

3rd May 2005

Last Weeks Moves

	Level	Last Weeks Move	YTD Move
Equities			
FTSE	4796	-1.32%	-0.16%
Dow	10197	0.09%	-5.73%
S&P	1159	0.11%	-4.77%
Dax	4243	0.59%	-0.68%
DJStoxx	2822	0.53%	2.25%
Iseq	5831	-2.23%	-6.01%

	Level	Last Weeks Move	YTD Move
Currencies			
Euro/USD	1.2871	0.88%	-1.20%
Euro/GBP	0.6762	-0.63%	-4.38%
Bonds			
US10Yr	111.42	0.34%	-0.27%
EUR10Yr	120.67	0.33%	1.75%
Brent	51.25	-7.41%	17.95%

Trading Calls

Stock	Price	Recommendation
BOI	€11.72	<ul style="list-style-type: none"> Trading strongly : Bank of Ireland's most recent trading statement confirmed underlying group earnings growth of 9%, which should accelerate to 10% for the 12 months ending 31/03/06. This is likely to be confirmed when the bank reports its full year results on 12th May. Between now and 2009, the bank is also targeting a reduction in group staff numbers of 2,100 to reduce annual costs by €120m. Major upside : Our current 12 month price target of €13.50, based on 11x consensus forward earnings per share of €1.22, generates significant upside potential from current levels. When combined with the consensus forward year dividend yield of c.4.3%, this provides a 12 month return of almost 20%, for taking relatively little risk. <p>BUY</p>
Legal & General	104p	<ul style="list-style-type: none"> Q1 sales : Legal & General recently reported very strong Q1 sales of £307m, significantly ahead of the consensus forecast of £248m, and a year on year increase of 43%. This strong sales growth, particularly of pensions and unit-linked bonds, was driven by several distribution agreements, as well as by a continuation of the company's gradual increase in market share in the UK life sector. Bancassurance distribution : Legal and General has bancassurance distribution agreements with Barclays, Alliance and Leicester, Woolwich and Northern Rock, for the distribution of stakeholder pensions, as well as for the distribution of other life and pension products. These distribution agreements should help it achieve further strong sales growth during the rest of 2005. L&G's standalone critical mass also gives it some potential as an attractive medium term takeover target, as it would be of use to an international player in achieving entry into the UK market. BUY
BP	536p	<ul style="list-style-type: none"> UK oil giant BP reported Q1 results last week and recorded Net-Income of \$4,956m, 15% ahead of consensus estimates. The underlying operational performance was strong with the group demonstrating a strong ability to capture more oil/gas price upside and higher refining margins. The company's production for the quarter was 4.1 million of oil per day as it ramped up production and benefitted from increased production in Russia. Fears of a large tax bill from the Russian government have also been allayed following a meeting between President Putin and Lord Browne (BP's CEO). The company stated that it sees the oil price remaining above \$40 well above its stated 'stress test' level of between \$30-\$35. This will allow the on-going buy-back programme to remain in place (the company bought \$2bn of stock in Q1), and permits a dividend increase of 25% for Q1. The shares trade on a P/E of 11.9x 2005 EPS of 45p, compared to a sector average of 13.5x. This gives a 12 month target price of 600p which only rates the share in line with the sector. BUY

