

28th Feb 2005

Last Weeks Moves

	Level	Last Weeks Move	YTD Move
Equities			
FTSE	4986	-1.03%	3.80%
Dow	10842	0.77%	0.23%
S&P	1212	0.81%	-0.37%
Dax	4377	0.15%	2.45%
DJStoxx	2911	-0.07%	5.47%
Iseq	6671	-2.01%	7.53%

	Level	Last Weeks Move	YTD Move
Currencies			
Euro/USD	1.3252	1.47%	3.73%
Euro/GBP	0.6890	-2.57%	0.12%
Bonds			
US10Yr	111.41	-0.28%	-0.07%
EUR10Yr	118.81	0.19%	0.00%
Brent	49.07	12.93%	6.40%

Trading Calls

Stock	Price	Recommendation
RBOS	1,776p	<p>Buy</p> <ul style="list-style-type: none"> We remain buyers of Royal Bank of Scotland following the company reporting full year results on 24th February. The results came in line with estimates with income being generated across a wide range of businesses, the star performer of which was insurance premiums which increased by 58% while dealing profits increased by 12%. The Bank also reported an increase in efficiency with the Cost Income ratio seeing a 2% improvement to 40.8%. In its outlook for 2005, management are positive of a strong performance with credit quality expected to remain strong. We still rate RBOS our favoured bank, a well run operation which should not be priced at a discount to its peers, with the Bank currently trading on a price to book of 2.2x. Profit Split - Corporate Banking & Financial Mkts 38%; Retail Banking 31%; Retail Direct 9%; Wealth Mgmt 4%; Insurance 4%; Other 14%. Geographic Split - UK 79%; US 14%; Rest of World 7%.
Astrazeneca	2,087p	<p>Reiterate Sell</p> <ul style="list-style-type: none"> We remain sellers of Astrazeneca with continued negative sentiment surrounding the stock. Researchers found on 18th February that they had found that Seroquel (used in the treatment of alzheimers) actually worsens the illness, this follows on from a horrible 2004 when expected depression blockbuster, Exanta, failed a the final regulatory hurdle. The stock received further broker downgrades on the 25th February, with a number of brokers downgrading the stock citing the queries over the company's drugs as a "major barrier to product uptake". As it stands, Astrazeneca is nearly a pure play on cholesterol drug Crestor, which in our opinion offers too high a risk for a blue chip pharmaceutical company. Its poor research and development pipeline cannot be expected to offer any positive catalysts for the share price until at least Q2 2005, when the company is due to update the market on Phase III results for stroke drug Cerovive, again the chances of any news in relation to this pushing the share price forward are slim as stroke has historically been a very difficult condition to treat. We would recommend Glaxosmithkline for investors who are seeking exposure to the pharma sector, with the company having issued guidance of "low double digit growth" for 2005. Glaxosmithkline, trading at 14.9x 2006 earnings per share of 83p, is trading at a 12% discount to its peers, which along with its strong pipe-line makes the shares look a more attractive alternative in the sector. Glaxo Profit Split - Pharmaceutical 84%; Consumer Health 16%. Glaxo Geographic Split - US 49%; Europe 30%; Rest of World 21%.

Corus	59p	<p>BUY</p> <ul style="list-style-type: none"> • Corus reports its Full Year results on 18th March which should see EDITA of £867m up from £250m in 2003 with EPS pre-exceptionals of 8.4p against losses of 4.9p in '03. • The turnaround has been achieved by the implementation of a restructuring programme which saw the company dispose of loss making operations and significantly reducing costs. Also the strength of the steel price due to continuing strong demand from China has benefitted the sector. This can be seen by higher than expected figures from ThyssenKrupp(Germany) and Arcelor(France). • The stock trades on 7.4x Dec '04 forecast EPS of 7.4p and 5.2x Dec '05 EPS of 12p. Investors looking for exposure a cyclical stock with the back-drop of continuing Chinese demand and rising commodity prices should consider Corus.
Iona	\$5.01	<p>Technical Buy</p> <ul style="list-style-type: none"> • On a technical view, Iona looks a good trading buy at current levels. Iona is trading in an upward trend since August 2004 with the share price failing to fall below the support line on the four previous times it has tested this level. To the upside we expect the share price to meet initial resistance at the \$5.50 level followed by \$6.10. • The fundamentals for the stock are also positive with company reporting Q4 results in January which saw its new integration product Artix achieving sales of \$4.66m. Mgmt also said that they had closed three deals over \$1m and 18 deals over \$250k, the most positive aspect of these deals are the strength of the customers (which include MM02, Bellsouth and Reuters). Mgmt were also very positive on its outlook for the next 5 years, setting a target of growing revenues to \$200m.

