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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	7931 ↓	-89	-1.11%	14.1	-15.70%
FTSE 100	6645 ↓	-86	-1.28%	13.2	6.81%
DAX 30	7969 ↓	-72	-0.89%	14.2	20.81%
DOW	13985 ↓	-108	-0.77%	15.2	12.21%
NASDAQ	2780 ↓	-26	-0.91%	26.1	15.10%
S&P	1549 ↓	-13	-0.84%	15.9	9.19%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.4225	0.6965	166.7900
Dollar	1.4225	1.0000	2.0404	117.2900
Sterling	0.6965	2.0404	1.0000	239.5900
Interest Rates (%)	4.0000	4.7500	5.7500	0.5000
Oil (Nymex)	86.1300			

This Week's Research
 Rolls-Royce

Today's Research
 Ericsson

Today's Recommendation

Ericsson (SEK18.60) Downgrade to NEUTRAL Stephen Taylor
 Target : SEK24.50 (16/10/07; Previously SEK31, issued 20/07/07)

- Earnings miss: This morning, Ericsson has warned that it expects revenue for 3Q to fall short of expectations due to an unexpected shift in the group's business mix. Ericsson which is due to report its 3Q results on 25/10/07 expects revenue to increase by 6% to SEK43.5bn which is below the SEK45.3bn consensus, while it expects to report net income of SEK4bn below the SEK6bn expected by analysts. The company stated that the unexpected development in the quarter is mainly due to a shortfall in mobile network upgrades and expansions, which resulted in an unfavourable business mix that also negatively affected group margins. As a result, Ericsson expects 3Q operating margins to fall to 12.9% from 21.2% last year. Ericsson also forecasts revenue for 4Q of SEK53bn-SEK60bn versus expectations of SEK57bn.
- Recent guidance: What is disappointing about Ericsson's profit warning today is that the group's CEO, Carl-Henric Svanberg, commented on 11/09/07 that he expected growth in the third quarter to remain strong boosted by increases in data traffic. Svanberg also reiterated the group's main network market growth target for 2007 to remain at the 'mid-single' digit level and pointed out that demand for wireless networks that let users download music, maps and share files has been growing 'beyond any expectations'. Today's announcement places credibility issues over Ericsson's management.
- Sony Ericsson: One bright spot for Ericsson is at its Sony Ericsson division, its 50/50 mobile joint venture with Sony. On 11/10/07, Sony Ericsson reported 3Q pre tax profit of €384m, slightly ahead of analyst estimates. Sony Ericsson said it shipped 25.9m phones during the quarter representing an increase of 31% and helped the group add 1% point of market share to 9%. The strong increase in mobile unit sales was as a result of the group increasing sales of lower-end phones to emerging markets such as China and India.
- Recommendation downgrade : In light of today's profit warning from Ericsson we reduce our 2008 forecasted EPS for the company to SEK1.75 from SEK1.95 previously. As Ericsson does not anticipate a recovery during 2008 we now feel that the group deserves to trade at a 20% discount to its peer group at 14x 2008 EPS of SEK1.75, which generates our new price target of SEK24.50. With no near term catalysts for the company we do not anticipate a recovery in the medium term and therefore reduce our rating on the stock to NEUTRAL from BUY: **NEUTRAL**

Breaking News

US banks to set up fund to ease credit squeeze

Bank of America, Citigroup and JPMorgan Chase & Co said on Monday they plan a fund aimed at preventing the dumping of billions of dollars of bonds linked to subprime mortgages and other debt. Such sales could push debt prices lower, magnify bank losses from declining security values, and make lenders even more reluctant to extend new loans. Tighter credit could jeopardize global economic growth. The pool by financial institutions including the three biggest US banks could help certain investment funds avoid selling assets at fire sale prices. A source said the pool could be around \$80bn. In related news Citigroup posted a 57% slump in Q3 net income, in line with the banking giant's recent warning, and CEO Charles Prince vowed to focus on the firm's weak points. It reported net income of \$2.38bn, or 47c a share, down from \$5.51bn, or \$1.10 a share, a year earlier. The latest quarter's results included a \$1.35bn pretax write-down in the value of loans that helped finance the leveraged-buyout boom, \$1.56bn of pretax losses tied to loans and subprime mortgages that were to be repackaged and sold to investors as collateralised loan obligations, \$636m in pretax fixed-income trading losses and \$2.98bn in increased consumer credit costs.

Bellway reports record pre tax profits

British low-cost housebuilder Bellway posted a 6.4% rise in annual profit on Tuesday and said that its order book of £667m compared favourably with the year before. Bellway reported pretax profit for the year to end-July of a record £234.8m as revenue rose 9.2% to £1.35b. Bellway said the number of new homes sold increased by 7.3% to 7,638 from 7,117, while the average price rose by 2.5% to 173,300 pounds.

United Drug buys US firm for \$10.5m

United Drug announced yesterday it bought Alliance Healthcare Information Inc, US-based pharmaceutical sales and marketing company, for up to \$10.5m. United Drug said it will pay \$9.5m in cash on completion, plus up to \$1m based on the achievement of certain targets over the next 12 months.

Business Press

- Aer Lingus shares up by 5% as Belfast deal is agreed (II)
- Icahn move sends shares in Elan to two year high (II)
- Moonduster denies ICG reports (IE)
- Rock shares take fresh plunge (FT)

Investment Press

- Banks create debt fund: There's Armageddon, and then there's the alternative - a massive funding vehicle the banks have dreamed up to avoid a fire sale of financial assets. This \$75bn-plus vehicle should allow US banks to avoid something seriously nasty.

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