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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	6954 ↓	-238	-3.31%	11.0	-5.57%
FTSE 100	5520 ↓	-101	-1.80%	12.4	-1.77%
DAX 30	5292 ↓	-103	-1.92%	15.0	-2.15%
DOW	10706 ↓	-86	-0.80%	19.5	-0.71%
NASDAQ	2072 ↓	-19	-0.90%	15.6	-6.02%
S&P	1224 ↓	-13	-1.03%	21.0	-1.71%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2575	0.6839	144.6200
Dollar	1.2575	1.0000	1.8385	114.9900
Sterling	0.6839	1.8385	1.0000	210.9000
Yen	144.6200	114.9900	210.9000	1.0000
Oil (Nymex)	68.5600			

This Week's Research
INWS
RBS

Today's Research
HBOS

Today's Recommendation

Breaking News

Tesco Q1 sales at lower end of expectations

Tesco has announced that UK same-store sales excluding fuel grew 4.5 percent in the first quarter of its financial year, at the lower end of analysts' expectations. Tesco said total group sales in the 13 weeks ended May 27 rose by 10.4 percent. Forecasts for UK like-for-like sales (excluding fuel) growth ranged from 4.5 percent to 5.0 percent. In the retailer's core U.K. market, sales rose 9% in the 13 weeks ended May 27, "showing solid growth in competitive markets," Tesco said.

Eircom scheme of arrangement

The scheme document outlining arrangements for the Babcock & Brown deal was posted to eircom shareholders yesterday. An eircom extraordinary general meeting (EGM) is planned for July 26 to approve the sale of the company to B&B for €2.4bn. Eircom is also to apply to the Dublin and London stock exchanges for the suspension of its ordinary shares with effect from 4.30pm on August 17.

Ryanair files complaint with EC

Ryanair said it has filed another complaint to the European Commission over Air France-KLM's latest attempt to block competition from low-fare airlines in France. Last month, Ryanair said it would base two new aircraft at Marseille Airport, which will serve 13 routes and deliver almost 1 million additional passengers a year to the airport. According to Ryanair, Air France has filed a law suit against Marseille Airport in an attempt to block the airline's use of a new low-cost terminal. Ryanair said the tariff for using the airport has been published and it has been agreed by the French Civil Aviation Authority.

HBOS (£9.33) Statement this day week Stuart Draper

- Trading statement : This day week, 21st June, HBOS will release its H1 pre-close period trading statement. Given yesterday's comments from RBS on improving credit quality, as well as on the current strength of the UK savings and deposit product markets, next week's HBOS trading statement should be justifiably upbeat.
- Low risk : HBOS also has no exposure to the US retail banking market, the only area of weakness in the RBS statement. Even with the current sluggishness of its US business, RBS still confirmed that its H1 results would be in line with current market expectations. HBOS reported profit before tax and eps of £4.842 bn and 86.4p respectively for the year ended 31/12/05, representing year on year growth of 13% and 11%.
- Savings growth : The potential for a positive surprise next week is because HBOS has a greater than average exposure to UK insurance and investment product sales, where "bancassurance is leading the way in Investment". As a result, its insurance and investment profit growth is expected to accelerate from 7% for 2005 to 9% for 2006 to 11% for 2007, driven by an ability to distribute to high net worth customers through its St James Place subsidiary, driven by its strong position in the UK group pensions market and driven by increasing UK retail demand for investment products.
- Mortgage recovery : With a leading market share of c.21%, HBOS is also the biggest beneficiary from the improving credit quality and loan growth prospects of the UK mortgage market, which both RBS and Alliance & Leicester have noted in their trading statements this week.
- Buyback support : Similar to RBS, downside risk for the share price should be limited by the bank's share buyback programme. This has been set at £750m for 2006, as was initially the case for last year's £1 bn share buyback programme. HBOS' 2005 year end tier 1 ratio at 8.1% provides plenty of scope for additional share buybacks this year.
- Attractive upside : Our current 12 month price target of £10.30 (10% upside) is based on 10x consensus 2007 eps of £1.03, and investors will also be paid a dividend yield of c.4.2% for waiting for this upside to be achieved, giving an attractive total 12 month return of 14.2% : **BUY**.

Business Press

- Trinity Biotech weathers downturn (IT)
- AstraZeneca chief still has to silence critics (FT)
- Oil could drop to \$40 a barrel says BP boss (II)

Investment Press

- European bank deals : Investors are worried that European banks' history of poorly judged overseas acquisitions is about to repeat itself. The market capitalisation of France's Crédit Agricole, for example, dropped by the equivalent of the value of Alliance & Leicester's.



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