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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9367 ↑	35	0.38%	14.1	-0.44%
FTSE 100	6640 ↑	49	0.75%	13.2	6.74%
DAX 30	8051 ↑	92	1.16%	14.2	22.04%
DOW	13577 ↑	42	0.31%	15.2	8.94%
NASDAQ	2645 ↑	13	0.48%	26.1	9.51%
S&P	1525 ↑	5	0.36%	15.9	7.51%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3623	0.6748	166.6800
Dollar	1.3623	1.0000	2.0191	122.3200
Sterling	0.6748	2.0191	1.0000	246.9400
Interest Rates (%)	4.0000	5.2500	5.5000	0.5000
Oil (Nymex)	71.4100			

This Week's Research
C&C Group
Royal Bank of Scotland

Today's Research
Aviva

Today's Recommendation

Aviva (£7.55) Statement to drive price above £8 Stuart Draper Target : £9 (17/01/07 ; previously £8.50, issued 02/06/06)

- Trading statement : On Friday week, 13th July, Aviva will release a trading statement for the 6 months ending 30/06/07. The statement should confirm that the group is on target to generate 15% overall sales growth for 2007, driven by particularly strong international sales growth. In April, Aviva announced total life and pension sales of £7.75 bn for the 3 months ended 31/03/07, a year on year increase of 16%.
- International growth : This Q1 sales growth was driven by 25% growth from the international business, which now accounts for more than 50% of group sales following last August's \$2.9 bn cash acquisition of US life insurer, AmerUs Group. The Q1 2007 group new business contribution of £271m was c.4% ahead of the consensus forecast and was a year on year increase of 17%.
- Margin expansion : Aviva's Q1 2007 UK life and pension sales grew by 3% year on year, with the margin on this business expanding from 2.8% to 3%, helped by the group's efficiency review. Aviva is still forecasting UK sales growth of 5-10% in 2007, aiming to grow at least in line with the UK market, with current margins either being maintained or improved upon. Such an outlook for relatively strong 2007 sales growth, as well as the group's improving non-UK life margins, are not fairly discounted by the current share price.
- Acquisition growth : The US market is the world's largest savings market, with strong growth potential as a result of its ageing population. Aviva has an excellent acquisition track record, and with a further c.1000 life companies in the US, there is the potential for further bolt-on deals within this market. The AmerUs deal should boost 2007 eps by c.2%.
- Dividend growth : Despite this US expansion, Aviva remains committed to growing its dividend, in March announcing a 10% increase in its 2006 dividend per share to 30p. Further 10% growth in 2007 to 33p would provide a 2007 dividend yield of 4.4% on the current share price.
- Major upside : Given that Aviva's 2007 return on embedded value of 14% is forecast to be c.10% stronger than the UK sector average, its price to embedded value (EV) should trade at a similar premium. Our current 12 month share price target of £9 (19% upside) is based on 1.6x 2006 EV per share of £5.73, a premium of c.10% to the current sector average : **BUY**.

Breaking News

Blackrock invest €12.25m in Milton Keynes

Blackrock announced today that it has exchanged contracts to purchase an office and warehouse facility in Milton Keynes in the UK for a total outlay, including costs, of €12.25 million. The facility comprises two separate buildings on a 6 acre site strategically located just north east of Milton Keynes, adjacent to the M1 Motorway, with easy access to the M6, M25 and M40. The current passing rent reflects a net initial yield of 6.85%. This acquisition takes Blackrock's total investment expenditure to date in 2007 to c. €76m and their gross property assets to €442 million."

IFG management confident of delivering strong growth for FY

IFG Group yesterday reported that it is confident of delivering strong growth for the full year and meeting market expectations. At the Annual General Meeting of the Company held Tuesday all Resolutions were approved unanimously. Commenting at the AGM the Chairman, Mr PJ Moran said: "I am glad to report that the current year has started positively with all three divisions trading well. Despite the general downturn in the Irish property market our property associated business is trading satisfactorily due to its diverse mix.

Irish economy shows strong growth for Q1

Ireland's economy steamed ahead in the first quarter of 2007 with GDP at constant prices 7.5% higher in the first quarter of 2007 compared with the first quarter of 2006, according to official data published yesterday. GNP slowed to a rate of 6.4% in the first quarter of 2007, compared with 7.6% in the same period last year, the CSO said. Consumer spending, meanwhile, grew by 5.4% in the first quarter compared with the same period last year. Despite the strong data, Ireland's leading economic think-tank sounded a downbeat note, slashing its economic growth forecasts for 2007. The Economic and Social Research Institute (ESRI) downgraded its forecast for Irish GDP growth this year to 4.9%, compared with a previous prediction of 5.4%. The ESRI added in quarterly commentary that it expected Irish GNP would grow by 4.8 percent this year, down from its March quarterly forecast of 5.4%.

Business Press

- iPhone could call up 55pc profit margin (II)
- William Hill on a winner as outlet expansion continues (IE)
- CRH ready to expand Danish links (II)

Investment Press

- Handset and match: Joint ventures tend to be disliked by investors. With a success rate of about 50% - little better than modern marriages

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