



Equity markets endured an extremely volatile week as the liquidity crisis continued to impact not only the banking sector but spread into the broader economy as evidenced by the negative employment and manufacturing data out of the US. The most significant incident of collateral damage from the current financial turmoil occurred in our own market as the Government stepped in to avert a major banking catastrophe by guaranteeing all deposits of the six domestic banks and building societies. While such a move ruffled the feathers of some of our fellow EU members, it had the desired effect of creating a feeling of comfort about the banking sector and restored some stability into the ISEQ which had fallen 13% on the Monday. While this bold and courageous move was questioned by some, it highlighted the severity of the situation facing the global financial system. The core issue facing markets continues to be the on-going liquidity crisis, but behind this bigger headline there are other issues that the markets are waking up to. The sharp rise in jobless claims in the US along with weakening manufacturing numbers are pressuring the earnings outlook. The higher number of jobless will act as a constraint on consumer dependent sectors, while the weak manufacturing outlook is indicative of weaker global demand. Against such a backdrop the focus for investors should continue to be those sectors where there is greater earnings predictability and under-leveraged balance sheets. The weak economic outlook as well as the on-going credit market issues will act as a drag on the market over the coming weeks as the third quarter reporting season commences. Against such a backdrop, we advise clients to remain in defensive mode.

TRADING IDEAS, EARNINGS & PREVIEWS

Aryzta

Price: €28.35
P/E: 12x
Div: 1.10%
Target: €37.00

Buy

Fundamental View : Aryzta reported a strong set of results recently, but price action remains weak. We consider Aryzta a defensive stock, and expect it to outperform in the current economic environment. Aryzta's management has been able to preserve its operating margins in recent years despite the increases in commodity price inputs. In recent months Aryzta's commodity inputs prices have decreased significantly. Wheat is down over 50% from its peak, dairy products are down over 20% and fuel oil is down over 30%. We expect Aryzta's operating margin to benefit from these commodity pullbacks.

Next Catalyst : The next catalyst for the company is on the 21st of October when a US peer, Panera Bakeries, reports Q3 results. We retain our Buy recommendation on Aryzta with a target of €37.00 and would buy on any weakness below €34. Another point in favour of Aryzta is that as a Swiss Registered company Irish stamp duties do not apply when purchasing the stock.

Microsoft

Price: \$26.32
P/E: 12.5x
Div: 2.0%
Target: \$35.00

Buy

Fundamental View : On 22 September, Microsoft announced that it will buyback as much as \$40bn, raise its dividend and issue its first set of commercial paper. The buyback highlights the company's confidence in its growth prospects going forward a point reiterated by its CEO Steve Ballmer last Friday as he commented that the group aims to maintain its 'strong growth' throughout 2009. The buyback also rules out a potential hostile takeover of Yahoo. S&P gave the company a AAA rating in relation to its new commercial paper program, the first company in a decade to receive such a rating. At 12x 2009 forecasted earnings, the group is currently trading and the bottom end its historical trading range a multiple we feel is totally unjustified given its growth prospects.

Next Catalyst : Microsoft is due to release its fiscal first quarter earnings on 23 October. Given Microsoft's diversity through its product offering and geographic footprint we believe the group is well able to withstand the current economic slowdown.

McDonalds

Price: \$60.23
P/E: 17x
Div: 3.3%
Target: \$70.00

Buy

Fundamental View: McDonalds recently reported a strong set of monthly sales for August that were well ahead of expectations and like discount retailer Wal-Mart in the US, McDonalds is continuing to benefit from its low price offering as customers trade down during the current difficult economic environment. All geographic divisions continue to perform strongly with its European segment performing the strongest. To highlight the McDonald's confidence going forward, on 25 September, the company raised its dividend by 33% to \$0.50. Our \$70 price target for the company is based on the company trading at the upper end of its historical trading range at 18x forecasted 2009 EPS of \$4.90

Next Catalyst : McDonalds is due to report its third quarter results on 22 October (to be confirmed). Given the strength of McDonalds monthly sales we expect the group again produce consensus beating results and provide a positive outlook for the rest of the year.

