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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9365	↓ -70	-0.75%	11.0	-0.46%
FTSE 100	6269	↓ -46	-0.72%	12.4	0.78%
DAX 30	6720	↓ -29	-0.43%	15.0	1.86%
DOW	12503	↓ -119	-0.94%	19.5	0.31%
NASDAQ	2434	↓ -32	-1.30%	15.6	0.78%
S&P	1424	↓ -16	-1.13%	21.0	0.39%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2932	0.6575	157.1400
Dollar	1.2932	1.0000	1.9665	121.4900
Sterling	0.6575	1.9665	1.0000	238.9500
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	54.2300			

**This Week's Research**  
Sterling Energy BHP Billiton  
UK Coal  
McInerney

**Today's Research**  
British Land

**Today's Recommendation**

**British Land (£16.21) BUY ahead of results Stuart Draper**  
Target : £17.50 (11/01/07; previously £17, issued 21/11/06)

- Results preview : On Tuesday fortnight, 13th February, British Land (BL) will announce its results for the 3 months ended 31/12/06. We are forecasting group NAV per share to have grown by 4% over the period to £16.90 as at 31/12/06, primarily driven by the 35% exposure to the London office market.
- UK rates : This week's Bank of England MPC meeting minutes showed that the vote to raise UK interest rates to 5.25% earlier this month was passed by the narrowest of margins, 5-4. The closeness of the vote has been interpreted to mean that UK rates are now at or very close to their peak, which provides a positive medium term outlook for the UK property sector.
- Sector discount : The discounts between the share prices of the major UK property companies and their NAV per shares have narrowed in recent months, helped by the expectation of new UK REIT legislation being introduced in January 2007. The median NAV discount is now c.5%, versus an historical sector average NAV discount of c.10% over the past 25 years.
- NAV growth : With c.2.4 msf of office development projects delivering over the next 2 years, the vast majority of which is located in the fast-improving London City area, we are currently forecasting further 9% NAV per share growth over the next 12 months to £18.42 as at 31/12/07. Our current 12 month target price of £17.50 (8% further upside) is based on a 5% discount to 2007 year end NAV per share. When combined with the group's increased dividend yield of c.2%, this provides a sufficient further total return from current levels to justify maintaining our current BUY recommendation.
- Increased dividend : In line with BL's REIT conversion on 01/01/07, the group increased its full year dividend to at least 33p, representing a dividend yield of 2% on the current share price. This is a 94% year on year increase in the dividend, in line with the requirement for REIT's to distribute 90% of their net profits after capital allowances, corporation tax free.
- Increased investment : This requirement should result in further dividend increases, and the sector will no longer be liable for CGT on property sales, with the distribution of these gains only liable to 22% UK withholding tax. The introduction of a REIT structure in the US drove a major increase in property investment there, and the new UK legislation is forecast to double the size of the UK quoted property sector : **BUY**.

## Breaking News

**Aer Lingus announces 4.6% rise in December passenger numbers**  
Aer Lingus announced today that it carried 634,000 passengers in December, 4.6% more than in the same month of 2005. The company said its load factor a measure of how many of its seats were filled as a % of capacity was 72.6% last month compared with 73.8% in December 2005. On short-haul flights the load factor dipped to 66.6% from 67.3% while on long haul the factor dropped to 80.4% of capacity from 81.7%. Overall, the carrier's load factor fell to 77.6% in the 12 months to the end of December from 81.4% in 2005 although the number of passengers carried last year rose 7.3% to 8.6m as it added new routes.

## CRH announces senior management changes

CRH announced yesterday the planned retirement of Declan Doyle, Managing Director CRH Europe Materials on June 30, 2007, and of Tony O'Loughlen, Chief Operating Officer CRH Europe Materials on January 31st 2007. Albert Manifold is appointed Managing Director Designate CRH Europe Materials with immediate effect, and will succeed Declan on his retirement at the end of June. Albert joined CRH in 1998 as Finance Director Europe Materials. Henry Morris is appointed to succeed Tony as Chief Operating Officer CRH Europe Materials, effective February 1. Henry joined CRH in 1975, and held a number of technical, commercial and management positions.

## VAT rise has negative impact on Ifo business climate index

A decline in the key German Ifo business climate index reflects the negative impact of the country's VAT rate increase, but the VAT impact is likely to be temporary and the outlook for the German economy remains positive, economists said. The Ifo index slipped to 107.9 in January from 108.7 in December, finally weakening after strong gains throughout last year. Markets had been looking for a further small increase to 108.9, but the 3% rise in the German VAT rate on January 1 is likely to have weighed on businesses' assessment of current conditions, economists said. The business assessment index, which reflects current conditions, slumped to 112.8 from 115.3.

## Business Press

- Ford's biggest loss ever hits \$12.7bn as sales slump (IT)
- Anglo tops table of best financial performers (IT)
- Iona returns to profitability as revenue rises 17% (IT)

## Investment Press

- Siemens' turnaround: Klaus Kleinfeld, Siemens' chief executive, looks set to enjoy his best night's sleep in months. What a relief, to reveal market-beating first quarter-results and to finally draw a line under the scandal.



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