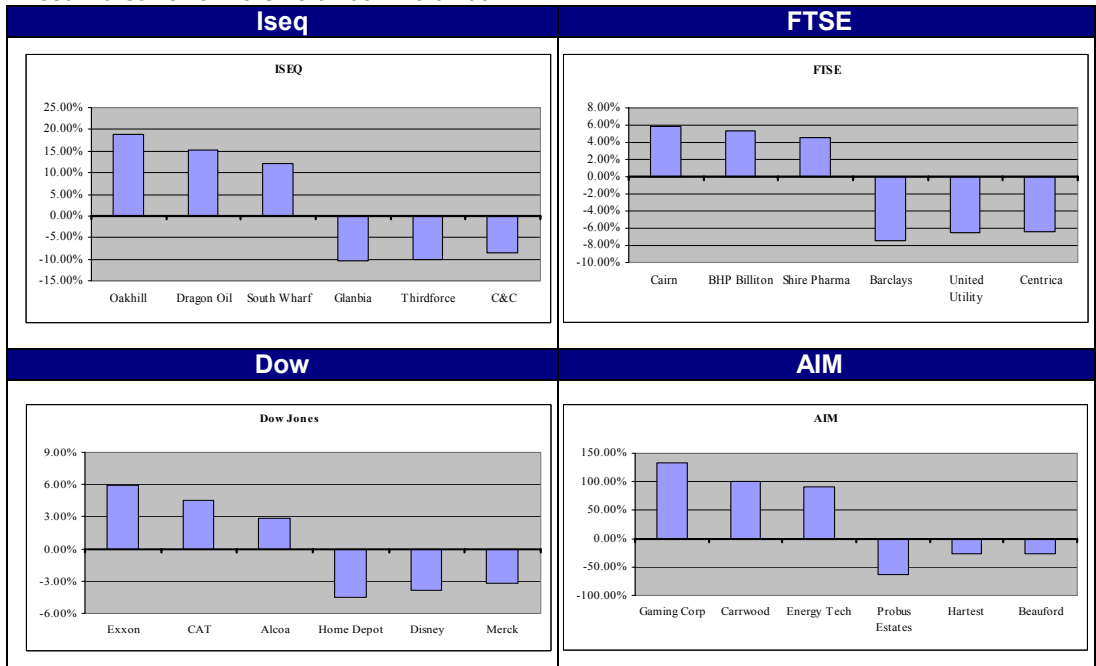
Headlines

Paper	Company	Comment
SBP	Kingspan	Kingspan set to raise €114m
SBP	Paddy Power	Paddy Power bets on Cheltenham bonanza
Sunday Independent	Kerry	Kerry Group may bid for Degussa's € 600m European food additives business.
Sunday Independent	BOI	BIAM recently sold over 400,000 of its McInerney shares.

