democrats controlling both Houses.

## €/ \$ View

€/ \$ has weakened substantially since its all time high in July of 1.6035 to 1.2701 last Friday. The decline can be attributed to the significant fall off in economic activity in Europe over the last number of months along with the \$ being seen as a safe haven in the current environment as investors increase their positions in US treasuries. What should also put €/ \$ under pressure is expectations for further aggressive interest rate cuts to take place from the ECB with the market expecting that the central bank will lower interest rates by 0.50% to 3.25% next Thursday. While we do not discount the possibility of a technical rebound to the 1.35 level we believe that the \$ will continue to strengthen over the next 12 months.

## BHP Billiton

Price: £10.65  
P/E: 6.2x  
Div: 3.6%  
Target: £12.00

Neutral

**Fundamental View:** Following on from our last call on the mining sector, forecasts for global economic growth have worsened noticeably. In addition, industrial commodities have sold off aggressively, in some cases, halving. This has led us to re-evaluate our view on the mining sector. We are still long term bullish on commodity prices, however we are less optimistic on the nearer term outlook. Within the sector, BHP remains our preferred pick, with strong diversification, geographically and products base.

**Next Catalyst:** Moves in the mining sector are likely to continue to be dominated by commodity prices and sentiment, which we see as being negative, at least for the next 12 months. As a result we are downgrading BHP to Neutral, and reducing our price target to £12. For investors seeking exposures to basic resources, we recommend BP, as we believe the fundamentals of the oil & gas industry will offer better value through the course of the current cycle.

## Ryanair

Price: €2.80  
P/E: 13x  
Div: 0%  
Target: €2.90

Neutral

**Fundamental View:** This morning Ryanair reported 2Q results that were broadly in line with market expectations. Profit after tax decreased by 47% to €214m, compared to €407 in the half year ended September 30 2007, primarily due to a 101% increase in fuel costs. Total operating revenues increased by 16% to €1,810m slower than the 19% growth in passenger volumes, while perhaps of most concern were average fares, which declined by 1%, worse than market consensus for a 2% increase. Ex fuel cost management remains impressive, with ex fuel unit costs down 6% for the quarter, while ancillary spend per passenger was up 8.5%. Management reiterated its guidance for a full year breakeven result, indicating the recent benefit from the decline in the price of oil will be offset by the by a 15% - 20% decline in H2 average fares.

**Next Catalyst:** While we still believe Ryanair will emerge stronger from the current downturn, as it aggressively sacrifices passenger yields for long term market share, we believe on valuation terms, the stock lacks any medium near term catalyst. Assuming an oil price of \$80 for the full year 2009 and a further 5% decline in average fares over the next financial year, generates a full year 09 eps of 22c. Applying the appropriate earnings multiple, generates a price target of €2.90 and leads us to retain our hold recommendation.

## Earnings Week Ahead

**Mon:** Ryanair (Q2), Fortis (Q3), Mastercard (Q3), Goodyear (Q3), GM (Oct Sales).

**Tues:** Marks&Spencer (Interim), Assoc. British Foods (Prelim), Punch Taverns (Prelim), BG Group (Q3), BMW (Q3), Adecco (Q3), Thomas Grp. (Q3).

**Wed:** AIB (IMS), Next (IMS), FirstGroup (Q1), Hiedelberg Cement (Q3), Total (Q3), Wincor Nixdorf (Q4), Baader Bank (Q3), Commerzbank (Q3), BNP Paribas (Q3), Carlsberg (Q3), Ralph Lauren (Q2), Time Warner (Q3), Ambac (Q3), Hertz (Q3).

**Thurs:** Smith&Nephew (Q3), Man Group (Interim), BTG (Interim), 3I Grp (Interim), Italcementi (Q3), Deutsche Telekom (Q3), Soc.Gen. (Q3), Adidas (Q3), Aheuser-Busch (Q3), Walt Disney (Q4), Abercrombie&Fitch (Sales), JC (Sales).

**Fri:** Telecom Italia (Q3), Lafarge (Q3), PUMA (Q3), Ford (Q3), British Airways (Q2), Rentokil (Q3 Sales), SAS (Traffic), Allianz (Q3).

## Economic Week Ahead

**Mon:** UK PMI Manufac.(09:30), EU PMI Manufac.(09:00), EU Growth Fcast(10:45) US ISM Manufacturing (15:00), King&Darling testify to Treasury Committee.

**Tues:** UK PMI Construction (09:30), EU PPI (10:00), US Factory Orders (15:00), ABC Consumer Confidence (22:00), IRL Exchequer Bal. (16:30).

