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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8964 ↑	26	0.29%	11.0	21.73%
FTSE 100	6156 ↓	-3	-0.06%	12.4	9.57%
DAX 30	6476 ↑	7	0.10%	15.0	19.75%
DOW	12316 ↓	-13	-0.10%	19.5	14.21%
NASDAQ	2432 ↓	-11	-0.46%	15.6	10.26%
S&P	1412 ↓	-1	-0.10%	21.0	13.38%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3256	0.6733	155.2300
Dollar	1.3256	1.0000	1.9682	117.0800
Sterling	0.6733	1.9682	1.0000	230.4900
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	61.0200			

This Week's Research
 Lloyds TSB
 HSBC

Today's Research
 BHP Billiton

Breaking News

BHP (€9.31) Trading statement next month Stuart Draper
Target : €11 (13/12/06; previously €12.50, issued 21/04/06)

- Catalysts ahead : BHP's share price has corrected by c.12% over the past 5 weeks, having risen by c.22% over the previous month. This has generated another attractive entry level, as our view is that the share price has substantial upside potential from current levels over the next two months. Potential positive catalysts within this timeframe include the release of the group's trading statement for the 3 months ended 31/12/06 on 25/01/07, as well as the announcement of results for the 6 months ended 31/12/06 on 07/02/07.
- Entry level : The most recent share price weakness has been triggered by commentary that some H1 2007 base metal prices will be c.15% below consensus forecasts. However, given the more than 300% rise in for example the copper price over the past 3 years, a 15% softening would only result in a minor adjustment to BHP's 2007 earnings forecasts.
- Strong growth : It is interesting to note that the US investment bank responsible for the recent commentary is still forecasting a current year eps of 85p for BHP, representing 60% year on year earnings growth, and then further 33% eps growth to €1.13 for the 12 months ending 30/06/08. As a result, we maintain our view that BHP does not require 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%.
- Attractive upside : Over the past 6 years, BHP has traded in a range of between 10x and 19x current year eps. As a result, our view remains that 12x is a fair multiple, particularly given the group's strong earnings growth prospects, explained above. Our view is also that given that copper and nickel only represent c. one third of group operating profit, that there is the scope for continued buoyancy in iron ore, oil and precious metal prices to provide a major offset for any H1 2007 softness in copper and nickel prices. As a result, our current year and forward eps forecasts are €0.92 and €1.15 respectively, and our current 12 month price target of €11 (18% upside), is based on 12x current year eps of €0.92 : **BUY**.

Breaking News

BAA facing a forced break-up

Ferrovial British airports business BAA PLC could be facing a forced break-up after the government ordered a full inquiry into its dominance yesterday, criticizing its services for their poor quality and high charges. The government's Office of Fair Trading said it plans to ask the Competition Commission to conduct a detailed probe into BAA's position in the airport market, particularly its stranglehold in London. BAA owns Heathrow, Gatwick and Stansted airports in London, Southampton in southeast England and Edinburgh, Glasgow and Aberdeen in Scotland. The seven airports combined handle 63% of travellers to and from Britain, a figure that rises to 86% in Scotland and to 92% in London.

Goldman Sachs Q4 profits doubles

Goldman Sachs announced yesterday that its Q4 profit almost doubled from last year on record takeover activity and robust stock market trading. Goldman reported profit attributable to common shareholders for the three months ended November 24 of \$3.1bn compared with \$1.63bn in the year-ago period. Net revenue rose 47% to \$9.41bn from \$6.4bn, driven by historical results from investment banking, fixed income, commodities, equity trading, and asset management. Analysts, many of whom revised their projections higher in the past few weeks were pleased with the results.

Fed holds interest rates for a fourth straight meeting

The US Federal Reserve has held its main US interest rate steady at 5.25% for a fourth straight meeting, but it has repeated a warning that risks from inflation remain. The widely expected decision by the central bank's Federal Open Market Committee keeps the overnight federal funds rate target at the level it hit in June after 17 straight quarter-percentage point increases. In a statement outlining its decision, the Fed said it continues to focus on inflation risks. As he had at the previous three meetings, Richmond Federal Reserve Bank President Jeffrey Lacker dissented, saying he believed higher rates are needed to keep inflation in check.

Business Press

- Price row keeps Magners out of UK Tesco stores (II)
- Nasdaq launches \$5.3bn hostile bid for London SE (II)
- Home loan war looms as Bol cuts fixed rate (II)
- Diageo to distribute Chinese spirits (FT)

Investment Press

- US economy: Are the markets doing Ben Bernanke's dirty work? Goldman Sachs estimates that the looser financial conditions since late June are equivalent to a 1.2 percentage point cut in interest rates across the yield curve.

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