



Following an increase in equity market volatility in the earlier part of last week, a better than expected Non-Farm Payroll reading on Friday helped boost sentiment amongst investors and markets rallied into the close on Friday. This strength has followed into markets this morning following indications from the G20 over the weekend that existing monetary policies are unlikely to be removed in the foreseeable future. Also supporting markets today is the £10bn bid by US food company Kraft for UK confectioner Cadbury-Schweppes along with speculation of possible M&A in the mining sector between Xstrata and Lonmin. With little economic data due for release this week and very little corporate news scheduled, equity markets have the potential to trade back towards the top of their recent trading ranges at which point we would expect some element of mild profit-taking. The key economic data points in this holiday shortened week in the US will be the US Beige Book due for release on Wednesday, the Bank of England rate announcement on Thursday and the University of Michigan Consumer Sentiment Survey in Friday. Our bias therefore for markets this week is for gains in the early part of the week with the probability of mild profit-taking towards the end of week as investors continue to evaluate the pace of the economic recovery.

TRADING IDEAS, EARNINGS & PREVIEWS

Irish Life & Permanent (ILP) presented to Dolmen last week. They have guided that they aim to bring the loan to deposit ratio to 2.5x by the end of this year from over 3.0x at the half year. They see no appetite for term debt outside guarantee at the moment, but expect new issuance under guarantee to begin after the set-up of NAMA in October. This will be a positive for the group due to its heavy reliance on wholesale funding and will allow it to extend the maturity profile of its term debt. The cost of deposits and term debt will remain expensive, but we still believe the NIM will improve from the sub 90bps at half year to 95bps for the full year. Life & Pension sales remain subdued with a full year decline of 25-30%, but gross margins on new business is high. The re-structure of the group is on-going with an EGM to be held in mid November and listing by December. Such an outcome will pave the way for IPM to move the banking part of the group into a new entity easily and quickly. Over the weekend, press reports seem to indicate this could happen by early next year with IPM holding 45% in the new super mutual created out of EBS, Irish Nationwide and the loan book of IPM. IPM remains our preferred of the Irish financials due to its low risk loan book and Life & Pension business.

While Irish banks remain in focus, one of our preferred UK banks is **Barclays**. The profile of the group has changed dramatically following the purchase of Lehman assets last year. This has been a significant driver of growth for the group and helped increase profitability at the half year. The capital position of the group is strong with equity tier 1 at 8.8% and this has been raised from private sources and organically. The lack of government interference is another positive for the group. Barclays trades at 1.2x TNAV, but the European sector trades at 1.4x. With Barclays to report a full year profit and to start paying cash dividends by Q4, it should trade in line with its European peers. This would provide a **price target of £4.10**.

Shares in CRH have fallen by c. 10% over the last two weeks. While the company is facing pressures in each of its main markets of Europe and the US we believe that the recent pull back has led to an excellent long-term buying opportunity. Growth in its two main markets is likely to remain subdued over the short-term, however CRH will benefit from stimulus spending, particularly in the US. The group is also well placed to take advantage of earnings accretive acquisitions over the next 12-months due to the strength of its balance sheet. CRH has indicated that it will allow its EBITDA/net interest cover fall below its comfort level of 6 if the right opportunity arises. CRH has indicated that it has €1.5bn to spend on acquisitions. The next catalyst for CRH will be on 21/09/09 when the company is officially added to the EuroStoxx 50. In addition, CRH will issue an interim management 10/11/2009 when the group is due to issue an interim management statement.

We continue to favour Persimmon as our preferred UK house builder. The sector has shown considerable improvement over the last number of months with house prices stabilising and mortgage approvals beginning to rise. Persimmon recently reported first half results that were slightly ahead of expectations and also issued a relatively positive outlook for the remainder of 2009. Encouragingly, Persimmon was able to reverse some of its previous land write-downs by a net £27.9m. Persimmon is the first homebuilder to reverse the trend in land write-downs. Persimmon also indicated that net reservations continue to run ahead of last year and that recent visitor levels have also increased. Cancellation rates continued to decline throughout the first half of the year at about 16% compared to 30% last year. Like Bovis and Bellway we would not be surprised if Persimmon would issue some equity for further land purchases.

