



Equity markets continued to trade higher this week, despite mixed economic data releases. The non-farms payroll data in the US was particularly gruesome, with 598,000 job losses in January, compared to losses of 540,000 expected. Employment data for Ireland is no better, with an increase in unemployed workers of 33,000 in January alone. In the US partisan politics continued to impede the progress of the Stimulus Package. Although at this stage, it appears likely that the bill will reach the Senate floor this week. Also on the horizon, is the possibility of a creation of a bad bank in the US. This would enable banks to offload their toxic assets, cleaning up their balance sheets and restoring a measure of confidence in the sector. Following on from this, economics releases are likely to be key drivers next week, with advanced US Retail Sales, Michigan Confidence survey, and the first reading of the Q4 Euro-zone GDP. On the earnings front, Swiss Investment banks UBS and Credit Suisse, will report Q4 earnings. Rio Tinto also reports this week. Its update on efforts to dispose of assets and raise equity will be a key driver for the mining sector over the coming weeks.

## TRADING IDEAS, EARNINGS & PREVIEWS

### Kerry Group

**Fundamental View :** Kerry Group will release full year results on the 24<sup>th</sup> of February after a difficult second half with the Irish pork crisis. Results from peers of Kerry in the food ingredient sector has been positive in the last week with IFF's flavour business increasing sales by 3% quarter on quarter. Another peer, McCormick reported that their flavours business sales increased by 8.7% in Q4 and the increase was due to increased pricing (6.6%) and (2.1%) on volumes. For the consumer food division, Kerry has a diversified offering with both branded and private label products. They also find, retailers are now focusing on suppliers with strong financials due to the concern of over-leveraged suppliers getting into difficulty. The strong balance sheet of Kerry provides a competitive advantage compared to more leveraged suppliers in the retail sector. Especially when compared to a number of UK operators.

**Next Catalyst:** Kerry Group is due to report full year results on the 24/02/09 to provide a strong outlook for 2009 with it being one of the few companies to provide higher year on year earnings guidance.

**Price:** €14.18  
**P/E:** 9.5  
**Div:** 1.5%  
**Target:** €20.50

**Buy**

### E.ON

**Fundamental View:** We continue to recommend clients focus on defensive sectors with the Utility sector being one of our favoured plays. E.ON is our preferred stock in the sector given its discounted valuation both on a P/E and EV/EBITDA basis of between 10%-15% when compared to peers. This is despite the group's strong earnings prospects for its diversified business model encompassing electricity, gas and an increasing focus on renewable energy. E.ON's balance sheet also remains strong with a debt to equity ratio of c. 50%. The group also pays an attractive current year dividend yield of c. 5.8% which is covered in excess of 2x.

**Next Catalyst:** E.ON is due to report earnings on 10/03/09 and we expect the group to provide a robust outlook for 2009

**Price:** €25.81  
**P/E:** 8.9  
**Div:** 5.3%  
**Target:** €40.00

**Buy**

Below is a list of stocks that we believe will underperform the market and recommend taking short positions. Note : Always use stop-losses with short positions.

