

THE IBERIAN STRATEGY OBSERVER

Jesús Gómez
(34) 91-289-3315
jegomez@gruposantander.com

Juan José Fernández
(34) 91-289-3704
juanjosefernandezg@gruposantander.com

Antonio Espasa
(34) 91-289-3313
aespa@gruposantander.com

World Indices – Market Performance



Source: JCF.

Asset Class Monitor

	Closing 12-Dec	-1W	-1M	QTD	YTD
DJ Stoxx 600	306.9	1.0	2.9	3.7	22.9
S&P 500	1,259.4	-0.5	2.0	2.5	3.9
10Y Euro bond yield	3.44	0.5	-2.3	9.3	-6.8
10Y US bond yield	4.52	-1.0	-0.2	4.6	7.2
3M Euro interest rates	2.45	0.1	5.7	12.8	13.9
3M US interest rates	3.93	-1.6	-0.8	11.1	77.6
€/US\$	1.18	0.6	1.7	-1.2	-12.3
Brent crude oil (US\$)	56.0	0.6	3.2	-9.4	40.9
CRB (US\$)	344.2	1.5	6.8	2.1	-1.2

Source: Bloomberg.

SI Bolsa Universe Valuation

	P/E		EV/EBITDA		3Y CAGR		GDY P/BV	
	05	06	05	06	EPS	EBITDA	06	06
CAC40	18.5	16.9	12.3	7.8	12.8	7.3	9.0	9.8
DAX30	19.5	16.0	13.2	6.4	12.7	6.0	7.9	6.6
MIB30	18.0	16.1	13.1	6.5	12.9	6.3	7.1	4.8
PSI20	16.8	15.8	10.4	9.2	12.5	8.7	6.5	4.8
IBEX35	17.9	15.8	11.3	9.0	13.6	7.9	8.4	8.1
DJ Stoxx 600	20.2	16.0	11.8	7.1	12.9	6.9	8.9	11.6
DJ Stoxx 50	16.0	14.7	7.6	6.9	11.8	14.7	3.2	3.2
DJ Euro Stoxx 50	14.6	13.3	8.8	8.0	12.7	11.5	3.5	2.8
Ib Cap Goods	10.4	12.3	4.8	5.4	-24.1	-24.5	2.9	1.7
Ib Construction	18.5	16.5	9.6	8.7	14.4	11.2	1.8	2.7
Ib Cons Goods	21.4	18.8	9.8	8.8	-1.8	-3.4	3.0	4.2
Ib Cons Serv	15.8	17.9	11.3	11.4	4.1	7.5	2.0	2.7
Ib Financials	13.7	11.8	NA	NA	21.4	NA	3.9	2.1
Ib Oil & Gas	12.8	11.5	6.6	6.5	5.1	-2.6	2.4	2.2
Ib TMTs	29.0	22.8	11.0	9.8	-12.3	-22.0	1.9	6.0
Ib Utilities	18.4	16.0	9.2	8.3	-5.8	-2.3	3.5	3.9

Source: Bloomberg.

Strategy Highlights

- Hectic M&A activity in the Spanish market is set to continue in 2006F.
- Diversification away from the domestic market, fiscal incentives, cheap valuations and low interest rates increase the acquisition risk of Spanish companies.
- Creating an M&A portfolio should still be a valid investment strategy in 2006F.

Hot Spots

- Avoid **Arcelor** ahead of the December 15 board meeting.
- Reduce positions in **Barón de Ley**.
- We would Buy **Cementos Portland**
- Further reductions in **Sonae SGPS's** discount to NAV reinforce our Buy rating.
- The worst should now be over, Buy **Impresa**.

Relative Market Performance

	Closing 12-Dec	-1W	-1M	QTD	YTD
CAC40	4,687.1	0.8	3.3	1.9	22.7
DAX30	5,316.9	1.0	4.4	5.4	24.9
MIB30	34,989.0	0.6	4.0	0.0	12.1
PSI20	8,272.0	1.3	3.1	2.3	8.8
IBEX35	10,533.7	0.0	0.2	-2.6	16.0
DJ Stoxx 600	308.4	1.0	2.9	3.7	22.9
DJ Stoxx 50	3,360.3	0.9	1.9	3.0	21.1
DJ Euro Stoxx 50	3,520.7	0.6	3.4	2.7	19.3
Ib Cap Goods	NA	1.5	4.7	2.2	19.6
Ib Construction	NA	0.1	1.2	-4.3	47.0
Ib Cons Goods	NA	0.7	2.7	1.0	18.3
Ib Cons Serv	NA	-0.3	-2.8	-7.2	33.8
Ib Financials	NA	0.5	-0.2	0.3	16.7
Ib Oil & Gas	NA	-1.2	2.6	-6.8	24.6
Ib TMTs	NA	1.0	-0.8	-3.6	-5.2
Ib Utilities	NA	0.1	3.4	0.7	26.5

Source: Bloomberg.

SECTOR STRATEGY AT A GLANCE

Iberia – Sector Strategy at a Glance

Sector	Index Weighting	SI Bolsa Stance		Comments	Preferred Stocks
		Tactical	Strategic		
Banks	27.4%	↑	↑	Recent signs of a soft landing for the real estate sector could prompt a de-rating of the smaller Spanish banks, which have benefited from rumours on takeovers in the last few years. Diversification in blue chips and valuations in line with the rest of the European sector should help the larger banks.	BBVA, BCP
Capital Goods	5.3%	↑	↑	The investment cycle has bottomed out and there are signs of capital investments picking up. We believe the valuations of metal-related companies (Acerinox and Arcelor) already include a potential strong recovery in prices and volumes. We would rather play pulp & paper (ENCE) and industrial companies through a restructuring story (Uralita).	ENCE, Uralita
Construction	4.0%	↑	↑	The buoyant construction cycle in Spain seems to be never-ending, in stark contrast to Portugal, where companies are being hit by restrictions in civil works. Diversification into the services and concessions areas should provide stability in the long run. M&A activity is likely to continue to offer some excitement in the sector.	Ferrovial, ACS
Consumer Goods	6.2%	↑	↑	Domestic consumption in Spain has been the main growth driver in recent years, but we see signs for concern. We prefer defensive players with turnaround stories (Ebro Puleva) to stocks with regulatory risks (Altadis).	Inditex, Ebro Puleva, Viscofán
Financial Services	0.9%	↓	↓	Southern European insurers' cautious management teams offer a degree of protection in a sector penalised by the equity markets' sharp falls in the past, but these companies should underperform the sector in an environment of healthier equity markets. The current low discount to SOTP valuations leaves limited upside for those holding companies without solid investment track records.	Corp. Mapfre
Oil & Gas	9.0%	↑	↑	Stable (high) oil prices and the improving situation in Latam combine to offer a strong case for being bullish on the Iberian oil sector. Reinvestment and regulatory risks make investing in gas players more complex. We like Enagás' growth and stable regulatory climate.	Repsol YPF, Enagás
Services	8.0%	↓	↓	Despite being leveraged to the cycle's upturn, the leisure industry should see lower pricing power given the excess capacity. Real estate could suffer from the perception that property prices are peaking and from the hangover from M&A activity. We like Portugal's motorway sector because of its growth and defensive nature.	Sol Meliá, Logista
TMTs	28.8%	↑	↑	Telecoms show worrying dynamics due to fiercer competition in both mobile and fixed telephony and technological change. Moreover, comparable valuations of US players still show some downside risk. We would switch from FTA TV players to newspapers in the short run.	PT Prisa, Sogecable
Utilities	10.4%	↓	↓	In an environment of regulatory change, utilities tend to underperform. M&A moves have helped sustain the sector, but concentration should be limited going forward and the sector will tend to quote in line with its deteriorating fundamentals.	Endesa

Source: Santander Investment Bolsa estimates.

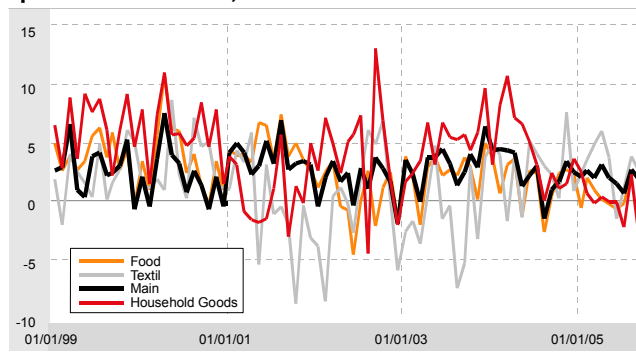
THE IBERIAN MACRO OBSERVER

Jesús Gómez
(34) 91-289-3315
jegomez@gruposantander.com

Juan José Fernández
(34) 91 289 3704
juanjosefernandezg@gruposantander.com

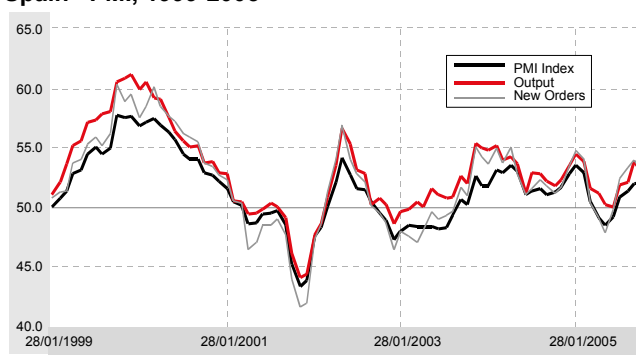
Antonio Espasa
(34) 91-289-3373
aespasa@gruposantander.com

Spain – Retail Sales, 1999-2005



Source: Bloomberg

Spain– PMI, 1999-2005



Source: Bloomberg

Things to Watch during the Week

In the US:

- (1) FOMC meeting with a 25bp rate hike on the agenda
- (2) Possibility of a change in the statement
- (3) CPI to show sizeable divergence between core and headline
- (4) CA deficit poised to set another new all-time high in 3Q05
- (5) November retail sales likely to contract by 0.1%

In the Euro Zone:

- (1) Inflation set to drop 0.3% across Europe
- (2) ZEW business sentiment could rise 3 points to 41
- (3) IFO survey likely to show improving sentiment
- (4) Germany's final CPI should confirm 0.5% decline
- (5) Italy's industrial production to grow by 0.4%

Few economic indicators have been released for the Spanish economy in the last two weeks and those that have show some weakness in real activity. October retail sales contracted by 0.1% YoY from 2.1% in September. The latest industrial production figures came in at -0.4% in October down from 0.5% in September. On the other hand, price indicators, such as CPI or Producer Prices, are still very high, undermining Spain's competitive position in the export market.

Last week's data brought some good news, supporting our call of an economic recovery in the Euro zone in 2006F-07F (led by Germany). In particular, the data from Germany surprised on the upside with retail sales climbing strongly and unemployment continuing the recent downward trend. Euro zone confidence indicators (industrial, consumer and economic) also showed a stable-upward bias.

Last week saw a battery of important news on the other side of the Atlantic. The Labour Report provided the highlight, with nonfarm payrolls reflecting 215,000 jobs created. Other indicators show that further growth should be expected. Consumer confidence rebounded sharply (by 13 points), new home sales reached a new high, durable goods orders climbed, GDP was revised higher and ISM, despite retreating, is still at very high levels from a long-term perspective.

The ECB raised rates by 25bp in order to adjust the accommodative monetary policy stance. We believe that the move is the first in a series aimed at normalizing Euro zone interest rates, which we believe have been too low for too long. We expect rates to increase to 3% by December 2006.

ECONOMIC CALENDAR

Macro Data Published Last Week

Day	Time	Country	Indicator/Event	Period	Reference Data	Forecast	Real
MONDAY 5-Dec	9:15	Spain	PMI Services	Nov	51.8		53.81
	9:45	Italy	PMI Services	Nov	52.8	53.0	54.62
	9:50	France	PMI Services	Nov	56.6	56.0	56.52
	9:55	Germany	PMI Services	Nov	55.2	54.5	54.81
	10:00	Euro Zone	PMI Services	Nov	54.9	54.7	55.2
	11:00	Euro Zone	Retail Trade (m/y)	Oct	-0.9r/0.5r	0.5/1.0	0.5/0.4
TUESDAY 6-Dec	16:00	US	ISM Non Manufacturing	Nov	60.0	59.0	58.5
	8:45	France	Central Gov Balance (bn)(€)	Oct	-50.8		-53.6
	10:00	Euro Zone	Bloomberg Retail PMI	Nov	50.4	50.6	50.7
	10:00	Germany	Bloomberg Retail PMI	Nov	48.1		49.4
	10:00	Italy	Bloomberg Retail PMI	Nov			54.1
	10:00	France	Bloomberg Retail PMI	Nov	50.5		49.7
	12:00	Germany	Factory Orders (m/y) (sa/nsa)	Oct P	2.9r/8.0r	0.5/7.3	2.0/5.4
	14:30	US	Nonfarm Productivity	3QF	4.1	4.5	4.7
	14:30	US	Unit Labor Costs	3QF	-0.5	-0.9	-1.0
	16:00	US	Factory Orders	Oct	-1.4r	2.2	2.2
	16:00	US	Pending Home Sales (m)	Oct	-1.0r	-1.2	-3.2
WEDNESDAY 7-Dec	23:00	US	ABC Consumer Confidence	Dec 4	-15		-14
	13:00	US	MBA Mortgage Applications	Dec 2	-1.8		5.2
THURSDAY 8-Dec	21:00	US	Consumer Credit (bn)	Oct	4.0r	5.0	-7.2
	12:00	Germany	Industrial Production (m/y) (sa/nsa wda)	Oct P	1.5r/3.5r	0.5/2.9	1.1/3.8
FRIDAY 9-Dec	14:30	US	Initial Jobless Claims	Nov 3	321kr	318k	327k
	14:30	US	Continuing Claims	Nov 26	2740kr	2745k	2603k
FRIDAY 9-Dec	8:00	Germany	Current Account (bn)(€)	Oct	7.8r	7.9	6.4
	8:00	Germany	Trade Balance (bn)	Oct	15.0	15.3	12.2
	8:00	Germany	Imports (sa) (m)	Oct	-1.4r	0.7	3.1
	8:00	Germany	Exports (sa)(m)	Oct	2.4r	-0.1	-0.6
	8:00	Germany	Wholesale Price Index (m/y)	Nov	-0.1/2.7		-0.6/2.2
	8:45	France	Industrial Production (m/y)	Oct	0.6r/0.6r	0.2/0.8	-2.5/-1.4
	8:45	France	Manufacturing Production (m/y)	Oct	1.3r/0.9r	0.0/1.0	-2.4/-0.1
	10:00	Italy	GDP (sa and wda) (q/y)	3QF	0.7/0.2r	0.3/0.0	0.3/0.1
	10:00	Italy	Private Consumption	3Q	0.6	0.2	0.4
	10:00	Italy	Gov Spending	3Q	0.4r	0.3	0.0
	10:00	Italy	Total Investments	3Q	1.6r	0.6	1.3
	10:00	Italy	Exports	3Q	5.2r	1.8	2.9
	10:00	Italy	Imports	3Q	4.2r	1.1	1.1
	11:00	Euro Zone	Construction Output (q/y)(sa/wda)	3Q	2.0r/-0.5r		0.2/0.3
	12:00	Euro Zone	OECD Leading Indicator	Oct	106.2r		106.7
	15:45	US	U.of Michigan Confidence	Dec P	81.6	84.0	88.7
	16:00	US	Wholesale Inventories	Oct	0.6	0.4	0.2