Key Events This Week

Item	Day/Time	Implications
CRH	Tuesday	CRH will report results for the year ended 31/12/04 on Tuesday morning. We are forecasting profit before tax and earnings per share of €1.015 bn and €1.59 respectively, both year on year increases of 17%. Such strong growth would be in line with last month's trading statement and will have been driven by an upturn last year in CRH's main markets, particularly the US and the UK.
Kerry Group	Tuesday	Kerry Group is expected to report a 6% fall in FY '04 net profit to €151 million versus €161 million a year earlier, according to consensus forecasts. FY sales seen +10% to €4.05 billion versus €3.69 billion. Key issues which will be watched closely will include underlying growth rates in Ireland and Europe, after first half sales growth of just 2% and 4% respectively.
HBOS	Wednesday	HBOS, Britain's largest mortgage lender, is expected to have increased pre-tax profits by 21% to £4,547 billion, as it continues to steal market share from UK rivals. In a trading update in December, the bank said it expected to "comfortably" exceed market expectations, after tightening cost controls and increasing sales of mortgages and insurance policies.
William Hill	Wednesday	William Hill is expected to report a 22% increase in FY pretax profit at £207.8 million from £170.8 million, according to consensus forecasts. There is also speculation circulating that a special dividend could be announced.
Lloyds-TSB	Friday	Lloyds TSB's pre-tax profits are understood to have tumbled by 22% to £3.38bn because of costs incurred last year relating to the sale of a number of its non-core businesses, such as its New Zealand banking arm. But the bank is expected to announce this week that in 2004 it received a return on its investment in Scottish Widows for the first time.
US February Non-Farm Payrolls	Friday 13.30 GMT	On Friday, the February employment report will give investors a sense of the US labour market's strength. Economists are forecasting that non-farm payrolls for February will rise by 225,000. This figure is likely to give investors a good indication of future direction of US interest rates.

Best/Worst Performers 18/02/05 – 25/02/05



Sectors

Sector	Last week %	YTD %
Auto	-0.02%	-0.01%
Banks	-0.46%	0.42%
Consumer Goods	-0.01%	0.11%
Chemicals	-0.02%	0.12%
Construction	-0.02%	0.14%
Drinks	0.00%	0.02%
Enterprise Software	0.01%	-0.10%
Food	0.00%	0.13%
Exploration	0.12%	0.89%
Insurance	0.11%	0.30%
Leisure	-0.04%	0.05%
Manufacturing	-0.02%	-0.14%
Media	-0.01%	0.14%
Oil	0.19%	1.70%
Pharmaceutical	0.11%	0.30%
Retail	-0.04%	0.16%
Tobacco	-0.06%	0.06%
Telecoms	-0.18%	-0.22%
Technology	0.04%	0.20%
Utilities	-0.29%	0.20%

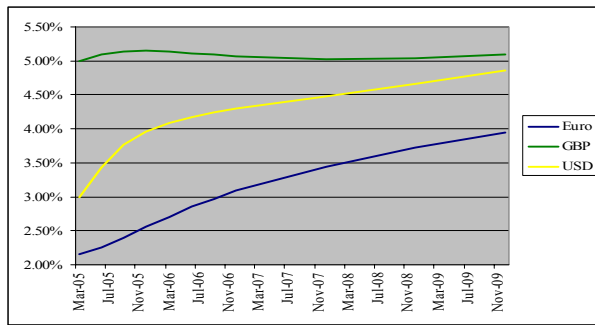
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Equities

	ISEQ	UK	US	Eur	Comment
Div Yield-2004	2.50%	3.80%	2.22%	3.76%	Comment: Diageo 05 EPS Growth down 0.3% to 9.6% Alcoa 05 EPS Growth up 1.3% to 9.9%
EPS Growth-2004	30.00%	15.70%	18.00%	18.86%	
EPS Growth-2005	9.40%	7.10%	8.80%	6.61%	
P/E-2004	12.3	14.7	16.6	13.9	
P/E 2005	11.1	13.8	15.3	13.1	

Interest Rates

	Closing levels			Change From Previous Week		
	Euro	GBP	USD	Euro	GBP	USD
Mar-05	2.15%	4.99%	3.00%	0.01%	0.08%	0.01%
Jun-05	2.25%	5.09%	3.43%	0.01%	0.11%	0.03%
Sep-05	2.40%	5.14%	3.76%	0.00%	0.14%	0.07%
Dec-05	2.57%	5.15%	3.96%	0.00%	0.15%	0.08%
Mar-06	2.71%	5.13%	4.08%	0.00%	0.14%	0.09%
Jun-06	2.85%	5.11%	4.17%	-0.02%	0.13%	0.09%
Sep-06	2.97%	5.09%	4.24%	-0.02%	0.12%	0.08%
Dec-06	3.10%	5.07%	4.30%	0.00%	0.12%	0.08%
Dec-07	3.44%	5.02%	4.47%	0.02%	0.10%	0.04%
Dec-08	3.72%	5.04%	4.66%	0.04%	0.09%	0.01%
Dec-09	3.94%	5.09%	4.86%	0.04%	0.09%	0.00%
5 yr Yield	3.07%	4.77%	3.50%	0.03%	0.13%	-0.34%
10 yr Yield	3.71%	4.76%	4.27%	0.05%	0.07%	0.02%



Comment:

Interest rate markets showed very little direction last week with a dearth of significant economic data released. Yield curves overall showed a slight steepening. Markets will be looking to Friday's Non-Farm Payrolls for direction.

