

Equity markets had a volatile time last week as concerns in the financial sector continued with worries centring on US government sponsored enterprises Fannie Mae and Freddie Mac. Shares in both companies fell by 37% and 52% respectively over the week amid talk of a possible government bailout that would wipe out equity shareholders. This was reflected in credit markets with the investment grade iTraxx Europe Index briefly pushing through the 100 basis point level for the first time in a month. On the positive side, comments from Korea Development Bank that it was 'considering' an investment in Lehman Brothers boosted banking stocks on Friday. Inflation concerns also remain in focus as core producer price index data in the US continued to surge. However, comments from Fed Chairman Ben Bernanke, that while the US inflation outlook is 'highly uncertain', the recent drop in commodity prices should help ease pressures going forward. As a result, the market expects the Federal Reserve to leave interest rates on hold for the remainder of the year. Focus this week will be centred on a potential resolution from the US government on Fannie Mae and Freddie Mac, while on the economic side housing figures from the US on Monday and Tuesday will be closely watched. Closer to home, the ISEQ will enter its busiest week of the year with 15 Irish companies due to issue results this week.

TRADING IDEAS, EARNINGS & PREVIEWS

Banks Update

For the past 2-months Fannie Mae and Freddie Mac have been in the limelight due to the risk of nationalisation. These companies were created to provide support to the US mortgage market with the aim to make housing affordable for individuals. This was achieved by issuing debt to finance purchases of mortgages and package home loans into bonds sold onto investors. They have an implicit government guarantee and this allowed them to fund themselves at levels close to US Treasuries. Added to this benefit was the ability to operate with lower capital requirements than other banks allowing greater levels of leverage and in turn the capability to generate more profits from a similar capital base. The current crisis comes from the fact both companies have written off \$11.1Bn for the past 3-quarters due to the slow down in the US housing market and investments Fannie and Freddie made in sub-prime loans. Concern has been rising that both lack sufficient capital to support these losses and due to the large fall in its share price, further equity raising will be difficult if not impossible. Along with these concerns both companies have \$213Bn of long term debt due for re-financing at the end of September. The US government rushed through a bill to allow the state to take over the companies if needed in a process that would wipe out equity holders, but protect bond holders. The concern in the market at the moment is that the US will have to take on \$5.3Tr of their debt with estimates for the US government deficit hitting above 104% of GDP under such a scenario compared to the current level of 67%. Such a situation will hamper the recovery of the US housing market, which in turn will delay the recovery of the US economy.

IN&M

Price: €1.50
P/E: 7.4
Div: 9.5%
Target : €2.20

Fundamental View : Market conditions facing INM are difficult with many of its major markets facing slowing economic conditions. Trinity Mirror, a peer of INM, released interims a number of weeks ago indicating weakening conditions. With the Irish and UK economies slowing, advertising expenditure will also fall due to less government, recruitment and property advertising. Off-setting this slowdown is the geographic diversification of the group with businesses in India, Indonesia, South Africa, Australia and New Zealand. Slower growth is been experienced in emerging markets, but business in markets such as India and Indonesia will benefit from population growth and increased literacy rates.

Next Catalyst: Independent News and Media report half year results on Weds the 27th at 7.00am. Management guidance in the trading statement on the 11th of June was for another "year of achievement", which can be taken as a cautious stance for the full year. While the company has greater diversification than its peers, a weaker global economy will affect earnings. Consensus EPS for FY08 is €0.18, a fall of 7% on FY07 and DPS is forecast flat at €0.14 for the full year.

BUY

The possibility of corporate activity still exists with Denis O'Brien holding 24.80% of the stock with further stake building a possibility to match Anthony O'Reilly's 28.02% holding. The results on Weds will provide a catalyst for the share price as the diversified nature of the group will allow for out performance compared to peers. We maintain our Buy rating with a 12-month price target of €2.20.

Chart view : Support in the €1.30 area should provide a short-term entry point for fresh longs. However, it should be noted that the long-term downtrend remains intact.

