



Equity markets came under pressure last week as the economic data releases disappointed and raised questions over the sustainability of the economic recovery. While the Non-Farm Payroll data was a notable miss, it was the weaker readings in the Chicago PMI and Institute of Supply Management (ISM) Manufacturing Survey which weighed heavily on markets. This is particularly relevant for the week ahead which sees the release of the Services ISM reading and the commencement of the crucial third quarter reporting season. The services sector of the US represents almost 80% of US economic activity so any sign of weakness in this number will add further pressure to equity markets in the short-term. One note of caution regarding this reading is that the Government jobs component of last Friday's payroll data was weaker than expected. Also of significance for equity markets this week and in the weeks to come will be the commencement of the third quarter reporting season. Alcoa get the show on the road on Wednesday and while the results themselves will be of importance for markets, the outlook statements will be of even greater significance. While outlook statements are always watched closely by markets, this quarter's releases will be watched particularly closely. It will be very important for markets that CEO's provide positive outlook statements which can support the expectations for the future earnings if markets are to resume their upward trend after last week's period of weakness.

TRADING IDEAS, EARNINGS & PREVIEWS

GSK

Price: 1218p
P/E: 10x
Div: 4.8%
Target: 1250p

Buy

The pharmaceutical sector is one that features prominently in our current sector calls, ticking all the boxes for our key investment criteria. GlaxoSmithKline (GSK) remains one of our core stock calls given its strong balance sheet, earnings visibility, well covered dividend as well as possessing the potential to participate in value enhancing M&A activity. Recent deals within the sector such as Abbot Labs. acquisition of Solvay highlight the fact that the cash generative pharma sector is one of the few that retains the capacity for such deals. Sentiment towards the sector has now turned decidedly positive as concerns about tighter regulatory standards, US healthcare reform, generic competition and product pipeline have all eased. GSK has moved impressively to counteract the threat of generic competition by acquiring a 16% stake in Africa's biggest generic drug maker Aspen Pharmacare and is also in talks to acquire a 5% stake in Indian drugmaker Dr. Reddy's. These deals are consistent with the company's stated strategy of counteracting the threat of generic competition by closer alliances with generic manufacturers, growth by smaller strategic alliances and gaining exposure to the emerging markets where drug sales are expected to grow at mid-teens percentage through 2013 compared to low single-digits for mature markets. In conjunction with these deals the company is also benefitting from continued demand for Tamiflu as the Swine Flu virus continues to spread. On a valuation basis the stock trades at 11.2x 2009 earnings falling to 10.5x in 2010, a 10% discount to the European pharma sector. With a well covered dividend yield of 5%, we reiterate our preference for the stock.

GE

Price: \$15.36
P/E: 15x
Div: 2.6%
Target: \$18.00

Buy

Shares in General Electric (GE) declined by 5% last week in line with a weak equity market. The shares are still 13% higher since we added the company to our US recovery stocks list. We believe that the recent weakness in the group's share price has provided with an attractive entry level. Like all of the US blue chip companies that we like, GE benefits from geographical and operational diversity. The group has operations throughout the world in Technology Infrastructure, Energy, Consumer & Industrial in addition to its Capital Finance Division. Geographically the company has a major presence in the US, Europe, Pacific, the Americas in addition to the Middle East and Africa. The company is highly cash generative with about \$7.1bn in free cash flow from operating activities in the first half of the year and expects to generate between \$14bn - \$16bn. GE is due to report third quarter results on October 16th and we believe the impact from the stimulus package and the improvement in the performance of its financial services unit will reassure investors.

Tesco

Price: 387p
P/E: 13x
Div: 3.5%
Target: 425p

Buy

Tesco is due to report interim results tomorrow October 6th and we expect the company to provide a cautiously optimistic outlook for the remainder of the year and into 2010. Tesco is our preferred stock in the UK retail sector due to its low cost diversified product offering in addition to its growing international exposure outside of the UK. While economic data remains weak in the UK there has been an improvement in consumer confidence over recent months and we expect this to be reflected in Tesco's results and outlook. Shares in Tesco held up well over the last two years, and moved steadily higher over the last number of months. More discretionary retailers share prices such as Next and Marks & Spencer have outperformed Tesco over the last number of months however we believe that Tesco's result tomorrow should provide a positive catalyst for the company.