Macro Data Published This Week

Day	Time	Country	Indicator/Event	Period	Reference Data	Forecast
THIS WEEK	14-19	Germany	Producer Prices (m/y)	Nov	0.7/4.6	-
MONDAY 12-Dec	11:00	Euro Zone	Current Account (q)(€ bn)	3Q	-13.3	-
	20:00	US	Monthly Budget Statement (US\$ bn)	Nov	-57.9	-80.0
TUESDAY 13-Dec	8:45	France	Consumer Price Index (m/y)	Nov	-0.1/1.8	-0.1/1.7
	8:45	France	Trade Balance (€ mn)	Oct	-1,724	-1,850
	10:00	Italy	Industrial Production (sa/wda)(m/y)	Oct	-1.0/1.7	0.4/0.5
	11:00	Euro Zone	ZEW Survey (Economic Sentiment)	Dec	40.0	41.0
	11:00	Germany	ZEW Survey (Economic Sentiment)	Dec	38.7	41.0
	11:00	Germany	ZEW Survey (Economic Situation)	Dec	-55.2	-53.0
	14:30	US	Advance Retail Sales	Nov	-0.1	0.4
	14:30	US	Retail Sales Less Autos	Nov	0.9	-0.1
	16:00	US	Business Inventories	Oct	0.5	0.5
	20:15	US	FOMC Rate Decision Expected	Dec 13	4.00	4.25
WEDNESDAY 14-Dec	23:00	US	ABC Consumer Confidence	Dec 11	-14	-
	8:00	Euro Zone	New Car Registrations (y)	Nov	-1.4	-
THURSDAY 15-Dec	8:00	Euro Zone	EU25 New Car Registrations	Nov	-2.6	-
	8:00	Germany	Consumer Price Index (m/y)	Nov F	-0.5/2.3	-0.5/2.3
	10:00	Italy	CPI (NIC inc tobacco) (m/y)	Nov F	0.0/2.2	0.0/2.2
	13:00	US	MBA Mortgage Applications	Dec 9	5.2	-
	14:30	US	Trade Balance (US\$ bn)	Oct	-66.1	-62.5
	14:30	US	Import Price Index (m/y)	Nov	-0.3/8.1	-0.5/-
	8:45	France	Non-Farm Payrolls (q)	3QF	0.1	0.1
FRIDAY 16-Dec	9:00	Spain	Consumer Price Index (m/y)	Nov	0.8/3.5	0.2/3.4
	-	Spain	Current Account (€ mn)	Sep	-4,887.1	-
	11:00	Euro Zone	Labour Costs (y)	3Q	2.3	2.4
	14:30	US	Consumer Price Index (m/y)	Nov	0.2/4.3	-0.4/3.6
	14:30	US	CPI Ex Food & Energy (y)	Nov	2.1	2.1
	14:30	US	Empire Manufacturing	Dec	22.8	18.2
	14:30	US	Initial Jobless Claims	Dec 10	327k	320k
	14:30	US	Continuing Claims	Dec 3	2,603k	-
	15:00	US	Net Foreign Security Purchases (US\$ bn)	Oct	101.9	-
	15:15	US	Industrial Production	Nov	0.9	0.5
	15:15	US	Capacity Utilisation	Nov	79.5	79.8
FRIDAY 16-Dec	18:00	US	Philadelphia Fed	Dec	11.5	14.0
	10:00	Germany	Ifo Business Climate	Dec	97.8	98.2
	10:00	Italy	Trade Balance (Total) (€ mn)	Oct	-2,150.0	-
	10:00	Germany	Ifo Current Assessment	Dec	97.8	98.1
	10:00	Germany	Ifo Business Expectations	Dec	97.7	98.0
	11:00	Euro Zone	CPI (m/y)	Nov	0.3/2.4	-0.2/2.4
14:30	US	Current Account Balance (US\$ bn)	3Q	-195.7	-204.6	

(m) % MoM; (y) % YoY; (q) % QoQ; (a) annualised; (I) Index; (k) thousands; (mn) millions; (bn) billions; (r) revised; (E) estimate; (F) final; (P) preliminary; (sa) seasonally-adjusted; (nsa) non-seasonally adjusted; (wda) working day adjusted; (1) first release; (2) second release; (*) CET.

Source: Bank of Spain, Ministry of Economy, Datastream, Bloomberg, Reuters and Santander Investment Bolsa estimates and forecasts.



STRATEGIST CORNER

SPANISH COMPANIES IN ACQUISITION MODE

In a space of just two years, Spanish companies have acquired assets worth €70bn, including large transactions such as the likely acquisition of O2 by Telefónica, Grupo Santander's purchase of Abbey and BBVA's of Bancomer. Smaller companies have also grown significantly via acquisitions: Metrovacesa and Colonial have bought real estate companies in France, Ebro Puleva purchased Riviana and Panzani, etc.

Spanish Companies – Acquisitions 2004-05

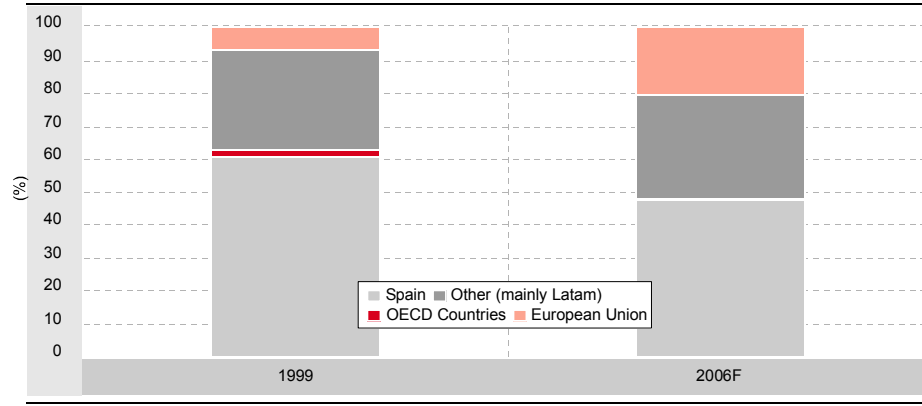
Acquirer	Company Acquired	Country	Price
Abertis	Retevisión Audiovisual	Spain	€423mn
	TBI PLC	UK	€1,171mn
Acciona	EHN	Spain	€307mn
	Ramel Services group	Spain	€95mn
	Ionosa	Spain	€217mn
ACS	Union Fenosa	Spain	€2.2bn
Altadis	Balkan Star	Russia	€147mn
Antena 3	Europa FM radio	Spain	€18mn
	Unipublic	Spain	€42mn
Arcelor	CST	Brazil	€1.17bn
BBVA	Granahorrar	Colombia	€348mn
	Laredo National Bank	US	€710mn
	Hipotecaria nacional	Mexico	€308mn
Colonial	SFL	France	€1,638mn
Ebro Puleva	Riviana	US	€325mn
	Panzani	France	€639mn
Endesa	Endesa Italia	Italy	€817mn
	Séchilienne-Sidéc	England	€104mn
	SNET	France	€571mn
FCC	Grupo Santos	Spain	€121mn
Ferrovial	Swissport	Switzerland	€646mn
	Webber	US	€185mn
	Tube Lines	UK	€206mn
	Amey	UK	€117mn
Gas Natural	LNG plant	Italy	€400mn
	Brancato Group (gas distribution)	Italy	€100mn
	DEPA	Brazil	€285mn
	Gas in Brazil	Brazil	€129mn
	Smedigas Group	Italy	€54mn*
	Nettis Group	Italy	€140mn*
Logista	Geopost Logistic Holding	France	€13mn
	Etinera	Italy	€566mn
Prosegur	Bissa	Mexico	€11mn
	Nordest	Spain	€51mn
	Pstv	Brazil	€9mn
REE	Viesgo's assets	Spain	€46mn
Repsol YPF	Borealis' petrochemical plant	Portugal	€200mn
Santander	Sovereign Bank	US	€2.4bn
	Abbey	UK	€13.4bn
SOS	American Rice	US	€35mn
	Minerva Oil	Italy	€52mn
	Sara Lee's	Netherlands	€65mn
TEF	Cesky Telecom	Czech Republic	€3.6bn
	China Netcom	China	€660mn
	O2**	UK	€26bn
TEM	BellSouth Latam	Latin America	€5.1bn
	CTC MOBILE	Chile	€1bn
TPI	Publigas	Chile	€52mn
	Telinver	Argentina	€62mn
Sacyr-Vallehermoso	Sufi	Spain	€142mn
	ENA	Spain	€1,622mn
Vidrala	Ricardo Gallo	Portugal	€3.67mn

(*) Estimated amount. (**) Probable deal pending execution.

Source: Company reports and Santander Investment Bolsa estimates.

The main drivers of this hectic corporate activity in the Spanish market have been: (1) the low interest rate environment; (2) the cheap valuation of equities; (3) and the tax deductibility of goodwill. These drivers are still in place and should support further M&A activity in the Spanish market in 2006F.

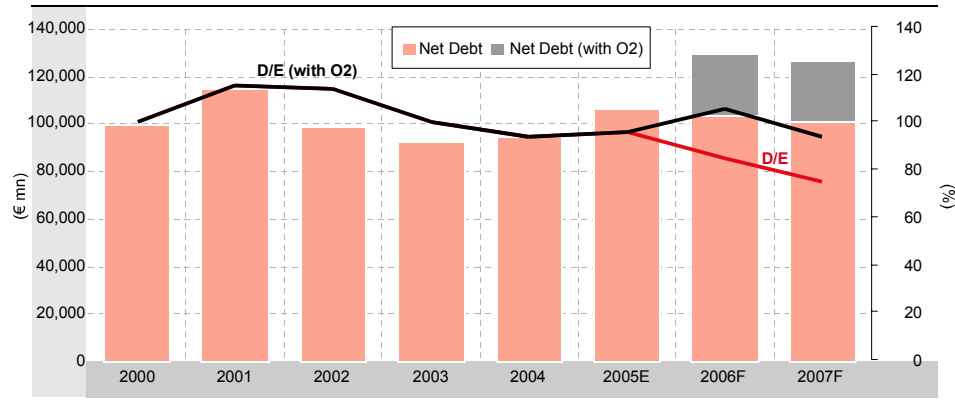
Spanish Companies – Revenue Split, 1999-2006F



Source: Company reports and Santander Investment Bolsa forecasts.

Interestingly, Spanish companies have used the low global interest rate environment to acquire assets, mainly in developed countries. Spanish companies have geared up their balance sheets to diversify away from the domestic market and reduce their Latam exposure. From generating 60% of their revenues in Spain in 1999 before the acquisition spree started, Spanish companies should see just only 47% of their revenues coming from the domestic market in 2006F. The proportion of revenues generated in European countries has risen from 7% to 21% in this period.

IBEX35 – Net Debt and D/E, 2000-07F



Source: Company reports and Santander Investment Bolsa estimates and forecasts.



We believe that corporate activity will continue to play a key role in the investment case of Spanish companies in 2006F. Identifying stocks with M&A appeal and creating a portfolio of potential targets should help institutional investors outperform in 2006F.

Spanish Companies – M&A Targets

Target	Business	Market Cap (€ mn)	Free Float		Potential Partner
			€ mn	%	
Banco Pastor	Banks	2,355	1,271	54.0	Sabadell, Popular, Barclays, RBOS
Bankinter	Banks	3,745	2,696	72.0	Sabadell, RBOS, Barclays
Banco de Valencia	Banks	2,165	1,256	58.0	Bancaja, Popular
Banco Guipuzcoano	Banks	1,262	694	55.0	Barclays, Sabadell, Pastor, BBK, Kutxa
Banco Popular	Banks	12,227	7,825	64.0	Sabadell
Barón de Ley	Beverages	318	201	63.0	Diageo, Allied Domecq, private equity fund
Cementos Portland	Building materials	5,835	1,926	33.0	FCC (a 59% stake)
Uralita	Building materials	456	201	44.0	Lafarge, Nefinsa (a 46% stake)
Vidrala	Building materials	420	210	50.0	Saint Gobain, Owens Illinois, BSN Group
FCC	Construction	3,580	1,146	32.0	Acciona (a 15% stake)
Zardoya Otis	Engineering & Machinery	3,000	1,140	38.0	UTH (51%)
SOS Cuétara	Food	1,114	468	42.0	Large food multinationals (eg, Nestlé)
TelePizza	Food	389	323	83.0	Private equity fund
Viscofán	Food	453	385	85.0	Private equity fund
Ence	Forestry & Paper	664	345	52.0	Scandinavian paper producers
Amper	IT Hardware	229	206	90.0	European IT or defense company (Indra)
NH Hoteles	Lodging	1,509	905	60.0	Accor, Ortega, private equity fund
Cepsa	Oil & Gas	10,703	856	8.0	Total (45% stake), other majors
Repsol YPF	Oil & Gas	30,168	23,380	77.5	BP, Royal Dutch, any US supermajor
Zeltia	Pharmaceuticals	1,239	582	47.0	Johnson & Johnson
Inmob. Urbis	Real Estate	796	215	27.0	Other European real state, Private Equity
Indra	Software & Computer Serv	2,456	2,186	89.0	EADS, Thales and Raytheon
TPI	Software & Computer Serv	1,906	762	40.0	Telefónica (60% stake)
Tubacex	Steel & Other Materials	484	450	93.0	Tenaris, Tubos Reunidos, private equity fund
Prosegur	Support Services	743	282	38.0	Group 4 Falck
Jazztel	Telecom Services	942	706	75.0	Auna, ONO, Uni2
Telefónica Móviles	Telecom Services	3,833	268	7.0	Telefónica (a 93% stake)
Altadis	Tobacco	9,506	9,126	96.0	BAT, Imperial
Iberia	Transport	2,037	1,243	61.0	Merger with BA (a 10% stake)

Source: Santander Investment Bolsa.