IL&P Interim Results Preview

On local banks, Irish Life and Permanent is reporting half year results at 7.00am on Wednesday the 27th. For the results on Weds a key figure will be deposit growth as IPM has the greatest exposure to wholesale funding of all the Irish banks with loans to deposits ratio of 2.28x. Over the past 5-years IPM has had only 6.6% CAGR in deposits and will need to increase deposit growth to lower the loan to deposit ratio to the sector average of 1.7x. With greater competition for deposits in the Irish market and increased cost of wholesale funding net interest margin will contract. Consensus estimate is for net interest margin to fall to 100bps for H1 2008 compared to 115bps in H1 2007. For EPS the market is expecting €0.95 for H1 2008 compared to €1.03 for H1 2007 with a flat interim dividend of €0.22. As with all the rest of the major banks, the focus will not be on past earnings, but on the future and the outlook on impairments in 2009.

CRH

Price: €16.88
P/E: 6.8
Div: 4.6%
Target : €25

Fundamental view : CRH trades at a significant discount to its European and US peers. While the company will continue to face headwinds over the next year, we believe that the group is well positioned to manage these and that its shares represent excellent long-term value from current levels. Our €25 price target for CRH is based on the group trading in line with its peer group at 10X 2008 forecasted EPS of €2.50. CRH's balance sheet remains strong and the company continues to generate strong cash flow with its rolling 12-month EBITDA/net interest cover at 9x.

Next catalyst : Tomorrow, CRH is due to release interim results for the six month period ending 30/06/08. Management has already guided that it expects to report first half-pre tax profit of €0.6bn down from €0.67bn last year with its US division been particularly hard hit by the economic slowdown. Operating profit at the group's US division is expected to decline to \$0.37bn from \$0.3bn a year earlier. We continue to expect the company to be cautious in relation to its earnings guidance for the rest of the year with pretax profit declining by a 'high single digit' percentage margin.

BUY

Chart view : Stock is well supported at €16.00 and should have little difficulty targeting €18.20. Short-term bias favors longs.

Tullow Oil Interim Results Preview

Tullow releases its interim results on Wednesday the 27th of August. The stock has rallied significantly in recent days, up over 15% since its recent low of 677p. However, the stock is still trading significantly below its all time high of 985p achieved in June this year. Tullow's exploratory operations in Ghana have proved successful beyond expectations with the discovery of the Jubilee field which contains an estimated billion barrels of oil reserves. There are still a number of promising prospects in its Ghana licenses that have yet to be drilled, as well as potential further upgrade of the Jubilee field. In Uganda, Tullows Kingfisher-2 well recently failed to encounter oil in the lower of two targeted depths. The market will be mainly focused on any further updates on its drilling activities as well as its operational performance. Average production for 2007, on a working interest basis, was over 73,000 boepd, and the market will be expecting an increase here. As a result of its recent exploratory successes, there is significant possibility of a takeover of Tullow by one of the major oil companies.

Earnings Week Ahead

Economic Week Ahead

Tues: CRH (H1), Kerry Group (H1), Bovis Homes (H1), Rio Tinto (H1), Hiestand (H1)

Mon: US Existing Home Sales (15.00)

Wed: FBD Holdings (H1), Glanbia (H1), IN&M (H1), Paddy Power (H1), Heineken (H1), Antofagasta (H1), Sergo (H1), Taylor Wimpey (H1), Tullow Oil (H1)

Tues: US Schiller House Prices (14.00), Consumer Confidence (15.00), New Home Sales (15.00), FOMC Minutes (19.00)

Thurs: Rockwool International (H1), Bouygues (H1), Credit Agricole (Q2), Effiage (H1), Natixis (H1), Air Berlin (H1), 888 Holdings (H1), Berkeley Group (AGM), Dia-geo (H1), Savills (H1) Sears (Q2), Dell (Q2), Tiffany (Q2)

Wed: US Durable Goods (13.30)

Thurs: Euro-Zone M3 (09.00), Economic Confidence (10.00), US GDP (13.30), Initial Jobless Claims

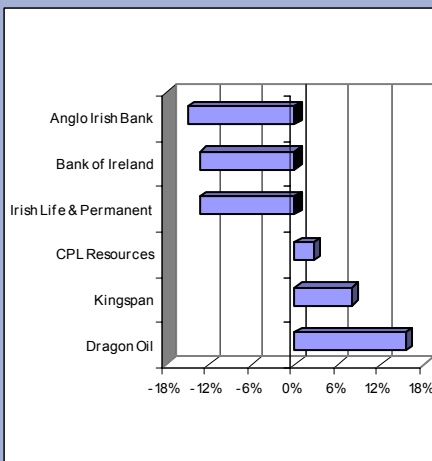
Fri: Carrefour (H1), L'Oreal (H1), Vinci (H1), C&C (TS), Grafton Group (H1), IFG Group (H1), PartyGaming (H1), Rightmove Group (H1), Robert Walters (H1)

