Any Insights?

December 8th 2011 Tel: +353 1 6115611

Ian Quigley MSTA (ian.quigley@ncb.ie) +353 1 6115611

Waiting for Europe

Following some impressive gains last week, markets have entered a quiet period of reflection in recent days as we approach some pretty clear resistance levels. With the ECB announcing a 0.25% interest rate cut today, attention will now likely shift to the impending agreement amongst European politicians, expected this weekend, until then the market is in wait and see mode.

So what can we say technically? Last week was very encouraging as markets staged quite dramatic rebounds off notable support levels. In particular European markets posted strong upward moves off base building support, which re affirms the idea that the short sharp bear market in Europe ended in October amidst universal doom and gloom. However, following last week's strong gains the market is now facing meaningful resistance with US markets in particular challenging established resistance near the 200 day Moving Average and the late October highs.

Given the strong breadth and volume measures, which we have discussed in recent commentaries, we expect the market to ultimately break above these resistance levels but until they have done so we must respect them and acknowledge that the market may struggle to push past these levels in the short term. Much will depend on this weekend's prognostications with clear risks surrounding the outcome. If European politicians cannot agree markets will suffer.

So where is capital flowing? In addition to government bonds (please note we view long dated western government bonds as overvalued) we have noted that capital continues to flow into large global multinationals with strong balance sheets. In many respect these companies represent a refuge for money in a world of indebted sovereigns and crippled banks. Despite recent outperformance a number of these multinationals continue to represent attractive value and we would continue to recommend accumulation of quality stocks. Such companies include Johnson & Johnson, Colgate, Diageo, McDonalds, Coca-Cola and Unilever. We invest in these companies both directly through stock purchases and indirectly through exchange traded funds, collective investment trusts and funds. For more details please call.

Elsewhere, our favourite commodity continues to consolidate following its dramatic September correction. The seasonal pattern for gold is currently quite favourable and with no signs of rising real interest rates (nominal interest rates minus inflation) any time soon we remain positive on the yellow metal's prospects. Within the precious metals complex we also continue to believe that gold stocks offer very attractive value and strong potential returns with the caveat that high volatility is to be expected

As a sign off on today's note, we should re-iterate the central message from recent weeks – Stay Diversified. This may sound a bit obvious or indeed glib but we believe it is valid in a world of complex potential outcomes. We have been extolling the virtues of combining quality, proven absolute return funds, established mixed asset investment trusts, commodities (precious metals and agriculture) and high quality equities and cash/short dated bonds. This remains our view.

S&P 500 – Testing Resistance

Dow Jones Industrials Testing Resistance

DJ Stoxx 600 – Rallied Strongly Off Support

Gold – Consolidating

Disclosures

This report has been prepared and issued by NCB Stockbrokers. NCB is neither liable for the proper and complete transmission of this report nor for any delay in its receipt. Any unauthorised use, disclosure, copying, distribution, or taking of any action in reliance on this report is strictly prohibited. The views and expressions in the report are expressions of opinion and are given in good faith, but are subject to change without notice. This report may not be reproduced in whole or in part or passed to third parties without permission.

The report has been prepared and issued by NCB with information obtained from various sources. NCB does not guarantee its accuracy or completeness, and neither NCB nor any employee thereof shall be liable in respect of any errors or omissions or for any losses or consequential losses arising from such errors or omissions.

Neither the information contained in this report nor any opinion expressed constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities ('related investments').

This report was prepared for the clients of NCB only. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive any of this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realised. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. In addition, investors in securities such as ADRs, whose value are influenced by the currency of the underlying security, effectively assume currency risk.

NCB may trade for its own accounts as odd-lot dealer, market maker, block positioner, specialist and/or arbitrageur in any securities of the issuer or in related investments, and may be on the opposite side of public orders.

Share Ownership Policy: NCB Stockbrokers allows its analysts to own shares/derivative positions in the companies they produce research notes and recommendations on. NCB Stockbrokers Ltd. ensures that all staff account dealing is conducted in strict compliance with its internal staff-dealing procedure, and accordingly is satisfied that the objectivity of the research and recommendations is not compromised.

NCB and any director, officer or employee thereof, may have a long or short position in any securities of the issuer or in related investments.

NCB acts as a stockbroker/advisor to Independent News & Media, Irish Continental Group, Donegal Creameries, NTR and Zamano.

The reader of this note should be aware that the research analyst(s) or an individual who assisted in the production of this research report (or a member of his/her household) may have a direct ownership position or a derivative position in securities issued by a company covered in this report.

NCB and any director, officer or employee thereof, may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report.

For US Persons Only: This publication is only distributed in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934. A US recipient of this report may not distribute or provide this report or any part thereof to any other person.

Analyst Certification:

Each research analyst responsible for the content of his/her research notes, certifies that all of the views expressed in this research report accurately reflect their personal views about any and all of the subject issuers or securities, and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendations or views in this report.

Footnotes

1. Ratios where share price is an input are calculated using (a) the respective fiscal year average share price for historic years and (b) the current share price for current and future years.