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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9218	↓ -5	-0.05%	11.0	25.17%
FTSE 100	6247	↓ -13	-0.20%	12.4	11.19%
DAX 30	6597	↑ 8	0.13%	15.0	21.98%
DOW	12441	↓ -4	-0.03%	19.5	15.38%
NASDAQ	2436	↓ -22	-0.88%	15.6	10.44%
S&P	1422	↓ -5	-0.32%	21.0	14.26%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3131	0.6708	154.8900
Dollar	1.3131	1.0000	1.9513	118.1600
Sterling	0.6708	1.9513	1.0000	230.5100
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	62.2100			

This Week's Research  
Kingspan

Today's Research  
CRH

## Breaking News

CRH (€30.50) Trading statement in 2 weeks Stuart Draper  
Target : €33.50 (19/12/06 ; previously €30, issued 05/07/06)

- European markets : This day fortnight, 3rd January, CRH will release its year end trading statement, which should be very upbeat for the following reasons. Its European markets, particularly The Netherlands, recovered strongly in 2006, with further strong growth expected in 2007.
- Non-residential buoyant : Also, in the US, both the group's non-residential (industrial and commercial), and infrastructure businesses continued to perform well, with market conditions for both expected to remain buoyant in 2007. Peer results and recent trading statements have all confirmed that higher energy prices continue to be successfully passed on in the form of higher cement prices.
- US housing : CRH's H1 2006 results showed that its Americas distribution division, which has a 65% exposure to the US residential RMI market, is continuing to experience strong growth. As a result, it is only the group's Americas products division, which has an exposure to new US housing representing c.13% of total group operating profit, which suffered from the weak US housing market in 2006.
- Sentiment boost : As US mortgages continue to be refinanced at lower long term interest rates, and as housing supply adjusts in line with demand, there is the potential for the US housing market to start to recover by the end of 2007. Some of the US building materials' and homebuilder stocks have already started to discount such an outcome, and as evidence of such a recovery materialises in 2007, it should provide an important sentiment boost for CRH.
- Acquisition growth : CRH completed €1.9 bn of acquisitions during the 12 months ended 30/06/06, in addition to its largest ever deal, the \$1.3 bn APAC acquisition. As these acquisitions start to feed through into group earnings in 2007 and as increased synergies start to be generated in 2008, our forecasts are that 2007 and 2008 earnings per share of €2.35 and €2.58 respectively will be achieved.
- Further upside : Deals in the cement sector in 2006, such as Cemex's \$12.8 bn takeover of Rinker Group, took place in the range of 14x to 16x forward earnings. As a result, our view is that 13x forward earnings is a fair multiple for CRH, particularly given the group's prospects for continued double digit earnings growth. As a result, our new 12 month price target of €33.50 (10% further upside) is based on 13x 2008 eps of €2.58 : BUY.

## Breaking News

### Aer Lingus announces two new short haul routes

Aer Lingus announced today that it is to start direct scheduled flights to Lithuania for the first time with a thrice-weekly Dublin to Vilnius service starting May 2007. Aer Lingus also said it will start services to Santiago de Compostela in Northern Spain from next March operating twice weekly, making it the 14th Spanish destination to be served by the airline. In total, Tuesday's announcement brings to 67 the number of short haul routes Aer Lingus will operate in summer 2007 and continues the strategy of adding new routes in response to strong customer demand.

### Statoil acquires oil & gas activities of Norsk Hydro

Statoil is to take over the oil and gas activities of Norsk Hydro for \$29bn, with a plan to form a state-controlled giant that would be the world's largest offshore oil producer. Statoil's shareholders would hold 67.3% of the new company and Norsk Hydro shareholders would get the remaining shares. The Norwegian state owns 71% of Statoil and 44% of Norsk Hydro, making approval seem assured. The government would own 62.5% of the new company, which would be renamed if the deal goes through as planned late next year. The merged entity will have a combined production of 1.9m barrels per day and a proven oil and gas reserves of 6.3bn barrels of oil equivalents.

### November CPI figures unchanged

Recently announced consumer prices in the US were unchanged for November, surprising economists who projected an increase and reassuring Federal Reserve policy makers that inflation will be held in check. The Labor Department said that its consumer price index held steady after a 0.5% decrease in October. Core prices that exclude food and energy also didn't budge, the first month without an increase since June 2005. From a year ago, core prices climbed 2.6%, down from 2.7%. Economists expected the consumer price index to rise 0.2% according to a Bloomberg News survey. Excluding food and energy costs, the index was also forecast to rise 0.2%, based on the survey.

## Business Press

- Kingspan predicts 33% rise in operating profit (IT)
- Hibernian names Stuart Purdy as its new group chief (II)
- Smith & Nephew abandoned at alter again (FT)

## Investment Press

- Oil price outlook: Forget sophisticated economic models and swotting up on Iranian politics. Since 2003, there has been a much simpler way to guess the next year's average oil price: add on another \$10 or so a barrel.



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