Fri: Euro-Zone Unemployment Rate (10.00), CPI (10.00), US Personal Income & Spending (13.30), Core PCE (13.30), Michigan Confidence (15.00)

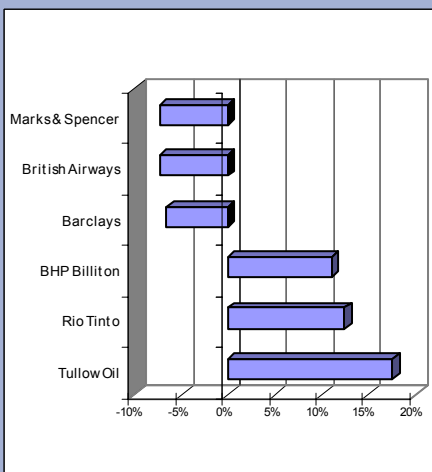
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/
Worst Performers
15/08/08-22/08/08

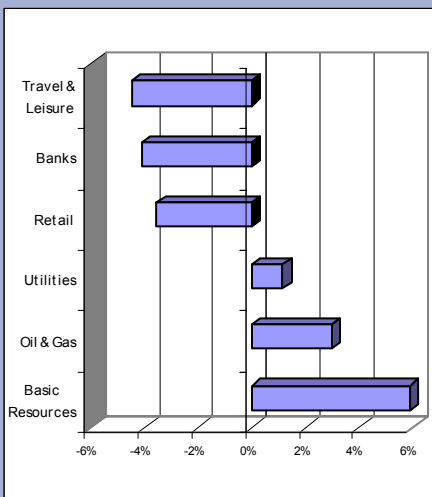
ISEQ



FTSE



Sector changes WTD



Dolmen Dozen

WEEKLY UPDATE

Company	WTD	YTD	Relevant news
AIB	-4.4%	-47.6%	AIB said that earnings may fall by up to 10% during 2008.
Aviva	-4.7%	-24.3%	Aviva reported a 12% increase in EEV operating profit.
BP	-1.0%	-15.5%	Robert Dudley, CEO of TNK-BP joint venture, lodges official complaint with Russian authorities.
IN&M	0.6%	-38.1%	Ahead of interim results announcement on Wednesday.
CRH	-8.1%	-28.0%	Ahead of their interim results tomorrow.
E.ON	-3.0%	-18.9%	E.ON to increase gas prices for residential customers by 26% and power prices by 16%.
Hewlett Packard	3.0%	-7.0%	Hewlett Packard report 3rd quarter earnings that are better than market expectations.
IL&P	-12.4%	-55.5%	Ahead of interim results announcement on Wednesday.
Microsoft	-1.5%	-22.3%	Microsoft lifts some licensing restrictions for big clients.
Paddy Power	-1.4%	-26.7%	Ahead of its interim results announcement on Wednesday.
Vodafone	-0.7%	-25.5%	Vodafone completes the acquisition of a 70% stake in Ghana telecommunications company for \$900m.

DD Unrealised gain YTD	-14.44%	ISEQ YTD	-37.23%
DD Realised gain YTD	-12.20%	FTSE YTD	-21.40%
DD Total YTD	<u>-21.66%</u>	Average performance	<u>-25.98%</u>
Relative Performance		<u>4.33%</u>	

* DD Return (Includes dividends & FX changes since stocks inclusion)

What it says in the 'Sundays'

Company	Paper	Headline
IL&P	S.Business Post	Interim dividend provides a challenge for ILP
NTR	S.Business Post	Roche builds stake in NTR and earns €2 million profit
Tullow Oil	S.Independent	Is Tullow next on the block?
Greencore	Daily Telegraph	Consumer confidence hitting Greencore
Anglo American	Daily Telegraph	Sir John Parker for chairman

Upcoming Corporate Visits

COMPANY

PRESENTATION DATE

Aer Lingus

29th August



Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E08
ISEQ	4360	-5.4%	-37.1%	4.7%	6.7
FTSE 100	5506	0.9%	-14.7%	4.6%	11.2
DAX	6342	-1.6%	-21.4%	3.9%	12.4
Dow Jones	11628	-0.3%	-12.3%	2.8%	14.2
S&P 500	1292	-0.4%	-12.0%	2.4%	26.0
Nasdaq	2415	-1.6%	-8.9%	0.8%	39.0
EuroStoxx 50	2869	-1.3%	-22.1%	4.7%	11.1
Nikkei 225	12666	-2.7%	-17.3%	1.7%	16.4