HOT SPOTS

- **Arcelor** (U/W, TP €15.15) is battling with ThyssenKrupp to acquire Canadian producer Dofasco. The company's CFO has clearly stated that improving on the current offer (surpassed by ThyssenKrupp) will only be possible if the cost of capital of the transaction at least equals Arcelor's. Despite Arcelor's discipline in the recent transactions in the sector, we would be wary about the final decision on Dofasco, which is to be taken at the December 15 board meeting. We believe that opting to bid higher will have a negative impact on Arcelor's price performance.
- We remain negative on **Barón de Ley** (U/W, TP €35.70) after an interview with the chairman of Rioja Alta wineries, Guillermo Aranzábal, highlighting the difficult pricing environment with prices falling in the domestic and international markets. Due to the wineries' lack of control over the final price, this decline in prices is not transferred to consumers. Consequently, lower prices are unlikely to stimulate the demand. In this environment, we think international players are unlikely to target Spanish wineries, so Barón de Ley's concentration premium should fade away.
- **Cementos Portland** (Buy, TP €80.00) decided to launch a take-over bid for Cementos Lemona at €248.3mn. The transaction multiples (deducting future synergies) are 15% above the comparables' multiples and we believe that they are reasonable for this acquisition. This deal should also help FCC (with a 66.8% stake in Cementos Portland) to complete its €3bn investment programme. Our stance on Cementos Portland is positive and this transaction should be earnings accretive from 2006F (4%).
- **Sonae SGPS** (Buy, TP €1.75) should enjoy strong momentum in 2006F, with strong news flow triggering a reduction in the discount to NAV (currently 17%). As part of Sonae's plans to reduce net financial debt at the holding level, we expect it to sell the Brazilian retail operations for €670-740mn in the next couple of months and 16% of Sonae Sierra, raising proceeds of c€200mn. These moves could help cut the holding debt by up to 70% from the current €1.3bn, mitigating investor concern on this issue over the past four years.
- We recently upgraded **Impresa** (Buy, TP €5.40) since we believe the downward revision in earnings estimates has come to an end. Moreover, the tide could have turned with regard to the major erosion of Impresa's audience share (now relegated to the number three spot behind the State-owned RTP) thanks to the appointment of the highly reputed Francisco Penim as head of programming, as well as one-off events (eg, Rock in Rio, 2006 World Cup in Germany) to be broadcast by SIC.

Main Revisions in Recommendations and Target Prices

Date	Company	Rating		Target Price		%	2006F EPS			Comments
		New	Old	New	Old		Chg	New	Old	
12-Dec	Sonae SGPS	Buy	Buy	1.75	1.60	9.4	0.09	0.09	0.0	Discount to NAV reduced
12-Dec	Modelo Continente	U/W	U/W	1.90	1.50	26.7	0.12	0.10	20.0	New openings in Portugal
12-Dec	Sonae Industria	U/W	U/W	5.50	5.60	-1.8	0.38	0.35	8.6	Peer valuation introduced
12-Dec	Sonaecom	Hold	Buy	4.05	4.05	0.0	0.02	0.02	0.0	Good performance triggers downgrade
24-Nov	Impresa	Buy	U/W	5.40	5.30	1.9	0.31	0.36	-13.9	Better economy in 2006?
21-Nov	Telefónica	Hold	Buy	14.00	15.30	-8.5	1.07	0.99	8.1	Downgrade after the O2 acquisition
11-Nov	Brisa	Hold	-	7.30	-	-	0.35	-	-	Re-initiation of coverage
4-Nov	La Seda	Buy	-	3.05	-	-	0.16	-	-	Re-initiation of coverage

Note: U/W = Underweight; U/R = Under review; N/R = Not rated. Source: Santander Investment Bolsa estimates and forecasts.



IBERIAN RECOMMENDED LIST

Iberian Large Caps – Santander Investment Bolsa Recommended List

Companies	Date of Inclusion	Price (€)		Market Performance (%)						
		Current 9-Dec-05	31-Dec-04	Absolute	Rel to Iberian Large Caps	Relative to IBEX35	-1M	-3M	-6M	YTD
Sogecable	30-Sep-04	34.12	32.66	4.5	-6.6	-11.0	-0.9	18.4	11.8	5.2
BBVA	23-May-05	14.70	13.05	12.6	1.6	-2.9	-1.1	5.3	16.0	13.6
Ferrovial	16-May-03	58.20	39.32	48.0	37.0	32.5	-4.6	-10.7	12.5	48.9
Endesa	22-Apr-05	21.47	17.29	24.2	13.1	8.7	2.9	4.8	19.5	24.9
Repsol	17-July-03	25.01	19.16	30.5	19.5	15.0	1.6	-3.1	25.0	31.2
Inditex	04-Mar-05	25.50	21.70	17.5	6.5	2.0	8.1	10.0	11.2	18.6
SI Bolsa Large Caps Model Portfolio	-	126.53	100.00	26.5	15.5	11.0	NA	NA	NA	26.5
Iberian Large Caps	-	111.05	100.00	11.0	0.0	-4.5	NA	NA	NA	11.0
IBEX35	-	10,489.30	9,080.80	15.5	4.5	0.0	0.4	0.6	10.4	16.3
PSI 20	-	8,247.84	7,571.85	8.9	-2.1	-6.6	3.1	5.1	10.5	8.8
DJ Stoxx 50	-	3,343.57	2,774.77	20.5	9.5	5.0	2	4.8	11.6	21.0

Source: Santander Investment Bolsa estimates and forecasts.

Iberian Small & Mid Caps – Santander Investment Bolsa Recommended List

Companies	Date of Inclusion	Price (€)		Market Performance (%)						
		Current 9-Dec-05	31-Dec-04	Absolute	Rel to Iberian SMCs	Relative to IBEX35	-1M	-3M	-6M	YTD
OHL	30-Dec-04	12.78	6.30	102.9	76.1	87.3	2.7	-1.2	10.0	100.8
Sol Meliá	16-Feb-05	10.43	7.30	42.9	16.1	27.4	-5.9	-5.3	17.6	43.7
Prisa	30-Dec-04	14.89	15.62	-4.7	-31.5	-20.2	2.0	-2.4	-7.7	-4.2
Enagás	23-May-05	15.08	12.20	23.6	-3.2	8.1	2.4	2.5	16.0	25.6
Viscofán	30-Dec-04	9.72	7.45	30.5	3.7	15.0	4.3	13.3	17.5	30.1
Prosegur	08-Mar-05	19.09	14.48	31.8	5.0	16.3	-0.8	1.8	14.5	33.6
SI Bolsa Small & Mid Caps Model Portfolio	-	133.43	100.00	33.4	6.6	17.9	NA	NA	NA	33.4
Iberian Small & Mid Caps	-	126.80	100.00	26.8	0.0	11.3	NA	NA	NA	26.8
IBEX35	-	10,489.30	9,080.80	15.5	-11.3	0.0	0.4	0.6	10.4	16.3
PSI 20	-	8,247.84	7,571.85	8.9	-17.9	-6.6	3.1	5.1	10.5	8.8
DJ Stoxx SML 200	-	161.27	129.16	24.9	-1.9	9.3	3.6	3.3	12.5	25.4

Source: Santander Investment Bolsa estimates and forecasts.

ANALYST CERTIFICATION: We, Jesús Gómez, Antonio Espasa and Juan José Fernández, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject companies and their securities. We also certify that we have not been promised compensation, either directly or indirectly, for expressing the recommendations in this report.

Local Offices

Madrid

Tel: 34-91-257-2309
Fax: 34-91-257-1811

Lisbon

Tel: 351-21-389-3400
Fax: 351-21-387-9133

London

Tel: 44-207-332-6900
Fax: 44-207-332-6909

New York

Tel: 212-692-2550
Fax: 212-407-4540

Bogotá

Tel: 571-644-8006
Fax: 571-592-0638

Buenos Aires

Tel: 54114-341-1052
Fax: 54114-341-1226

Caracas

Tel: 582-401-4306
Fax: 582-401-4219

Lima

Tel: 511-215-8100
Fax: 511-215-8185

Mexico City

Tel: 5255-5629-5040
Fax: 5255-5629-5846

Santiago

Tel: 562-336-3300
Fax: 562-697-3869

São Paulo

Tel: 5511-5538-8226
Fax: 5511-5538-8407

Tokyo

Tel: 813-3211-0356
Fax: 813-3211-0362

Key to Investment Codes¹

Buy	Upside of more than 15%.
Hold	Upside of 10%-15%.
Underweight	Upside of less than 10%.

Note: New investment code criteria were implemented on January 1, 2005. Target prices set from January to June are for December 31 of the current year. Target prices set from July to December are for December 31 of the following year.

IMPORTANT DISCLOSURES:

Santander Investment Bolsa expects to receive or intends to seek compensation for investment banking services from the following companies in the next three months: Ence, Acciona, ACS, FCC, NH Hoteles, Iberia, Cintra, Metrovacesa, Sacyr-Vallehermoso, Corp Mapfre, Enagás, Jazztel, Sogecable, Antena 3, EDP, Indra, REE and Union Fenosa.

Santander Investment Bolsa has received compensation for investment banking services from the following companies in the past 12 months: Arcelor, Ence, Uralita, Acciona, FCC, Ferrovial, OHL, Altadis, Ebro Puleva, Faes, Inditex, SOS, Zeltia, TelePizza, Iberia, Brisa, Cintra, Metrovacesa, Sacyr-Vallehermoso, Banesto, Banco Sabadell, Bankinter, BES, Grupo Santander, Corp Mapfre, Enagás, Repsol YPF, Telefónica, Portugal Telecom, Jazztel, TPI, Sogecable, Antena 3, Telecinco, REE, EDP, Endesa, Iberdrola and Union Fenosa.

Santander Investment Bolsa has managed or co-managed a public offering of the following companies' securities in the past 12 months: Arcelor, Ence, Metrovacesa, Unión Fenosa and Telecinco.

Grupo Santander or its affiliates beneficially own 1% or more of any class of common equity securities of: Ferrovial Urbis, Banco Popular, Banesto, BBVA, Bankinter, REE, Repsol YPF, Antena 3, Telefónica, Iberdrola, Endesa and Union Fenosa.

This report has been prepared by Santander Investment Bolsa, Sociedad de Valores, S.A. ("Santander Investment Bolsa") and is provided for information purposes only. This document must not be considered as an offer to sell or a solicitation of an offer to buy. Any decision by the recipient to buy should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with the CNMV (Spanish National Securities Market Commission) and available from the CNMV, the company governing the related market (Sociedad Rectora de la Bolsa) and the company issuing the security. This report is issued in the United States by Santander Investment Securities, Inc. ("SIS"), in Spain by Santander Investment Bolsa and in the United Kingdom by Banco Santander Investment S.A., London Branch ("SCH London"), which is regulated by the Financial Services Authority in the conduct of its investment business in the UK. SIS, Santander Investment Bolsa and SCH London are members of Grupo Santander. This report is not being issued to private customers.

The information contained herein has been compiled from sources believed to be reliable, but while all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgement as at the date of this report and are subject to change without notice. From time to time, Grupo Santander, its affiliates and/or any of its officers or directors may have a position, or otherwise be interested in, transactions in securities which are directly or indirectly the subject of this report.

Grupo Santander, or its affiliates, may from time to time perform services for or solicit business from any company mentioned in this report. Grupo Santander, its affiliates or any other person do not accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose.

Any US recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with the company distributing the research, SIS at (212) 692-2550, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the US Securities Exchange Act of 1934) under this report and its dissemination in the United States. US recipients of this report should be advised that this research has been produced by a non-member affiliate of SIS and, therefore, by rule, not all disclosures required under NASD Rule 2711 apply.

© Santander Investment Bolsa, Sociedad de Valores, S.A., 2005. All Rights Reserved.



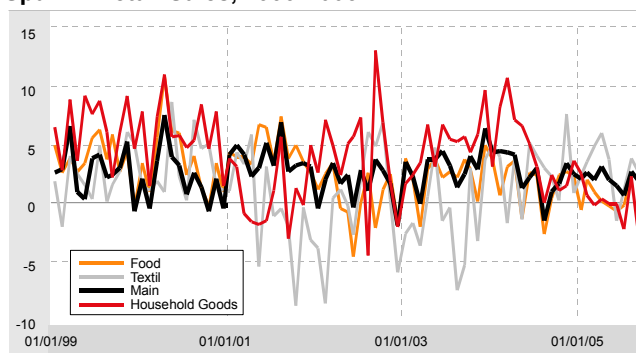
THE IBERIAN MACRO OBSERVER

Jesús Gómez
(34) 91-289-3315
jegomez@gruposantander.com

Juan José Fernández
(34) 91 289 3704
juanjosefernandezg@gruposantander.com

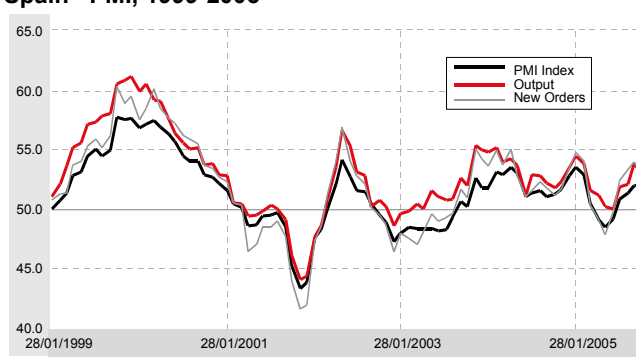
Antonio Espasa
(34) 91-289-3373
aespasa@gruposantander.com

Spain – Retail Sales, 1999-2005



Source: Bloomberg

Spain– PMI, 1999-2005



Source: Bloomberg

Things to Watch during the Week

In the US:

- (1) FOMC meeting with a 25bp rate hike on the agenda
- (2) Possibility of a change in the statement
- (3) CPI to show sizeable divergence between core and headline
- (4) CA deficit poised to set another new all-time high in 3Q05
- (5) November retail sales likely to contract by 0.1%

In the Euro Zone:

- (1) Inflation set to drop 0.3% across Europe
- (2) ZEW business sentiment could rise 3 points to 41
- (3) IFO survey likely to show improving sentiment
- (4) Germany's final CPI should confirm 0.5% decline
- (5) Italy's industrial production to grow by 0.4%

Few economic indicators have been released for the Spanish economy in the last two weeks and those that have show some weakness in real activity. October retail sales contracted by 0.1% YoY from 2.1% in September. The latest industrial production figures came in at -0.4% in October down from 0.5% in September. On the other hand, price indicators, such as CPI or Producer Prices, are still very high, undermining Spain's competitive position in the export market.

Last week's data brought some good news, supporting our call of an economic recovery in the Euro zone in 2006F-07F (led by Germany). In particular, the data from Germany surprised on the upside with retail sales climbing strongly and unemployment continuing the recent downward trend. Euro zone confidence indicators (industrial, consumer and economic) also showed a stable-upward bias.

Last week saw a battery of important news on the other side of the Atlantic. The Labour Report provided the highlight, with nonfarm payrolls reflecting 215,000 jobs created. Other indicators show that further growth should be expected. Consumer confidence rebounded sharply (by 13 points), new home sales reached a new high, durable goods orders climbed, GDP was revised higher and ISM, despite retreating, is still at very high levels from a long-term perspective.

The ECB raised rates by 25bp in order to adjust the accommodative monetary policy stance. We believe that the move is the first in a series aimed at normalizing Euro zone interest rates, which we believe have been too low for too long. We expect rates to increase to 3% by December 2006.

