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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	7060	↓ -6	-0.08%	11.0	13.91%
FTSE 100	5529	↓ -10	-0.18%	13.5	14.85%
DAX 30	5267	↓ -34	-0.64%	15.0	23.75%
DOW	10811	↓ -46	-0.42%	19.5	0.26%
NASDAQ	2252	↓ -9	-0.39%	15.6	7.80%
S&P	1257	↓ -6	-0.50%	21.0	3.74%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.1751	0.6765	141.4600
Dollar	1.1751	1.0000	1.7367	120.3600
Sterling	0.6765	1.7367	1.0000	209.0700
Yen	141.4600	120.3600	209.0700	1.0000
Oil (Nymex)	59.2100			

This Week's Research
Grafton Group
HBOS
Adidas

Today's Research
RBS

Breaking News

PartyGaming FY profits to beat expectations

PartyGaming issued a trading statement today for the two months to November 30 and said its revenue and profit for the year to end-December 2005 are likely to be ahead of consensus market expectations. The group said it enjoyed strong trading in both poker and casino during the period. Average daily gross poker revenue rose 14 percent to 2.7m compared with the third quarter, while daily gross casino revenue was up strongly following the launch of blackjack. PartyGaming highlighted substantial cross-selling with about 40 percent of players on its PartyPoker.com website now playing both blackjack and poker.

Ryanair new routes and bomb scare in Rome

Yesterday Ryanair announced 4 new routes - Glasgow Prestwick to Marseille and Reus Barcelona, and Stockholm to Kaunas and Gdansk. The routes start on dates between 22nd February and 30th March 2006 and will bring Ryanair 250,000 additional European passengers.

Ryanair was forced to cancel five flights yesterday morning after a false bomb alert at Rome's Ciampino airport. Police said that an anonymous caller phoned the airport to say a bomb had been planted aboard a Ryanair plane. The alert lasted little more than an hour and led to the cancellation of Ryanair flights to Hanover, London, Paris, Verona and Treviso.

FTSE quarterly review

Copper company Kazakhmys and housebuilder Persimmon have joined the FTSE 100 index in the latest quarterly review, the FTSE EMEA Committee said. Kazakhmys, the tenth-largest mined copper producer in the world, floated on the market in October and is currently valued at around £3.3 bn. Persimmon, valued at around £3.2 bn, recently announced the agreed takeover of Westbury. P&O also joins the FTSE 100 from the start of trading tomorrow. The ports operator replaces plasterboard maker BPB, following news that BPB's takeover by Saint-Gobain has been declared unconditional. As expected Whitbread and William Hill have been relegated to the mid cap index, the FTSE 250.

RBS (£17.11) Further near term upside limited Stuart Draper

- Trading statement : This morning, Royal Bank of Scotland released its year end pre-close period trading statement. Overall, the statement confirmed that the bank's 2005 results are expected to be "in line with market expectations". Similar to AIB on Tuesday, there may be some disappointment now that earnings upgrades were not forthcoming, following the earnings' upgrade from HBOS within the past week.
- Non-interest income : On the positive side, similar to HBOS non-interest income has grown strongly from financial markets and insurance premium income, and will account for over 60% of the bank's 2005 total income. With regard to credit quality, it was also stated that "there are signs that the increase in unsecured personal lending arrears may be levelling off".
- US margins : However, the group's net interest margin was lower in H2 2005, driven by a further flattening of the US yield curve, in addition to proportionally higher growth in large corporate and mortgage lending.
- Share buy-back : Even though it was confirmed that "there are no immediate acquisition priorities or opportunities on the landscape", it was disappointing that the only reference to share buybacks was that "with every day that passes that option becomes closer".
- Near term upside : Following the c.2% downgrades to 2005 and 2006 forecasts in August, complicated by IFRS adjustments, we are still comfortable with our current 2005 and 2006 eps forecasts of £1.76 and £1.90 respectively. Our view in recent months has been that the shares should at least at 10x current year earnings, generating our current price target of £17.60.
- Recommendation downgrade : However, following the 12% rise in the share price over the past 2 months, there is only 3% further upside to this level. As a result, we now downgrade our RBS recommendation from BUY to NEUTRAL, being of the view that there will be opportunities to buy the shares back under £17 during the course of 2006 : **NEUTRAL**.

Business Press

- Recruitment group CPL predicts strong profits (IT)
- Elan chief executive agrees new open-ended contract (IT)
- C&C directors acquire shares (IT)
- EasyJet passenger numbers up 8.3% (IT)

Investment Press— Lex

- Stagecoach: A few years ago, following a string of write-downs and profit warnings arising from foreign buys, it looked like the wheels were coming off at Stagecoach. Thankfully, better-than-expected first-half results have confirmed that they are firmly back on their axles.



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