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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	7727 ↑	57	0.75%	11.0	4.93%
FTSE 100	5861 ↑	42	0.73%	12.4	4.30%
DAX 30	5703 ↑	51	0.90%	15.0	5.45%
DOW	11076 ↓	-97	-0.87%	19.5	2.72%
NASDAQ	2060 ↓	-1	-0.03%	15.6	-6.58%
S&P	1266 ↓	-6	-0.43%	21.0	1.68%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2887	0.6757	148.3300
Dollar	1.2887	1.0000	1.9070	115.0800
Sterling	0.6757	1.9070	1.0000	219.4400
Interest Rates (%)	3.0000	5.2500	4.7500	0.4800
Oil (Nymex)	76.3500			

This Week's Research
Paddy Power
Deutsche Bank

Today's Research
Aviva

Today's Recommendation

Breaking News

R&SA H1 profits at top end of expectations

Royal & Sun Alliance posted interim profit at the top end of market expectations on the back of good weather and lower claims. R&SA said its operating result was £409m, compared with a median estimate of £405.5m. The range was £381 m to 415£m. The company said its combined ratio had improved to 91.7 percent compared with 92.8 percent in the same period a year ago. Management also confirmed that it would meet 2006 guidance of a combined ratio of around 95 percent for the group.

Ryanair: UK threats & new routes

Police said on Thursday they had foiled a plot to blow up aircraft in mid-flight between Britain and the United States and arrested more than 15 people. Security services raised the threat level to the country to "critical" from "severe", the highest of its five ratings which means "an attack is expected imminently". British Airways said no hand baggage would be allowed on any of its planes leaving British airports. Ryanair said it expects significant delays to its flights departing U.K. airports and some flights may be cancelled due to heightened security measures imposed by the U.K. government.

On Wednesday Ryanair announced a major expansion from its Dublin base, where it plans a dozen new routes involving three new aircraft. Michael O'Leary said the expansion, being rolled out from December to February, would bring to 63 the number of routes operating from Dublin to the UK and Europe. The new routes are to and from Oslo, Norway; Almeria, Madrid, Seville and Vitoria, Spain; Tampere, Finland; Billund, Denmark; Bologna, Italy; Grenoble, France; Friedrichshafen, Germany; Pula, Croatia; and Rzeszow, Poland.

Blackrock buys €4.5m property

Blackrock International Land said on Wednesday that it has acquired c.16,000 square feet of modern office accommodation in Milton Keynes, for €4.5m. The company said the property is in the business core of Milton Keynes and that the offices are let to strong covenants on long-term leases with an average unexpired term of seven years at a total rent of EUR280,000 per annum. Blackrock added that the property would have longer-term development potential. Carl McCann, chairman, said: "Several other transactions in a number of locations are under consideration at this time and we would anticipate further announcements this year."

Business Press

- Workers in Dublin have third highest purchasing power (IT)
- Trinity Biotech plunges into the red (IT)
- Glanbia must milk its diversified portfolio (II)

Aviva (£7.18) H1 results announced Stuart Draper
Target : £8.50 (02/06/06; previously £9.50, issued 21/03/06)

- Strong results : Aviva has announced strong results for the 6 months ended 30/06/06. Operating profit of £1.699 bn was c.2% ahead of the consensus forecast of £1.66 bn, and was a year on year increase of 27%. Life profit grew by 19% to £1.02 bn, and general insurance operating profit grew by 23%.
- UK life : The strong general insurance growth was driven by very low weather claims and stable premiums. A major driver of the life profit growth was the group's UK life business, which showed a quarter on quarter increase in both sales and margins. The 10% increase in the H1 dividend to 10.8p also reassured some investors in relation to Aviva's continued commitment to returning capital to shareholders following last month's \$2.9 bn cash acquisition of US life insurer, AmerUs Group.
- Track record : The US market has c.1000 life companies, is the world's largest savings market and has strong growth potential as a result of its ageing population. In such a market, Aviva's excellent acquisition track record and disciplined capital allocation should ensure that the deal boosts 2007 eps by c.2%.
- Growth market : In addition to being a top 5 player in the high growth US indexed annuity market, Aviva will benefit from the fact that AmerUs owns much of its own distribution. With only 4% of Aviva's international life and pension sales in the US, the deal will also significantly improve Aviva's current under-representation in the US market.
- Significantly undervalued : Aviva's share price would also appear to have significant upside potential as a result of the current buoyancy of the UK life sector. Given that its forecast 2006 return on embedded value of 16.8% is 21% stronger than the UK sector average of 13.9%, its price to embedded value (EV) should trade at a similar premium to the UK sector.
- Dividend growth : Therefore, our current 12 month price target for Aviva of £8.50 (18% upside), is based on 1.6x 2006 EV per share of £5.30. Aviva shares will also pay investors a dividend yield of c.4.1% for waiting for this upside to be achieved : **BUY**.

Investment Press

- UK interest rates: In the case of the shock UK rate rise of August 2006, the key evidence is at last available with Wednesday's release of the Inflation Report. Is the Bank of England guilty of inconsistency, or did the market misread the Bank?



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