THE WEEK BEHIND

Macro Data Published Last Week

Day	Time	Country	Indicator/Event	Period	Reference Data	Forecast	Real
MONDAY 5-Dec	9:15	Spain	PMI Services	Nov	51.8		53.81
	9:45	Italy	PMI Services	Nov	52.8	53.0	54.62
	9:50	France	PMI Services	Nov	56.6	56.0	56.52
	9:55	Germany	PMI Services	Nov	55.2	54.5	54.81
	10:00	Euro Zone	PMI Services	Nov	54.9	54.7	55.2
	11:00	Euro Zone	Retail Trade (m/y)	Oct	-0.9r/0.5r	0.5/1.0	0.5/0.4
	16:00	US	ISM Non Manufacturing	Nov	60.0	59.0	58.5
TUESDAY 6-Dec	8:45	France	Central Gov Balance (bn)(€)	Oct	-50.8		-53.6
	10:00	Euro Zone	Bloomberg Retail PMI	Nov	50.4	50.6	50.7
	10:00	Germany	Bloomberg Retail PMI	Nov	48.1		49.4
	10:00	Italy	Bloomberg Retail PMI	Nov			54.1
	10:00	France	Bloomberg Retail PMI	Nov	50.5		49.7
	12:00	Germany	Factory Orders (m/y) (sa/nsa)	Oct P	2.9r/8.0r	0.5/7.3	2.0/5.4
	14:30	US	Nonfarm Productivity	3QF	4.1	4.5	4.7
	14:30	US	Unit Labor Costs	3QF	-0.5	-0.9	-1.0
	16:00	US	Factory Orders	Oct	-1.4r	2.2	2.2
	16:00	US	Pending Home Sales (m)	Oct	-1.0r	-1.2	-3.2
	23:00	US	ABC Consumer Confidence	Dec 4	-15		-14
WEDNESDAY 7-Dec	13:00	US	MBA Mortgage Applications	Dec 2	-1.8		5.2
	21:00	US	Consumer Credit (bn)	Oct	4.0r	5.0	-7.2
THURSDAY 8-Dec	12:00	Germany	Industrial Production (m/y) (sa/nsa wda)	Oct P	1.5r/3.5r	0.5/2.9	1.1/3.8
	14:30	US	Initial Jobless Claims	Nov 3	321kr	318k	327k
	14:30	US	Continuing Claims	Nov 26	2740kr	2745k	2603k
FRIDAY 9-Dec	8:00	Germany	Current Account (bn)(€)	Oct	7.8r	7.9	6.4
	8:00	Germany	Trade Balance (bn)	Oct	15.0	15.3	12.2
	8:00	Germany	Imports (sa) (m)	Oct	-1.4r	0.7	3.1
	8:00	Germany	Exports (sa)(m)	Oct	2.4r	-0.1	-0.6
	8:00	Germany	Wholesale Price Index (m/y)	Nov	-0.1/2.7		-0.6/2.2
	8:45	France	Industrial Production (m/y)	Oct	0.6r/0.6r	0.2/0.8	-2.5/-1.4
	8:45	France	Manufacturing Production (m/y)	Oct	1.3r/0.9r	0.0/1.0	-2.4/-0.1
	10:00	Italy	GDP (sa and wda) (q/y)	3QF	0.7/0.2r	0.3/0.0	0.3/0.1
	10:00	Italy	Private Consumption	3Q	0.6	0.2	0.4
	10:00	Italy	Gov Spending	3Q	0.4r	0.3	0.0
	10:00	Italy	Total Investments	3Q	1.6r	0.6	1.3
	10:00	Italy	Exports	3Q	5.2r	1.8	2.9
	10:00	Italy	Imports	3Q	4.2r	1.1	1.1
	11:00	Euro Zone	Construction Output (q/y)(sa/wda)	3Q	2.0r/-0.5r		0.2/0.3
	12:00	Euro Zone	OECD Leading Indicator	Oct	106.2r		106.7
	15:45	US	U.of Michigan Confidence	Dec P	81.6	84.0	88.7
	16:00	US	Wholesale Inventories	Oct	0.6	0.4	0.2

(m) % MoM; (y) % YoY; (q) % QoQ; (a) annualised; (I) Index; (k) thousands; (mn) millions; (bn) billions; (r) revised; (E) estimate; (F) final; (P) preliminary; (sa) seasonally-adjusted; (nsa) non-seasonally adjusted; (wda) working day adjusted; (1) first release; (2) second release; (*) CET.
Source: Bank of Spain, Ministry of Economy, Datastream, Bloomberg, Reuters and Santander Investment Bolsa estimates and forecasts.

WEEK BEHIND: GDP FIGURES IN SPAIN

Last Two Weeks in Spain: Incipient Signs of Deceleration

Few economic indicators have been released for the Spanish economy in the last two weeks and those that have show some weakness in real activity. October retail sales contracted by 0.1% YoY from 2.1% in September. The latest industrial production figures came in at -0.4% in October down from 0.5% in September. On the other hand, price indicators such as CPI or Producer Prices are still very high, undermining Spain's competitive position in the export market.



SPAIN: SIGNS OF WEAKENING DEMAND

Spanish inflation numbers still high

Spain's preliminary harmonised annual inflation for November was 3.4% versus 3.5% in October. Given that the November inflation numbers are used to revise pension payments, the higher-than-expected rate (3.4% versus the government's forecast of 2.0%) should imply an increase of €896mn in pension payments in 2005E. According to our estimates, inflation should stand at 3.4% at year-end, in line with the November data. We do not expect a significant decline in inflation until 2007F, in line with our scenario of a deceleration in internal demand.

OECD numbers point to some deceleration in 2006

According to the OECD, the Spanish economy should grow by 3.4% in 2005 and 3.2% in 2006 thanks to positive internal demand and rising exports. However, the OECD warned on the negative spiral of the current account balance deficit, which could jump to a new record of 10% of GDP in 2007 due to a very negative trade balance. This could trim 1.5pp off GDP in 2005, 1.2pp in 2006 and 1.3pp in 2007. We believe that Spanish GDP growth will tend to decelerate in 2006F (to +2.8%) and 2007F (+2.4%) and agree with the 3.4% forecast for the current year. Looking at the composition of growth, if internal demand does not decelerate, we concur with the OECD that the current account deficit could jump to levels of around 10% of GDP, or even higher, as early as 2006F.

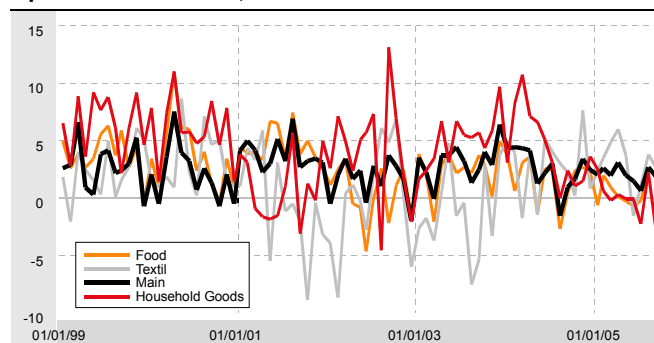
Retail sales fell in October

Real retail sales declined by 0.2% YoY in October, compared with the 1.9% YoY growth in September. Looking at the main components, food sales fell 0.1% YoY, personal goods rose by 2.0% YoY, household goods declined by 0.2% YoY and other goods rose by 0.8% YoY. It looks like the deceleration in private consumption may have started. We still expect private consumption to grow by 4.0% this year, but forecast a slowdown in both 2006F (2.8%) and 2007F (2.3%). The ECB's 25bp increase in interest rates and the continuation of this tightening policy in 2006F are likely to drive private consumption lower in Spain.

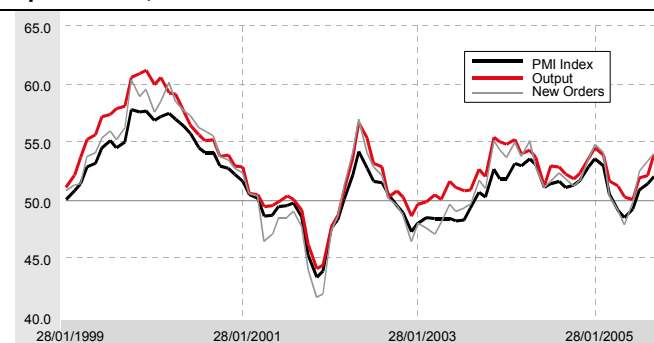
Industrial production keeps decelerating

Industrial production keeps decelerating in Spain, contracting by 0.4%YoY in October. The slowdown is broad based, but is especially significant in durable and intermediate goods. Capital goods production is still in negative territory.

Spain – Retail Sales, 1999-2005



Spain – PMI, 1999-2005



Source: Bloomberg.

International News

The last 2 weeks in the Euro zone: Last week's data brought some good news, supporting our call of an economic recovery in the Euro zone in 2006F-07F (led by Germany). In particular, the data from Germany surprised on the upside with retail sales climbing strongly and unemployment continuing the recent downward trend. Euro zone confidence indicators (industrial, consumer and economic) also showed a stable-upward bias.

M3 slows slightly but still above target

EU M3 growth declined to 8.0% YoY and the 3-month moving average, closely watched by the ECB, stood at 8.2% in October. Despite the decline in the headline figure, loans to the private sector continued to increase at an annual rate of 8.8% in October vs 8.6% in September. Consumer credit and loans for household purchases kept posting high growth rates, while loans to private households rose by 9.0% in October vs 8.6% in September (+7.8% in general consumer credit and +10.8% in loans for house purchases).

German retail sales climb

German retail sales climbed 1.9% in October, above consensus, leaving the YoY figure at -0.8%. This rebound comes after a significant drop of 3.0% in September. In terms of sectors, cosmetics and pharmaceutical products managed the highest increases, while retail sales of fresh food and beverages showed the biggest drop. The better outlook for the labour market and significantly lower petrol prices suggest stronger consumer spending next year.

Lower unemployment in Germany

Unemployment in Germany was better than expected again, **dropping by 53,000 people** and leaving the unemployment rate at 11.5%. Unemployment thus continues its downward trend, helped by government programmes, and continues to support our call on a recovery in consumption.

German industrial production up 1.1% MoM

In Germany, October industrial production grew more than expected, climbing 1.1% MoM after 1.5% MoM in September thanks to manufacturing production, which rose by 1.0% MoM. The strong underlying trend in manufacturing orders will likely sustain production momentum in the months ahead.

German manufacturing orders rose again

Beating expectations again, manufacturing orders increased by 2.0% MoM in October to 9.0% YoY, due mainly to foreign orders, which were up 2.8% MoM. If these remain strong and given the indications of a pick-up in domestic demand, orders could well continue the upward trend going forward.

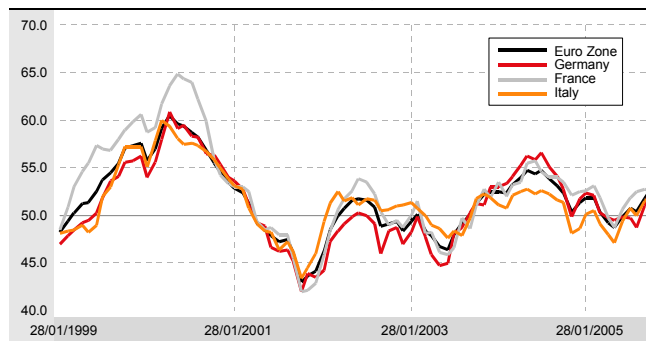
Italian CPI flat in November

Italian consumer prices were flat in November, leaving the inflation rate unchanged at 2.2% while a favourable base effect pushed the YoY rate down to 2.4% (from 2.6% and in line with expectations). The key factor behind the decline in prices was the sharp drop in oil and refined product prices (petrol prices down more than 7% in the month).

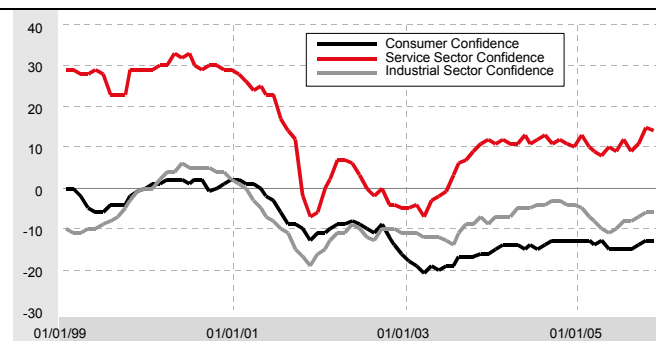
ECB raises rates and increase growth estimates

The ECB revised its growth forecasts upward slightly to 1.4% for 2005 and 1.9% for 2006. Similarly, inflation forecasts were also slightly upgraded, with Euro area inflation projected at 2.2% for 2005 and 2.1% for 2006.

Euro Zone – PMI Manufacturers, 1999-2005



Euro Zone – Confidence Indicators, 1999-2005



Source: Bloomberg.



The Last Two Weeks in the US: Last week there was a battery of important news from the other side of the Atlantic. The key data of the week came from the Labor Report that showed a rise of 215,000 in non-farm payrolls in November. Other indicators continued to show that future economic growth is to be expected. Consumer confidence rebounded sharply (13 points), New Home Sales reached a new record, durable goods orders climbed, GDP was revised higher and the ISM non-manufacturing index remained at very high levels (despite its MoM retreat) from a long-term perspective.

Existing home sales weaker than expected

The October home sales report was somewhat weaker than expected, with **existing home sales falling 2.7% MoM**, but still holding at over 7mn for the eighth consecutive month (at 7.09mn). Despite the strong sales pace, however, inventories continued to move significantly higher. Although this is not hurting house prices yet (prices actually rose this month), the rise in inventories points to a more balanced market, which should eventually cool house prices.

Consumer Confidence climbs 13 points

The Conference Board's November consumer confidence data came in significantly above expectations (98.9 vs 90 consensus), soaring 13.9 points since October. This was the fourth largest gain in the history of the series, only exceeded by the recovery after the September 11 attacks in New York or the declaration of the victory in Iraq. The Conference Board made no comment in the reason for the sharp rise, but the recent collapse in gasoline prices (-26%) has probably played a key role. The majority of the upside reflected an 18.7-point surge in the expectations index to 88.8. The largest contributor to the gain was a huge swing in expectations for the overall economy in six months to a net positive outlook after two months of net pessimism.

New home sales reach a record

New home sales figures were unexpectedly high, with sales of newly built residences soaring to an all-time high. Activity jumped in the northeast and west, with a smaller rise in the south.

Durable goods orders skyrocket

Durable goods orders surged 3.4% in October, but much of the upside was driven by the volatile civilian aircraft component (+50%). Even so, underlying orders were also robust as reflected in the key core orders gauge (non-defence capital goods ex-aircraft) that rose 1.3%, led by strong gains in machinery and telecom equipment. Non-defence capital goods shipments rose 4.4%, pointing to a robust start to 4Q investment spending.

3Q GDP 2005 revised upwards to 4.3%

The upward revision in the headline figure for 3Q05 GDP was slightly larger than expected (due to stronger final sales and a smaller-than-anticipated upward adjustment to inventories). Price deflators were revised down slightly, with the core PCE adjusted down to +1.2% (from +1.3%) and the market-based core PCE being cut to +1.0% (from +1.2%). The upward revisions to consumption and construction were in line with expectations.

The Chicago PMI index fell in November to 61.7 from 62.7. There were significant declines in the key measures: production (63.8 vs 68.3) and orders (61.6 vs 72.6). The prices paid index surged to 94.1 from 79.6.