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+	2.27%	< 1 Yr
HSBC Finance Corp	3 Yr Fix	09/07/08	3.375%	€	A1/A	3.00%	3.17
HBOS Treasury	3 Yr Fix	23/01/08	3.75%	€	Aa2/AA	2.86%	2.79
Lloyds Bank (sub)	5 Yr Fix	25/08/10	6.25%	€	Aa1/ AA-	3.36%	5.37
BOI (sub)	5 yr Fix	10/02/10	6.45%	€	A1/A	3.36%	4.87
Deutsche Telekom	10 Yr Fix	19/01/15	4.0%	€	Baa1/BBB+	4.19%	7.89

Comment:

5 Yr European CDS spreads tightened by 4.00 over the month to close at 30.00/30.50bp as measured by the DJI Traxx, however this is a 25bp widening compared to last week.

Ratings action:

Hilton group Plc (HG/ LN) (Baa2/BBB - negative) S & P revised its outlook to negative from stable, following the group's shift to a more shareholder oriented financial policy.

The Group intends to return to its shareholders a substantial amount of its hotel disposals. Disposals of 11 UK hotels are expected to amount to £300 - £400m, with a plan to continue management of the hotels post-sale.

S & P's concerns center on the continuing operating strength of the Group, more specifically on whether the profits from managing the disposed hotels will be sufficient to offset the current contribution of these hotels to the operating cash flows.

Scottish and Southern Energy Group (SSE LN) (Aa3/AA- - stable) had their ratings affirmed by Moody's investor services.

The ratings affirmation reflects Moody's expectation that SSE will maintain a strong financial profile over the medium term. This view is supported by the following:

- Positive impact of a recent electricity price control review
- Favourable conditions of the UK wholesale electricity market
- SSE's diversified generation portfolio
- Profitable supply business.

Other Issues

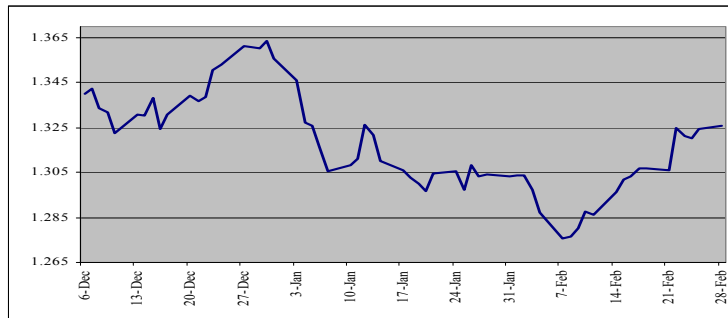
Tomkins Plc (TOMK LN) (Baa2 – stable) was changed from neutral to underweight by Citigroup following concerns of M & A activity which Citigroup believe could increase the company's debt /EBITDA to 2x from its current 1x level.

Tomkins reported FYE 2004 sales of £2.98b, which represented a 5.4% decline on a reported basis, however taking into account the level of US dollar sales included in revenues (65%), and the subsequent translation effect, the company saw sales increase 5.7% on an underlying basis. EBITDA increased 12.8% to £278.1m.

Currencies Vs Euro

Currency	Current Rate	Last Week	Comment
USD	1.3252	1.306	Near term overbought- but positive structure to chart. Would be buying dips as retest of old highs looks likely- but would not rush to buy here.
GBP	0.6890	0.6881	As stated last week- range bound as evidenced by take out of upper stop level at .6950 by 11 ticks before settling back into range- trade outer levels of range but prefer to wait for a break of 6840-.6960 range before trading- bias up this week.