Company	Reasons for short	Current Price	Recommended Entry Level	Price Target	Potential Return
BMW	On Friday shares in BMW rose by 10% on what we believe was short covering following comments from the company that profit for 2008 will be 'clearly positive'. BMW did indicate that the fourth quarter had seen a further deterioration in activity a trend that we believe will continue over the whole of 2009. BMW is highly exposed to the current downturn as the majority of its revenue is generated between Europe, UK and US and it operates in the luxury end of the market and we expect car buyers to trade down to lower priced models. The group is due to report full year results on March 3rd	€22.26	€22.80	€16.00	28.12%
BASF	BASF has issued two profit warnings in the last two months and we expect that shares in the group will remain under pressure as a result. The group, like close peer Dow Chemicals, provided an extremely cautious outlook in January and that it sees no upturn in business levels in the short-term. BASF currently trades at 9.8x forward earnings and given the pressure the company is likely to remain under we would expect this multiple to be re-rated downwards. The company reports full-year results on 26th February when EPS is set to fall 8% to €3.80, while consensus forecasts for 2009 are for EPS to decline 40% to €2.26.	€26.10	€27.60	€22.00	15.71%
Wolseley	On 26th of January Wolseley issued a trading statement where it said that pretax profit for the first five months of the year declined by 66% as falling demand in Europe and the US where it generates majority negatively effected earnings. The group also commented that until conditions stabilise it will not see any upturn in its markets. We do not foresee any upturn in the short-term and expect earnings to continue to decline. With a further fall in profits likely this will place further pressure on its banking covenants and increase the likelihood of a rights issue.	£2.12	£2.42	£1.60	24.53%
WPP	We believe that advertising revenue will continue to decline as corporates reign back spending. WPP generates c. 50% of its revenue from works with over 340 of the Fortune Global 500 companies and some of its biggest clients include Allianz, Dell, Ford, HSBC, Shell, Unilever and Vodafone. The majority of the group's revenue is generated from Europe (26%), UK (14%) & the US (40%). Given its high exposure to advertising and declining economies we feel that the outlook for the company is negative.	£4.08	£4.30	£3.00	26.47%
Thomson Reuters	The outlook for companies highly exposed to financials remains challenging. Thomson Reuters is particularly exposed to financial services companies as it generates c. 60% of its revenue from its markets division. With expectations that further job losses among financial companies will take place we believe that their will be significant fall off in demand for Reuters terminals. The stock currently looks expensive at 12x forward earnings and we expect potential downgrades of estimates over the coming months.	£14.78	£15.80	£10.00	32.34%
Siemens	Industrial Production figures across the globe continue to decline sharply. While Siemens is a well run and diversified company we believe that the continued deterioration in economic activity will effect earnings across all of its divisions. In January, the group posted an optimistic outlook for the rest of the year as did its peer GE. However, given the continued downturn in activity we feel that the group will be forced to lower earnings guidance over the next few months. Siemens is due to issue second quarter results on April 24th.	€49.54	€51.18	€40.00	19.26%

## Earnings Week Ahead

## Economic Week Ahead

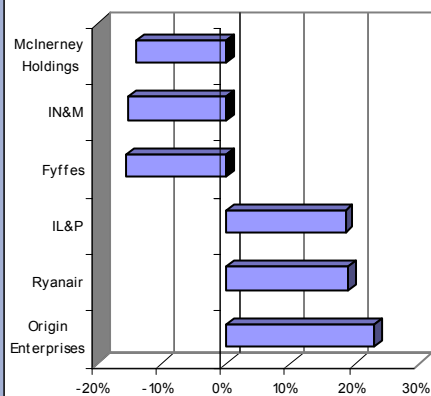
**Mon:** Barclays (Prelim), Randgold Resources (Q4), NYSE Euronext(Q4),Hasbro(Q4) Lincoln National (Q4), Loews Corp(Q4).  
**Tues:** Elan(Q4),Cable&Wireless(Trading),Unisys(Q4),Vulcan Materials(Q4),UBS(Q4).  
**Wed:** Smurfit Kappa(Final),Arcelor Mittal(Q4),Allegheny Energy(Q4),Credit Suisse(Q4)  
**Thurs:**Greencore(AGM),Coca Cola(Q4),Air France(Q3),BT Group(Q3),Diageo(Interim) Marriott(Q4),British Land(Q3),Total(Q4),ENI Spa(Q4), Iberia (Traffic), Rolls-Royce (Prelim), Schrodgers (Prelim), Smith&Nephew(Q4), Rio Tinto (Q4).  
**Fri:** Abercrombie & Fitch (Q4), PepsiCo (Q4), Cabot Oil&Gas (Q4).

**Mon:** Ger Trade Balance(07:00),Ger Imports&Exports (07:00).  
**Tues:** UK RICS House Price Index(00:01), UK Trade Balance(09:30), US Wholesale Inventories (15:00), US ABC Consumer Confidence(22:00) Ger CPI(07:00),UK Jobless Claims(09:30),UK ILO Unemployment(09:30), BoE Inflation report(10:30),US MBA Mortgage Apps(12:00), US Trade Balance (13:30), US Monthly Budget Statement (19:00).  
**Thurs:** ECB Monthly Report(09:00), EU Industrial Production (10:00), US Retail Sales (13:30), US Jobless Claims (13:30), Irl CPI(11:00).  
**Fri:** Ger GDP (07:00),EU GDP (10:00), Irl Retail Sales (11:00), US Uni.Michigan Confidence (15:00).