ISM headline number retreated slightly in line with consensus

The expansion in the manufacturing sector as measured by the November ISM index was broad based, with 17 out of 20 industries reporting growth versus 15 in October and just 12 in the summer. The key orders and production components retreated but remained at relatively high levels from a long-run perspective. We suspect that September's increase was at least partially tied to the initial impact of rebuilding after the recent hurricanes and that this effect is gradually moderating. The employment index continued to climb. The pullback in the price gauge reflected a sizeable drop in the number of respondents paying higher prices (53% in November versus 70% in October). Still, only 5% of the sample reported paying lower prices during November. For the most part, the tone of the anecdotal comments included in the text of the report pointed to ongoing strength.

Core PCE YoY rates decline to 1.8%

October personal income and spending numbers were very close to expectations (+0.4% and +0.2%, respectively). With the PCE price index up 0.1%, real spending was up 0.1%. The main surprise in the report was the lower-than-expected core inflation. The core PCE price index rose 0.1%, less than the 0.25% gain in the core CPI, leading the YoY rate to ease to +1.8% from +2.0%.

Strong Labor Report

Non-farm payrolls increased to 215,000 in November, led by business services (+29,000), construction, (+37,000) and leisure (+29,000). The improvement in the leisure sector was near the pre-hurricane data, but there appear to have been about 140,000 jobs lost in this sector during the hurricane season, which should be recovered in the months ahead. The unemployment rate held steady at 5.0% and the average workweek fell from 33.8 hours to 33.7 hours. Average hourly earnings rose 0.2% after gaining 0.6% last month, leaving the YoY rate at +3.2%.

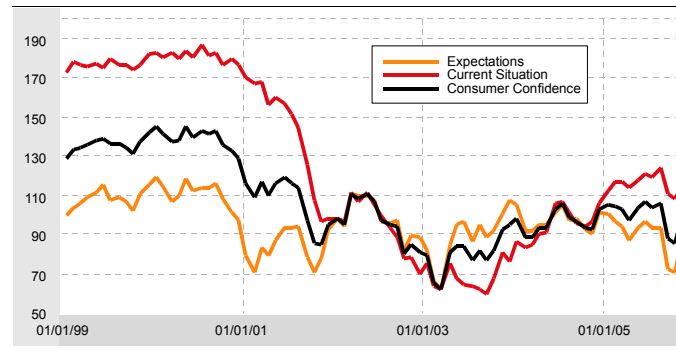
Productivity is revised up and ULC is revised lower

Non-farm business labour productivity growth was revised up to +4.7% in 3Q from +4.1%, while unit labour costs were revised down to -1.0% from -0.5%. The upward adjustment to productivity reflected higher output growth (+4.8% vs +4.4%) and slower growth in the number of hours worked (+0.1% vs +0.4%). In addition to the downward adjustment in 3Q, 2Q ULC were revised sharply lower -1.2% from +1.8%, in line with the sizeable downward adjustment to second quarter compensation that was included in the GDP revision (after including the results of the latest quarterly Census of Employment and Wages). The 2Q05 and 3Q05 ULC YoY rates are now at a relatively contained +1.8%.

October factory orders rose 2.2%

Factory orders rose 2.2% in October, as the durables component was revised to +3.7% from +3.4% initially and non-durables rose 0.5%. The key core orders gauge (non-defence capital goods ex-aircraft) was up 1.4%, while non-defence capital goods shipments rose 4.4%. This continues to provide a very strong starting point for 4Q05 capital spending. Overall, shipments rose 1.0% and inventories 0.6%, leading to a tick down in the I/S ratio to an all-time low of 1.17.

US – Consumer Confidence, 1999-2005



Source: Bloomberg.



THE WEEK AHEAD

Macro Data Published This Week

Day	Time	Country	Indicator/Event	Period	Reference Data	Forecast	
THIS WEEK	14-19	Germany	Producer Prices (m/y)	Nov	0.7/4.6	–	
MONDAY	11:00	Euro Zone	Current Account (q)(€ bn)	3Q	-13.3	–	
	12-Dec	US	Monthly Budget Statement (US\$ bn)	Nov	-57.9	-80.0	
TUESDAY	8:45	France	Consumer Price Index (m/y)	Nov	-0.1/1.8	-0.1/1.7	
	13-Dec	France	Trade Balance (€ mn)	Oct	-1,724	-1,850	
	10:00	Italy	Industrial Production (sa/wda)(m/y)	Oct	-1.0/1.7	0.4/0.5	
	11:00	Euro Zone	ZEW Survey (Economic Sentiment)	Dec	40.0	41.0	
	11:00	Germany	ZEW Survey (Economic Sentiment)	Dec	38.7	41.0	
	11:00	Germany	ZEW Survey (Economic Situation)	Dec	-55.2	-53.0	
	14:30	US	Advance Retail Sales	Nov	-0.1	0.4	
	14:30	US	Retail Sales Less Autos	Nov	0.9	-0.1	
	16:00	US	Business Inventories	Oct	0.5	0.5	
	20:15	US	FOMC Rate Decision Expected	Dec 13	4.00	4.25	
	23:00	US	ABC Consumer Confidence	Dec 11	-14	–	
WEDNESDAY	8:00	Euro Zone	New Car Registrations (y)	Nov	-1.4	–	
	14-Dec	8:00	Euro Zone	EU25 New Car Registrations	Nov	-2.6	–
		8:00	Germany	Consumer Price Index (m/y)	Nov F	-0.5/2.3	-0.5/2.3
		10:00	Italy	CPI (NIC inc tobacco) (m/y)	Nov F	0.0/2.2	0.0/2.2
		13:00	US	MBA Mortgage Applications	Dec 9	5.2	–
		14:30	US	Trade Balance (US\$ bn)	Oct	-66.1	-62.5
		14:30	US	Import Price Index (m/y)	Nov	-0.3/8.1	-0.5/–
THURSDAY	8:45	France	Non-Farm Payrolls (q)	3QF	0.1	0.1	
	15-Dec	9:00	Spain	Consumer Price Index (m/y)	Nov	0.8/3.5	0.2/3.4
		–	Spain	Current Account (€ mn)	Sep	-4,887.1	–
		11:00	Euro Zone	Labour Costs (y)	3Q	2.3	2.4
		14:30	US	Consumer Price Index (m/y)	Nov	0.2/4.3	-0.4/3.6
		14:30	US	CPI Ex Food & Energy (y)	Nov	2.1	2.1
		14:30	US	Empire Manufacturing	Dec	22.8	18.2
		14:30	US	Initial Jobless Claims	Dec 10	327k	320k
		14:30	US	Continuing Claims	Dec 3	2,603k	–
		15:00	US	Net Foreign Security Purchases (US\$ bn)	Oct	101.9	–
		15:15	US	Industrial Production	Nov	0.9	0.5
		15:15	US	Capacity Utilisation	Nov	79.5	79.8
		18:00	US	Philadelphia Fed	Dec	11.5	14.0
FRIDAY	10:00	Germany	IFO Business Climate	Dec	97.8	98.2	
	16-Dec	10:00	Italy	Trade Balance (Total) (€ mn)	Oct	-2,150.0	–
		10:00	Germany	IFO Current Assessment	Dec	97.8	98.1
		10:00	Germany	IFO Business Expectations	Dec	97.7	98.0
		11:00	Euro Zone	CPI (m/y)	Nov	0.3/2.4	-0.2/2.4
		14:30	US	Current Account Balance (US\$ bn)	3Q	-195.7	-204.6

(m) % MoM; (y) % YoY; (q) % QoQ; (a) annualised; (I) Index; (k) thousands; (mn) millions; (bn) billions; (r) revised; (E) estimate; (F) final; (P) preliminary; (sa) seasonally-adjusted; (nsa) non-seasonally adjusted; (wda) working day adjusted; (1) first release; (2) second release; (*) CET.
Source: Bank of Spain, Ministry of Economy, Datastream, Bloomberg, Reuters and Santander Investment Bolsa estimates and forecasts.

THE WEEK ON THE MACRO FRONT: LIGHT, BUT INTERESTING

In the US: (1) FOMC meeting with a 25bp rate hike on the agenda; (2) Possibility of a change in the statement; (3) CPI to show a sizeable difference between core and headline rates; (4) The current account deficit is poised to set another new all-time high in 3Q05; (5) November retail sales likely to contract by 0.1%.

In the Euro zone: (1) Inflation set to drop 0.3% across Europe; (2) ZEW business sentiment could rise 3 points to 41; (3) The IFO survey is likely to show improving sentiment; (4) Germany's final CPI should confirm a 0.5% decline. (5) Italy's industrial production to grow by 0.4%.

RATES AND CURRENCIES

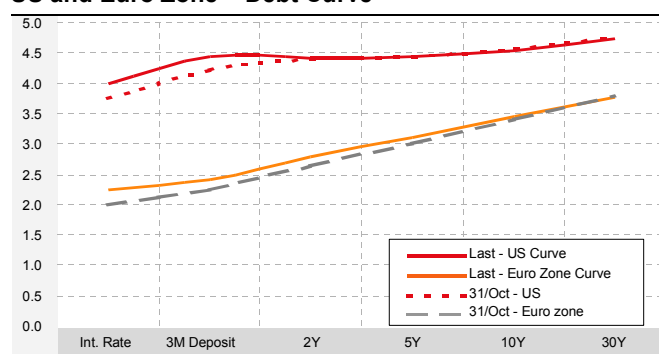
- The ECB raised rates by 25bp, describing its decision as a need to adjust the accommodative monetary policy stance. Although the ECB sounded relatively 'dovish', monetary policy 'remains accommodative'.
- Although president Jean-Claude Trichet made it clear that the ECB was not 'a priori' about to embark on a series of rate hikes, he did mention that: (1) 'policy remains accommodative'; (2) 'interest rates continue to remain very low'; and (3) 'liquidity remains strong by all measures'. This suggests, at the very least, that more hikes are probably in the pipeline.
- We believe that the ECB's move is the first in a series aimed at normalising Euro zone interest rates that, in our view, have been too low for too long. We expect rates to increase to 3% by December 2006.

US and Euro Zone – Interest Rates and Currencies

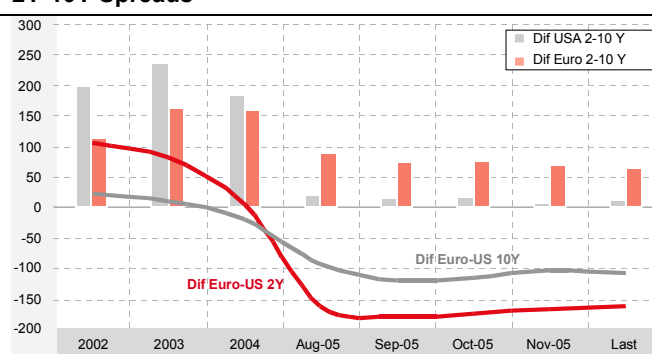
		Annual ¹			Quarterly ¹				Monthly			Weekly				
		2002	2003	2004	Sep-04	Dec-04	Mar-05	Jun-05	Aug-05	Sep-05	Oct-05	Nov-05	25-Nov	2-Dec	9-Dec	Last (2)
ST Interest Rates																
	ECB repo rate	3.2	2.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.00	2.25	2.25	2.25	2.25
	Fed funds	1.7	1.1	1.4	1.5	2.0	2.5	3.0	3.5	3.8	3.8	4.0	4.00	4.00	4.00	4.00
	Euribor 3M	3.3	2.3	2.1	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.5	2.44	2.45	2.41	2.43
	US dep 3M	1.7	1.1	1.6	1.8	2.3	2.9	3.3	3.8	4.0	4.2	4.4	4.20	4.42	4.44	4.45
LT Interest Rates																
Euro	2Y	3.6	2.5	2.5	2.5	2.4	2.5	2.1	2.2	2.4	2.6	2.8	2.72	2.64	2.79	2.79
	5Y	4.2	3.3	3.3	3.4	3.1	3.0	2.6	2.5	2.7	3.0	3.1	3.04	3.02	3.09	3.09
	10Y	4.8	4.1	4.1	4.1	3.8	3.6	3.3	3.1	3.1	3.4	3.5	3.42	3.40	3.44	3.43
	30Y	5.2	4.8	4.7	4.7	4.4	4.1	3.8	3.6	3.6	3.8	3.8	3.75	3.73	3.76	3.75
US	2Y	2.5	1.6	2.4	2.6	2.9	3.5	3.6	3.8	4.2	4.4	4.4	4.32	4.42	4.40	4.41
	5Y	3.7	2.9	3.4	3.5	3.5	4.0	3.8	3.9	4.2	4.4	4.4	4.33	4.44	4.42	4.43
	10Y	4.5	4.0	4.2	4.2	4.2	4.3	4.0	4.0	4.3	4.6	4.5	4.43	4.51	4.52	4.53
	30Y	5.3	4.9	5.0	5.0	4.9	4.7	4.3	4.3	4.6	4.8	4.7	4.66	4.71	4.73	4.73
Spreads																
Dif-Euro	3M-30Y	195	257	265	262	228	199	170	148	142	156	133	132	129	135	132
	2Y-10Y	115	164	160	154	136	117	113	90	75	77	69	71	76	65	65
Dif US	3M-30Y	354	376	338	321	254	180	103	48	53	54	30	46	30	29	28
	2Y-10Y	198	235	184	168	133	78	41	20	16	18	8	11	9	12	12
Dif-Euro-US	Int	154	115	60	50	0	-50	-100	-150	-175	-175	-200	-200	-175	-175	-175
	2Y	107	82	5	-2	-45	-109	-148	-161	-178	-174	-165	-160	-178	-161	-162
	10Y	24	11	-20	-16	-42	-71	-77	-91	-119	-115	-103	-100	-112	-108	-109
Currencies																
	€/US\$	0.95	1.14	1.25	1.22	1.32	1.31	1.24	1.233	1.203	1.199	1.179	1.172	1.171	1.182	1.183
	€/¥	118	132	134	135	137	137	134	137	137	140	141	140	141	143	143
	US\$/¥	125	116	107	110	104	105	108	111	114	116	120	120	121	121	121

(1) Figures represent the average for the period; (2) December 9, 2005.
Source: Santander Investment Bolsa estimates and forecasts.

US and Euro Zone – Debt Curve



2Y-10Y Spreads



Source: Bloomberg.



