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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	7717	↑ 77	1.00%	11.0	4.80%
FTSE 100	5898	↑ 27	0.46%	12.4	4.97%
DAX 30	5777	↑ 85	1.49%	15.0	6.81%
DOW	11230	↑ 132	1.19%	19.5	4.15%
NASDAQ	2115	↑ 46	2.22%	15.6	-4.10%
S&P	1286	↑ 17	1.37%	21.0	3.26%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2792	0.6756	148.5200
Dollar	1.2792	1.0000	1.8932	116.0800
Sterling	0.6756	1.8932	1.0000	220.2100
Interest Rates (%)	3.0000	5.2500	4.7500	0.4800
Oil (Nymex)	73.0500			

This Week's Research
McInerney
British Land

Today's Research
BHP

Today's Recommendation

BHP (€9.89) BUY ahead of results Stuart Draper

- Results preview : This day week, 23rd August, BHP Billiton will report results for the year ended 30/06/06. The consensus forecast is for net profit and eps of \$10.12 bn and \$1.67 respectively, representing year on year growth of 57% and 61%. This very strong earnings growth will have been driven by production increases and higher commodity prices.
- Very under-valued : Following the c.18% correction in the BHP share price over the last 3 months, from its closing high of £12.12 on 11/05/06, BHP is now trading at 9.2x consensus eps of £1.07 for the 12 months ending 30/06/07, the very bottom end of the 10x to 19x eps range at which the shares have traded over the past 6 years, an excessively low multiple for further consensus 22% growth over the next 12 months.
- Greatest diversification : BHP is the most diversified of the UK mining stocks with no single division contributing more than a third of group operating profit. The steel and base metal divisions contribute 33% and 28% respectively of group operating profit, and the c.20% of group operating profit contributed by the petroleum division gives the group a natural hedge against higher energy prices.
- 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%.
- Strong growth : Further strength in the prices of these commodities, when added to this production growth, should ensure that eps growth of at least 18% is achieved for the 12 months ending 30/06/07. Our current 12 month price target of £12.50 (26% upside) is based on 12x eps of £1.04 for the year ending 30/06/07. 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.
- Cash distributions : BHP is forecast to generate operating cash flow of \$63 bn over the next 4 years, with \$18 bn expected to be spent on capex and exploration and \$12 bn expected to be spent on dividends. This still leaves a potential surplus of \$33 bn to be returned to shareholders either by way of special dividends or share buybacks : **BUY**.

Breaking News

RICS data bodes well for Irish Financials/Home Builders

The latest UK house price data has positive implications for Irish companies with exposure to the UK housing market, namely Abbey, McInerney and Bank of Ireland. The July housing market survey by the Royal Institute of Chartered Surveyors (RICS) indicated that house prices rose for a ninth successive month. The balance of surveyors reported that house prices increased in the three months through July climbed by 31% (its highest level in over two years) from +28% in June. The survey indicated that house prices are being pushed up by a combination of strong buyer interest and a shortage of properties.

Meanwhile, BOI announced yesterday that it was to increase interest rates on deposits and loans, with the changes coming into immediate effect.

Tullow Oil drilling update

Following up on yesterday's drilling update from Tullow we would like to add some further comments regarding the drilling result at M'Puta. Tullow said the Mputa-1 well yielded around 300 bopd. This test result may appear to be disappointing when compared to the recent find at Waraga-1 (over 4,000 bopd). But is important to take into consideration that the drilling at M'Puta is still at quite an early stage and further drilling results from the 10m higher zone are expected next week, while the exciting Kingfisher well prospect remains to be drilled.

US PPI data received well by markets

Prices paid to U.S. producers for goods fell in July for the first time in nine months, according to a US government report on Tuesday that markets saw as a sign of slowing inflation. The core rate for wholesale prices unexpectedly dropped 0.3 percent last month, the first decline since last October, after rising 0.2 percent in June. Overall producer prices, including food and energy, gained only 0.1 percent, after a 0.5 percent jump in June. The figures for the index were well below Wall Street analysts' expectations and helped fuel rallies in equity and bond markets on hopes the Federal Reserve will keep interest rates on hold.

Business Press

- Airtricity Scottish move backed (II)
- Shire deal agrees delay (FT)
- British Land set to build 48-storey City skyscraper (FT)

Investment Press

- LME/Nickel: Reports emerged on Tuesday that a mystery party had a huge short position in nickel, which has doubled in price in the last six months to a record high. In the light of commodities history, these were taken seriously.



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