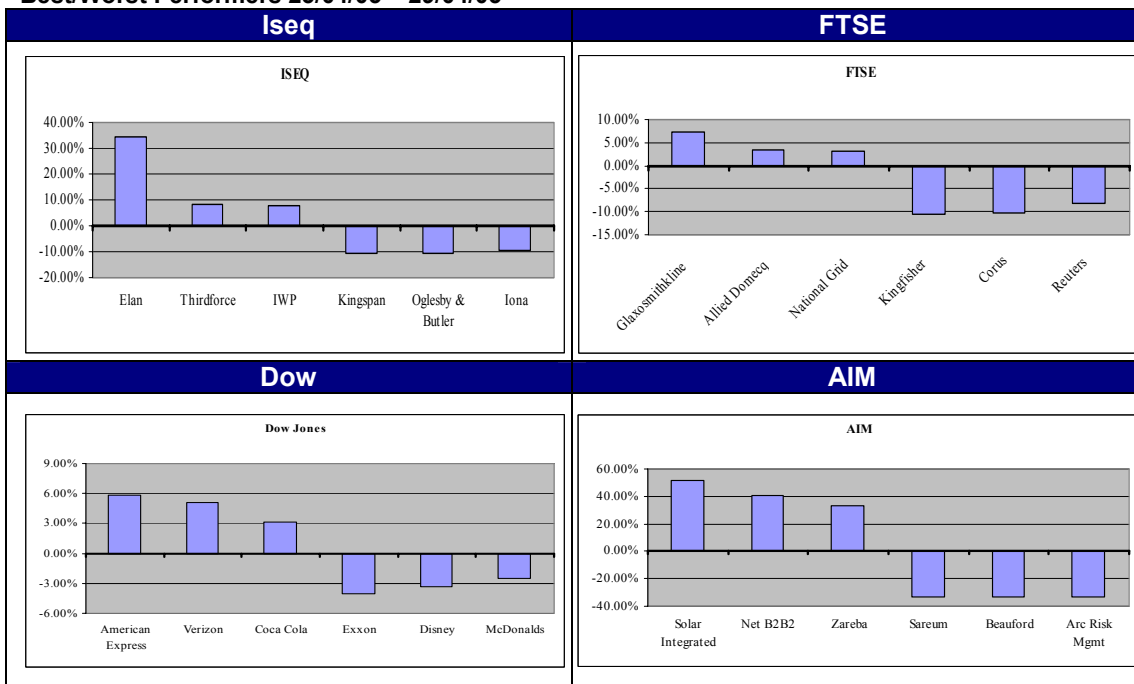
Headlines

Paper	Company	Comment
Sunday Independent	CRH	Tomorrow's CRH AGM trading statement could give the shares a boost
Sunday Independent	Barclays	The collapse of Barclays' ABSA deal could result in further share price weakness
SBP	Rabobank	Dutch Bank, Rabobank to launch on Irish Market
SBP	Barclays	Barclays gets full Irish banking licence as it plans new assault
SBP	BSkyB	BSkyB may face new subscriber drought as viewers switch service

Key Events This Week

Item	Day/Time	Implications
FOMC rate announcement	19.15 Tuesday	On Tuesday all eyes will be on The Federal Open Market Committee meeting (1915 GMT). The Fed is widely expected to raise interest rates by another quarter-percentage point, continuing the course it has followed at the past seven meetings. However, investors, unsettled by growth and inflation concerns, will mainly be focused on the statement accompanying the rate decision for any clue to the Fed's next move.
US economics	Wednesday Non-manufacturing ISM Friday Non-Farm Payrolls	On Wednesday, the ISM will release its non-manufacturing index that measures activity in the U.S. services sector. The forecast calls for a dip to 61.0 in April from 63.1 in March, according to economists. On Friday, the U.S. government will release the monthly employment report for April. The forecast calls for April non-farm payrolls to rise by 170,000 jobs, according to economists. In March, only 110,000 jobs were created. The April U.S. unemployment rate is expected to hold steady at 5.2 percent.
Anglo Irish Bank Interims	Wednesday	Anglo Irish Bank is expected post a 25 percent rise in profits on the back of strong loan growth when it reports results on Wednesday and investors will be hoping for further details on the likely impact of new accounting rules. Consensus forecasts put the bank's expected pre-tax profits at 290 million euros and EPS at 32c in the six months to the end of March 2005 compared to 228.6 million euros and 26c in the same period last year.
BSkyB Q3	Wednesday	BSkyB's quarterly results will be scrutinised very closely to see if the trends evident in the Christmas quarter continued into this year. Net subscribers added in the third quarter (January to March) will be an important number to watch for tomorrow, to see if growth was maintained, at least as much attention will go on subscriber acquisition costs (SAC). Analysts are forecasting net customer additions of between 60,000 and 90,000 (compared with 66,000 for the period in 2004), taking the total subscriber base to 7.7 million.