MACROECONOMIC ESTIMATES AND FORECASTS

Europe, the US and Japan – Estimates and Forecasts, 2002-06F

GDP	2002	2003	2004	2005E	Cons	2006F	Cons
Germany	0.1	-0.1	1.0	0.9	0.8	1.7	1.2
France	1.1	0.5	2.3	1.6	1.5	1.8	1.8
Italy	0.4	0.4	1.1	0.2	0.0	1.7	1.1
Spain	2.7	2.9	3.1	3.4	3.3	2.8	3.1
Portugal	0.4	-1.2	1.0	1.0	0.7	2.6	1.5
Euro-12	0.6	0.5	1.8	1.3	1.3	1.9	1.6
UK	1.8	2.2	4.9	–	1.8	–	2.2
Argentina	-10.9	8.8	9.0	7.3	7.3	4.5	4.3
Brazil	1.9	0.5	4.9	3.4	3.3	3.5	3.6
México	0.9	1.6	4.4	3.2	3.2	3.8	3.4
Japan	-0.3	2.5	2.9	–	2.1	–	1.7
US	1.6	2.7	4.2	3.5	3.5	3.3	3.3

CPI	2002	2003	2004	2005E	Cons	2006F	Cons
Germany	1.4	1.1	1.8	1.8	1.9	1.5	1.7
France	1.9	2.2	2.3	1.8	1.8	1.8	1.7
Italy	2.6	2.8	2.3	2.0	2.1	2.0	2.0
Spain	3.6	3.1	3.1	3.0	3.3	2.7	3.1
Portugal	3.6	3.3	2.5	2.0	2.3	2.2	2.2
Euro-12	2.3	2.1	2.1	2.1	2.2	1.7	1.9
UK	1.3	1.3	1.60	–	2.1	–	2.0
Argentina	41.0	3.7	6.1	11.0	10.9	11.0	9.8
Brazil	12.5	9.3	7.6	5.5	5.3	4.5	4.7
México	5.7	4.0	5.2	3.8	3.6	4.0	3.8
Japan	-1.0	-0.3	0.0	–	-0.2	–	0.2
US	1.6	2.3	2.7	3.1	3.3	3.1	3.0

Financial Indicators	2002	2003	2004	2005F	Cons	2006F	Cons
Intervention rates							
Euro-zone	2.75 (3.21)	2.00 (2.25)	2.00 (2.00)	2.00 (2.00)	2.00	2.75 (2.44)	2.50
US	1.25 (1.67)	1.00 (1.10)	2.25 (1.40)	4.25 (3.25)	4.00	4.75 (4.56)	4.50
3M rates							
Euro-zone	2.86 (3.26)	2.11 (2.26)	2.13 (2.08)	2.15 (2.12)	2.2	2.80 (2.56)	2.5
US	1.29 (1.72)	1.09 (1.14)	2.52 (1.56)	4.15 (3.52)	4.2	4.45 (4.51)	4.4
2Y bond yields							
Euro-zone	2.72 (3.62)	2.61 (2.46)	2.48 (2.48)	2.30 (2.28)	–	3.00 (2.74)	–
US	1.60 (2.55)	1.82 (1.64)	3.06 (2.36)	4.50 (3.89)	–	4.25 (4.56)	–
10Y bond yields							
Euro-zone	4.20 (4.77)	4.29 (4.09)	3.68 (4.06)	3.40 (3.36)	3.4	4.25 (3.88)	3.6
US	3.82 (4.53)	4.25 (3.99)	4.22 (4.25)	4.30 (4.20)	4.6	4.40 (4.62)	4.9
Currencies							
Euro-dollar	1.05 (0.95)	1.26 (1.14)	1.36 (1.24)	1.23 (1.25)	1.23	1.15 (1.19)	1.27

(*) Annual averages in brackets.

Source: Consensus forecasts (November 2005). Euro Zone Barometer (November 2005). Santander Investment Securities and Santander Investment Bolsa estimates and forecasts.

APPENDIX 1

Summary of Euro Zone Figures, 2002-3Q05

GDP Components	Annual Growth			YoY Rates				QoQ Annualised Rates					
	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05
Private consumption	0.9	1.1	1.4	1.9	1.3	1.3	-	0.5	0.9	3.4	0.5	0.5	-
Public consumption	2.5	1.5	1.1	0.6	0.9	1.0	-	1.4	1.6	-0.8	1.5	1.7	-
Business investment	-2.3	0.7	1.4	1.1	0.7	1.1	-	0.3	1.8	1.3	-0.6	2.0	-
Inventory (contribution)	0.0	-0.4	-0.1	0.4	0.5	0.5	-	0.9	1.5	0.0	-0.3	0.6	-
Internal demand (contribution)	0.3	1.4	1.7	1.9	1.6	1.7	-	1.5	2.8	2.1	0.1	1.7	-
Exports	1.9	0.7	6.0	6.1	3.8	3.1	-	10.5	5.1	2.0	-2.1	7.6	-
Imports	0.3	2.7	6.1	7.4	4.9	4.6	-	10.4	10.0	5.6	-5.6	9.4	-
Net exports (contribution)	0.6	-0.7	0.1	-0.4	-0.4	-0.6	-	0.3	-1.7	-1.4	1.4	-0.5	-
GDP	0.9	0.7	1.8	1.6	1.3	1.1	1.5	1.8	1.1	0.7	1.5	1.2	2.6
Nominal GDP (€ bn)	7,128.4	7,333.2	7,609.3										
Activity Indicators	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
Industrial production	-0.2	0.2	2.1	1.1	-0.5	0.9	0.3	0.1	0.8	0.2	-0.1	0.7	-
-ex construction	-0.5	0.3	2.0	1.1	0.5	0.5	1.3	-0.2	0.6	0.6	2.7	1.0	-
Manufacturing production	-0.8	0.0	1.9	0.7	0.5	0.6	1.3	-0.4	0.5	0.0	2.7	1.1	-
Retail sales	0.3	0.4	0.9	1.1	1.1	0.6	0.6	2.1	0.4	-0.3	1.3	0.9	-
New car registrations	-2.4	-1.3	1.6	2.7	-0.8	1.1	4.3	-2.9	2.3	3.4	7.1	2.4	-
Capacity utilisation	81.1	81.0	81.5	82.1	81.9	81.1	80.9						
Confidence Indicators	Annual Average			Quarterly Average				Index					
	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
Economic confidence	94.4	93.3	99.9	100.9	99.0	96.3	98.0	96.1	96.3	97.5	97.8	98.6	100.5
Business climate	-0.56	-0.44	0.32	0.45	0.16	-0.32	-0.03	-0.38	-0.29	-0.08	-0.08	0.07	0.15
Industrial confidence	-11	-11	-5	-3	-6	-10	-8	-11	-10	-8	-8	-7	-6
Construction confidence	-18	-20	-15	-12	-12	-12	-10	-12	-13	-12	-9	-8	-8
Retail trade survey	-17	-12	-8	-8	-8	-9	-9	-8	-9	-10	-9	-8	-4
Services confidence	1	2	12	11	11	9	11	10	9	12	9	11	15
Consumer confidence	-11	-18	-14	-13	-13	-14	-15	-15	-15	-15	-15	-14	-13
PMI	48	50	49	54.4	53.9	51.4	51.4	48.7	49.9	50.8	50.4	51.7	52.7
- Output	49	52	51	56.0	55.9	52.3	52.8	50.0	51.0	52.7	51.8	53.8	54.3
- New orders	47	51	50	56.1	55.2	51.3	52.1	48.5	50.9	52.3	51.7	53.2	54.3
- Employment	49	47	47	48.9	49.5	48.4	48.7	47.5	48.2	47.8	48.3	48.9	49.9
- Stock-purchases	47	46	46	48.4	49.2	49.5	49.1	46.7	46.8	46.6	46.7	47.0	47.3
- Delivery times	53	50	50	40.4	43.1	44.6	47.3	50.0	49.5	48.8	48.9	47.6	45.9
- Prices	48	52	52	70.7	69.4	72.8	64.6	50.7	50.0	51.3	56.3	59.1	62.8
Prices	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
CPI	2.3	2.1	2.1	2.3	2.0	2.0	2.3	0.2	0.2	-0.2	0.3	0.5	0.3
Core CPI	2.4	1.8	1.8	1.8	1.5	1.5	1.3	0.3	0.0	-0.4	0.3	0.3	0.3
PPI (ex construction)	-0.1	1.4	2.3	3.8	4.1	3.9	4.2	-0.2	0.5	0.6	0.4	0.5	-
GDP deflator	2.6	2.2	1.9	1.7	1.9	1.6	-						
Domestic demand deflator	2.0	1.7	1.9	2.0	2.2	1.8	-						
Costs and Salaries	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
Unit labour costs	2.2	2.1	0.9	1.1	1.2	1.1	-						
Salaries	2.6	2.4	2.1	1.9	1.8	1.6	-						
productivity	0.4	0.4	1.2	0.8	0.6	0.4	-						
Employment Market	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
Unemployment rate	8.3	8.7	8.9	8.8	8.8	8.7	8.5	8.6	8.6	8.5	8.5	8.4	-
Money Supply	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
M3	6.6	6.4	6.3	6.3	6.5	7.9	8.5	0.7	1.1	1.1	0.7	0.9	0.2
M3 m.average 3m (YoY)	7.1	7.0	6.5	6.5	6.6	7.6	8.2	7.2	7.6	7.9	8.2	8.2	-
Loans to the private sector	4.0	4.7	6.4	6.4	6.9	8.2	9.0	0.8	1.7	0.7	0.0	1.1	0.8
Currency (YoY)	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
€ effective exchange rate	3.0	11.4	4.0	3.7	0.8	1.2	-0.9	1.5	-1.2	-1.2	-0.4	-1.2	-2.7
Real effective exch rate € (CPI)	4.1	12.6	4.1	3.3	1.0	1.5	-0.8	1.7	-0.7	-1.0	-0.3	-1.0	-2.5
Real effective exch rate € (PPI)	3.9	11.2	3.0	2.4	0.6	0.6	-1.9	0.7	-1.4	-2.0	-1.2	-2.4	-3.6
Real effective exch rate € (ULC)	3.1	12.5	5.6	4.8	-0.5	-0.5	-						
External sector	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
CA balance (% GDP)	0.8	0.5	0.6	0.8	0.2	-0.7	-	0.0	0.0	0.0	0.0	0.0	-
- € bn (1)	58	34	46	44	39	21	6	21	18	11	6	1	-
Public accounts (% GDP)	Annual Growth			YoY Rates				MoM Rates					
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Government receipts % GDP	47.1	47.7	46.7	46.2	47.0	47.2	46.7	47.2	46.9	46.1	45.5	45.5	45.0
Government expenditures	52	52.9	51.8	51.3	51.3	49.9	49.0	48.6	47.9	48.0	48.1	48.5	47.7
Deficit/surplus	-5.0	-5.9	-5.2	-5.1	-4.3	-2.7	-2.3	-1.3	-1.0	-1.9	-2.6	-3.0	-2.7

Sources: Bloomberg, Datastream, Reuters and Santander Investment Bolsa.



APPENDIX 2

Summary of US Figures, 2003-3Q05

GDP	2003	2004	YoY Rates				QoQ Annualised Rates			
			4Q04	1Q05	2Q05	3Q05	4Q04	1Q05	2Q05	3Q05
Private consumption	2.9	3.9	3.8	3.5	3.9	3.8	4.3	3.5	3.4	3.9
Government consumption	2.8	2.2	2.1	1.7	1.8	2.1	0.9	1.9	2.5	3.2
Business investment	3.9	11.9	10.4	10.1	4.0	3.4	6.8	8.6	-3.7	2.3
- Equipment & software	3.2	11.9	13.8	12.8	11.8	10.1	12.4	8.3	11.0	8.9
- Construction	4.0	7.7	5.4	6.3	4.7	4.9	2.5	5.9	8.3	2.9
Internal demand	3.1	4.8	4.5	4.2	3.5	3.4	4.1	4.0	2.0	3.5
Exports	1.8	8.4	6.1	6.7	7.7	6.5	7.1	7.5	10.7	0.7
Imports	4.6	10.7	10.6	9.4	5.7	4.5	11.3	7.4	-0.2	0.0
GDP	2.7	4.2	3.8	3.6	3.6	3.6	3.3	3.8	3.3	3.8
Nominal GDP (US\$ bn)	10,971	11,734								
General Activity	YoY Rates				YoY Rates					
	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
Leading indicator	5.6	3.7	2.2	1.7	1.9	2.6	2.1	2.0	1.1	2.0
Coincident indicator	3.2	2.9	2.7	2.3	2.6	2.9	2.7	2.0	2.3	1.9
Stocks to sales ratio	1.20	1.21	1.20	1.17	1.19	1.19	1.20	1.17	1.18	-
Industrial production	4.3	4.0	3.1	2.6	2.4	3.8	3.1	3.0	1.7	1.9
Capacity utilisation (1)	79.3	80.0	79.7	80.2	79.8	80.3	80.2	80.2	78.9	79.5
ISM index	-4.8	-10.8	-14.8	-5.9	-17.9	-12.1	-8.1	-10.1	0.5	2.8
ISM index (1)	57.6	55.3	53.3	53.6	51.4	53.8	56.6	53.6	59.4	59.1
Private consumption	YoY Rates				YoY Rates					
	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
Real hourly earnings	-0.8	-0.4	-0.4	-1.3	-0.2	0.1	-0.4	-1.1	-2.3	-1.6
Retail sales	8.3	7.3	8.4	8.4	6.3	9.8	10.3	8.2	6.6	5.7
- Less autos	8.7	7.9	8.4	9.4	7.6	8.7	8.4	9.6	10.1	9.9
Personal spending	3.8	3.5	3.9	3.8	3.1	4.6	4.7	3.7	2.9	-
Consumer confidence (1)	92.6	104.4	97.5	105.5	103.1	106.2	103.6	105.5	87.5	85.0
- Expectations (1)	90.2	96.1	86.7	93.3	93.4	96.4	93.2	93.3	72.3	69.5
Savings rate (1)	1.3	0.5	0.2	-1.8	0.3	-0.3	-1.2	-1.8	-0.4	-
Consumer credit	4.5	4.1	4.4	3.7	3.9	4.4	4.4	4.4	3.7	-
Business investment	YoY Rates				YoY Rates					
	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
New orders	8.9	8.5	8.6	6.9	9.9	9.8	5.7	7.9	7.0	-
- Less autos	10.7	11.3	8.2	7.4	7.4	9.1	7.1	7.9	7.3	-
Non-defense cap orders less aircraft	12.7	14.7	10.7	7.6	13.5	9.2	7.1	8.6	7.0	-
ISM: production index	-12.3	-14.4	-14.3	-4.0	-15.7	-12.3	-6.7	-7.6	2.4	4.6
ISM: new orders	-10.6	-15.9	-15.1	-2.7	-19.1	-7.4	-5.0	-9.3	6.5	4.1
After-tax profits	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05
	21.3	21.1	21.0	17.2	17.7	6.4	7.1	31.5	31.6	-
Construction	YoY Rates				YoY Rates					
	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
Housing starts	-3.1	8.0	6.3	6.0	3.4	13.0	3.8	2.8	11.6	-2.3
New home sales	10.8	5.1	6.9	8.1	4.0	7.7	22.6	2.8	-0.1	-
Construction spending	10.2	12.4	8.4	6.8	8.6	7.7	6.8	6.7	6.8	-
Building permits	5.9	4.0	2.1	5.1	-3.2	5.9	2.7	3.9	8.8	-1.1
Employment, Wages and Salaries	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
Pool of available workers	0.8	1.0	1.3	1.5	1.4	1.2	1.2	1.5	1.7	1.5
Total employment	1.3	1.4	1.8	1.9	1.9	1.8	1.8	2.0	2.1	2.0
Unemployment rate (1)	5.4	5.4	5.2	4.9	5.1	5.0	5.0	4.9	5.1	5.0
Unemp avg duration (weeks) (1)	19.8	19.1	19.6	18.9	18.8	17.1	17.6	18.9	18.3	18.1
Avg working hours per week (1)	33.7	33.7	33.8	33.7	33.7	33.7	33.7	33.7	33.8	33.8
Avg hourly earnings	2.5	2.6	2.7	2.7	2.6	2.8	2.8	2.7	2.7	2.9
Employment cost index	2Q03	3Q03	4Q03	1Q04	May05	Jun05	Jul05	Aug05	Sep05	Oct05
	3.8	4.0	4.0	3.9	4.0	3.9	3.9	3.4	3.1	3.0
Prices	YoY Rates				YoY Rates					
	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
CPI	3.3	3.0	3.0	3.8	2.8	2.5	3.2	3.6	4.7	4.4
Core CPI	2.1	2.3	2.2	2.1	2.2	2.0	2.1	2.1	2.0	2.1
PPI	4.6	4.6	4.1	5.5	3.6	3.7	4.7	5.1	6.9	5.9
Core PPI	2.0	2.6	2.6	2.6	2.8	2.4	2.8	2.4	2.6	1.9
Import prices	8.5	6.5	7.2	8.9	5.9	7.4	8.2	8.2	10.2	8.1
Export prices	4.2	3.6	2.9	3.2	2.5	3.2	2.8	3.2	3.7	3.6
External Sector	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
Balance of goods & services (3)	-607.0	-645.0	-668.0	-685.0	-668	-673	-680	-685	-699	-
Balance of goods & serv (3) (% GDP)	-5.1	-5.3	-5.4	-5.4						
Trade balance (3)	-694.6	-736.9	-763.2	-783.8	-763	-769	-777	-784	-800	-
Trade balance (3) as a % of GDP	-5.8	-6.0	-6.2	-6.2						
Nominal effective exchange rate	-6.3	-4.4	-4.6	-1.5	-6.0	-2.5	-0.1	-2.2	-2.2	1.8
Monetary Policy and Public Accts	4Q04	1Q05	2Q05	3Q05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
Money supply (M2)	5.2	5.3	3.8	3.9	3.3	3.7	3.8	3.9	3.9	4.1
Federal funds rate (1)	1.93	2.50	2.79	3.50	3.00	3.04	3.26	3.50	3.62	3.78
Federal receipts (2)	487	452	665	549	153	235	142	155	252	149
Federal expenditures (2)	605	628	620	618	188	212	195	207	216	197
Federal public deficit (2)	-118	-177	45	-69	-35	23	-53	-51	36	-47