**Wed:** UK Industrial Prod. (09:30), UK Manuf. Prod.(09:30), EU PMI Services(09:00) UK PMI Services (09:30), EU Retail Sales (10:00), IRL Live Register(11:00), ADP Employment 13:15, ISM Non-Manuf.(15:00), MBA Mortgage App.(12:00)

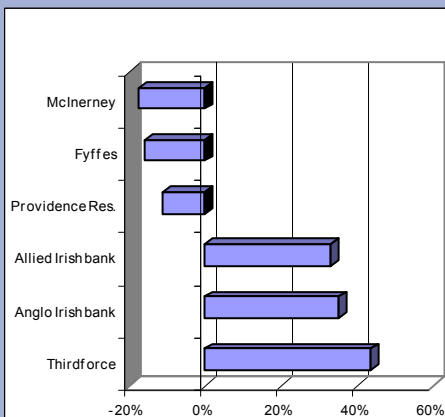
**Thurs:** Ger. Factory Ord(11:00), BoE Rate Decision (12:00), ECB Rate Decision(12:45) US Nonfarm Productivity (13:30), US Initial Jobless Claims (13:30).

**Fri:** Ger. Industrial Production (07:00), Ger. Current Account (07:00), US Nonfarm Payrolls (13:30), Unemployment Rate (13:30), US Pending Home Sales (15:00), US Consumer Credit (20:00).

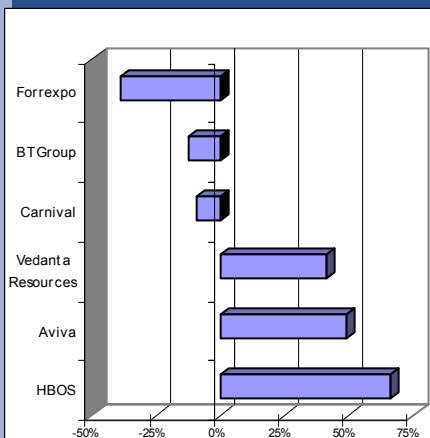
# DOLMEN STOCKBROKERS Traders Update

## Last Weeks Best/ Worst Performers 27/10/08-31/10/08

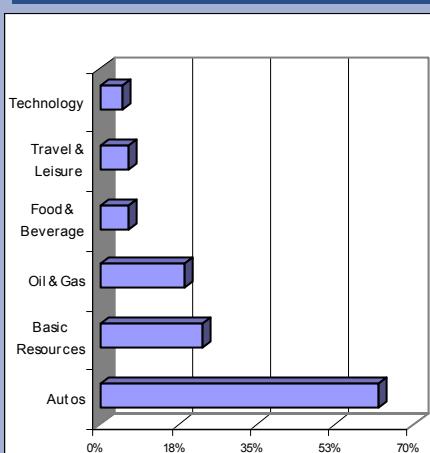
### ISEQ



### FTSE



### Sector changes WTD



## Dolmen Dozen WEEKLY UPDATE

Company	WTD	YTD	Relevant news
AIB	33.2%	-73.1%	Ahead of the group's Interim Management Statement on Wednesday
Aviva	48.8%	-45.3%	Aviva confident of no need to raise extra capital.
BP	15.3%	-17.5%	BP recently reported consensus beating 3Q results
IN&M	20.8%	-73.0%	Has received offers for its 39.1% APN stake
E.ON	9.0%	-38.9%	E.ON's CFO does not expect credit crunch to effect its debt refinancing plans.
CRH	12.8%	-30.4%	CRH is due to issue a trading update 11th November
Hewlett Packard	18.4%	-23.9%	HP to strengthen presence in China with new PC manufacturing plant.
Aryzta	14.6%	-3.4%	La Brea's sales are now more than double the level which existed at the time of the IAWS purchase.
IL&P	25.3%	-77.1%	IL&P confirms exposure to Icelandic bank debt
Microsoft	2.3%	-36.9%	Microsoft recently reported Q1 results ahead of market forecasts.
Paddy Power	23.0%	-40.7%	Peer William Hill says it's trading in line with expectations.
Vodafone	15.1%	-36.6%	Verizon reported consensus beating results last week.

### What it says in the 'Sundays'

Company	Paper	Headline
IN&M	S.Times	INM to axe staff and cut costs as APN sale looks likely
Tesco	S.Times	Tesco suppliers fight rearguard action in price war
Irish Banks	S.Tribune	Irish banks may be forced to recapitalise within two weeks
Interest Rates	S.Tribune	Mortgage interest rates predicted to fall as low as 2%
Irish Banks	S.Independent	Banks now in a scary state