Auto ETF

Short

Price: €24.00
Target: €21.00

We have continuously held a negative stance towards car makers over the last year with BMW being our preferred short in the sector. Last week's US autosales figures highlighted the extent of the downturn that the industry is facing. Industry sales declined by 27% during September marking the first time in fifteen years that sales fell below 1 million vehicles. We also had comments from Porsche out during the week about the increasing pressures the industry is facing and it was unable to provide guidance for the next year. While decreases in commodities provides some relief for the sector, the slowdown in the global economy is becoming more protracted. Sales of European autos also continue to slide with all having significant exposure to the US market as well. We are now recommending clients take a short position in the Dow Jones EuroStoxx Automobiles & Parts ETF. The index is made up of 13 companies from BMW to Fiat. The ETF's Bloomberg ticker is AUT FP.

Thomson Reuters

Price: £11.95
P/E: 14x
Target: £11.52

SELL

Fundamental View : We continue to hold a negative stance towards corporates that generate the majority of their revenue from financial services with Thomson-Reuters being a typical case in point. The company generates over half of its revenue from financial services firms and given the current downturn in financial sector we believe the company is at risk to downgrades in earnings estimates over the next year. At Thomson Reuters' most recent second quarter results in August its Markets division (exposure to financials) saw growth decline quarter on quarter to 7% from 9% in the first quarter. We expect this slowdown to pick up over the next few quarters given that we expect financial services firms to cut back on spending over the next year. The company currently trades at 14x forward earnings, a considerable premium to the 11x that the media sector trades on, while on an EV/EBITDA the stock also looks expensive at c. 9x.

Next Catalyst : Thomson Reuters is due to report third quarter results on 12/11/08. While the company did reiterate guidance at its investor day on October 2nd, we believe that given the difficult environment that the company operates in, there is a significant possibility that it may lower earnings guidance.

Chart View: Thomson Reuter's medium term double top price formation suggests further downside risks remain. The recent breakaway gap from its previous trading range which occurred early September confirms the current downward momentum. Price is likely to test key resistance at 11.52 in the short term. Go short on intraday bounces.

Earnings Week Ahead

Mon:	Misys Plc (EGM).
Tues:	ALCOA Inc (Q3), S.A.S. (Traffic), IG Group Plc (AGM), Michael Page (Interims), Northern Foods (Interims).
Wed:	Monsanto C. (Q4), Wal Mart (Sales), Kohls Corp (Sales), Land of Leather (Final), J Sainsbury (Interims).
Thurs:	Chevron Corp (Interim), Abercrombie & Fitch (Sales), WH Smith (Final) C&C Group (H1), Bang & Olufsen (Q1), John Wood (Interim)
Fri:	General Electric (Q3), Admiral (Interims), Taylor Nelson Sofres (Interims).

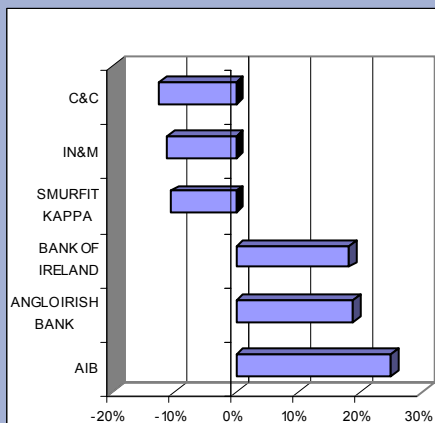
Economic Week Ahead

Mon:	UK Industrial Production (09:30), US Fed Evans & Fisher Speaking (17:00&18:30).
Tues:	German Factory Orders (11:00), ECB Trichet Speaking (14:30), Ben Bernanke Speaking (18:15), FOMC Minutes, US Consumer Credit (20:00) UK Manufacturing Production (09:30),
Wed:	EU GDP (10:00), German Industrial Production (11:00), US Pending Home Sales(15:00).
Thurs:	UK Trade Balance (09:30), BoE Rate Announcement (12:00), Initial Jobless Claims (13:30), Continuing Claims (13:30).
Fri:	French Ind. Production (07:45), Italian Ind. Production (09:00), Irish Retail Sales (11:00), US Trade Balance (13:30), US Import Price Index (13:30).