(1) Levels. (2) Cumulative change in fiscal year, billion dollars. (3) Annual cumulative, billion dollars.
Source: Datastream.

Local Offices

Madrid

Tel: 34-91-257-2309
Fax: 34-91-257-1811

Lisbon

Tel: 351-21-389-3400
Fax: 351-21-387-9133

London

Tel: 44-207-332-6900
Fax: 44-207-332-6909

New York

Tel: 212-692-2550
Fax: 212-407-4540

Bogotá

Tel: 571-644-8006
Fax: 571-592-0638

Buenos Aires

Tel: 54114-341-1052
Fax: 54114-341-1226

Caracas

Tel: 582-401-4306
Fax: 582-401-4219

Lima

Tel: 511-215-8100
Fax: 511-215-8185

Mexico City

Tel: 5255-5629-5040
Fax: 5255-5629-5846

Santiago

Tel: 562-336-3300
Fax: 562-697-3869

São Paulo

Tel: 5511-5538-8226
Fax: 5511-5538-8407

Tokyo

Tel: 813-3211-0356
Fax: 813-3211-0362

Key to Investment Codes

Buy	Upside of more than 15%.
Hold	Upside of 10%-15%.
Underweight	Upside of less than 10%.

Note: New investment code criteria were implemented on January 1, 2005. Target prices set from January to June are for December 31 of the current year. Target prices set from July to December are for December 31 of the following year.

This report has been prepared by Santander Investment Bolsa, Sociedad de Valores, S.A. ("Santander Investment Bolsa") and is provided for information purposes only. This document must not be considered as an offer to sell or a solicitation of an offer to buy. Any decision by the recipient to buy should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with the CNMV (Spanish National Securities Market Commission) and available from the CNMV, the company governing the related market (Sociedad Rectora de la Bolsa) and the company issuing the security. This report is issued in the United States by Santander Investment Securities, Inc. ("SIS"), in Spain by Santander Investment Bolsa and in the United Kingdom by Banco Santander Central Hispano S.A., London Branch ("SCH London"), which is regulated by the Financial Services Authority in the conduct of its investment business in the UK. SIS, Santander Investment Bolsa and SCH London are members of Grupo Santander. This report is not being issued to private customers.

The information contained herein has been compiled from sources believed to be reliable, but while all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgement as at the date of this report and are subject to change without notice. From time to time, Grupo Santander, its affiliates and/or any of its officers or directors may have a position, or otherwise be interested in, transactions in securities which are directly or indirectly the subject of this report.

Grupo Santander, or its affiliates, may from time to time perform services for or solicit business from any company mentioned in this report. Grupo Santander, its affiliates or any other person do not accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose.

Any US recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with the company distributing the research, SIS at (212) 692-2550, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the US Securities Exchange Act of 1934) under this report and its dissemination in the United States. US recipients of this report should be advised that this research has been produced by a non-member affiliate of SIS and, therefore, by rule, not all disclosures required under NASD Rule 2711 apply.

© Santander Investment Bolsa, Sociedad de Valores, S.A., 2005. All Rights Reserved.



THE IBERIAN QUANT OBSERVER

Jesús Gómez
(34) 91-289-3315
jegomez@gruposantander.com

Juan José Fernández
(34) 91 289 3704
juanjosefernandezg@gruposantander.com

Antonio Espasa
(34) 91-289-3313
aespasa@gruposantander.com

CONTENTS:

	Page
I. MACROECONOMIC ESTIMATES AND FORECASTS	2
II. COUNTRY AND SECTOR MONITOR	3
III. STOCK RATINGS AND VALUATION MULTIPLES	5
IV. MOMENTUM MONITOR	6
V. VALUE MONITOR	7
VI. GROWTH MONITOR	8

I. MACROECONOMIC ESTIMATES AND FORECASTS

Europe, the US and Japan – Estimates and Forecasts, 2002-06F

GDP	2002	2003	2004	2005F	Cons	2006F	Cons
Germany	0.1	-0.1	1.0	0.9	0.9	1.7	1.3
France	1.1	0.5	2.3	1.6	1.5	1.8	1.8
Italy	0.4	0.4	1.1	0.2	0.0	1.7	1.0
Spain	2.7	2.9	3.1	3.4	3.2	2.8	2.7
Portugal	0.4	-1.2	1.0	1.0	1.9	2.6	2.4
Euro-12	0.6	0.5	1.8	1.3	1.3	1.9	1.7
UK	1.8	2.2	4.9	–	2.0	–	2.2
Argentina	-10.9	8.8	9.0	7.3	6.7	4.5	4.1
Brazil	1.9	0.5	4.9	3.4	3.7	3.5	3.8
México	0.9	1.6	4.4	3.2	3.9	3.8	3.5
Japan	-0.3	2.5	2.9	–	2.0	–	1.8
US	1.6	2.7	4.2	3.5	3.5	3.3	3.4

CPI	2002	2003	2004	2005F	Cons	2006F	Cons
Germany	1.4	1.1	1.8	1.8	1.8	1.5	1.6
France	1.9	2.2	2.3	1.8	1.8	1.8	1.7
Italy	2.6	2.8	2.3	2.0	2.1	2.0	2.0
Spain	3.6	3.1	3.1	3.0	3.2	2.7	2.9
Portugal	3.6	3.3	2.5	2.0	2.3	2.2	2.3
Euro-12	2.3	2.1	2.1	2.1	2.1	1.7	1.8
UK	1.3	1.3	1.60	–	2.0	–	2.0
Argentina	41.0	3.7	6.1	11.0	9.3	11.0	7.1
Brazil	12.5	9.3	7.6	5.5	6.0	4.5	5.4
México	5.7	4.0	5.2	3.8	3.9	4.0	3.9
Japan	-1.0	-0.3	0.0	–	-0.2	–	0.2
US	1.6	2.3	2.7	3.1	3.2	3.1	2.8

Financial Indicators	2002	2003	2004	2005F	Cons	2006F	Cons
Intervention rates	2.75 (3.21)	2.00 (2.25)	2.00 (2.00)	2.00 (2.00)	2.00	2.75 (2.44)	2.50
Euro zone	1.25 (1.67)	1.00 (1.10)	2.25 (1.40)	4.25 (3.25)	4.00	4.75 (4.56)	4.50
US							
3-month rates	2.86 (3.26)	2.11 (2.26)	2.13 (2.08)	2.15 (2.12)	2.14	2.80 (2.56)	2.45
Euro zone	1.29 (1.72)	1.09 (1.14)	2.52 (1.56)	4.15 (3.52)	3.70	4.45 (4.51)	4.25
US							
2-year bond yields	2.72 (3.62)	2.61 (2.46)	2.48 (2.48)	2.30 (2.28)	–	3.00 (2.74)	–
Euro zone	1.60 (2.55)	1.82 (1.64)	3.06 (2.36)	4.50 (3.89)	–	4.25 (4.56)	–
US							
10-year bond yields	4.20 (4.77)	4.29 (4.09)	3.68 (4.06)	3.40 (3.36)	3.38	4.25 (3.88)	3.75
Euro zone	3.82 (4.53)	4.25 (3.99)	4.22 (4.25)	4.30 (4.20)	4.50	4.40 (4.62)	5.20
US							
Currencies	1.05 (0.95)	1.26 (1.14)	1.36 (1.24)	1.23 (1.25)	1.24	1.15 (1.19)	1.23
Euro-dollar	2.75 (3.21)	2.00 (2.25)	2.00 (2.00)	2.00 (2.00)	2.00	2.75 (2.44)	2.50

(*) Annual averages in brackets.

Source: Consensus forecasts (Nov 2005), Euro Zone Barometer (Nov 2005), Santander Investment Securities and Santander Investment Bolsa estimates and forecasts.



II. COUNTRY AND SECTOR MONITOR

Valuation Multiples

	Mkt Cap (€ mn)	P/E (x)			EPS CAGR (%)	EV/EBITDA (x)			EBITDA CAGR (%)	P/CF (x)			CF CAGR (%)	GDY (%)		P/BV (x)	
		05E	06F	07F		05E	06F	07F		05E	06F	07F		06F	07F	06F	07F
France (CAC 40)	726,880	18.5	16.9	14.2	12.8	12.3	7.8	8.1	7.3	6.7	13.0	11.6	10.1	9.0	8.3	9.8	2.6
Germany (DAX 30)	534,007	19.5	16.0	17.0	12.7	13.2	6.4	6.8	6.0	5.5	10.1	9.2	8.7	7.9	7.2	6.6	2.8
Italy (MIB 30)	506,507	18.0	16.1	14.4	12.9	13.1	6.5	6.7	6.3	6.0	5.8	7.7	7.3	7.1	6.9	4.8	4.6
Portugal (PSI 20)	52,493	16.8	15.8	14.1	12.5	10.4	9.2	9.3	8.7	8.1	6.9	6.9	7.1	6.5	6.0	4.8	3.5
Spain (IBEX35)	469,671	17.9	15.8	15.4	13.6	11.3	9.0	8.9	7.9	7.2	7.1	10.3	9.1	8.4	7.4	8.1	3.3
DJ Stoxx 600	7,593,540	20.2	16.0	14.7	12.9	11.8	7.1	7.6	6.9	6.3	14.7	12.0	10.3	8.9	7.8	11.6	3.0
DJ Stoxx 50	3,087,635	16.0	14.7	12.9	11.8	7.6	6.9	6.3	14.7	10.3	8.9	7.8	11.6	3.2	3.5	3.2	2.6
DJ Euro Stoxx 50	1,334,632	14.6	13.3	12.2	12.7	8.8	8.0	7.3	11.5	11.2	10.2	9.3	10.2	3.5	3.8	2.8	2.5
Iberia Capital Goods	32,028	10.4	12.3	24.1	-24.1	4.8	5.4	12.4	-24.5	6.7	7.0	14.8	-23.8	2.9	1.9	1.7	4.3
Iberia Construction	30,542	18.5	16.5	14.5	14.4	9.6	8.7	7.9	11.2	11.1	10.2	9.3	25.3	1.8	2.1	2.7	2.5
Iberia Consumer Goods	36,042	21.4	18.8	25.3	-1.8	9.8	8.8	12.1	-3.4	12.9	11.7	15.4	-2.6	3.0	2.7	4.2	4.9
Iberia Consumer Services	58,273	15.8	17.9	17.5	4.1	11.3	11.4	11.5	7.5	10.3	9.8	10.5	7.1	2.0	2.1	2.7	2.6
Iberia Financials	175,232	13.7	11.8	10.3	21.4	NA	NA	NA	NA	NA	NA	NA	NA	3.9	4.5	2.1	1.9
Iberia Oil & Gas	55,389	12.8	11.5	17.1	5.1	6.6	6.5	8.3	-2.6	8.1	7.1	9.4	-3.3	2.4	2.0	2.2	2.6
Iberia TMTs	128,548	29.0	22.8	59.2	-12.3	11.0	9.8	28.4	-22.0	13.2	12.7	37.1	-27.3	1.9	0.9	6.0	10.8
Iberia Utilities	65,069	18.4	16.0	23.8	-5.8	9.2	8.3	10.9	-2.3	9.6	8.8	12.3	-12.2	3.5	2.3	3.9	3.6
Total Iberia	581,123	16.5	14.9	17.4	6.4	12.0	11.4	16.7	-5.7	14.8	13.9	20.8	-8.8	2.8	2.6	2.8	3.0

Note: CAGRs are calculated over 2004-07F.

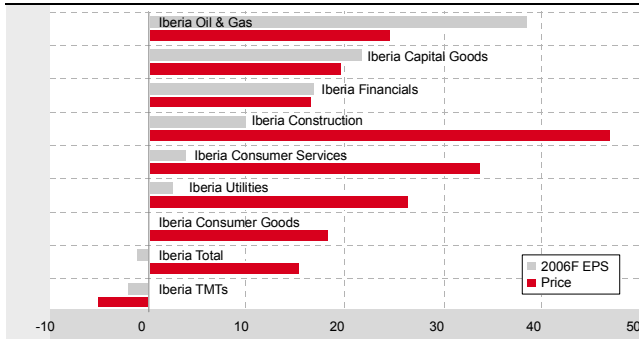
Source: Bloomberg, JCF and Santander Investment Bolsa estimates and forecasts.

