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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8884 ↑	146	1.67%	11.0	20.64%
FTSE 100	6090 ↑	4	0.06%	12.4	8.39%
DAX 30	6370 ↓	-3	-0.05%	15.0	17.77%
DOW	12309 ↓	-22	-0.18%	19.5	14.15%
NASDAQ	2446 ↓	-7	-0.27%	15.6	10.91%
S&P	1413 ↓	-2	-0.13%	21.0	13.49%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3320	0.6764	152.9600
Dollar	1.3320	1.0000	1.9696	114.8000
Sterling	0.6764	1.9696	1.0000	226.1000
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	62.1900			

This Week's Research
INWS
 Greencore
 Anglo Irish Bank

Today's Research
 Royal Bank of Scotland

Breaking News

RBS (£19.16) Trading statement reassures Stuart Draper
Target : £20.50 (23/11/06; previously £19, issued 13/06/06)

Breaking News

Interest relief for first time buyers

Brian Cowen doubled the rate of mortgage relief for first-time homebuyers yesterday. Cowen said any cuts in property tax would more likely than not be incorporated into the sale price and so end up in the pocket of the seller. He said the best way to help first-time buyers facing soaring house prices, prohibitive stamp duty and rising interest rates was to double the ceiling on mortgage interest relief instead. The Minister also extended the Business Expansion Scheme (BES) and increased the ceilings that apply to them. The ceiling for total BES funding per company was raised from €1m to €2m. Mr Cowen also raised the annual limit per investor from €31,750 to €150,000.

Bradford & Bingley to buy loan book

Bradford & Bingley said it is set to meet analysts' expectations of a 7.3% increase in full-year profit, helped by continued strong lending growth on the back of a robust property market. In 2005, B&B had a pretax profit of £310.1m. The group also reassured on bad debt, signalling that both the impairment charge and the level of lending arrears will be lower in the second half of the year than they were in the first six months. Separately, B&B said it had agreed to buy mortgage portfolios from GMAC-RFC worth up to £4bn in each of the next three years.

Rank Group to sell Hard Rock business

Rank Group is in the process of selling its Hard Rock business for \$965m to the Native American Seminole tribe of Florida, which will transform the company from a diversified leisure group to a focused gaming business. The sale is expected to be completed on March 5. As a result of the Hard Rock sale, which will generate around £490m, the company intends to return £350m to shareholders in a special dividend. In a trading statement Rank also announced that group revenues had grown slightly in the 48 weeks to November 26 but Scotland's smoking ban in March has decreased bingo revenues there by 15%.

- Statement released : Royal Bank of Scotland (RBS) has released its year end pre-close period trading statement, which confirmed that 2006 profit before tax will be "slightly ahead" of the consensus forecast of £9.16 bn, which would have represented 11% growth on the 2005 result of £8.25 bn. The slightly stronger growth appears, as we had anticipated, to have been driven by a particularly strong performance from the group's Global Banking and Markets division, given this year's strong capital markets conditions.
- Credit quality : However, the greatest reassurance was provided in relation to credit quality, with the bank stating that the overall group bad debts charge would represent a lower percentage of group loans than it did in 2005, achieved by the rate of growth in bad debts on UK unsecured loans "moderating" in H2 2006. Such bad debts rose 19% in H1 2006, but the bank is now "comfortable" with consensus forecasts that this rate of growth will slow to 14% for full year 2006. This is helped by RBS' lower than sector average exposure to UK unsecured personal lending of c.7% of global loan book, which has been the only problem area to date.
- Earnings upgrades : Following this trading statement, our view is that the current consensus forecast for 2007 eps will be raised by c.2% to £2.05, representing further 12% growth on the expected 2006 result of £1.83. Our current 12 month target of £20.50 (7% further upside), is based on 10x 2007 eps of £2.05.
- Further upside : Such a rating appears very achievable by comparison with the current European bank sector average of 12x 2007 eps, and when combined with a current year dividend yield of c.4.3%, this provides a sufficient further total return to justify maintaining our current BUY recommendation.
- Deal risk : Earlier this year, RBS confirmed that all of its growth targets could be achieved organically from its UK and Irish, US and Chinese operations and its current share buyback programme would continue. This means that the risk of a major acquisition in the near term is very low. With RBS' Tier 1 ratio expected to end the year at c.7.5%, there is also the potential to extend this year's £1 bn share buyback programme, as shown by RBS' purchase for cancellation yesterday of 400,000 of its own shares at £19.10. RBS' share price has risen by 11% since our BUY note of 04/08/06 : **BUY**.

Business Press

- Pretax profits at Anglo Irish rise by 38% to €850m (IT)
- NTL abandons ITV takeover bid (IT)
- Airtricity to develop huge German farm (II)
- Takeover rumours see C&C shares surge 5pc (II)

Investment Press

- Lehman Brothers: As if Wall Street had not seen enough eye-popping numbers already this year. Dick Fuld's \$187m of restricted stock over 10 years to keep him as chief executive of Lehman Brothers almost blends in.



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