

## Stock Market Indexes

Index	30-Jan	Daily % chg	YTD%chg local cur.	YTD%chg USD
.PSI20	8 781	-0.1	1.9	4.4
.IBEX	11 023	1.2	2.7	5.3
.NSDQ	2 304	0.9	4.5	4.5
.DJI	10 907	0.9	1.8	1.8
.EuroStoxx 50	3 685	1.2	3.0	5.5

## Daily Volume

	Value (Eur mn)	Daily%chg	YTD%chg
Spain	5360.0	3.1	294.1
Portugal	182.0	22.8	98.5

## Most Traded Stocks

Spain	Euro '000	%Market	Δ%
Santander	2147 354	40.1%	1.6
Repsol YPF	676 645	12.6%	-3.1
Telefonica	495 257	9.2%	0.8
Portugal			
BCP	51 708	28.4%	-0.8
Banco BPI	34 149	18.8%	2.4
EDP	33 870	18.6%	0.0

## IBEX 35 Highs

## IBEX 35 Lows

Company	Price	Δ%	Company	Price	Δ%
Arcelor	28.52	28.01	Repsol YPF	22.17	-3.10
Acerinox	13.27	3.11	Antena 3 TV	21.70	-1.09
Altadis	36.00	3.00	Iberia	2.20	-0.90

## PSI 20 Highs

## PSI 20 Lows

Company	Price	Δ%	Company	Price	Δ%
Pararede	0.29	3.57	Sonaecom	3.55	-1.11
Banco BPI	4.24	2.42	Sonae SGPS	1.20	-0.83
Mota Engil	3.62	1.69	BCP	2.44	-0.81

## Absolute Valuation (Iberian market 2006E)

	P/E	EV/EBITDA	DY	P/BV
Portugal	14.9	6.0	3.3%	2.6
Spain	14.1	6.1	3.4%	3.6

## Major Currencies against Euro

	30-Jan	Daily %chg	WTD%chg	YTD%chg
USD	1.2128	-0.85	0.23	2.49
GBP	0.6837	-0.34	-0.24	-0.70
BRL	2.6753	0.37	0.37	-3.30

## Macroeconomics

	30-Jan	Daily%chg	WTD%chg	YTD%chg
10 YearBund	3.48	-0.9bp	10.5bp	17.3bp

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## Forthcoming Economic Indicators Releases

Country	CET time	Indicator	Survey
US	14:30	Personal Income (DEC)	0.4%
US	14:30	Personal Spending (DEC)	0.7%
US	14:30	PCE Core (MoM) (DEC)	0.2%

## Corporate Events/Earnings disclosures

Company	Event	Date
SAG	Warrants exercise period	1-31 Jan
BES	4Q05 Earnings release	2-Feb
Ence	GSM	07-Feb
Santander	4Q05 Earnings release	8-Feb
Ebro Puleva	4Q05 Earnings release	8-Feb
Enagás	4Q05 Earnings release	9-Feb
Iberdrola	4Q05 Earnings release	9-Feb
Pastor	4Q05 Earnings release	9-Feb
Novabase	4Q05 Earnings release	14-15 Feb
Iberia	January Traffic Figures	14-Feb
Jerónimo	4Q05 Earnings Release	20-Feb
Martins		
Brisa	4Q05 Earnings release	22-Feb
Indra	4Q05 Earnings release	23-Feb
Endesa	GSM	25-Feb
Unión Fenosa	BID-End of acceptance period	27-Feb
Repsol YPF	4Q05 Earnings release	27-Feb
ACS	4Q05 Earnings release	27-Feb
Ferrovial	1Q06 Earnings Release	27-Feb

## TODAY'S NEWS

### MARKET REVIEW

#### **New hikes on Mittal's bid for Arcelor**

The Eurostoxx50 rose +1.21% to 3,685.48, a 4 ½ year high, in despite of reports that showed a slowdown in the US economy growth after consumers spending fell to its slowest pace since 2001. Steelmakers led the rally after Mittal Steel Co. made a hostile bid of EUR 18.6bn for Arcelor, increasing optimism that M&A activity will fuel new hikes. Arcelor shares climbed 28.01% to EU 28.52. Danone rose 2.56% on speculation that Mittal's offer for Arcelor will facilitate acquisitions of French companies.

The PSI20 declined 0.12% to 8,781.33 led by Sonaecom SGPS (-1.11% to EUR 3.55). BPI shares jumped (+2.42% to EUR 2.24) after its results were well above market's expectations on strong results in Angola.

