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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	7924	↓ -43	-0.54%	11.0	7.60%
FTSE 100	5851	↓ -29	-0.48%	12.4	4.13%
DAX 30	5798	↑ 3	0.06%	15.0	7.21%
DOW	11397	↑ 5	0.04%	19.5	5.69%
NASDAQ	2173	↑ 7	0.34%	15.6	-1.45%
S&P	1300	↑ 1	0.05%	21.0	4.38%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2713	0.6806	149.5800
Dollar	1.2713	1.0000	1.8673	117.6400
Sterling	0.6806	1.8673	1.0000	219.6900
Interest Rates (%)	3.0000	5.2500	4.7500	0.4800
Oil (Nymex)	65.6100			

This Week's Research
Apple

Today's Research
BHP Billiton

Today's Recommendation

BHP (£9.34) Commodity sell-off creates entry level Stuart Draper

- Commodity correction : Commodity prices fell sharply yesterday, having a knock-on effect on the mining sector. The Reuters/Jefferies CRB Index of 19 commodities fell 2% to 314.01, its lowest level since December 2005. Oil fell below \$65 as OPEC indicated that that it would not cut its current rate of production, and copper fell 4% to \$7,500 a tonne.
- Sell-off overdone : However, such corrections are immaterial in the context of where commodity prices have come from over the past 3 years. For example, the copper price of \$7,500 a tonne has increased by 340% from \$1,700 a tonne at the end of 2003. As a result, BHP does not require major further commodity price increases to generate strong earnings growth over the next 12 months, as this can be achieved from production increases.
- Production increases : BHP expects to increase production by c.8% per annum over the next 4 years. This will be achieved by its US \$14.4 bn sector leading project pipeline coming on stream. For the 12 months ending 30/06/07, BHP is expecting to expand its production of iron ore, copper, coking coal, oil and nickel by between 6% and 12%. Now accounting for between 15% and 25% of global commodity demand, BHP also gives investors a major exposure to China's expansion as an industrial superpower.
- Recent results : BHP Billiton recently reported 63% year on year growth in net profit for the year ended 30/06/06 to \$10.45 bn, driven by higher base metal prices and production increases. We are still forecasting further 18% eps growth to £1.04 for the year ending 30/06/07, and our current 12 month price target of £12.50 (34% upside) is based on 12x eps of £1.04.
- Earnings growth : Following the correction in the BHP share price over the last 3 months, from its closing high of £12.12 on 11/05/06, the shares are now trading at 8.98x eps of £1.04 for the 12 months ending 30/06/07, under the very bottom end of the 10x to 19x eps range at which the shares have traded over the past 6 years. This is an excessively low multiple for further 18% earnings growth over the next 12 months.
- Share buybacks : BHP is forecast to generate operating cash flow of \$63 bn over the next 4 years, which after capex, exploration and dividends, still leaves an additional surplus of \$30 bn to be returned to shareholders either by way of special dividends or further share buybacks. The company recently announced a \$3 bn share buyback programme which should support the share price at current levels, yesterday purchasing 200,000 of its own shares at 928.4625p each to be held as treasury shares : **BUY**.

Breaking News

ThirdForce announces H1 results

This morning, e-learning courseware and testing provider, ThirdForce, announced results for the 6 months ended 30/06/06. Revenue of €7.56m was a 32% year on year increase, helped by the addition of Creative Learning Media Limited to the group in September 2005. As a result of the continuing investment in new products and markets, operating profit before goodwill and amortisation of €144,000 was lower than the €301,000 of H1 2005. Cashflow for the period was largely neutral, with the operating profit of €144,000 and a working capital reduction of €227,000, funding the group's taxation, interest and capital expenditure outlays. The group's net debt of €6.717m as at 30/06/06 was a slight increase on the €6.677m as at 31/12/05. The synergies accruing from the CLM acquisition will be realised by the consolidation of the ThirdForce companies into one single business entity with a single group management team. The company's outlook is for profit levels to continue to reflect its ongoing investment, and for full year revenue growth to be at a level similar to the 32% of H1 2006.

Positive ABC data for IN&M

ABC data for August has indicated that the arrival of new competitors (Irish Daily Mail & freesheets) into Ireland has had a limited impact on the market. Circulation of the Irish Daily Mail was flat for the month but has fallen from its peak of 80,000 to 56,000. Circulation of the Metro was also flat at 56,000. However data in the UK has been less encouraging for IN&M, with circulation of its Independent title down 2% so far this year. Its Independent on Sunday title has fared better, with circulation up 11% year-to-date and has helped to offset the weakness of its daily title.

Oil prices down for sixth straight day

Oil prices fell yesterday after OPEC agreed to keep pumping at high rates. U.S. light crude was down 64 cents at \$65.61 a barrel, after reaching reaching it lowest level since the end of March. London Brent crude fell 78 cents to \$64.55 a barrel. Iran's offer to halt temporarily its atomic work also pressured the market, as did robust fuel stocks and a sluggish hurricane season. Oil's six-day fall is its longest losing streak in nearly three years.

Business Press

- Smart licence at risk in case of insolvency (IT)
- Qualceram shares up 9% on site move (IT)
- Ovoca plans to be one of world's largest silver groups (IT)

Investment Press

- Dell: Dell has not lost its knack for unnerving investors. In the latest sign of trouble, it has delayed filing its quarterly results, suspended share buybacks and dropped ominous hints that its accounting woes could be worse than thought.



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