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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8368 ↓	-111	-1.31%	14.1	-11.06%
FTSE 100	6535 ↓	-61	-0.92%	13.2	5.05%
DAX 30	7959 ↓	-43	-0.54%	14.2	20.65%
DOW	13968 ↓	-98	-0.70%	15.2	12.07%
NASDAQ	2729 ↓	-51	-1.83%	26.1	13.01%
S&P	1540 ↓	-18	-1.16%	15.9	8.55%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.4109	0.6915	165.3300
Dollar	1.4109	1.0000	2.0404	117.1500
Sterling	0.6915	2.0404	1.0000	238.9500
Interest Rates (%)	4.0000	5.2500	5.7500	0.5000
Oil (Nymex)	81.2200			

This Week's Research

Today's Research
 Royal Bank of Scotland

Breaking News

SAP to acquire Business Objects for c.€4.8bn

SAP has agreed to a cash offer to buy software group Business Objects for about €4.8bn in the face of an aggressive acquisition spree by rival Oracle. SAP said on Sunday the primary driver for the acquisition, its biggest and a reversal of its avowed organic-growth strategy, was the potential to gain new business. SAP is racing to more than double its customer base to 100,000 by 2010, mainly by winning more small and medium-sized companies as clients. Its €42 per-share offer represents a 20% premium over Business Objects' closing price on Friday and values Business Objects at about €4.07bn. SAP said the transaction including costs was worth just over €4.8bn and would be financed through cash and loans.

Northern Rock share price moves on positive news

Northern Rock shares moved higher today after weekend reports of increased interest from private equity groups and that Citigroup, the world's biggest bank, was planning to offer the troubled UK mortgage lender a £10bn loan. The Sunday Times reported without citing sources that the "exact terms of the loan are still being hammered out" but that the funding will be "linked to the three-month inter-bank, or Libor, lending rate." The Wall Street Journal said that Northern Rock had received interest from potential private-equity buyers, adding that Prime Minister Gordon Brown's decision Saturday not to call for early elections could speed up an auction process for the bank. A Northern Rock spokeswoman said Monday that the lender was still considering a variety of options for the business, but she declined to be more specific.

US non farm payroll data better than expected

The US Labour Department gave a much rosier picture for the US job situation in the past two months, reporting an increase of nearly 200,000 jobs in the period after earlier estimates that the economy lost jobs in August. The economy gained 110,000 jobs in September, ahead of the 100,000 increase expected by economists. Also revised was August's surprise 4,000 drop in payrolls to a gain of 89,000.

Business Press

- Last month worst for construction sector in four years (IT)
- Putting two and two together makes Fyffes (IT)
- Vodafone deal brings broadband expansion (IE)

Breaking News

RBS (£5.70) Building sustainable revenue growth Stuart Draper Target : £7.20 (03/07/06; previously £7.50, issued 20/12/06)

- ABN acquisition : Following Barclays' announcement on Friday of the withdrawal of its offer for ABN AMRO, the Royal Bank of Scotland (RBS) consortium would appear to be the winner of the 7 month takeover battle for the Dutch bank. RBS will pay c. €16 bn for ABN's investment banking and Asian businesses, c.€5 bn of which will be financed from an equity placing.
- Major synergies : RBS has a track record over the past 10 years of integrating its acquisitions well, generating synergies in excess of those initially targeted. Initial cost savings and net revenue synergies from the ABN takeover by the end of 2010 of €1,319m and €481m respectively would appear achievable, further boosting group eps by 2% in 2009 to 80p and by 7% in 2010 to 89p. In addition to the RBS bid initially representing a premium of c.10%, its high cash component of 93% further increased its advantage over the Barclays' all-stock offer.
- Acquisition growth : The ABN acquisition further extends RBS' franchise in Asia and investment banking, which helps build sustainable revenue growth and cash generation for the group. This in turn creates the fire power for further bolt-on deals in the US without new capital having to be raised, which would further boost earnings growth from the synergies generated.
- Accelerating growth : Even though the ABN deal should boost group net profit by c.6% in 2008 to c.€7.4 bn, once the c.€1 bn new shares in issue post ABN is considered, 2008 group eps is likely be flat on the 72p consensus forecast for 2007. However, group eps of 80p in 2009 and 89p in 2010, driven by the ABN synergies explained above, would represent the resumption of year on year earnings growth of 11% in both years, with a 2007 eps of 72p representing current year earnings growth of 8%.
- Major upside : As a result, our current 12 month share price target of £7.20 (26% further upside) is based on 10x 2008 eps of 72p. The shares will also pay a current year dividend yield of c.6% for waiting for this upside to be achieved. RBS' US mortgage exposure is 100% prime and 99% secured, with the associated credit risk described as "miniscule". Earlier this year, HSBC stated at the time of its sub-prime profit warning, that there was zero read across to its US prime business, which is positioned very similarly to RBS' Citizens/Charter One business in the US mortgage market : **BUY**.

Investment Press

- Flowers on rocky ground: So much for reputational risk. The argument on Wall Street has long run something like this: private equity buyers will have to follow through on the deals they signed during the heady days of the credit bubble

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