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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9601	↑ 48	0.50%	11.0	2.05%
FTSE 100	6462	↑ 46	0.72%	12.4	3.88%
DAX 30	7212	↑ 69	0.97%	15.0	9.32%
DOW	12612	↑ 59	0.47%	19.5	1.19%
NASDAQ	2492	↑ 12	0.47%	15.6	3.17%
S&P	1453	↑ 5	0.35%	21.0	2.44%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3548	0.6816	161.9700
Dollar	1.3548	1.0000	1.9883	119.5100
Sterling	0.6816	1.9883	1.0000	237.5500
Interest Rates (%)	3.7500	5.2500	5.2500	0.4800
Oil (Nymex)	63.6300			

This Week's Research

Today's Research
 Royal Bank of Scotland

Today's Recommendation

RBS (£20.23) BUY any ABN driven weakness Stuart Draper
Target : £22.50 (20/12/06; previously £20.50, issued 23/11/06)

- Consortium approach : It has been reported that Royal Bank of Scotland (RBS) chief executive Fred Goodwin, has sent a letter to ABN AMRO, stating that RBS would be interested in entering takeover talks, as part of a consortium with Spanish bank, Santander, and Belgian-Dutch financial group, Fortis. The fact that the bid is as part of a consortium and likely to be focused on ABN's LaSalle operations only in the US should come as a relief to some investors who feared an RBS solo run.
- Greater synergies : Such a consortium deal is likely to generate greater synergies than the Barclays / ABN combination, as there would also be substantial synergies generated between Santander and ABN's Brazilian operations, and Fortis and ABN's Dutch operations and London wholesale bank. These increased synergies create the potential for the consortium to offer a higher bid for ABN than Barclays.
- Track record : Given RBS' excellent track record of generating substantial synergies from its previous NatWest and Charter One acquisitions, a successful acquisition of LaSalle is likely to be earnings enhancing for RBS. The period of exclusive talks between Barclays and ABN is due to end this Wednesday, 18th April, with both banks expected to issue a merger update then.
- Read-across overdone : The RBS share price has also been under pressure in recent weeks as a result of the bank's US mortgage exposure through its Citizens/Charter One loan book. However, its US mortgage exposure is 100% prime and 99% secured, and according to RBS, the associated credit risk is "miniscule". This is supported by the statement of HSBC in February, at the time of its sub-prime profit warning, that there was zero read-across to HSBC's US prime business, which is positioned very similarly to Citizens/Charter One in the US mortgage market.
- Limited downside : A 2007 eps of £2.15, representing year on year growth of 8%, means that RBS is currently trading at **9.4x** current year earnings. Such a valuation, combined with a current year dividend yield of 4.8%, implies limited downside risk for investors from current levels.
- Attractive upside : Our current 12 month target of £22.50 (11% upside) is based on a sector average multiple of 10.5x 2007 eps of £2.15. Given RBS' continued operational out-performance versus peers and its attractive strategic platforms for organic growth in the UK, Ireland, the US and China, such a sector average rating is conservative : **BUY**.

Breaking News

CRH makes acquisitions in the US and Turkey

CRH said it has spent \$293m on acquiring a stake in a Turkish cement supplier and buying out a Florida-based paving company. CRH exercised its option to buy the remaining 50% of Paver Systems after buying an initial holding in 2004. The company also said that it purchased 50% of Denizli Cement, based in southwest Turkey, in a joint venture with Eren Holdings, its first ever purchase in the country. The group's CEO, Liam O'Mahony, commented that the two transactions announced today are important steps in the further development of the group's European materials and Americas products activities. Combined, the entire businesses of Denizli and Paver Systems generated sales of \$223m and pretax profit of \$79m in 2006.

GlaxoSmithKline receives FDA approval for Altabax

GlaxoSmithKline has received U.S. Food and Drug Administration (FDA) approval for its antibacterial drug, Altabax, for the topical treatment of impetigo due to susceptible strains of Staphylococcus aureus or Streptococcus pyogenes, the two most common types of bacteria in this kind of infection. The Company pointed out that the FDA reviewed Phase III data examining the safety and efficacy of Altabax twice daily for five days versus placebo ointment in the treatment of impetigo, as well as additional safety data from other clinical studies. The study enrolled a total of 210 adults and children with impetigo, of which 139 received topical Altabax.

Petroceltic wins exclusive exploration permits at Elsa

Petroceltic announced that its subsidiary, Petroceltic Elsa Srl, has won seven exclusive exploration permits at Elsa -- Miglianico oil fairway in the Italian Adriatic Sea and said it was awaiting a decision on two further applications. The group noted that recent seismic data confirms the potential of its Elsa oil prospect and said it has identified shallow gas potential at the Civitaquana block. The company pointed out that the feasibility study at Elsa was complete and that it is evaluating various drilling options.

Business Press

- Tesco set for £2.5bn profit (II)
- Formal £10bn bid for boots (II)
- Low-cost airlines set to tackle long-haul carriers (FT)

Investment Press

- Minority interests: The idea that mergers and acquisitions destroy value seems heretic in today's market. Yet even sceptics generally like one type of activity: buying out minority interests.

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