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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9311	↓ -71	-0.76%	11.0	-1.04%
FTSE 100	6161	↓ -35	-0.57%	12.4	-0.97%
DAX 30	6567	↓ -48	-0.72%	15.0	-0.46%
DOW	12442	↑ 26	0.21%	19.5	-0.17%
NASDAQ	2459	↑ 16	0.63%	15.6	1.82%
S&P	1415	↑ 3	0.19%	21.0	-0.24%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2968	0.6702	155.4000
Dollar	1.2968	1.0000	1.9340	119.9500
Sterling	0.6702	1.9340	1.0000	231.9200
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	54.0200			

**This Week's Research**

Tullow Oil  
 BP  
 United Drug

**Today's Research**

British Land

**Breaking News**

**British Land (£15.80) Upgrading to BUY again Stuart Draper**  
**Target : £17.50 (11/01/07; previously £17, issued 21/11/06)**

- **Increased dividend :** In line with British Land's (BL) REIT conversion on 01/01/07, the company has increased its full year dividend to at least 33p, representing a dividend yield of c.2.1% on the current share price. This is a 94% year on year increase in the dividend, in line with the requirement for REIT's to distribute 90% of their net profits after capital allowances, corporation tax free.
- **Increased investment :** This requirement should result in further dividend increases, and the sector will no longer be liable for CGT on property sales, with the distribution of these gains only liable to 22% UK withholding tax. The introduction of a REIT structure in the US drove a major increase in property investment there, and the new UK legislation is forecast to double the size of the UK quoted property sector.
- **Sector discount :** The discounts between the share prices of the major UK property companies and their NAV per shares have narrowed in recent months, helped by the expectation of new UK REIT legislation being introduced in January 2007. The median NAV discount is now c.5%, versus an historical sector average NAV discount of c.10% over the past 25 years.
- **NAV growth :** BL's H1 results, announced on 21st November, showed net asset value (NAV) per share of £16.24 as at 30/09/06, 9% higher than the £14.86 as at 31/03/06, and 29% higher than the £12.56 as at 30/09/05. Such strong NAV growth was driven by like for like rental value growth of 2.8%, asset turnover of £1.7 bn, as well as the group's above average (c.30%) exposure to the London office market, including the Broadgate Estate.
- **Recommendation upgrade :** We are conservatively forecasting BL's NAV per share to grow by a further 12% over the 15 months ending 31/12/07, to end 2007 at £18.19. As a result, our new 12 month price target of £17.50 (10% further upside), is based on a 5% discount to 2007 year end NAV per share. With attractive further upside to this level now, we upgrade our British Land recommendation again from NEUTRAL to BUY.

**Breaking News**

**Sainsburys Q3 sales at top end of analysts expectations**

Sainsbury delivered its eighth consecutive quarter of like-for-like sales growth boosted by 'good' Christmas sales and said its recovery remains on track. Like-for-like sales for the 12 weeks to December 30 increased by 5% excluding fuel. That was at the upper end of analysts' expectations, which ranged between 3.5% and 5.5%. Like-for-like sales including petrol increased by 4.2% in the quarter. Total sales grew by 6.8% excluding fuel and 5.8% including fuel. Christmas week online sales increased by over 60% with Sainsbury's premium own label range producing sales growth of around 20%. In the lead up to Christmas, Sainsbury opened eight new supermarkets, including five acquired from Somerfield.

**HMV posts H1 loss of £31.8m**

HMV reported a first-half loss of £31.8m today, but said group sales had improved over Christmas in the UK and Ireland. In the five weeks to January 6, group sales rose 10.3%, although like-for-like sales fell 0.8%. Last month, HMV warned that an uninspiring Christmas music chart and discounting by online rivals had hit sales. It said the value of the UK music market, including digital downloading, fell 14% during October and November. Discounting by rival booksellers hit HMV's Waterstone's division, where like-for-like sales fell 2% over Christmas. Group sales were £767.2m in the six months to October 28, compared to £759.7m a year earlier.

**Oil reaches 19 month low**

Oil prices slid below \$54 a barrel for the first time since June 2005 after the release of data showing US stockpiles were healthy. Light sweet crude for delivery in February, was down \$0.69 at \$53.33 from \$54.02 while Brent North Sea crude was at \$53.03, down \$0.66. The sell-off came after the US Department of Energy (DoE) reported overnight that stockpiles of distillates and gasoline rose last week, offsetting a bigger-than-expected drop in crude oil inventories. The DoE said crude oil reserves had dropped by 5m barrels to 314.7m in the week ended Saturday, compared to forecasts of a drop of 1.5m barrels.

**Business Press**

- Smurfit prepares for possible return to market (IT)
- Blackrock agrees short term lease (IE)
- BP delays restart in Texas due to leak in cracker (FT)

**Investment Press**

- **Airline consolidation: It's a dogfight.** Doug Parker of US Airways remains on the tail of bankrupt rival Delta, with its new super-charged offer. Delta's Jerry Grinstein is trying to dodge him with a plan to go it alone.



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