Equity markets remain strong on the back of a favourable monetary policy backdrop with no suggestions from central bankers that exit strategies will be put in place any time soon. While we remain positive on equity markets over the next 12-months, we would not be surprised to see some pull back in markets as economic data in particular unemployment levels continue to remain at historically elevated levels. We are recommending clients who are looking to hedge long-portfolios to open short positions in the DAX. Due to its large weighting towards cyclical stocks, the DAX index should be particularly vulnerable to any weakening in economic expectations, or renewed risk aversion in equity markets. **Note : Given the increased level of takeover activity over the last number of weeks we are not recommending shorting any individual specific stocks.**

Last week, Rio Tinto CEO Sam Walsh noted that the company was still selling iron ore in China in the spot market, as the detention of 4 Rio Tinto executives, had stalled negotiations. Mr Walsh is optimistic of a resumption of talks but didn't know when this would happen. Iron ore spot prices have pulled back from \$100 per ton, to \$80 per ton in August. Mr Walsh reiterated his views on the attractive long term prospects for the sector, but again warned of short term risks. This fits with our view for a pullback in the sector, as Chinese restocking is effectively complete, and there will likely be a lag before Western markets follow suit. This is best emphasised by the 20% increase in copper inventories since the middle of July. Our core view remains unchanged, we are bullish on the prospects for the sector, and advocate buying into weakness. This morning, reports have emerged of further potential M&A in the sector, including a possible bid by Xstrata for Lonmin. Over the next 18 months, the levels of M&A are likely to dramatically increase in the sector.

Last week, Intel's CEO indicated that the release of Microsoft's new operating system Windows 7 is likely to spur demand for IT spending. Intel has also recently raised its earnings guidance and PC maker Dell also reported earnings that were ahead of analyst expectations. We believe that both of these data points represent a positive for Microsoft's business. In addition with a sweet of new products coming out over the next 12-months and significant costs taken out of the company we believe the company is well placed to grow earnings going forward. Microsoft also benefits from having one of the strongest balance sheets in the world with in excess of \$25bn of net cash. Microsoft is due to report quarterly earnings in mid-October.

Earnings Week Ahead

Mon: Air Berlin(Traffic), SAS (Traffic), Associated Brit.Foods(Trade), Whitbread(Trade).
Tues: Finnair(Traffic), Ashtead Group(Q1), DS Smith(Trade).
Wed: Deutsche Lufthansa(Traffic), WS Atkins(Trade), AlliancePharma(Interim) Sports Direct Intl(Trade).
Thurs: ESI Group(Q2), Iberia(Traffic), Home Retail Grp(Q2), Morrisons(Interim), Kesa Electricals(Q1), Redrow(Prelim), National Semiconductor(Q1).
Fri: JD Wetherspoon(Prelim), Campbell Soup(Q4).

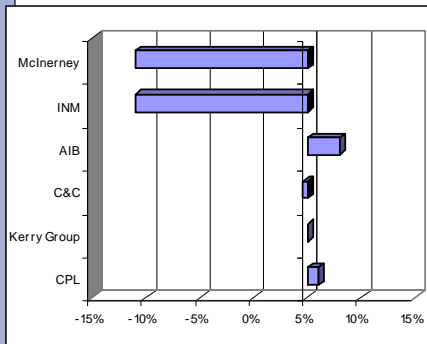
Economic Week Ahead

Mon: EU Sentix Investor.Confid(09:30), Ger Factory Orders(11:00).
Tues: RICS Hse Price Bal(00:01), Ger Trade Bal(07:00), Ger Imports/Exports(07:00), UK Ind.Prod(09:30), Ger Ind.Prod(11:00), US ConsumerCredit(20:00).
Wed: UK N'wide Cons.Confid(00:01), Ger CPI(07:00), UK Trade.Bal(09:30), US MBA M'gage Apps(12:00), US Feds Beige Book(19:00).
Thurs: BoE Announces Rates&Asset Purchase Target(12:00), US Trade Bal(13:30), US Initial Jobless Claims(13:30).
Fri: ECB Mthly Report(09:00), UK PPI Input/Output(09:30), US import Prices(13:30), US Wholesale Inventories(15:00), Uni.Michigan Confid(15:00).