Euro/USD



Euro/GBP

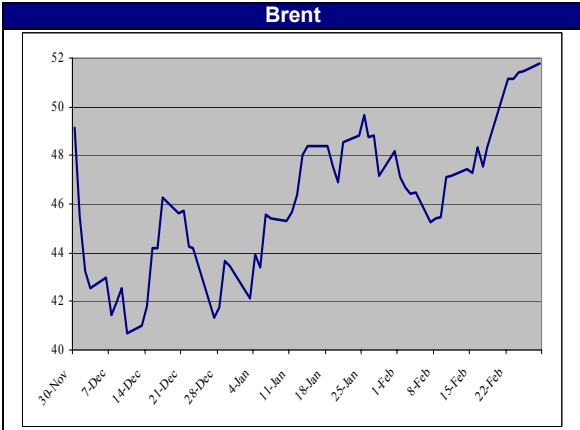


Dolmen: Last 10 pieces of research:

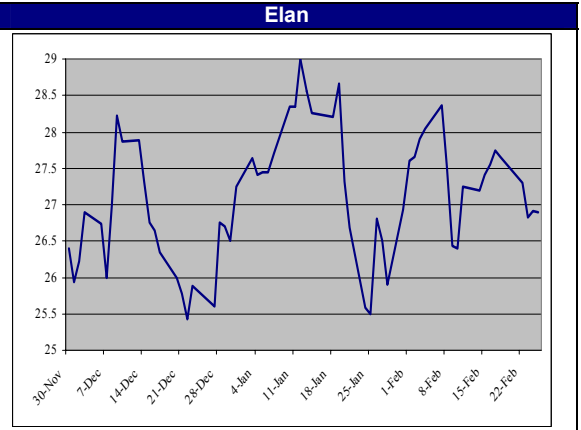
Stock	Date	Price	Recommendation
CRH	28/02/05	€21	Buy: Attractive entry level
Ryanair	25/02/05	€6.16	Neutral: Major fleet expansion
RBOS	24/02/05	1,811p	Buy: Strong results announced
Paddy Power	23/02/05	€12.89	Sell: 2004 results announced
AIB	22/02/05	€16.50	Neutral: 2004 results announced
McInerney	21/02/05	€7.75	Neutral: Full year results preview
Elan	18/02/05	\$28	Neutral: Tysabri two year data impressive
Fyffes	17/02/05	€2.18	No longer relatively cheap
RSA	15/02/05	87p	Neutral: Recommendation downgrade
Greencore	11/02/05	€3.36	Buy: AGM statement
Barclays	10/02/05	594p	Neutral: Full year results announced

Charts

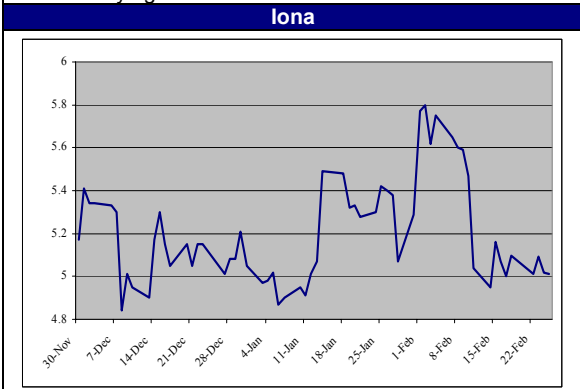
FTSE	Dow
<p>Comment Still churning in the same range- no momentum to either side breakout. Get short on rally to 5075 with stop at 5110, or wait to get long at 4950 in a small way and again at 4850 for a longer period.</p>	<p>Comment Good bounce - critical level of 10900 - constructive chart but not sure it will take out 10900 this week- may do so and trade down from there. Would not position here- risk reward not good enough.</p>
Iseq	Nasdaq
<p>Comment Got the pullback we were looking for- on suupot now- a break of 6650 would set up a further correction to 6500- think this wont happen in the near term- more likely to bounce slightly with international markets.</p>	<p>Comment Still positive- sell off short lived- still in 2020- 2120 range. Expect market to break higher on balance</p>



Comment
 As predicted- took out recent highs- getting overbought but could run to old highs. If we get orderly pull back - worth a buy again at the 49.75- 50.25 level.



Comment
 Getting closer to buying level at 25.50- 25.90 with stop at a CLOSE at or below 24.75.



Comment
 Still trading sideways at bottom of the channel- would buy here for a bounce to between 5.50 and 6 but with a stop on a CLOSE below 4.40