CRH

Price: €18.30
P/E: 16x
Div: 3.4%
Target: €20.30

Buy

We are recommending buying shares in CRH around the €17.50 level a key technical area for the share and a level that puts the company at a more reasonable valuation. While both CRH's main operating markets in the US & Europe are likely to remain under pressure over the next number of months the group is best positioned amongst its peers to take advantage of bolt on acquisitions. CRH has said that it has €1.5bn to spend on acquisitions. In the US there is currently some concern over the highway trust fund with some states finding it difficult to get funding for highway projects. While this is clearly a concern for the company we do not believe it represents a significant risk as the House of Representatives have approved an extension of the act and it still has to be passed by the Senate. CRH is due to report interim results on November 10th.

Bol

Price: €3.10
Target: €3.35

Buy

Last week Bank of Ireland (BOI) followed its successful covered bond issuance, by issuance a 3.5-year senior unsecured bond. This is the second issuance by BOI in the last number of weeks that matures outside the Government Guarantee. The first issuance was a covered bond, unlike the issuance last week. The pricing of the issuance last week was tighter than the 3-year AIB issue despite its longer maturity date. This in credit terms indicates BOI is seen as a better credit than AIB. This is helped by its lower exposure to development loans and it has transferred a larger percentage of its land and development loans than AIB, 83% compared to 77%. Since the announcement of NAMA, AIB has outperformed BOI but we believe this is not justified. Our entry target on BOI is €3.05 and with the stock trading close to these levels, we are changing our rating on the stock to a **BUY**. It is a higher risk way to trade the Irish banking than IPM due to our belief the bank will have to raise equity in the next number of months, but this will be significantly less than what will be required by AIB.

Irish Life

Price: €5.30
Target: €6.90

Buy

Following on from BOI's successful unsecured senior debt issue, the issuance of such debt by IPM will be a positive catalyst for the stock. The share price fell last week, but IPM is still our preferred of the Irish banks and we maintain our **BUY** recommendation with a price target of **€6.90** upside of 30% from current levels. When we add the potential value for the part of the Super Mutual the company would own, the extra value per share is €2.70. Timing of the creation of the third banking force in Ireland is uncertain, but we expect some details to emerge over the coming weeks. Again this will be another catalyst for the share price of IPM and help move its share price higher.

Earnings Week Ahead

Mon: BA(Traffic), Hypo Real Estate (S'holders), Friends Provident (S'holders)
Tues: Air Berlin(Traffic), Tesco(Interim), Northern Foods(Trade), IG Group(AGM).
Wed: Finnair(Traffic), SAS AB(Traffic), Sainsbury(Trade), M.Page(Trade), Alcoa(Q3), Costco Corp(Q4), Family Dollar(Q4), Monsanto (Q4).
Thurs: C&C Grp(H1), Vedanta(H1), Halfords(Trade), Ted Baker(Int), Hays(Trade), Carphone Warehouse(Trade), Marriott (Q3).
Fri: Austrian Airlines (Traffic), Deutsche Lufthansa (Traffic), John Wood Grp(Trade).

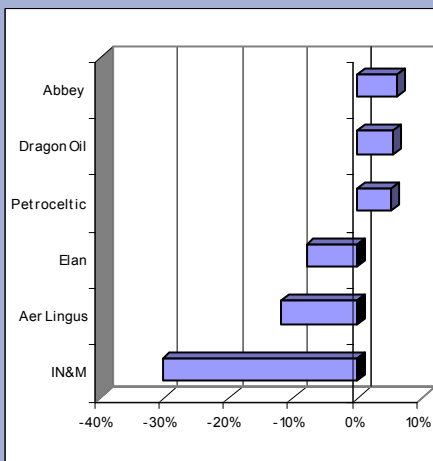
Economic Week Ahead

Mon: Ger, EU & UK PMI Services (09:00 & 09:30), EU Retail Sales(10:00), ISM Non-Manuf. Comp(15:00).
Tues: UK Industrial Prod(09:30), ABC Consumer Confid(22:00).
Wed: UK N'wide Cons.Confid(00:01), EU GDP(10:00), Ger Factory Orders(11:00), MBA M'gage Apps (12:00), US Consumer Credit(20:00).
Thurs: Ger Ind.Prod(11:00), BoE & ECB Rate Announcement(12:00/12:45), US Jobless Claims(13:30), US Wholesale Inventories(15:00).
Fri: Ger Trade Bal,CPI, Imports/Exports(07:00), UK PPI Input/Output(09:30), UK Total Trade Bal(09:30), US Trade Bal(13:30).

