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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9300	↓ -65	-0.69%	11.0	-1.14%
FTSE 100	6228	↓ -41	-0.66%	12.4	0.12%
DAX 30	6690	↓ -29	-0.44%	15.0	1.42%
DOW	12487	↓ -16	-0.12%	19.5	0.19%
NASDAQ	2435	↑ 1	0.05%	15.6	0.84%
S&P	1422	↓ -2	-0.12%	21.0	0.27%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2912	0.6595	157.4900
Dollar	1.2912	1.0000	1.9575	121.9400
Sterling	0.6595	1.9575	1.0000	238.7200
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	55.4200			

This Week's Research

Today's Research
Aviva

Today's Recommendation

Aviva (€8.36) BUY ahead of sales results **Stuart Draper**
Target : €9 (17/01/07 ; previously €8.50, issued 02/06/06)

- 2006 sales : Tomorrow week, 6th February, Aviva will announce its sales results for the 3 months ended 31/12/06. We are forecasting total life and pension sales, on an annual premium equivalent (APE) basis of £780m, representing overall year on year growth of 4.4%. This growth will have been driven by particularly strong growth in sales of single premium products in the UK (10%), Italy (48%) and Ireland (101%).
- 2007 guidance : The Q4 2006 sales result compares with a very strong prior year comparative for Q4 2005 of £747m, and would still mean that overall group sales growth of 15% was generated for full year 2006. Aviva is guiding further strong sales growth of between 15% and 20% for 2007, which should be boosted by the group's August 2006 acquisition of US life insurer, AmerUs Group, for \$2.9 bn in cash.
- Track record : The US market is the world's largest savings market, with strong growth potential as a result of its ageing population. Aviva has an excellent acquisition track record, and with a further c.1000 life companies in the US, there is the potential for further earnings growth from bolt-on deals within this market. The AmerUs deal should boost 2007 eps by c.2%.
- Distribution owner : In addition to being a top 5 player in the high growth US indexed annuity market, Aviva will benefit from AmerUs owning much of its own distribution. Also, with the US currently only contributing 4% of Aviva's international life and pension sales, the AmerUs deal will significantly improve Aviva's current under-representation in that market.
- Dividend growth : Despite this US expansion, Aviva remains committed to continuing to grow its dividend, increasing its H1 2006 dividend by 10% to 10.8p. The consensus forecast is that Aviva will pay a 2007 full year dividend of 32p per share, representing a yield of c.3.8% on the current share price.
- Further upside : Given that Aviva's forecast 2006 return on embedded value of 16.8% is 21% stronger than the UK sector average of 13.9%, its price to embedded value (EV) should trade at a similar premium. Therefore, our current 12 month price target of €9 (8% further upside), is based on 1.7x 2006 EV per share of €5.30. Aviva shares will also pay investors a dividend yield of c.3.8% for waiting for this upside. Other positive catalysts for the Aviva share price between now and 06/02/07, include Q4 sales results from Prudential tomorrow and from Friends Provident this Wednesday : **BUY**.

Breaking News

Petroceltic submit discovery reports to Sonatrach

Petroceltic have announced that following the recent drilling success in Algeria, it has begun the first steps to commercialisation of its 75% Isarene block by submitting discovery reports for HTT-2 and ISAS-1 to its partner, the Algerian State Oil Company Sonatrach. In 2007 seismic and drilling is to commence on the most significant prospect in the permit area "the Ain Tsila Ridge". Prospective gas resources for the Ain Tsila Ridge are estimated by Petroceltic to be in the range of 2 to 6 trillion cubic feet. Other prospects in the Southern part of the permit area are being high graded in preparation for drilling activity. Dialogue is ongoing with large multinational industry players with respect to forming a strategic alliance in order to maximise the gas potential of the Isarene permit

Independent takeover of APN seen as a good move

Independent News & Media renewed bid with Carlyle Group for APN, valuing the Australasian group at A\$3.8bn has been viewed as a sensible move by the market and as a result has been upgraded from €2.90 to €3.20 by Merrill Lynch. Independent and PEP, part of the previous bidding consortium, teamed with Carlyle, a private buyout company, to offer A\$6.05 a share for all the shares of APN, just above a previous offer but below the stock's recent highs. Independent already owns about 40% of APN. Independent was expected to have a 35-40% stake in APN if the deal goes ahead.

Iona announces revenue up 17% year on year

Iona Technologies a world leader in distributed service-oriented architecture infrastructure solutions for performance-demanding IT environments, announced full year 2006 revenue of \$77.8m, up 17% from 2005. Q4 2006 revenue was \$22.8m, up 19% from the same quarter the prior year. IONA reported 2006 net income of \$2.5m. For Q4 of 2006, net income was \$2.9m. Net income and earnings per share in 2006, excluding \$4.6m of SFAS 123R stock-based compensation expense, was \$7.1 million. The strong revenue growth was down largely to Artix growing by 112% in the year and CORBA sales staying flat.

Business Press

- BA bid to undermine cabin crew with offers (II)
- Vodafone seeks Essar savings (FT)
- Record profits may mark apex at Shell (FT)

Investment Press

- Deutsche Telekom: There may be a new man at the helm of Deutsche Telekom, but it is the same old story. René Obermann, two months into the top job, faces the same problems as his predecessor .

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