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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9350	↑ 145	1.58%	11.0	-0.61%
FTSE 100	6282	↑ 79	1.28%	12.4	0.99%
DAX 30	6851	↑ 62	0.92%	15.0	3.86%
DOW	12674	↑ 52	0.41%	19.5	1.69%
NASDAQ	2468	↑ 4	0.18%	15.6	2.20%
S&P	1446	↑ 8	0.54%	21.0	1.95%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3016	0.6621	157.4000
Dollar	1.3016	1.0000	1.9658	120.9400
Sterling	0.6621	1.9658	1.0000	237.7700
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	57.3000			

This Week's Research

Aviva GSK
Ryanair
Vodafone

Today's Research

Anglo Irish Bank

Today's Recommendation

Anglo (€16.05) Earnings guidance upgraded by 3.3% Stuart Draper
Target : €17.50 (02/02/07 ; previously €16.25, issued 06/12/06)

- Guidance upgraded : In conjunction with yesterday's c.8 times oversubscribed 5% share placing of 35.7m shares at €15.20, Anglo has upgraded its current year earnings guidance by c.3.3%. This is implied by the existing current year consensus eps guidance of 115.5c being re-iterated, despite the 5% placing. The 3.3% upgrade is arrived at by the new shares being in issue for only 8 months of the current financial year.
- Loan growth : The bank's very strong earnings per share growth of 32% to 93.7c for the year ended 30/09/06 was driven by 45% loan growth, and this latest earnings upgrade implies further current year loan growth of c.40%. The bank's work in progress (WIP) figure (loans accepted by customers not yet drawn down) as at 30/09/06 was €8.7 bn, 7% higher than even the top end of the forecast range at the time, and this latest upgrade indicates that the 227 new staff recruited (16% growth) over the year ended 30/09/06 are helping to achieve continued very strong new loan growth.
- Accelerating momentum : This better than expected year end WIP figure, when combined with the improving second half loan growth momentum and the latest earnings upgrade, provides the scope for further earnings upgrades. As a result, we see the consensus current year eps being maintained at c.€1.15 (23% further earnings growth), and the consensus forward eps being raised by c.3% to €1.34 (17% further earnings growth).
- Sector out-performer : As a result, we upgrade our current 12 month price target to €17.50 (9% further upside), which is based on 13x forward eps of €1.34. When combined with a current year dividend yield of c.1.2%, this provides sufficient further upside to justify maintaining our BUY recommendation. Given the size of the bank's growth opportunity in both the UK and US markets, sustainable average earnings growth of 15% per annum appears achievable over the next 5 years, which is significantly stronger than the European bank sector average as a result of Anglo's unique niche business model.
- Premium deserved : Such sustainably strong growth means that the high growth / high multiple UK banks, such as Standard Chartered (STAN), are more relevant valuation peers for Anglo than the UK mainstream retail banks. Given that STAN currently trades at c.15.1x 2007 eps, it appears reasonable that Anglo should trade at a similar rating. Anglo's share price has risen by 12% since our last BUY recommendation of 06/12/06 : BUY.

Breaking News

Polish division adds €1bn to value of AIB

Significant gains in the share price of AIB's Polish subsidiary BZ WBK has added €1bn to the value of AIB shares, or the equivalent of over €1 per share, in the past few months. Shares in BZ WBK reached a new high earlier this week. These came when its competitor BRE, a majority-owned subsidiary of Commerzbank, reported Q4 results that beat market expectations by 10%. BZ WBK stock reached a new high of €68.63 on the back of the news, which boosted the Polish banking sector as a whole. At these levels, this values AIB's 70% stake in the bank at €3.5bn, or 18% of its market capitalisation.

British Airways Q3 operating profit falls 27%

British Airways posted lower Q3 profits amid rising fuel costs and weak sales growth due partly to weather related cancellations. The airline also trimmed its revenue guidance for the full year. For the 3 months to December 31, BA made a net profit of £103m, down from £117m a year earlier as sales from continuing operations rose marginally to £2.068bn from £2.058bn. Operating profit from continuing operations fell 27% to £129m. Fuel and oil costs rose 11% to £457m while passenger traffic rose by a sluggish 0.2%. Looking ahead, BA said it now expects revenues over the full year to March 31 to rise 3.25% to 3.75%.

BP sells off UK refinery for \$1.4bn

BP has sold off the last of its British refineries with the disposal of the Coryton plant in Essex to Petroplus Holdings of Switzerland for \$1.4bn but insisted it was not deserting its home base. BP is very much committed to the UK and does not need to own a refinery in the UK to offer its UK customers the best in fuel products, said John Manzoni, chief executive of refining. The refinery employs 540 staff and has a crude oil capacity of about 172,000 barrels a day. The move came as BP announced that as had been expected Andy Inglis would take over the exploration and production division with immediate effect.

Business Press

- CRH sued for \$120m in US over Port Dock acquisition (IT)
- APN investors question bid by IN&M (IT)
- Shell & Exxon report record annual profits (FT)

Investment Press

- Deutsche Bank: For investment banks, the trouble with booming markets is that investors quickly become blasé about rising profits.



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