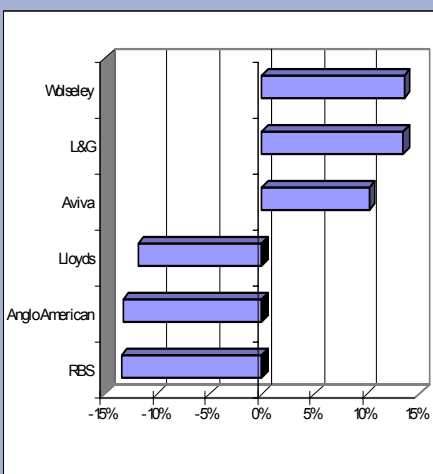
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/Worst Performers

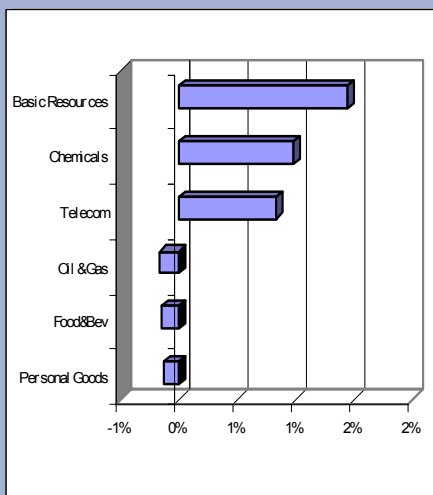
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE

Company	YTD	Relevant news
Aryzta	18.3%	UBS raises Aryzta price target by 8%
BP	0.9%	BP recently discovered a "giant" oil discovery in the Gulf of Mexico
CRH	12.6%	Continue to see as beneficiary of US fiscal stimulus
DCC	67.7%	We remain positive on the group after meeting with management
E.ON	-2.36%	E.On recently completed a giant US wind farm
Hewlett-Packard	24.8%	Q3 results slightly ahead of consensus estimates
IL&P	243.6%	Yes to Lisbon positive for Irish banks
IN&M	-52.4%	O'Brien revised offer rejected
J&J	-0.1%	J&J and Elan announce restructured deal
JPMorgan	32.8%	Deutsche Bank initiated coverage with buy rating.
Microsoft	28.4%	Intel CEO makes positive comments on Windows 7
Vodafone	-0.1%	Merrill lynch increase price target to 160p

What it says in the 'Sundays'

Company	Paper	Headline
IN&M	S. Times	Aer Lingus job losses to exceed 500 target
Irish Financials	S. Times	Aviva aims for €1bn in Dutch float
UK Economy	S. Telegraph	Treasury issues demand to investment banks
Irish Banks	S. Bus Post	Government buys time on Anglo cash call
Aryzta	S. Bus Post	Aryzta has 'no plans' to reduce Origin stake

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	3231	-2.4%	37.9%	1.6
FTSE	4989	-1.8%	12.5%	3.9
DAX	5468	-2.0%	13.7%	3.8
DOW	9488	-1.8%	8.1%	2.9
S&P 500	1025	-1.8%	13.5%	2.4
NAS	2048	-2.1%	29.9%	0.9
EUROSTOXX	2370	-2.1%	13.7%	3.9
NIKKEI	9732	-5.2%	9.8%	1.6

Sector	Weekly move%	YTD move %
Basic Resources	1.43%	54.02%
Chemicals	0.98%	19.08%
Telecom	0.82%	5.25%
Construction & Materials	0.47%	24.70%
Travel & Leisure	0.23%	9.80%
Technology	0.22%	20.85%
Insurance	0.20%	14.39%
Banks	0.13%	48.76%
Media	0.12%	9.03%
Retail	0.08%	19.97%
Autos	0.08%	10.43%
Financial Services	0.02%	23.02%
Healthcare	-0.07%	2.95%
Industrials	-0.07%	24.44%
Utilities	-0.08%	-4.39%
Personal & Household Goods	-0.13%	20.51%
Food&Bev	-0.14%	13.82%
Oil & Gas	-0.16%	10.66%

Commodities

	Current	Change YTD
Crude	69.95	56.8%
Gold	1002.8	14.0%

Exchange Rates

	Current	YTD Change	Year End (est)
eur usd	1.458	-0.1%	1.40
eur gbp	0.914	-4.4%	0.85
eurjpy	130.89	2.7%	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%	0.75%	1.00%
UK	0.50%	0.54%	0.50%
US	0.00% - 0.25%	0.28%	0.0% - 0.25%



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