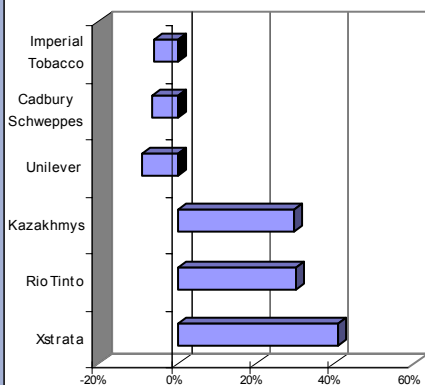
# DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/  
Worst Performers  
02/02/09-07/02/09

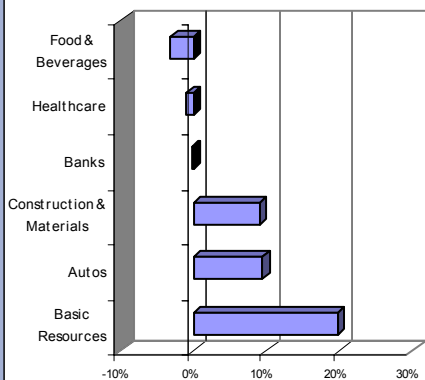
## ISEQ



## FTSE



## Sector changes WTD



# Dolmen Dozen

## WEEKLY UPDATE



Company	YTD	Relevant news
Aryzta	-18.7%	Peer Premier foods sells its speciality bakery group.
BP	-2.9%	BP posts big drop in net profit for the fourth quarter but maintained its investment levels for 2009.
CRH	8.1%	US senate attempts to increase infrastructure allocation in the stimulus plan.
E.ON	-8.5%	E.On says it is looking to buy back €4.25bn of bonds to make more efficient use of cash.
Hewlett-Packard	-0.6%	Apple releases Q4 results that are better than expected.
IL&P	21.0%	IL&P raises €1bn in bond offering.
IN&M	-45.2%	Concerns over its ability to pay down its debt.
J&J	-2.1%	Johnson & Johnson reports fourth quarter earnings of \$2.71bn, compared with \$2.37bn a year earlier.
JPMorgan	-16.3%	Goldman Sachs adds JP Morgan to conviction buy list.
Microsoft	-1.7%	Microsoft discloses its plans for marketing its next generation windows operating system.
Paddy Power	-16.2%	Morgan Stanley maintains its overweight rating.
Vodafone	-0.4%	Vodafone signs Linux deal with US firm Azingo.

## What it says in the 'Sundays'

Company	Paper	Headline
Irish Banks	S.Tribune	EBS bad debts put pressure on big banks
Banks	S.Tribune	Barclays capital call may torpedo state bank plan
Anglo Irish Bank	S. Business Post	Regulator probes Anglo deposits
Irish Banks	S. Business Post	State considering bad debt bailout
Diageo	Sunday Times	Guinness parent scales down growth forecast

## Corporate Visits

### COMPANY

### PRESENTATION DATE

Grafton Group

Date to be confirmed



## Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E09
ISEQ	2463	3.5%	4.6%	6.9%	5.0
FTSE 100	4292	5.9%	-3.5%	6.2%	8.7
DAX	4645	6.4%	-3.6%	5.5%	11.4
Dow Jones	8281	2.5%	-5.6%	3.8%	10.8
S&P 500	869	2.2%	-3.8%	3.3%	20.7
Nasdaq	1592	7.8%	0.9%	1.3%	80.4
EuroStoxx 50	2,046	7.6%	-4.6%	6.4%	9.4
Nikkei 225	8,077	4.3%	-10.5%	2.7%	19.3

Sector	Weekly move%	YTD move %
Basic Resources	19.74	18.07
Autos	9.41	-1.65
Construction & Materials	9.06	-0.42
Chemicals	8.78	2.34
Industrials	8.20	4.24
Travel & Leisure	8.17	3.23
Technology	7.26	6.81
Oil & Gas	6.09	8.94
Telecom	5.83	-0.34
Retail	4.58	10.28
Personal & Household Goods	3.66	5.421
Media	3.39	1.97
Insurance	2.53	-9.06
Utilities	2.38	-3.34
Financial Services	1.33	-7.25
Banks	-0.29	-10.00
Healthcare	-0.90	-0.66
Food&Bev	-3.27	-3.31

## Commodities

	Current	Change YTD
Crude Oil	\$41.68	-6.5%
Gold spot	\$927.85	5.5%

## Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.281	-12.2%	1.40
EUR-GBP	0.881	-7.8%	0.93
EUR-JPY	115.24	-9.6%	120

## GDP Growth

	2008	2009 (est)
Ireland	-1.70%	-5.00%
Euro Zone	1.20%	-2.00%
UK	1.00%	-2.00%

## Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	2.00%	2.09%	1.50%
UK	1.0%	2.17%	1.00%
US	0.00% - 0.25%	1.18%	0.0% - 0.25%



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