In Spain, the IBEX35 advanced +1.22% to close at 11,023.20, Arcelor and Acerinox (+3.11% to EU 13.27) were the best performers. Altadis rebounded from recent losses +3% to EUR 36.00. Repsol slid an additional 3.10% to EUR 22.17 as its recommendation was cut at several global houses.

*Ramon Blanco*

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### MACROECONOMICS

#### **US GDP less positive than expected in the fourth quarter**

US economic growth in the fourth quarter surprised on the downside. GDP rose at an annual rate of 1.1%, lower than markets' expectations of 2.8%. It compares with 4.1% in the third quarter. Consumer spending rose 1.1%, as the spending in durable goods declined 17.5%. Business investment rose at a 2.8% annual rate, less than half the third quarter's 8.5% rate. This poor performance of GDP seems to have been strongly driven by the negative effects of the hurricanes season. Other economic data released last week confirm that economic activity remains strong in the US, despite this lower than expected GDP data.

The price index for consumer spending rose at a 2.6% rate in the fourth quarter, after 3.7% in the previous quarter. However, the core index climbed 2.2%, after 1.4% in the third quarter, suggesting potential increasing inflationary pressures in the US economy.

US new home sales rose 2.9% in December. For the whole year, it was recorded a 6.6% rise. In December, sales of new homes reached 1.269 million, after having fallen to 1.233 million in November. Still, there are some signs of a cooling housing market: prices fell 2.2% in December, which is the third monthly decline in a row; and inventories increased 2.4%, to 516,000.

Euro zone's money supply growth slowed in December to 7.3% (7.6% in November); and loans to the private sector accelerated 9.1% (9.0% in November).

Today, the economic agenda includes private spending and private income and the private spending deflator of December in the US.\

*Susana de Jesus Santos*

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**TELECOMS****Telefonica: Spanish government blocks Telefonica's planned acquisition of Iberbanda**

<b>Rating:</b> BUY	<b>Closing Price:</b> EUR 12.58	<b>Price Target:</b> 16.85
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The Spanish government blocked Telefonica's planned acquisition of Iberbanda because it would erode competition. In December, Spain's Competition Tribunal recommended the government to block the bid because it would make it harder for other companies to compete in Spain. (Bloomberg)

*Impact: Neutral, as this was already expected. In August, Telefonica asked for permission to take a significant stake in Iberbanda and has already signed an agreement with Iberbanda's shareholders (Prisa and El Corte Ingles). Iberbanda won a LMDS (Local Multipoint Distribution System) licence in 2000, allowing it to offer broadband telecom services via radio.*

Ricardo Pimentel Seara, CFA / Flora Trindade

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**TEM: to auction mobile frequencies in Chile**

<b>Rating:</b> ACCUMULATE	<b>Closing Price:</b> EUR 9.07	<b>Price Target:</b> 10.50
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According to a Spanish newspaper, a Chilean Competition Court gave green-light for the sale of a part of TEM's mobile frequencies in the country. The sale should begin in 2 weeks.

Separately, Telefonica plans to invest Eur 165mn in CTC Chile, in 4 years to develop a project similar to Imagenio in Spain. (Cinco Dias)

*Impact: Neutral to positive. The sale of mobile frequencies in Chile was already expected and is part of the conditions set by the Chilean government for the merger with BellSouth in Chile. Imagenio is Telefonica's Pay-TV service through ADSL aimed at facing competition from CATV triple-play offers.*

Ricardo Pimentel Seara, CFA / Flora Trindade

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**BANKS****BCP: Teixeira Duarte holds a 4.68% stake in BCP**

<b>Rating:</b> UNDER REVISION	<b>Closing Price:</b> EUR 2.44	<b>Price Target:</b> UR
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BCP announced that Teixeira Duarte SGPS holds directly and indirectly 4.68% of the bank's share capital and voting rights. (BCP release)

Maria de Lurdes Pinho / Tiago Bossa Dionísio

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## BBVA: could launch a second bid for BNL at Eur 3 per share in cash?