Best/Worst Performers 25/04/05 – 29/04/05



Sectors

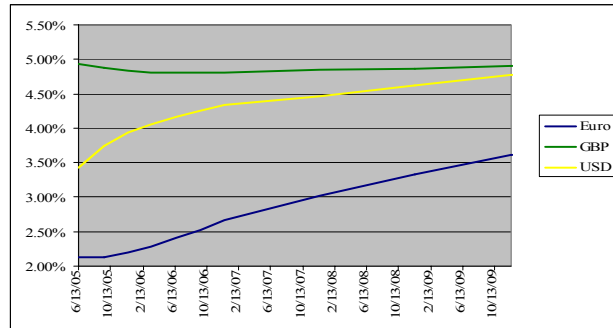
Sector	Last week %	YTD %	Weekly
Auto	0.01%	-0.22%	
Banks	-0.27%	-0.92%	
Consumer Goods	-0.05%	0.13%	
Chemicals	-0.03%	-0.03%	
Construction	-0.02%	0.03%	
Drinks	-0.06%	0.20%	
Enterprise Software	0.01%	-0.11%	
Food	-0.04%	0.09%	
Exploration	-0.20%	0.01%	
Insurance	-0.15%	-0.18%	
Leisure	-0.09%	-0.13%	
Manufacturing	-0.09%	-0.28%	
Media	-0.09%	0.04%	
Oil	-0.06%	0.98%	
Pharmaceutical	0.30%	0.95%	
Retail	-0.14%	-0.12%	
Tobacco	0.05%	0.18%	
Telecoms	-0.13%	-0.68%	
Technology	-0.04%	0.13%	
Utilities	0.04%	0.33%	
			YTD

Equities

	ISEQ	UK	US	Eur	Comment
Div Yield-FY1	2.50%	3.70%	2.17%	3.60%	Comment: SBC 06 EPS Growth down 1.5% BHP 06 EPS Growth up 3% KGF 06 EPS Growth down 1%
EPS Growth-FY1	17.00%	7.20%	10.90%	7.49%	
EPS Growth-FY2	11.00%	6.80%	11.20%	8.79%	
P/E-FY1	11.0	14.5	16.0	13.3	
P/E FY2	11.1	13.5	14.5	12.2	

Interest Rates

	Closing levels			Change From Previous Week		
	Euro	GBP	USD	Euro	GBP	USD
Jun-05	2.13%	4.93%	3.43%	-0.02%	-0.03%	0.02%
Sep-05	2.13%	4.88%	3.75%	-0.04%	-0.06%	0.01%
Dec-05	2.19%	4.84%	3.94%	-0.07%	-0.07%	0.00%
Mar-06	2.28%	4.81%	4.06%	-0.08%	-0.08%	0.00%
Jun-06	2.41%	4.80%	4.17%	-0.09%	-0.08%	-0.01%
Sep-06	2.53%	4.80%	4.26%	-0.08%	-0.08%	-0.02%
Dec-06	2.67%	4.81%	4.33%	-0.08%	-0.07%	-0.02%
Dec-07	3.02%	4.85%	4.47%	-0.08%	-0.05%	-0.05%
Dec-08	3.33%	4.86%	4.61%	-0.08%	-0.06%	-0.06%
Dec-09	3.62%	4.91%	4.78%	-0.08%	-0.06%	-0.06%
Dec-09	3.62%	4.91%	4.78%	-0.08%	-0.06%	-0.06%
5 yr Yield	2.76%	4.49%	3.90%	-0.08%	-0.07%	-0.02%
10 yr Yield	3.38%	4.52%	4.19%	-0.07%	-0.06%	-0.05%



Comment:

European rates were lower last week as poor economic data removed any chance of rate hikes by the ECB. Also lower oil prices reduced inflationary risks. US rates were also lower on the week as economic data pointed to a slowdown in growth. Over the last two months interest rate expectations have fallen by 0.5%.

Bonds

Bonds	Maturity	Coupon	Currency	Rating	G.R.Y	Risk	
Anglo Irish	1 Yr Float	17/02/06	3 M € + 20bp	€	A2/A	2.34%	<1 yr
BOI	1 Yr Float	23/01/06	3 M € + 12.5bp	€	Aa3/ A+	2.26%	< 1 Yr
HSBC Finance Corp	3 Yr Fix	09/07/08	3.375%	€	A1/A	2.71%	3.05
HBOS Treasury	3 Yr Fix	23/01/08	3.75%	€	Aa2/AA	2.58%	2.66
Lloyds Bank (sub)	5 Yr Fix	25/08/10	6.25%	€	Aa1/ AA-	2.99%	5.32
BOI (sub)	5 yr Fix	10/02/10	6.45%	€	A1/A	3.04%	4.80
Deutsche Telekom	10 Yr Fix	19/01/15	4.0%	€	Baa1/BBB+	3.91%	7.99

5 Yr European CDS spreads widened by 3.50bp over the week and 5.50bps over the month to close at 39.75bp as measured by the DJ ITraxx.