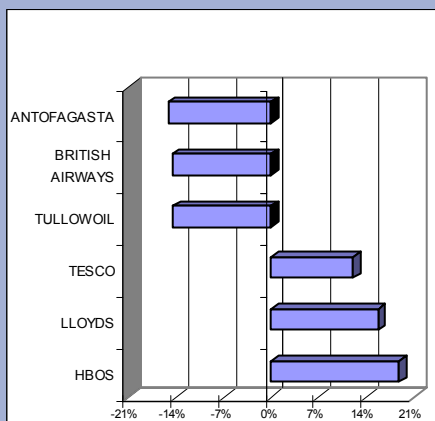
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/
Worst Performers
29/09/08-03/10/08

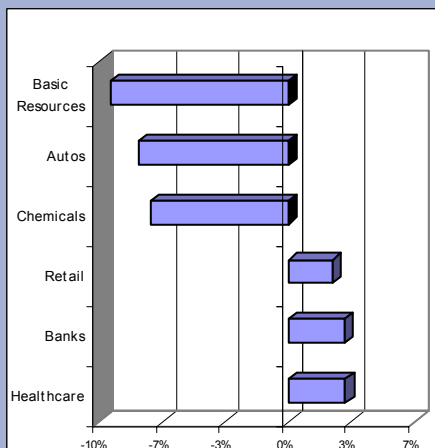
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE



Company	WTD	YTD	Relevant news
AIB	23.3%	-52.8%	Irish Government guarantees all bank's deposits.
Aviva	-7.7%	-29.0%	Aviva to stay away from consolidation operations this year. .
BP	-3.4%	-23.3%	TNK-BP says it has fully resolved its shareholders dispute.
IN&M	-11.2%	-51.3%	UK Peer Daily Mail & General Trust says full year results will be at lower end of expectations.
E.ON	-0.1%	-27.2%	Goldman Sachs reiterated its buy rating on E.On
CRH	-8.2%	-34.8%	Texas industries warns amis weak Californian markets and higher fuel costs.
Hewlett Packard	-7.1%	-11.4%	HP to buy LeftHand Networks for \$360m.
Aryzta	-5.4%	-3.4%	La Brea's sales are now more than double the level which existed at the time of the IAWS purchase.
IL&P	13.0%	-45.0%	Irish house prices fell by 10% on the year, and 0.9% on the month according to Permanent TSB & ERSI.
Microsoft	1.4%	-23.1%	Microsoft announces it is reviewing its hiring plans in light of tough economic conditions.
Paddy Power	1.7%	-42.6%	Worldspreads reports accelerating activity levels.
Vodafone	1.9%	-31.6%	Vodafone announces the appointment of two new bosses to run its emerging markets division.

What it says in the 'Sundays'

Company	Paper	Headline
Irish banks	S. Independent	State to put directors on bank boards
C&C	S.B.Post	Bad news for C&C as Magners sales slide
Irish Banks	S.B.Post	Minister tells bank to come clean on debts
Irish Banks	S.Tribune	Dividends to be scrapped and assets to be sold
Irish Banks	S.Tribune	Banks bought time by avoiding property valuations as market nosedived

Corporate Visits

COMPANY

PRESENTATION DATE

ThirdForce

19th September



Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E08
ISEQ	3944	4.2%	-43.1%	5.6%	5.9
FTSE 100	4980	-2.1%	-22.9%	5.3%	9.2
DAX	5797	-4.4%	-28.1%	4.5%	10.8
Dow Jones	10325	-7.3%	-22.2%	3.1%	12.7
S&P 500	1099	-9.4%	-25.5%	2.7%	20.9
Nasdaq	1947	-10.8%	-26.6%	1.1%	31.9
EuroStoxx 50	2727	0.2%	-26.0%	5.0%	10.4
Nikkei 225	10983	-8.0%	-28.5%	2.1%	12.7

