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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6333 ↑	62	0.98%	11.0	2.18%
FTSE 100	5001 ↑	32	0.64%	13.5	3.87%
DAX 30	4384 ↑	33	0.76%	15.0	3.00%
DOW	10830 ↑	64	0.59%	19.5	0.44%
NASDAQ	2071 ↑	20	0.95%	15.6	-0.85%
S&P	1210 ↑	7	0.57%	21.0	-0.13%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3163	0.6862	137.7200
Dollar	1.3163	1.0000	1.9175	104.6000
Sterling	0.6862	1.9175	1.0000	200.5500
Yen	137.7200	104.6000	200.5500	1.0000

This Week's Research

CRH
Elan

Today's Research

HBOS

Today's Recommendations

HBOS (£8.47) Strong results announced Stuart Draper

- Results announced : This morning, HBOS announced results for the year ended 31/12/04. Profit before tax and earnings per share of £4.592 bn and 84.3p respectively were ahead of consensus forecasts of £4.547 bn and 79.6p, and were year on year increases of 22% and 23%.
- Stabilising margin : These results showed that the level of margin erosion in H2 2004 was lower than in H1, and that the bank's credit quality continued to improve in H2. It now appears that the main reason for the particularly high H1 margin erosion last year was a temporary widening of the gap between the base rate and LIBOR as a result of overly high interest rate expectations.
- Share buyback : This morning's results also showed that cost growth for 2004 was below the bank's targeted 5% level, and it was also confirmed that a £750m share buyback programme would take place this year.
- Loan growth : The group's loan growth, when combined with strong growth in non-interest income from life and pension sales, is continuing to generate strong earnings growth. With the consensus 2005 eps forecast now likely to rise to 90p, double digit earnings growth is likely to continue in 2005.
- 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.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.
- Home equity : Home equity in the UK now averages £114,000 per home, as compared with £37,000 per home in 1995. With UK interest rates and unemployment levels likely to remain at historically low levels for the foreseeable future, the ability and willingness to tap this home equity is likely to result in UK mortgage loan growth coming in ahead of current consensus market forecasts again in 2005.
- Further upside : Such stronger than sector average 2005 earnings growth prospects justifies at least a sector average multiple of 10.5x 2005 earnings per share of 90p, and a 12 month price target of £9.50 (12% further upside). Investors will also be paid a dividend yield of c.4.1% for waiting for this upside to be realised. HBOS' share price has now risen by 25% since our BUY note of 18/08/04 : BUY.

Breaking News

Glanbia well positioned for growth in 05

Glanbia posted a 1 percent rise in full-year pretax profit today and said that although there were some challenges to its trading outlook, it was well positioned for growth. The company reported pretax profit of 77.7 million euros in the 12 months to January. Adjusted earnings per share rose 4.4 percent to 20.10 euro cents from 19.26 cents previously. The group said operating profits were hurt by the poor performance of its fresh pork business. Glanbia said managing the impact of EU dairy sector reform would be a challenge in 2005.

Outlook for 2005 broadly positive-Jurys

Jurys Doyle Hotel Group said its business outlook for 2005 was broadly positive as it reported its full year results this morning. The group said today that pretax profit for the year ended on Dec. 31 came in at 45.28 million euros, a 7 percent rise year on year. The firm said business at its Irish hotels division, which account for nearly half of sales, picked up in the second half of the year. The firm said it would pay a dividend of 24.9 euro cents per share, a 5 percent increase on last year.

William Hill to return £453m to investors

William Hill announced this morning that its profits grew by 21 percent in 2004 and said it will return a further 453 million pounds to its shareholders a mixture of dividends and share buy-backs. Profit before tax rose to 205.3 million pounds from 169.5 million in 2003. The company's total dividend for 2004 rose 32 percent to 16.5 pence. EPS for the year ended in December 2004 rose to 36.2 pence. Analysts had forecast earnings of between 35.7 and 36.5 pence a share, with a consensus at 36.0 pence.

Business Press

- Confidence of US chief executives at three-year high (FT)
- Boots' profit warning dismays (FT)
- Elan drug blow marks latest bump in road (WSJE)
- British Airways puts focus back on service (WSJE)
- Biogen chiefs sold shares before 'crash' (II)

Investment Press— Lex

- Boots: Boots efforts to get into shape are reminiscent of Disney superhero Mr Incredible straining to fasten the impossibly tiny belt on his costume. No matter how hard you squeeze, the ends do not meet.



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