### Corporate Visits

COMPANY	PRESENTATION DATE
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## Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E08
ISEQ	3029	11.4%	-56.3%	6.7%	6.1
FTSE 100	4377	7.7%	-32.2%	5.7%	7.9
DAX	4988	4.3%	-38.2%	4.9%	10.4
Dow Jones	9325	5.3%	-29.7%	3.5%	11.0
S&P 500	969	2.9%	-34.0%	3.1%	21.3
Nasdaq	1721	0.6%	-35.1%	1.2%	29.0
EuroStoxx 50	2331	2.9%	-36.75%	5.5%	9.0
Nikkei 225	8577	-1.3%	-44.0%	2.6%	11.5

Sector	Weekly move%	YTD move %
Autos	62.34	-21.92
Basic Resources	23.08	-52.77
Oil & Gas	18.9	-31.08
Construction & Materials	14.28	-47.03
Financial Services	12.36	-45.62
Industrials	12.08	-46.46
Retail	11.06	-38.06
Chemicals	10.53	-36.08
Banks	9.59	-52.81
Utilities	8.98	-33.86
Insurance	8.95	-47.94
Healthcare	8.52	-8.49
Personal & Household Goods	8.45	-35.01
Media	7.75	-39.13
Telecom	7.63	-36.87
Food&Bev	6.40	-22.97
Travel & Leisure	6.24	-43.97
Technology	5.23	-44.26

## Commodities

	Current	Change YTD
Crude Oil	\$67.81	-29.2%
Gold spot	\$721.80	-13.4%

## Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.273	-12.8%	1.25-1.35
EUR-GBP	0.788	7.2%	0.74-0.78
EUR-JPY	125.01	-23.3%	130.00

## GDP Growth

	2007	2008 (est)
Ireland	5.00%	-0.50%
Euro Zone	2.50%	1.50%
UK	3.10%	1.00%

## Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	3.75%	4.76%	3.25%
UK	4.50%	5.84%	4.00%
US	1.50%	3.03%	1.00%

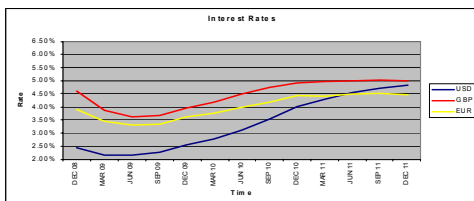
## Credit Market Summary

Last week was relatively quiet, but by no means uneventful. We have seen the usual round of state interventions, including Germany, Korea and Portugal. Last week also saw some notable issuance, from financials and non-financials alike. Companies tapping credit markets included IBM, MGM Mirage, BOS and EDP, that were willing or forced to pay elevated spreads to get their debt away. One of the most effective state measures seen so far in the crisis has been the US commercial paper programme, which has bought about \$150bn of paper in an effort to relieve the pressures on the real economy. Last week, the Fed cut by 0.5%, and this week, the ECB and BOE will have their rate meetings.

## Credit Sector Movements

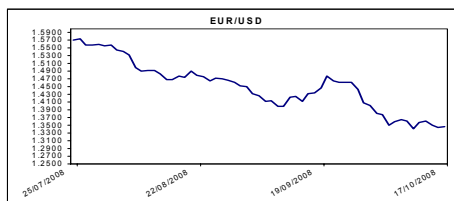
**Banking sector**-Retailers saw some of the most significant tightening last week, led by the more cyclical amongst them. Marks and Spencer tightened by over 100bps to 313bps, while DSG tightened 68bps to 665bps. Meanwhile, low cost retailer Tesco, stayed flat at 115bps. This week the sector will be in focus with results from Tesco, Marks & Spencer and Associated British Foods.

## Interest Rate Outlook

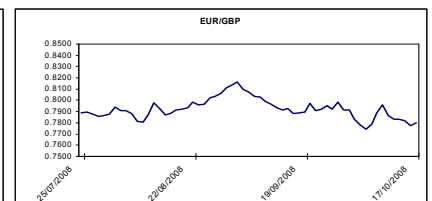


Last week, the US Federal Reserve lowered its base interest rate by a further 0.50% to 1.00% and pointed out that 'downside risks to growth remain' an indication that further interest rate cuts are possible. The market currently expects the Fed to lower interest rates by a further 0.50% at its next meeting on December 16th. Focus this week shifts to Europe with both the ECB and Bank of England expected to reduce interest rates by 0.50% apiece to 3.25% and 4.00%, respectively, when both central banks meet on Thursday.

## Currency Comment



The \$ weakened slightly against the € last week as the US Federal Reserve lowered interest rates by a further 0.50% to 1.0% and indicated that it may lower interest rates further. This week sees a raft of data out of both the US and Euro-Zone with focus pointed towards the end of the week. On Thursday, the € may see some pressure following the ECB's expected rate cut, while any worse than expected employment figures out of the US on Friday could see that trend reversed.



Sterling strengthened against € last week as the bank bailout plan recently announced by the UK provided support for the currency. The currency pair is likely to trade range bound for the course of the week ahead of interest rate decisions.



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