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EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7922 ↑	35	0.44%	11.0	7.58%
FTSE 100	6104 ↑	18	0.29%	13.5	8.64%
DAX 30	6107 ↑	28	0.47%	15.0	12.92%
DOW	11354 ↑	71	0.63%	19.5	5.30%
NASDAQ	2334 ↑	3	0.14%	15.6	5.82%
S&P	1305 ↑	4	0.28%	21.0	4.85%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2441	0.6970	142.7100
Dollar	1.2441	1.0000	1.7845	114.6900
Sterling	0.6970	1.7845	1.0000	205.4200
Yen	142.7100	114.6900	205.4200	1.0000
Oil (Nymex)	71.9300			

This Week's Research
Sterling Energy
GSK
Rank Group

Today's Research
Aviva

Today's Recommendation

- Aviva (£8.13) Strong Q1 sales Stuart Draper**
- Q1 sales : This morning, Aviva announced very strong life and pension sales of £6.8 bn for the 3 months ended 31/03/06. This was 12% better than the consensus forecast of £6.08 bn, and was a year on year increase of 20%. The result was 9% better than even the top end of the forecast range of £6.24 bn.
 - Prudential offer : Our current view is that the end result of the recent £7.08 per share takeover offer for Prudential is that Aviva itself may end up receiving a takeover approach. This is because the offer confirms Aviva's ambitions of building a global and US presence, and its European exposure may be of interest to AIG or AXA.
 - In play : Several examples from the bank sector within the past 10 years show that when a UK financial demonstrates that is open to doing a transformational deal, it ultimately ends receiving a takeover approach itself.
 - History repeats : The end result of Abbey National's bid approach to Bank of Scotland, which was similarly initially publicly rebuffed, was that Lloyds TSB then made a takeover bid for Abbey National, which was only prevented from happening by concerns of the UK Trade & Industry Secretary over market share in current accounts.
 - Further activity : Similarly, both Bank of Scotland and NatWest were subsequently taken over themselves soon after making risky major takeover bids. NatWest was taken over by RBOS, soon after it made a risky takeover bid for Legal & General, and Bank of Scotland was taken over by Halifax, soon after it made a risky takeover bid for NatWest. Therefore, one potential eventual outcome of Aviva's recent approach to Prudential could be a takeover approach to Aviva by one of the large global insurance groups such as AIG or AXA.
 - Stand-alone value : However, even on a stand-alone basis, Aviva's share price would appear to have further upside potential from current levels as a result of the continued buoyancy of the UK life sector. Given that Aviva's 2006 return on embedded value of 16.8% is 21% stronger than the UK sector average of 13.9%, our view is that its price to embedded value (EV) should trade at a similar premium to the UK sector.
 - Further upside : Therefore, our current 12 month price target for Aviva of £9.50 (17% further upside), is based on 1.8x 2006 EV per share of £5.30. Aviva's share price has risen by 17% since its inclusion in The Dolmen Dozen on 20/12/05 : **BUY**.

Breaking News

CRH announces US acquisition

CRH announced yesterday that it has reached agreement to acquire MMI Products, a U.S. manufacturer and distributor of building products used in the non-residential, residential and infrastructure construction sectors, for a cash consideration, including debt acquired, of \$350 million. Completion of this transaction is expected by the end of this week. Intangible assets, primarily goodwill, arising on this deal amount to \$115 million. MMI's operations fall into three distinct product segments, encompassing fencing products, welded wire reinforcement and construction accessories. In 2005, EBITDA for the combined MMI businesses acquired amounted to \$50 million on sales of \$721 million. CRH also said that John Wittstock, an executive director since January 2002 and managing director Europe Products & Distribution based in the Netherlands since October 2004, has decided for personal reasons to return to the U.S. and accordingly resigns from board with immediate effect. Wittstock will be remaining with CRH, assuming overall responsibility for MMI Products.

AIB reiterates 2006 EPS guidance

AIB chairman Dermot Gleeson said at yesterday's AGM that the business is continuing to enjoy the strong momentum it saw in 2005, and reiterated the group's 2006 guidance of low double digit EPS growth. He also said that the bank anticipates some rise in interest rates over the next year. The bank continues to enjoy excellent loan growth in Ireland, the UK and in its International Corporate Banking activities. He added that the group expects another year of strong deposit growth and that its asset quality is at a historically high level.

Dollar falls to seven-month low against the Euro

The dollar dipped against the euro on Wednesday, falling to a seven-month low as a renewed focus on the huge U.S. current account deficit diverted attention from otherwise solid U.S. economic data. Both new orders for U.S.-made durable goods and sales of new homes surged more than expected in March, helping the U.S. interest rate futures market to almost fully price in the likelihood of two more hikes in overnight rates this year. Following comments made at last week-end's G7 meeting, suggesting that China and other Asian countries let their currencies rise to help fix global imbalances, the focus has shifted to U.S. deficit and a weakening of the dollar as a way of reducing it.

Business Press

- Union threatens to block Eircom takeover (IT)
- Smart's 3G case set for July 6th (IT)
- Telerate lifts Reuters (FT)
- Iona sales team gets the finger out (II)

Investment Press

- Gazprom: Britain's icons are no longer safe, it seems. Gazprom continues to stoke bid speculation regarding Centrica, owner of the British Gas brand.



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