Ratings action:

Reuters Group Plc (RTR LN) (A3/A- - stable) S & P affirmed its long-term credit rating following the announcement of its intention to dispose of its 62% interest in the US brokerage firm, Instinet Inc, during 2005.

Reuters announced a portion of the transactions estimated \$1b proceeds will be returned to shareholders. While S & P acknowledge the transaction will reduce the company's financial flexibility, they are satisfied the disposal and return of proceeds to shareholders will not be credit-dilutive.

S & P are satisfied that Reuters enjoy recurring revenues, which are expected to improve over coming quarters; as well as good cash flow generation; ample liquidity; and a pro-forma coverage ratio of 50% (Debt /FFO)

FYE 12/2004 – Net sales £2.9b: EBITDA £446m: P/E ratio 21.07

Royal & Sun Alliance Insurance Group (RSA LN) (Baa1/A- - stable) Moody's upgraded RSA's European ratings from Baa2 to Baa1.

The upgrade reflects the progress made in improving the Group's capital position; restructuring the business; and improving operating performance of the Group's core operations. However, Moody's will continue to monitor the Group's on-going wind-down of its US operations, including the potential for increased loss reserves and the uncertainty regarding the Group's exposure to litigation in the US.

FYE 12/2004 – Net sales £5.2b: EBITDA £142m: P/E ratio 7.34

RWE AG (RWE GR) (A1/A+ - stable) Moody's revised the outlook on the long-term ratings to stable from negative.

The change in outlook reflects: (1) the significant debt reduction over the past 2 years (\$4.4b); (2) managements success at integrating new acquisitions; (3) improved electricity sector outlook in the German market.

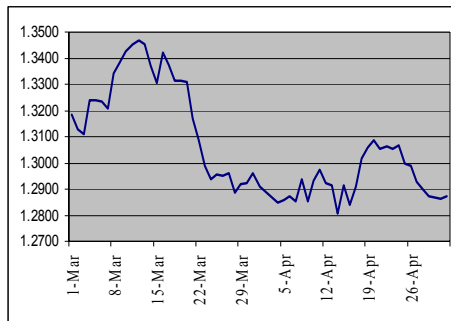
Moody's will continue to monitor the company's pursuit of an acquisitive strategy and the upcoming regulatory change in the German market, for adverse implications to the core operations.

FYE 12/2004 – Net sales €37.8b: EBITDA €8.8b: P/E ratio 711.79

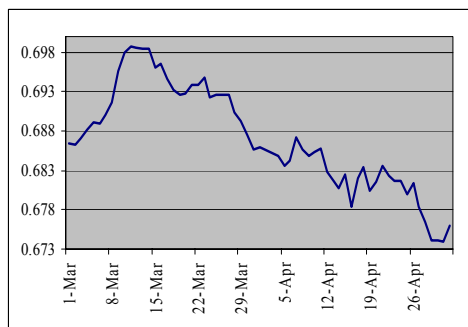
Currencies Vs Euro

Currency	Current Rate	Last Week	Comment
USD	1.2871	1.3027	The dollar was stronger last week as weaker economic data from France and Germany resulted in Euro weakness across all major currencies. Also, the market is beginning to fret over the possibility of the French voting 'No' in the upcoming referendum on the EU constitution, which would be a negative for the Euro.
GBP	0.6762	0.6804	Sterling was stronger across the board hitting a two month low at 67.35 versus the Euro, due to a stronger property market and interest rate differential. M&A activity has also put a bid into Sterling over the last week.

