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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	7792 ↓	-87	-1.11%	14.1	-17.18%
FTSE 100	6528 ↓	-82	-1.23%	13.2	4.94%
DAX 30	7884 ↓	-37	-0.47%	14.2	19.51%
DOW	13522 ↓	-367	-2.64%	15.2	8.49%
NASDAQ	2725 ↓	-74	-2.65%	26.1	12.83%
S&P	1501 ↓	-39	-2.56%	15.9	5.80%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.4317	0.6975	163.5100
Dollar	1.4317	1.0000	2.0522	114.2000
Sterling	0.6975	2.0522	1.0000	234.3900
Interest Rates (%)	4.0000	4.7500	5.7500	0.5000
Oil (Nymex)	88.6000			

This Week's Research

Today's Research CRH

Today's Recommendation

CRH (€25.45) 4 potential upcoming catalysts Stuart Draper
Target : €40 (21/06/07 ; previously €37, issued 21/02/07)

- **Entry level :** Prior to the share price weakness of recent days, the last time that CRH closed under €27, at €26.93 on 26/09, the share price rose by 14% over the following 8 trading days, to close at €30.72 on 08/10. The are at least 4 potential catalysts over the next 3 months that should help drive a similar share price bounce.
- **US commercial :** The first is a distinction between US new residential construction and US commercial construction. Even though last week's Beige Book survey of US economic activity for September showed a 10.2% decline in new residential construction, it confirmed that the fundamentals of the commercial market remain solid, with a continued uptake of commercial space. The US Architectural Billings Index remained positive with a reading above 50, also indicating non-residential strength. Market acceptance that US infrastructure and commercial construction remain solid could be one catalyst for the CRH share price over the next 3 months. Only c.8% of CRH's group operating profit is exposed to US new housing.
- **Cemex upgrades :** It is not surprising that a company with a track record of successful acquisitions over 30 years should view the current environment as an excellent time for a large acquisition. In this regard, earnings upgrades following the announcement of the Cemex deal by year end should provide another positive catalyst for the share price. The company's year end trading statement on 03/01/08 could also provide a positive catalyst by facilitating some further earnings upgrades.
- **European growth :** CRH's results for the 6 months ended 30/06/07 showed profit before tax and eps of €670m and 92.8c respectively, year on year increases of 27% and 26%. The strong earnings growth was driven by particularly strong 50% growth to €495m in European operating profit, with growth in US non-residential construction and infrastructure offsetting the impact of lower US residential activity.
- **Peer discount :** CRH is currently trading at 10.1x consensus current year eps of €2.58 and at 9.3x consensus 2008 eps of €2.80, a discount of c.20% to its European peers and a discount of c.40% to its US peers. Such discounts are excessive given the group's continued strong earnings growth prospects of c.15% this year, and c.10% in 2008. Market acceptance that CRH should at least be rated in line with its European peers could be another positive catalyst over the next 3 months : **BUY**.

Breaking News

Press reports suggest UK banks received \$30bn credit line

The Sunday Telegraph reported that Royal Bank of Scotland and Barclays have been granted a \$30bn credit line by the US Federal Reserve (Fed), citing letters published on the Fed's website last week. The report points out that the Fed's board wrote to the banks between October 11th & 12th, granting them access to funds to help US customers facing short-term liquidity problems due to the sell-off in credit markets. The paper did note however that neither of the banks have needed to use the funding facility as of yet. Barclays has as much as \$20bn available, while Royal Bank can borrow as much as \$10bn, according to the newspaper.

Pearson issues strong trading update

Pearson issued a positive trading statement this morning wherein it said it had traded strongly through the third quarter, building on a good first half of the year. The company said that for the first nine months of the year, underlying sales rose by 6% with operating profit increasing by 20% compared to the same period last year. Pearson also increased its full-year forecast for its professional education business for the second time this year. The unit now expects to report sales growth of 8%-10% in 2007, up from a previous estimate of 5%-7%, with further margin improvement. The group's CEO commented that 'every part of the company is doing well' and that 2007 will be another record year.

Caterpillar lowers full-year earnings guidance

Last Friday, Caterpillar reported 3Q net profit that rose by 21% to \$927m, however fell short of analyst expectations. Revenue rose by 8.8% to \$11.4bn. The company also lowered its earnings forecast for 2007 and now expects to report EPS in the region of \$5.20-\$5.60 from its July projection of \$5.30-\$5.80. Caterpillar also said it expects revenue to fall in the US by 10%, while its expects international revenue to increase by 25%. The group pointed out that it expects to spend about 1.5% more on materials this year, up from a flat forecast at the beginning of the year. On its outlook for the US economy, Caterpillar forecasts growth to decline to 1.5% during 2008 from the 2% it forecasts for 2007.

Business Press

- Significant economic slowdown forecast (IT)
- Ericsson profit warning incurs investor wrath (FT)
- US housing figures still cast their long shadow (FT)
- Asset price warning for \$75bn superfund (FT)

Investment Press

- **Mining a rich seam :** After being badly burnt by companies that made nothing, it is not surprising investors switched their allegiance to real assets when the dotcom bubble burst. What could be more real than stuff in the ground?

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