Sector	Weekly move%	YTD move %
Healthcare	3.02	-7.21
Banks	3.02	-31.47
Retail	2.39	-29.58
Telecom	2.15	-28.73
Media	1.32	-31.38
Food&Bev	-0.07	-18.33
Utilities	-0.84	-25.40
Personal & Household Goods	-1.54	-25.19
Travel & Leisure	-2.78	-33.23
Insurance	-3.02	-26.74
Financial Services	-3.20	-35.46
Oil & Gas	-5.60	-28.07
Industrials	-6.2	-33.13
Construction & Materials	-6.96	-39.80
Technology	-7.21	-36.17
Chemicals	-7.22	-24.82
Autos	-7.90	-32.81
Basic Resources	-9.38	-40.32

Commodities

	Current	Change YTD
Crude Oil	\$93.88	-2.0%
Gold spot	\$832.81	-0.1%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.380	-5.4%	1.45-1.50
EUR-GBP	0.778	5.9%	0.74-0.78
EUR-JPY	146.36	-10.2%	165.0

GDP Growth

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

Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	4.25%	5.34%	4.25%
UK	5.00%	6.27%	4.75%
US	2.00%	4.33%	2.00%

Credit Market Summary

Another eventful week in credit markets. Bradford & Bingley, Fortis and Hypo Real Estate (twice) were all in need of state intervention. Sigma Finance Corporation, the last of the SIV vehicles, collapsed with little fanfare. Closer to home, the move by the Irish government to guarantee bank deposits has provided breathing room for the Irish financials. The governments of Germany, Denmark, Austria and Greece have also guaranteed bank deposits. Although the TARP has been passed, it will do little to improve short term illiquidity. Looking forward, spreads on financials should remain elevated and volatile, with the risk continuing to lie to the upside. Although financials have been the main focus over the last year, markets are likely to become increasingly focused on the affect of the credit crunch on "real" economy companies.

Credit Sector Movements

Irish Banks-Narrower in the sector. Following on from action taken by the Irish Government last week, guaranteeing the 6 Irish banks deposits, bonds and interbank loans, we have seen significant tightening in Irish banking spreads. Unsurprisingly, Anglo Irish Bank spreads tightened the most, 228 points tighter to 379. The market implied default risk on Bank of Ireland effectively halved, with spreads tightening 160 points to 158. Spreads on AIB tightened 129 points to 145, while Irish Life spreads tightened 110 basis points to 234.

Interest Rate Outlook

This week is all about the BoE on Thursday with in our opinion a 40% chance of a 0.25% rate cut. This would be the start of an aggressive rate cutting cycle to 3.50% by the end of 2009. In the US recent events may mean the Fed minutes from September 16th could be out of date, but they will give an insight to the current Fed thinking.

In Europe we had the ECB meeting last week and this week Industrial and Manufacturing production figures are released in the three main Euro-Zone economies. German Industrial Production is out on Weds, France and Italy will release the data on Friday with all highlighting the continuing weakening growth picture in the Euro-Zone.

Currency Comment

EUR/GBP

Except for the Bank of England (BoE) announcement on Thursday, there is no economic data due from the UK except for Trade Balance on the same day as the BoE. The market is expecting a deficit in the trade balance of £4.45Bn. On the currency pair it will remain in the same tight range of 0.78 to 0.80 as the previous week with a chance of EUR strength on the back of a weaker than expected Trade Balance figures or a surprise interest rate cut on Thursday.

EUR/USD

Interesting week for the dollar just past as the Non-Farms payroll figure finally broke through the -100,000 level and after this week recessionary figure the dollar rallied against the Euro. As with the UK, data releases are light on the ground this week except for the weekly jobless claims on Thursday that should fall back from the 497k recorded last week. Pending Home sales for August are due on Weds and Friday has the Trade Balance for Aug that should be lower than the \$69.2Bn recorded in July. The EURUSD will remain volatile this week and once the euphoria of TARP passes, the market might begin to look back as the weak US data from last week and the EUR could move back to 1.40 level.



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