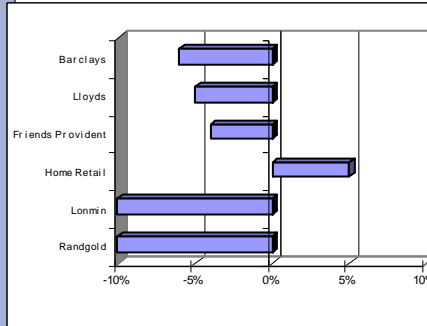
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/Worst Performers

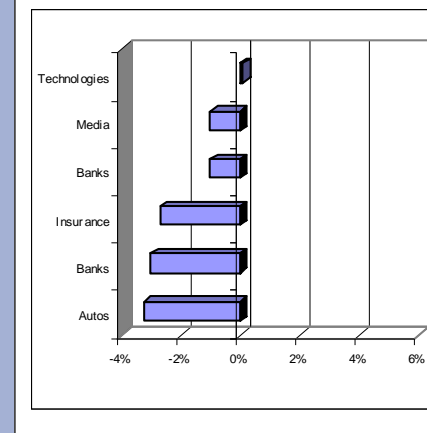
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE



| Company | YTD | Relevant news |
|-----------------|--------|--|
| Aryzta | 13.0% | Recently reiterated earnings guidance. |
| BP | 2.3% | BP recently discovered a "giant" oil discovery in the Gulf of Mexico |
| CRH | 8.7% | Recent interim results were in line with expectations |
| DCC | 57.4% | We remain positive on the group after meeting with management |
| E.ON | 1.3% | E.On recently completed a giant US wind farm |
| Hewlett-Packard | 24.3% | Q3 results slightly ahead of consensus estimates |
| IL&P | 218.0% | Credit Suisse raise IL&P to outperform |
| IN&M | -41.9% | Reports of potential strategic investors |
| J&J | 0.8% | J&J and Elan to restructure deal following court case |
| JPMorgan | 34.3% | Deutsche Bank initiated coverage with buy rating. |
| Microsoft | 26.7% | Intel CEO makes positive comments on Windows 7 |
| Vodafone | -3.1% | Reports suggest they may bid for T-mobile UK |

What it says in the 'Sundays'

| Company | Paper | Headline |
|-------------|-------------|---|
| IN&M | S. Bus Post | State prepared to take majority stakes in banks |
| Kerry Group | S. Tribune | CEO lowers turnover horizons |
| Tullow Oil | S. Tribune | Woored by Chinese firms |
| Kingspan | S. Times | Valuations looked stretched but not looking down hill anymore |
| C&C | S. Times | Acquisition is a positive transition for the company |

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 | 3038 | -2.5% | 29.7% | 1.9 |
| FTSE | 4852 | -1.2% | 9.4% | 3.9 |
| DAX | 5384 | -2.4% | 11.9% | 3.8 |
| DOW | 9441 | -1.1% | 7.6% | 3.0 |
| S&P 500 | 1016 | -1.2% | 12.6% | 2.5 |
| NAS | 2019 | -0.5% | 28.0% | 0.9 |
| EUROSTOXX | 2384 | -1.2% | 14.4% | 3.9 |
| NIKKEI | 10187 | -3.3% | 15.0% | 1.9 |

| Sector | Weekly move% | YTD move % |
|----------------------------|--------------|------------|
| Autos | -3.40 | 9.42 |
| Banks | -3.04 | 50.82 |
| Insurance | -2.73 | 7.96 |
| Chemicals | -2.71 | 16.17 |
| Construction & Materials | -2.33 | 23.29 |
| Industrials | -1.95 | 23.74 |
| Financial Services | -1.61 | 24.33 |
| Utilities | -1.48 | -3.41 |
| Healthcare | -1.28 | 1.60 |
| Personal & Household Goods | -1.06 | 20.72 |
| Retail | -0.96 | 22.39 |
| Telecom | -0.80 | 3.54 |
| Travel & Leisure | -0.79 | 6.47 |
| Food&Bev | -0.54 | 11.11 |
| Basic Resources | -0.52 | 57.46 |
| Media | -0.52 | 7.26 |
| Oil & Gas | -0.10 | 12.99 |
| Technology | 0.12 | 20.62 |

Commodities

| | Current | Change YTD |
|-------|---------|------------|
| Crude | 68.02 | 52.5% |
| Gold | 944.40 | 13.1% |

Exchange Rates

| | Current | YTD Change | Year End (est) |
|---------|---------|------------|----------------|
| eur usd | 1.430 | -2.0% | 1.40 |
| eur gbp | 0.872 | -8.8% | 0.85 |
| eurjpy | 132.98 | 4.4% | 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% | 0.80% | 1.00% |
| UK | 0.50% | 0.66% | 0.50% |
| US | 0.00% - 0.25% | 0.31% | 0.0% - 0.25% |



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