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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	7311 ↑	297	4.24%	11.0	-0.73%
FTSE 100	5619 ↑	113	2.04%	12.4	0.01%
DAX 30	5422 ↑	116	2.19%	15.0	0.26%
DOW	11015 ↑	198	1.83%	19.5	2.15%
NASDAQ	2144 ↑	58	2.79%	15.6	-2.77%
S&P	1256 ↑	26	2.12%	21.0	0.90%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2649	0.6827	145.0100
Dollar	1.2649	1.0000	1.8529	114.6200
Sterling	0.6827	1.8529	1.0000	212.3900
Yen	145.0100	114.6200	212.3900	1.0000
Oil (Nymex)	69.5000			

This Week's Research

INWS Paddy Power
RBS
HBOS

Today's Research

Carphone Warehouse

Today's Recommendation

Carphone Warehouse (328p) Strong broadband take-up Owen Turner

- Recent results: On June 6 Carphone Warehouse reported results for the full year ended March 2006. The financials came in largely in line with forecasts, revenues were up 29% to £3,045m, PBT was up 33% and EPS was 23% higher at 11.7p. Its retail business, which accounts for 80% of group profits, recorded an impressive 38% growth in operating profit.
- Broadband take-up: Not only did the company report strong financials for the period, CPW reported that, in the eight weeks to 5 June, 340k customers had signed up for its free broadband package. This is well ahead of the expected 150k and would indicate that the company is on track to meet its target of 1.8m by 2009. While the higher than expected take-up could result in higher near term costs, we believe that higher profits in H2 are possible and in turn see upgrades to forecasts.
- Broadband Free Forever: In April CPW unveiled an aggressive plan to offer free broadband Internet to consumers who subscribe to its fixed-line voice packages called 'Broadband Free Forever'. Carphone said it will charge £21 a month for fixed-line voice calls and free broadband Internet, significantly cheaper than packages being offered by existing operators. CPW also announced plans to accelerate the unbundling process to achieve "full local loop unbundling" at 1,000 BT exchanges by May 2007, which would allow it to reach almost 70 per cent of the population in the UK. The company's earnings for 2006-07 will take a hit of £50m from broadband related development costs, but the company has said that it expects its broadband division to contribute a profit of £30m in 2007-08.
- AOL rumours: An article recently appeared in the Times newspaper suggesting that CPW is considering a £1bn bid for UK business of AOL. However the company subsequently played down the rumours, declining to comment on whether it was lining up a bid but said that it didn't 'need to buy expertise from outside'.
- High growth: Because of the extensive expenditure required in CPW's broadband roll-out over the next 2 years we look to earnings for 2008-09 to appreciate the potential of its Free Forever package. Our price target of 375p is based on 15x March 09 EPS of 25p. Our valuation of represents a 10% premium to its peers in the non-food retail sector but we feel it is justified by its superior growth potential. CPW will report Q1 sales on July 27 and we will be looking for a further 100k additional broadband customers. **BUY**

Breaking News

Major progress in 2006 for Sterling Energy

At yesterday's AGM Sterling Energy said that there has been major progress so far in 2006 and the Board remains confident that this will be a year of further development for Sterling. The company said that the operational and technical which caused supply disruptions at the Chinguetti field last month have now been resolved and that it is on track to meet its own projected financial returns. The company revealed that it invested a \$65 million in the Chinguetti development and expects to have invested a further \$50 million during this year. Drilling activity in the Gulf of Mexico has resulted in increased production and the company has committed to a further four exploration wells in the second half, including 3 onshore. These could materially impact on production and reserves.

UK gas discovery for Tullow Oil

Tullow Oil has released a positive drilling update this morning. The company said it has discovered gas at the K4 gas well (UK) and 'significant upside potential has been identified'. While the discovery is relatively small, it is the latest in a series of UK discoveries and the illustrates the strength of Tullow's UK exploration portfolio. However, Tullow also announced less successful drilling results from a well in Equatorial Guinea, revealing that a recent drilling operation failed to 'encounter hydrocarbons'.

Moody's raises rating on Elan from negative to stable

Moody's has revised its rating on Elan from negative to stable. The move follows the recent FDA decision to approve the re-launch of Tysabri. The stable rating reflects Moody's current assumption that Elan is on track to meet its 2008 debt maturities. However, Moody's believes that the company's remaining challenges are significant.

Business Press

- Private group sells 5% stake in C&C (IT)
- Standard Life windfalls set to drop by 9% (IT)
- Magners in pubs no other ciders have reached (II)

Investment Press

- Standard Life: Launching a share offering into a volatile market is never easy. For Standard Life, after a long journey to the threshold of demutualisation, it must be all the more frustrating.



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