Sector	Weekly move%	YTD move %
Basic Resources	5.88	-10.48
Oil & Gas	3.01	-15.29
Utilities	1.16	-19.3
Chemicals	-0.08	-12.23
Industrials	-0.78	-19.96
Technology	-0.93	-20.56
Telecom	-1.13	-28.25
Financial Services	-1.87	-27.45
Food&Bev	-2.32	-16.85
Autos	-2.38	-26.54
Media	-2.57	-25.68
Healthcare	-2.76	-8.37
Insurance	-3.17	-24.12
Personal & Household Goods	-3.26	-21.98
Construction & Materials	-3.5	-30.41
Retail	-3.55	-29.13
Banks	-4.14	-32.59
Travel & Leisure	-4.47	-24.11

Commodities

	Current	Change YTD
Crude Oil	\$114.59	+19.6%
Gold spot	\$828.32	-0.7%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.481	+1.5%	1.45-1.50
EUR-GBP	0.799	+8.7%	0.74-0.78
EUR-JPY	162.68	-0.1%	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%	4.96%	4.25%
UK	5.00%	5.81%	5.00%
US	2.00%	2.79%	2.00%

Credit Market Summary

Credit indices widened noticeably on the week, but failed to achieve a definitive breakout. While spreads on Investment Grade and Financial names widened over 5%, High yields spreads were less impressed, widening less than 1%. Increased speculation over a bailout of Fannie Mae and Freddie Mac, as well as analyst reports on Lehman and AIG drove spreads wider, although they tightened somewhat into the end of the week. Looking forward, in the absence of a major announcement, credit indices are likely to endure at least one more week of choppy trading on light volumes.

Credit Sector Movements

US Brokers: wider in the sector – Spreads on US brokers were wider on the week. Spreads on Lehman's widened 29% following negative analysts reports. Negative sentiment fed into other brokers in the sectors with Merrill Lynch widening 9%, Goldman Sachs 11% and J.P. Morgan 8%. Morgan Stanley was a relative out performer, widening only 5%.

Retailers: wider in the sector – Spreads were wider across the sector, with Tesco widening the most at 11%. This is odd given Tesco's position as a more defensive low cost retailer, especially as DSG spreads widened only 1%. Elsewhere in the sector, Marks and Spencer spreads continue to widen, out 10%, but still significantly below the highs achieved in March.

Interest Rate Outlook

On Weds the Fed release minutes from their rate setting meeting on the 5th of August. It should continue to show the divisions within the Fed over the direction of rates and the weighting of risks to growth of inflation. For the Euro-Zone, the key figure will be flash CPI for August re-released on Friday the 29th. After the previous month's figure been revised down to 4.00%, the market is expecting a decline to 3.90% for the month but still significantly above ECB's inflation target of close to 2.00%.

Currency Comment

After the start of the dollar rally on the 7th of July, the currency has started to run out of steam this week. Concerns over Fannie & Freddie have put pressure on the dollar, but the fall back is mainly due to better than expected Euro-Zone data and the fact the currency had moved down too fast and some correction is required. Busy week ahead on US data with a large amount of housing data released, GDP figures on Thursday and University of Michigan on Friday will be key releases. On the currency, a pull back above 1.50 is likely during the week, but any further up-date on Fannie & Freddie will have a significant effect on the currency pair. Any take on of the GES debt onto the Government's balance sheet should be negative for the dollar, but a short-term rally is likely in the current market due to the perceived resolution of the issue. Therefore on currencies, next week is all about the two terrible twins, Fannie and Freddie and not economic data.

EUR/GBP has seen GBP fall back against the Euro on the back of weaker USD over the week. The BOE minutes on Weds shows the discussion within the committee is moving towards rate cuts towards the end of this year. For the following week there is little data out with the UK on Bank Holiday on Monday. On Friday Consumer Confidence for August is released with an expected figure of -41 which will be a new record 10-year low. With the recent rally in EUR/USD starting to come back on the fact it was too far too fast, GBP will continue to weaken, but remain in a tight range between 0.78 and 0.870 for the week.



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