<b>Rating:</b> ACCUMULATE	<b>Closing Price:</b> EUR 16.26	<b>Price Target:</b> 16.50
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According to the press, BBVA is poised to launch a second bid for BNL, offering Eur 3 per share in cash, with the aim of securing 51% of its Italian affiliate. The press adds that another bid by Unipol could be rejected by the Bank of Italy. (Bloomberg citing The Business)

*Impact: Neutral for now. The possibility of BBVA launching another bid for BNL has already been rumoured by the market in the last few weeks, particularly since the Bank of Italy rejected Unipol's offer. BBVA suggested last week when it released its FY05 results that it remains on a wait and see mode as to what the Italian authorities will do regarding Unipol's bid before announcing to the market what it will do regarding this issue.*

Maria de Lurdes Pinho / Tiago Bossa Dionísio

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## MEDIA

### Media Capital: Q4 Radio Audience Shares

<b>Rating:</b> HOLD	<b>Closing Price:</b> EUR 7.68	<b>Price Target:</b> 6.30
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Media Capital Radio (MCR) registered a 22.6% audience share in 4Q05, down from 23% in Q3. Conversely, the leading Group, Rádio Renascença, improved its audience share from 37.5% to 38.3%. (Diário Económico)

*Impact: Slightly negative. This is the second quarter in a row in which MCR audience share falls. We remind that, in December, MCR's former general director agreed the termination of its contract. According to our FY05 estimates, MCR should represent 7% of Media Capital's total turnover and 4% of its EBITDA.*

Tiago Veiga Anjos, CFA

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## INFRASTRUCTURES

### Infrastructures: Acciona and OHL increase share of Spanish public works in 2005

The Spanish big constructors won 52% of the public projects awarded in 2005 vs. 49% market share in 2004. The first positions in the ranking are occupied by ACS (15%), OHL (9%) and FCC (8%). OHL and ACCIONA won market share in public works in 2005 while ACS, FCC and Ferrovial were awarded a smaller share of contracts compared to 2004 (Cinco dias)

*Impact: Neutral. This ranking shows the leading companies have won market share over the small and medium constructors, which are forced to join the leading companies to bid in big projects. On the other hand, the leading builders' market shares have varied strongly from one year to another, showing a competitive environment*

Bruno Almeida da Silva / Ana Horno

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## FCC/CPL: end of talks to recruit Mr Castellano

<b>Rating:</b> ACCUMULATE/BUY	<b>Closing Price:</b> EUR 51.35/EUR 76.90	<b>Price Target:</b> 51.15/78.30
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FCC has ended talks with Mr Castellano and he will not be appointed as CPL's Chairman. In any case, the Group does not rule out a future collaboration with FCC. According to Gaceta, the decision was mainly prompted by both the strain created in FCC's top directors and Mr Castellano's petition to be incorporated in FCC's presidency in one year. (Gaceta)

*Impact: Negative. Mr. Jose Maria Castellano is a well known Spanish businessman after its work as deputy chairman of Inditex. The talks to name the next CPL's Chairman will be held next Tuesday. The next Chairman could be the current one, Rafael Martínez-Ynzenga, or a new one.*

Bruno Almeida da Silva / Ana Horno

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## FCC: buys industrial waste management company in Canary-Islands

<b>Rating:</b> ACCUMULATE	<b>Closing Price:</b> EUR 51.35	<b>Price Target:</b> 51.15
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FCC has acquired the waste management company Gemecan for an undisclosed amount. Gemecan is based in Canary-Islands and manages 2.5K tons per year (Invertia)

*Impact: Neutral. The price was not disclosed and there is no information to assess the acquisition. This is the third acquisition the group carries out in Canary Islands after Marepa (paper recycling, Eur 50.1mn) and Entemanser (waste treatment, Eur 75mn). FCC has more than Eur 2bn available for investments and plans to double annual sales by 2008 through organic growth and acquisitions in cement and services. Last year, FCC spent some Eur 0.9bn in small/medium sized acquisitions in those divisions.*

Bruno Almeida da Silva / Ana Horno

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## Teixeira Duarte: BCP's capital call decreases TD's stake

<b>Rating:</b> SELL	<b>Closing Price:</b> EUR 1.29	<b>Price Target:</b> 1.05
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Teixeira Duarte's stake in BCP decreased after BCP's capital call. Teixeira Duarte holds 168mn shares representing 4.68% of the share capital and voting rights. (company press release)

*Impact: Neutral. TD's stake in BCP has been diluted but it holds the same number of shares. The stake in BCP weights 18% in our EV target for Teixeira Duarte*

Bruno Almeida da Silva / Ana Horno

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## ACS/FCC: postponement of Hutchison's Italian telephone subsidiary listing