Euro/USD



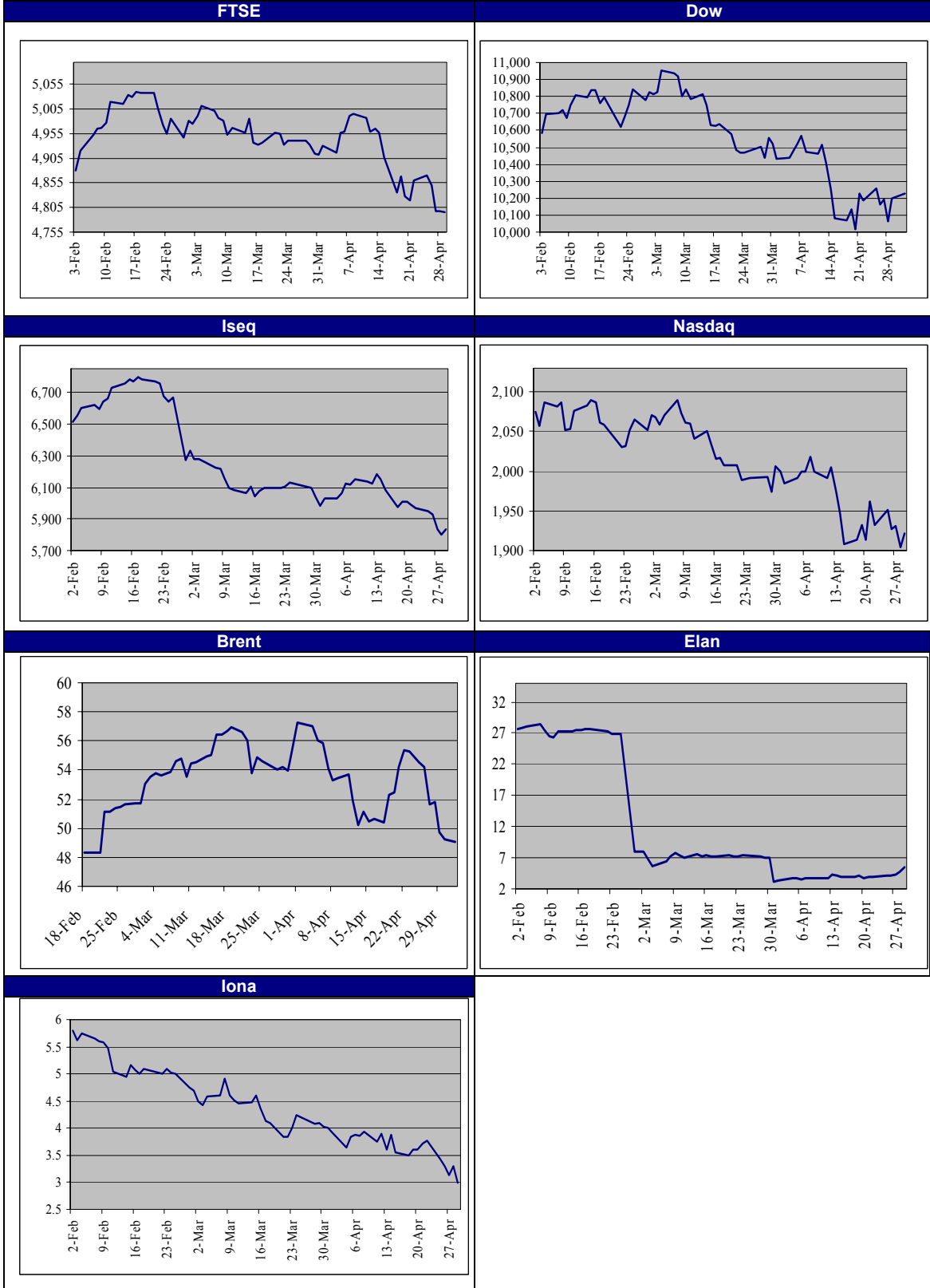
Euro/GBP



Dolmen: Last 10 pieces of research:

Stock	Date	Price	Recommendation
CRH	03/05/05	€19.25	Buy: Strong US to offset Europe
INWS	29/04/05	€2.34	Neutral: iTouch stake sold for €100m
Elan	28/04/05	\$4.25	Neutral: Q1 results announced
Standard Chartered	27/04/05	594p	Sell: Bad debts set to rise
Barclays	26/04/05	556p	Sell: ABSA deal risk
British Land	22/04/05	802p	Buy: Two more properties acquired
RBOS	21/04/05	1,606p	Buy: AGM update
AIB	20/04/05	€16.29	Neutral: M&T Q1 results announced
Ryanair	19/04/05	€5.67	Buy: Inflight entertainment scrapped
Citigroup	18/04/05	\$46	Buy: \$15 bn buyback announced

Charts



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