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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9426	↓ -112	-1.17%	11.0	0.19%
FTSE 100	6319	↑ 8	0.13%	12.4	1.58%
DAX 30	6691	↑ 10	0.15%	15.0	1.43%
DOW	12475	↑ 11	0.09%	19.5	0.09%
NASDAQ	2423	↑ 8	0.33%	15.6	0.33%
S&P	1417	↓ -2	-0.12%	21.0	-0.12%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3142	0.6751	157.1300
Dollar	1.3142	1.0000	1.9497	119.3600
Sterling	0.6751	1.9497	1.0000	232.6800
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	58.3200			

This Week's Research
CRH

Today's Research
Fyffes / Total Produce

Breaking News

Ryanair takes legal action over French labour decree

Ryanair said it is taking legal action against France to overturn a labour decree that it claims is unlawful and anti-competitive. The carrier said it has filed a legal action with the French Conseil d'Etat requesting it to overturn a recently adopted decree that it says requires foreign airlines to apply French labour laws at their bases in France. The airline said it has also asked the European Commission to overturn the decree, which it claimed contradicts European laws on free movement of labour and services and is a clear attempt to protect Air France from competition. Ryanair announced in May that it would open its sixteenth European base in the Southern city of Marseille.

IL&P mortgage market share rose 4% in 2006

IL&P announced yesterday that in 2006 its share of the Irish mortgage market rose by about 4% to over 22%, measured in terms of loan values. The company said Ireland's house price growth will continue to slow, falling to between 4% and 6% in 2007. This would be significantly slower than the growth in house prices experienced in 2006, which economists have estimated at least 12%. But Niall O'Grady, head of marketing with IL&P's banking unit, said that, despite recent interest-rate rises by the European Central Bank, the fundamentals of the domestic housing market remain strong.

US manufacturing growth rebounds

US industrial activity rebounded in December following a surprise contraction in the prior month, a survey by the Institute of Supply Management showed yesterday. The ISM index of national industrial activity rose to a better-than-expected 51.4% in December from 49.5% in November. Any reading under 50 indicates a contraction, so the report suggests the US industrial economy is expanding again after shrinking in November. The prices paid index, a measure of inflation for companies declined to 47.5% from 53.5% a month earlier, indicating a moderation in inflationary pressures. The index of new orders rose to 52.1%, while employment increased slightly to 49.7%. The index of exports declined to 54.3% from 56.9%.

Business Press

- Oil plunges below \$59 (II)
- Rights hurdle in Essar battle (FT)
- Lower jobless rate adds fuel to Germany's recovery (FT)

Breaking News

Fyffes(€1.06) Distribution & consolidation potential Stuart Draper Target : €1.15 (04/01/07 ; previously €1, issued 07/09/06)

- TP demerger : The demerger of Fyffes' general produce division, Total Produce, into a separately quoted company, has come into effect this week, with Fyffes' shareholders receiving 1 share in Total Produce for every 1 Fyffes' share owned.
- Fyffes valuation : Fyffes previously issued 2006 EBITA guidance of €20m, implying EBITDA of €25m, which we had previously rated at an EBITDA multiple of 6.5x, a 20% discount to peers such as Chiquita and Fresh Del Monte. However, given the recovery in peer valuations since then, an EBITDA multiple of 7x is more appropriate now, implying a valuation of €175m. When the €100m of net cash, which is being retained in Fyffes, and the €124m (0.53*583.26*40%) of value from Fyffes' 40% Blackrock shareholding are also included, a value for Fyffes of €1.14 for each of the 350m shares in issue is calculated, generating our new 12 month price target of €1.15 (8% upside).
- Cash distribution : The net cash balance of €100m being left in Fyffes also creates the possibility of a cash distribution to shareholders, or a share buyback programme, now that both the property and general produce businesses have been demerged. At the very least, the company's dividend yield of c.4% will be maintained, creating a sufficient further total return from current levels to justify a BUY recommendation.
- Consolidation potential : There is also the realistic potential of Fyffes being involved in sector consolidation this year, as industry players try to achieve cost savings to offset lower EU banana prices. Any recovery in EU banana prices in 2007 could also result in a further upgrade to our price target : **BUY**.

Total Produce (€0.75) Limited further upside Stuart Draper Target : €0.80 (07/09/06 ; previously €0.70, issued 03/05/06)

- TP valuation : 2006 EBITDA guidance of €40m was previously issued for Total Produce (TP), which at the same 7x rating as we used before, generates a value of €0.77 for each of the 350m shares in issue, once TP's current net debt of €10m is deducted.
- Limited upside : This generates our current price target of €0.80, but with limited further upside to this level and no cash distribution or consolidation potential, our current TP recommendation is **NEUTRAL**.

Investment Press

- UK equities: A big-cap, or a mid-cap trap? That, in a nutshell, defines the dilemma over UK equities. During 2006 the UK market produced a 14.4 per cent total return – respectable by global standards.

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