<b>Rating:</b> BUY/ACCUMULATE	<b>Closing Price:</b> EUR 28.33/EUR 51.35	<b>Price Target:</b> 29.00/51.15
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The listing of Hutchison's Italian telephone subsidiary has been postponed once again. According to El Confidencial, the cash proceeds from the IPO (more than Eur 2bn) would have been used to acquire a stake in Xfera (El Confidencial)

*Impact: Negative. This could delay even further the entrance of the industrial partner in Xfera, which is required to start operations in 1Q06. Xfera's shareholding structure is composed of ACS (32.47%), UMTS Sonera (32.2%), Corporación Financiera Alba (11.72%), Abertis (8.4%), FCC (7.75%) and Abengoa (5.4%).*

Bruno Almeida da Silva / Ana Horno

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## SMALL CAPS

### NH Hoteles: Eyes acquisitions in Italy

<b>Rating:</b> HOLD	<b>Closing Price:</b> EUR 13.13	<b>Price Target:</b> 13.70
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NH Hoteles' CEO, Mr. Burgio has stated in an interview that NH is eyeing an acquisition in Italy, and that one could come through in the next few days. Framon Hotels is among the companies analysed. Moreover, he also mentioned that NH has rejected the tender offer for Jolly Hotels. (Reuters, Bloomberg)

*Impact: Mixed feelings. The fact that NH Hoteles is willing to grow in Italy, even through an acquisition, is already known by the market. However, the last hotel chain acquired by NH, Astron in 2002 was not very successful, as its hotels have only reached EBITDA breakeven in 4Q05. Therefore, investors' concerns about NH overpaying for an acquisition could put pressure on the stock.*

*Regarding the Jolly Hotels issue, the impact is neutral. It was broadly expected, being just the confirmation: NH Hoteles is still intending to increase its stake in the Italian hotel group and even more considering that the price of the tender offer (EUR7.70) was below market levels (EUR8.65) and the price at which NH acquired its 20.7% stake (EUR8.10).*

*Eduardo Coelho / Gonçalo Moreira / Joaquin Garcia - Romanillos / Catarina Vieira*

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### Ebro Puleva: EU to cut sugar quota by 10%

<b>Rating:</b> BUY	<b>Closing Price:</b> EUR 14.10	<b>Price Target:</b> 16.20
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The European Commission could propose in February a temporary 10% cut in the sugar quotas for the 2006-2007 season in order to balance the market again. The sugar surplus according to the agriculture commissioner could be between 2mn and 3mn tons, which is impossible to export. (La Razon)

*Impact: Mixed feelings. This declassification process could have a negative impact in the short term, as a lower amount of sugar should have granted prices, but in the longer run it would avoid an extension of the pricing pressure seen during 2005. We remark that we already expected prices to have improved by November, but it seems that the surplus generated with the incorporation of new eastern countries to the EU should still be present in the market. Nevertheless, the possibility of this declassification had been already mentioned by the Commissioner last year, hence it should represent no major surprise. All in all, the sugar business represents 19% of our target EV.*

*Eduardo Coelho / Gonçalo Moreira / Joaquin Garcia - Romanillos / Catarina Vieira*

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## DIVIDENDS

Company	GDps (Eur)	Ex-Div Date
SCH	0.09296	01-Feb
Vidrala	0.3432	14-Feb
Ebro Puleva	0.085	01-Apr
Ebro Puleva	0.085	01-Jul
Endesa	2.095	03-Jul
Ebro Puleva	0.085	03-Oct
Ebro Puleva	0.085	27-Dec
Banco Pastor	0.115	30-Jan

Source: CMVM/CNMV

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"BPI may provide corporate finance and other services to the companies referred to in this report."

#### INVESTMENT RATINGS AND RISK CLASSIFICATION (TOTAL RETURN IN 12-18 MONTHS):

	Low Risk	Medium Risk	High Risk
Buy	> 15%	>20%	>25%
Accumulate	>10% and < 15%	>10% and < 20%	>15% and < 25%
Hold	>0% and < 10%	>0% and < 10%	>0% and < 15%
Reduce	>-15% and < 0%	>-20% and < 0%	>-25% and < -0%
Sell	< -15%	< -20%	< -25%

These investment ratings are not strict and should be taken as a general rule.

#### INVESTMENT RATINGS STATISTICS

As of 30th November BPI Equity Research's investment ratings were distributed as follows:

	%
Buy / Speculative Buy	17%
Accumulate	20%
Hold	31%
Reduce	12%
Sell	7%
Under Revision	12%
Accept Bid	1%
Total	100%

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