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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	7417	↑ 99	1.36%	11.0	0.72%
FTSE 100	5626	↑ 29	0.51%	12.4	0.13%
DAX 30	5439	↑ 63	1.18%	15.0	0.57%
DOW	10942	↓ -72	-0.66%	19.5	1.48%
NASDAQ	2110	↓ -20	-0.92%	15.6	-4.30%
S&P	1240	↓ -11	-0.91%	21.0	-0.39%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2581	0.6822	144.5300
Dollar	1.2581	1.0000	1.8435	114.8600
Sterling	0.6822	1.8435	1.0000	211.8100
Yen	144.5300	114.8600	211.8100	1.0000
Oil (Nymex)	68.9800			

This Week's Research
CRH

Today's Research
Lloyds TSB

Today's Recommendation

Lloyds TSB (£5.24) Trading statement released Stuart Draper

- Performance improving : Lloyds' H1 2006 pre-close period trading statement confirmed that the bank's operating performance is continuing to improve, with each of its 3 divisions expected to deliver "revenue growth in excess of cost growth". Lloyds will announce its results for the 6 months ending 30/06/06 on 02/08/06, with 09/08/06 being the ex date for the expected H1 net dividend of 10.7p (2% yield).
- Credit quality : In relation to the key issue of consumer credit quality, Lloyds stated that the rate of increase of retail bad debts is expected to be slightly lower than for the same period last year, and that "greater stability" in the level of retail bad debts is expected in H2 2006 than in H1 2006. Lloyds also recently reached agreement with its pension scheme trustees to fund its actuarial deficit of £1.5 bn over the next 10 years.
- Savings products : Sales volumes through the 3 different channels of branches, telephone banking and internet banking are all "well ahead" of the same period last year, particularly bancassurance savings and investment product sales. The trading statement also confirmed that Scottish Widows is now delivering a "good increase" in new business and profit growth.
- Cost savings : It was also stated that the group's programme of efficiency improvement is on course to deliver net savings in 2006 of c.£30m. When combined with stable product margins, these savings should help ensure that the bank generate 2% eps growth in 2006 to 48p and 6% eps growth in 2007 to 51p. Our current 12 month price target of £5.60 (7% upside), is based on 11x forward eps of 51p. When combined with the current dividend yield of 6.5%, this provides an attractive 12 month total return of 13.5% from current levels.
- Takeover potential : This year, with the bank's management not as new to the job as they were in January 2005 (when the previous takeover rumours were in circulation), having joined after June 2003, we see greater potential for an approach being made. This is because Lloyds now has several non-British executives in many key positions, who may be more open to considering an international approach.
- Attractive yield : The UK is also an attractive banking market, with high returns on equity and a shareholder-friendly culture. Therefore, with significant further upside on a stand-alone basis, an above average probability of receiving a takeover approach this year, and an attractive dividend yield of 6.5%, we re-iterate our current BUY recommendation : BUY.

Breaking News

CRH in talks to buy Ashland's APAC unit

CRH said on Monday it was in exclusive talks with Ashland Inc. about a possible €1bn deal to buy the U.S. company's aggregates, asphalt and construction unit. APAC had sales of \$2.8 billion in the 12 months to March 2006, generating EBITDA of about \$200 million, CRH said, adding that any deal would be subject to the approval of US regulators and the boards of both companies. CRH has said it has the capacity to spend €1.5bn to €2.0bn annually on acquisitions over the next few years. The deal would appear to make geographical sense, giving CRH, whose U.S. operations are currently focused on the northeast, midwest and west of the country, a greater presence in the southern states.

DCC share buyback

DCC has announced that on yesterday it purchased 1,038,311 of its own shares, representing 1.29% of its issued share capital, at a price of €17.90 per share and at a total cost of €18.8 million. The 1,038,311 shares purchased are to be held as Treasury Shares. DCC has bought back a total of 10,247,231 shares, being 11.61% of its current issued share capital, since July 2000 at an average price per share of €11.23 and at a total cost of €116.5 million.

Nokia & Siemens to merge

Nokia and Siemens on Monday agreed to merge their phone-equipment arms into a 50-50 joint venture, continuing the consolidation wave in the telecommunications industry and creating a firm to rival the likes of Ericsson and Alcatel. The tie-up of the telecom-equipment units, with combined 2005 revenue of €15.8bn, will be roughly equal in size to rival Ericsson and the firm that will emerge when the Lucent Technologies' merger with Alcatel is completed. The merged group will be second in market share in wireless networks, behind Ericsson, and third in fixed-line, behind Alcatel and Cisco. Nokia and Siemens said they may cut up to 9,000 of the 60,000 combined jobs. They estimate cost savings of €1.5 bn annually by 2010.

Business Press

- CH founder raises stake in Kingspan (IT)
- Ryanair writes to Commission over route for Alitalia (IT)
- RSA to axe jobs in £130m-a-year savings drive (FT)
- Buy-out deals raise fears over debt levels (FT)

Investment Press

- Nokia/Siemens: Judged by the smiles on the podium on Monday, the union of Nokia's and Siemens' telecommunications equipment units is already a triumph. For once, management jubilation does not look premature.



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