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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6576	↑ 111	1.72%	11.0	6.10%
FTSE 100	5317	↑ 104	1.99%	13.5	10.45%
DAX 30	4929	↑ 103	2.14%	15.0	15.81%
DOW	10440	↑ 37	0.36%	19.5	-3.18%
NASDAQ	2120	↑ 30	1.46%	15.6	1.50%
S&P	1207	↑ 9	0.72%	21.0	-0.41%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.1987	0.6770	139.7100
Dollar	1.1987	1.0000	1.7696	116.5400
Sterling	0.6770	1.7696	1.0000	206.2500
Yen	139.7100	116.5400	206.2500	1.0000
Oil (Nymex)	59.7600			

This Week's Research

Today's Research HBOS

Breaking News

Ryanair welcomes Luton Airport expansion plans

On Friday Ryanair welcomed the announcement by Luton Airport of its plans to develop a second runway and two additional terminals to allow the airport to triple passenger numbers to 30 million a year by 2020. Chief executive Michael O'Leary said the firm wanted to work closely with Luton to boost passenger numbers at the airport. He said the plans "highlight again the benefit of airport competition in the south east". Luton Airport intends to submit a planning application within 18 months.

In separate news, ABN Amro has raised its price target for Ryanair to €6.0 from €6.40 on the back of increased earnings forecasts, reflecting a stable oil price at \$60 per barrel.

Friends Provident Q3 sales numbers

This morning Friends Provident confirmed stronger sales in the first nine months of 2005 with a 31 percent increase in total life and pensions new business on an APE basis to £425m from 323m. This was slightly below the average forecast for new business of £435.1m. Chief executive Ben Gunn said the group has seen continued good growth in investments and a strong increase in pensions in the UK. But the continued lower level of transactions in the mortgage market, together with increased competition, has led to some pressures on both volume and margin in the protection business.

O2 agrees to Telefonica takeover

Telefonica SA announced Monday it has agreed to buy mobile phone company O2 PLC in a 17.7 billion-pound deal that will help expand its presence in the U.K. and German markets. The Spanish company agreed to pay 200 pence per share in cash, a 22 percent premium over O2's closing price on Friday. The O2 board recommended that shareholders accept the offer. Peter Erskine, chief executive of O2, said the geographic operating differences between the two companies was a strong reason for recommending the deal.

Business Press

- Approval for €420m Meteor deal expected soon (IT)
- Aston Villa confirms approach (IT)
- Value of Irish share up €1.3bn (IE)
- Aminex signs Tanzania oil deal (IE)

HBOS (£8.30) UK mortgage market recovering Stuart Draper

- UK mortgages : Following a very tough H1 2005, there is growing evidence that a recovery in UK mortgage lending has started to take hold in recent weeks. This would be of major relevance to 3 of our current preferred retail bank stocks, Bank of Ireland, RBS and HBOS.
- September growth : According to the British Bankers Association, gross mortgage lending for September 2005 was £17.8 bn, 6% stronger than August 2005, and seasonally adjusted net mortgage lending rose by an underlying £4.9 bn during the month, representing an acceleration on the August 2005 rise of £4.4 bn, and the highest monthly increase so far this year.
- Mortgage approvals : The number of UK mortgage approvals in September showed 2% growth on the August figure, rising to 199,031 approvals. Given that the UK banks in general reported quite solid H1 results in a very weak mortgage lending environment, the improving environment shown by these figures could lay the foundations for some positive earnings surprises when the year end trading statements are released early next month.
- Upcoming catalysts : HBOS is expected to release its year end trading statement on Tuesday 6th December, RBS on Thursday 8th December, and Bank of Ireland will announce its first half results on Thursday 24th November.
- Credit quality : Crucially HBOS' H1 results showed that there was no deterioration in the credit quality of its retail loan book, either secured or unsecured, over the previous guidance issued at the time of the full year results' announced in March. Specifically, HBOS' finance director, Phil Hodgkinson, confirmed that "in relation to unsecured and credit-card business, we are seeing very much the same trends as we saw in 2004". HBOS also confirmed that the credit quality of its corporate loan book was continuing to improve.
- Concerns overdone : Our more positive than consensus recommendation for HBOS over the past 12 months has been based on the view that with the base rate of the current UK interest rate cycle likely to peak at c.4.5%, a slight slowing in the level of loan growth for 2005 was a more likely ultimate scenario for HBOS, than a major slowdown, which is what the share price was factoring in at times last year.
- Further upside : Our current 12 month price target for HBOS of £9.50 (14% further upside) is based on 10x 2006 eps of 95p. Investors will also be paid a dividend yield of c.4.2% for waiting for this upside to be realised. HBOS' share price has risen by 23% since our BUY note of 18/08/04 : BUY.

Investment Press— Lex

- ABN-Amro: Times are good in the banking industry when even ABN Amro beats estimates. The Dutch bank did so handsomely on Monday: excluding gains on disposals and restructuring charges, net profits in the third quarter rose 12 per cent to €1bn.



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