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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9205	↓ -83	-0.89%	11.0	-2.16%
FTSE 100	6203	↓ -39	-0.62%	12.4	-0.28%
DAX 30	6789	↑ 1	0.01%	15.0	2.91%
DOW	12622	↑ 98	0.79%	19.5	1.27%
NASDAQ	2464	↑ 15	0.62%	15.6	2.01%
S&P	1438	↑ 9	0.66%	21.0	1.41%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3024	0.6628	157.1300
Dollar	1.3024	1.0000	1.9651	120.6100
Sterling	0.6628	1.9651	1.0000	237.0500
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	58.1400			

This Week's Research

Aviva
Vodafone
Ryanair
Vodafone

Today's Research

GSK

Today's Recommendation

**GSK (£13.65) Next week's results to drive upgrades Stuart Draper
Target : £15 (14/12/06; previously £16.50, issued 31/03/06)**

- Results preview : This day week, 8th February, at noon, GlaxoSmithKline will announce its results for the year ended 31/12/06. Given that consensus forecasts in recent months have been reduced to expect 2007 eps growth of only 4% now to 99.7p, next week's 2006 results' announcement should result in some upward revisions to 2007 earnings forecasts for the reasons explained below. The consensus forecasts are for 2006 profit before tax and eps of £7,831m and 95.7p respectively, both representing year on year increases of 16%.
- Margin expansion : GSK's eps growth of 15% for Q3 2006 was helped by a stronger than expected operating margin of 35.9%. As a result, there may be some scope for full year 2006 operating margin expansion to 33%, from 31.7% for 2005, to result in some 2007 eps upgrades from lower than expected SG&A expenditure.
- Growth resuming : There is also the potential for the 2007 growth prospects for both Avandia (diabetes) and Advair (asthma) to be revised upwards from current levels, as the ADOPT data showing superiority over metformin has a positive impact on the use of Avandia and Avandamet, and as the publication of TORCH data supports increased use of Advair.
- Further catalysts : Novartis' recently reported strong 31% growth in vaccines sales, partly due to strong market growth, could also set the scene for a stronger than expected vaccines' sales result. Other potential positive catalysts for the GSK share price over the next 5 months include the US approval for Tykerb (breast cancer) in March 2007, a US filing for Cervarix (cervical cancer vaccine) in April 2007, EU approval of Cervarix in June and the approval of Allermist (hay fever) in June.
- Buyback support : The EU pharma sector average is now trading at 16x 2007 earnings, and our view is that no more than a 10% discount is warranted for GSK, given its slightly lower than average 2007 earnings growth. As a result, our current 12 month price target of £15 (10% upside) is based on 14.4x 2008 eps of £1.05. In Q4 2006, GSK also increased its share buyback programme from £1 bn to £2 bn per annum over the next 3 years. When combined with a current dividend yield of c.3.5%, this provides protection from further major downside : **BUY**.

Breaking News

Anglo announces placing details

Anglo Irish Bank announced today that it plans to issue about 35.7m new shares but added that based on current trading performance it does not anticipate any reduction to the existing market EPS consensus for 2007 of approximately 115.5 cent Chief Executive David Drumm added that the bank's board was "very confident" in its future and that the new capital from the share sale would put it in an excellent position to deliver strong growth and continue to generate superior shareholder returns well into the future. The placing will represent 5% of Anglo Irish Bank's issued share capital.

Royal Dutch Shell posts 2.6% rise in quarterly profits

Royal Dutch Shell posted a 2.6% rise in underlying quarterly profits today, beating analysts' forecasts, thanks to higher production and strong oil prices. Shell said in a statement its Q4 current cost of supply (CCS) net profit, which strips out changes in the value of inventory, was \$6bn, helped by profits from selling oil and gas fields. For 2006, CCS profit was \$25.4bn, up 12%. Excluding non-operating items, the underlying result for the Q4 was \$5.5bn. Investors consider the pre-exceptional CCS result as the best measure of Shell's underlying performance. Shell said Q4 production rose to 3.645m barrels of oil equivalent per day (boepd) from 3.5m boepd in the same period of 2005. Full year output was down 1.3% at 3.47 million boepd, largely due to strife in Nigeria.

Rio Tinto's net profit for 2006 surged 42.6%

Rio Tinto announced today its net profit for 2006 surged 42.6% to a record \$7.44bn on higher commodity prices and strong global demand for iron ore, copper and other resources. It said underlying earnings, which exclude one-off items such as asset sales, rose 48% to \$7.34bn. Annual sales rose 22.6% to \$25.44bn, exclude one-off items such as asset sales, rose 48% to \$7.34bn. Annual sales rose 22.6% to \$25.44bn. Chairman Paul Skinner said the company sees a number of uncertainties in the global economy and expects some moderation of growth But growth in China remains strong and well balanced. Higher commodity prices lifted earnings by \$3.07bn.

Business Press

- Tight window for upcoming IPO as Smurfit swansong looms (II)
- IFG on target in trading update (II)
- Wolfson hit by slower sales in iPods (FT)

Investment Press

- US economy: As the Federal Reserve held rates for the fifth time in a row at 5.25 per cent on Wednesday, the bond markets appear to have come round to Ben Bernanke's view.



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