Market Performance (%)

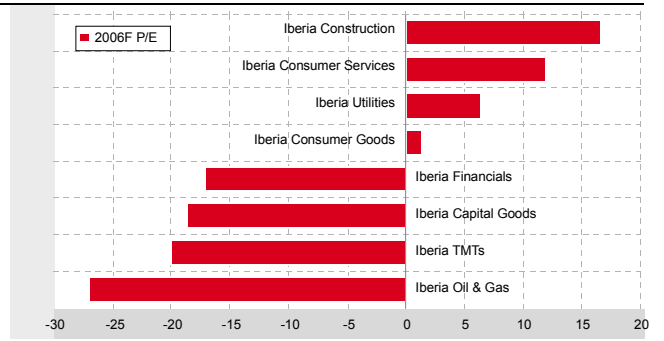
Index	Close 9-Dec	Last 12M			-1W	-1M	-3M	-6M	-12M	QTD	YTD	From	
		High	Low	12M High								12M Low	
France (CAC40)	4,687	4,691	3,743	0.8	3.3	4.3	12.0	24.4	1.9	22.7	-0.1	25.2	
Germany (DAX30)	5,317	5,325	4,153	1.0	4.4	6.6	15.9	27.4	5.4	24.9	-0.2	28.0	
Italy (MIB30)	34,989	35,210	30,469	0.6	4.0	1.9	8.1	14.5	0.0	12.1	-0.6	14.8	
Portugal (PSI20)	8,272	8,291	7,378	1.3	3.1	5.1	10.5	10.2	2.3	8.8	-0.2	12.1	
Spain (IBEX35)	10,534	10,919	8,796	0.0	0.2	0.4	10.2	19.3	-2.6	16.0	-3.5	19.8	
DJ Stoxx 600	308	309	247	1.0	2.9	5.2	12.7	24.3	3.7	22.9	-0.1	24.7	
DJ Stoxx 50	3,360	3,376	2,749	0.9	1.9	4.9	11.7	21.7	3.0	21.1	-0.5	22.3	
DJ Euro Stoxx 50	3,521	3,531	2,884	0.6	3.4	4.9	12.0	21.2	2.7	19.3	-0.3	22.1	
Iberia Capital Goods	NA	NA	NA	1.5	4.7	3.8	14.8	26.1	2.2	19.6	-6.1	31.8	
Iberia Construction	NA	NA	NA	0.1	1.2	-4.5	11.5	57.8	-4.3	47.0	-9.2	58.5	
Iberia Consumer Goods	NA	NA	NA	0.7	2.7	3.8	4.6	21.0	1.0	18.3	-4.0	26.3	
Iberia Consumer Services	NA	NA	NA	-0.3	-2.8	-2.4	13.2	39.5	-7.2	33.8	-12.0	43.0	
Iberia Financials	NA	NA	NA	0.5	-0.2	4.2	12.5	19.7	0.3	16.7	-3.1	22.8	
Iberia Oil & Gas	NA	NA	NA	-1.2	2.6	-4.3	18.7	29.7	-6.8	24.6	-11.4	31.1	
Iberia TMTs	NA	NA	NA	1.0	-0.8	-2.9	-2.8	-4.1	-3.6	-5.2	-13.2	7.8	
Iberia Utilities	NA	NA	NA	0.1	3.4	6.1	15.6	30.5	0.7	26.5	-4.3	33.4	
Total Iberia	NA	NA	NA	0.4	0.6	0.7	9.2	18.8	-2.1	15.5	-7.9	24.8	

Source: Bloomberg.

DJ Stoxx 600 – YTD Changes in Prices and 2006F EPS Estimates by Sector (%)

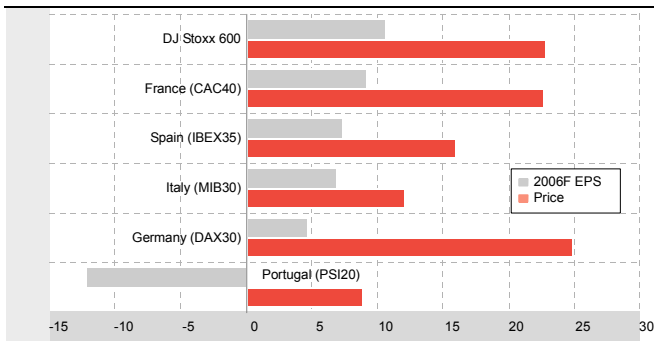


DJ Stoxx 600 – Relative Re-Rating/De-Rating in 2006F P/E by Sector (%)



Source: Bloomberg, JCF and Santander Investment Bolsa estimates.

DJ Stoxx 600 – YTD Changes in Prices and 2006F EPS Estimates by Country (%)



DJ Stoxx 600 – Relative Re-Rating/De-Rating in 2006F P/E by Country (%)



Source: Bloomberg, JCF and Santander Investment Bolsa estimates.

III. STOCK RATING AND VALUATION MULTIPLES

Company	Ctry	Cury	Price 11/12/05	Mkt Cap (€ mn)	SI Bolsa Recom	Target Price	Upside Potential (%)	Weighting (%)		Mkt Perform (%)			P/E (x)			04-07F EPS CAGR (%)			EV/EBITDA (x)			04-07F EBITDA CAGR (%)			P/CF (x)			04-07F CFPS CAGR (%)			GDY (%)			P/BV (x)			Company
								IBEX 35	PSI 20	-1W	QTD	YTD	05E	06F	07F	05E	06F	07F	05E	06F	07F	05E	06F	07F	05E	06F	07F	05E	06F	07F	05E	06F	07F	05E	06F	07F	
Arcelor	SP	EUR	21.4	13,678	U/W	15.2	-29.1	2.0		3.1	10.1	21.1	6.8	9.7	NA	NA	NA	NA	NA	NA	NA	NA	NA	4.7	5.3	NA	NA	NA	2.8	NA	1.1	NA	Arcelor				
Cementos Portland	SP	EUR	68.5	1,907	Buy	80.0	16.8			1.6	-4.7	42.7	12.9	10.6	10.7	15.2	6.1	5.1	4.8	10.1	8.2	7.2	7.1	10.9	3.4	3.4	1.8	1.6	1.8	1.6	Cementos Portland						
Cimpor	POR	EUR	4.6	3,084	U/W	3.9	-15.5	3.3		0.0	0.0	10.6	19.3	16.7	13.0	8.4	9.4	8.8	7.6	4.3	8.7	8.1	7.1	1.0	3.6	4.6	2.8	2.6	2.8	2.6	Cimpor						
Ence	SP	EUR	26.3	893	Buy	35.0	33.1	0.6		-0.2	11.8	24.0	10.7	10.1	13.3	5.3	6.7	5.5	7.2	11.8	5.9	6.3	7.3	2.1	2.7	2.8	1.1	1.0	1.0	1.0	Ence						
Gamesa	SP	EUR	12.1	2,951	U/W	12.5	3.1			1.6	-5.1	17.8	13.8	12.9	11.2	6.1	9.7	8.9	7.9	12.6	7.5	6.9	6.2	8.8	2.5	2.9	3.0	2.5	3.0	2.5	Gamesa						
Tubacex	SP	EUR	3.7	491	U/W	2.5	-32.2			0.0	-4.7	95.2	18.6	15.1	22.3	17.6	9.4	8.4	10.9	7.1	11.3	10.2	13.5	7.0	1.9	1.3	2.2	2.1	2.2	2.1	Tubacex						
Uralita	SP	EUR	3.7	727	Buy	5.5	49.5			0.0	-17.7	-1.3	18.1	16.1	19.1	7.6	5.3	5.0	4.4	4.4	6.7	6.2	5.4	6.4	2.5	3.1	3.0	3.0	3.0	3.0	Uralita						
Zardoya Otis	SP	EUR	22.2	5,286	U/W	20.7	-6.9			0.8	-4.5	29.4	33.7	33.4	30.5	3.4	22.1	19.8	18.2	9.5	30.9	30.7	28.6	5.3	3.2	3.5	3.3	3.6	3.6	3.6	Zardoya Otis						
Capital Goods				32,028				3.4	3.3	1.5	2.2	19.6	10.4	12.3	24.1	-24.1	4.8	5.4	12.4	-24.5	6.7	7.0	14.8	-23.8	3.2	2.9	1.9	1.7	4.3	4.3	4.3	Capital Goods					
Acciona	SP	EUR	94.4	5,999	Buy	105.0	11.2	1.2		-0.6	-0.9	45.0	20.8	17.6	15.3	19.0	9.8	8.9	8.5	15.6	11.1	9.6	8.5	22.0	2.8	3.3	2.0	1.9	2.0	1.9	AccionA						
ACS	SP	EUR	25.3	8,914	U/R	U/R	NM	2.2		1.9	4.2	50.4	15.8	13.8	12.3	17.1	7.7	6.7	5.7	18.2	12.1	11.5	10.6	18.4	1.8	2.0	2.9	2.5	2.9	2.5	ACS						
FCC	SP	EUR	48.1	6,276	Hold	U/R	NM	0.9		1.0	-3.1	35.7	15.2	14.5	13.2	7.1	7.6	6.9	6.0	7.1	9.2	8.7	8.1	5.0	3.6	4.0	2.6	2.3	2.6	2.3	FCC						
Ferrovial	SP	EUR	59.6	8,220	U/R	U/R	NM	1.6		1.0	-14.4	49.0	24.8	22.1	19.1	14.1	13.5	12.0	11.0	13.6	13.2	12.1	10.7	-321.3	1.8	2.1	3.5	3.1	3.5	3.1	Ferrovial						
OHL	SP	EUR	12.7	1,134	Buy	14.2	12.2			2.6	1.4	101.0	19.8	18.1	15.1	22.4	7.0	6.9	6.6	15.6	6.6	6.2	5.7	4.1	1.4	1.6	2.6	2.7	2.7	2.5	OHL						
Construction				30,542				5.9	0.0	0.1	-4.3	47.0	18.5	16.5	14.5	14.4	9.6	8.7	7.9	11.2	11.1	10.2	9.3	25.3	1.8	2.1	2.7	2.5	2.7	2.5	Construction						
Altadis	SP	EUR	35.5	9,557	U/W	30.7	-13.5	2.4		-0.8	-4.7	5.3	17.6	15.6	NA	NA	NA	NA	NA	NA	11.4	10.3	NA	NA	3.2	NA	6.4	NA	6.4	NA	Altadis						
Barón de Ley	SP	EUR	41.6	322	U/R	35.7	-14.3			1.0	-1.8	9.6	17.5	17.8	17.4	-5.1	8.9	8.4	7.8	4.2	11.4	11.3	10.9	-4.1	0.0	0.0	1.7	1.5	1.5	1.5	Barón de Ley						
Ebro Puleva	SP	EUR	14.3	2,200	Buy	16.9	18.2			-1.2	0.0	36.2	15.5	12.7	15.3	4.7	9.2	7.7	8.4	4.7	24.9	21.7	24.0	4.4	2.7	2.9	1.8	1.7	1.8	1.7	Ebro Puleva						
Faes	SP	EUR	15.9	886	U/W	14.1	11.4			-1.8	0.6	31.7	44.8	22.6	41.3	-5.5	26.8	25.3	24.6	0.4	24.9	22.7	24.0	-8.6	1.5	1.5	6.1	5.7	6.1	5.7	Faes						
Inditex	SP	EUR	25.7	16,032	Buy	31.0	20.5	2.4		2.1	5.3	18.5	22.6	19.4	17.0	13.9	11.1	9.4	8.1	15.6	14.9	12.7	11.1	13.3	3.8	4.9	4.8	4.4	4.4	4.4	Inditex						
Jerónimo Martins	POR	EUR	12.5	1,573	U/W	12.4	-0.8	1.7		2.3	4.2	28.9	15.0	14.6	14.1	4.1	7.1	6.9	6.5	4.4	7.7	7.3	6.8	6.5	3.4	3.5	3.3	3.0	3.3	3.0	Jerónimo Martins						
Sos Cuétara	SP	EUR	10.6	1,457	U/W	7.0	-34.0			0.5	0.5	39.3	30.8	28.6	22.2	22.1	14.8	12.8	10.9	20.5	16.9	16.5	14.0	14.2	0.9	0.9	2.6	2.4	2.6	2.4	Sos Cuétara						
Viscofán	SP	EUR	9.6	464	Buy	12.0	25.0			-0.7	-3.0	28.9	50.1	38.7	31.0	12.2	9.0	7.5	6.5	15.3	17.1	16.2	14.4	11.0	1.4	1.7	1.7	1.5	1.5	1.5	Viscofán						
Zeltia	SP	EUR	6.2	1,309	U/W	5.0	-19.2			0.0	2.7	20.2	NM	NM	NM	-1.8	NM	NM	NM	NM	NM	NM	NM	NM	0.0	0.0	4.3	3.6	4.3	3.6	Zeltia						
Consumer Goods				36,042				4.7	1.7	0.7	1.0	18.3	21.4	18.8	25.3	-3.2	9.8	8.8	12.1	-3.4	12.9	11.7	15.4	-2.6	3.0	2.7	4.2	4.9	4.2	4.9	Consumer Goods						
NH Hoteles	SP	EUR	12.8	1,526	Buy	14.3	11.6			2.2	-0.7	30.8	35.5	20.1	16.4	30.2	13.0	10.5	9.5	8.9	12.6	10.3	9.5	15.6	2.5	3.1	2.2	2.0	2.2	2.0	NH Hoteles						
Sol Meliá	SP	EUR	10.5	1,948	Buy	13.3	25.7			1.2	-8.2	44.4	19.7	13.5	10.4	64.8	9.6	8.0	6.7	14.8	9.3	7.7	6.6	31.4	1.1	1.3	2.3	1.9	2.3	1.9	Sol Meliá						
TelePizza	SP	EUR	1.8	400	U/W	1.6	-13.4			1.7	-5.8	19.3	19.5	18.7	19.4	0.9	6.9	6.2	5.7	2.5	10.6	10.3	10.7	-3.0	2.7	3.0	2.7	3.0	2.7	3.0	TelePizza						
Iberia	SP	EUR	2.2	2,037	U/W	2.0	-7.4	0.5		-0.5	1.9	4.2	3.1	30.0	14.1	-10.4	4.3	15.8	11.3	-1.0	3.1	7.9	6.0	-5.4	2.3	2.3	1.0	1.0	1.0	1.0	Iberia						
Logista	SP	EUR	41.6	1,901	Buy	47.0	13.0			0.2	-3.3	4.3	19.6	16.8	15.6	10.9	8.9	7.8	7.0	17.0	11.4	10.2	9.6	8.8	3.0	3.2	3.5	3.1	3.5	3.1	Logista						
Abertis	SP	EUR	22.1	12,753	U/W	17.5	-20.8	3.0		-2.4	-3.7	43.2	NA	NA	NA	NA	12.4	11.8	11.2	6.2	NA	NA	NA	2.8	3.0	NA	NA	NA	NA	NA	Abertis						
Brisa	POR	EUR	7.0	4,187	Hold	7.3	4.6	7.9		-0.4	-2.9	3.4	20.0	20.0	19.9	4.6	13.3	13.7	13.3	2.2	15.4	15.4	14.9	1.3	4.2	4.5	2.5	2.5	2.5	2.5	Brisa						
Cintra	SP	EUR	10.3	5,044	Buy	12.7	23.7	0.7		2.2	-10.1	27.1	7.7	4.7	3.6	5.5	23.4	18.5	14.7	23.1	2.7	2.2	1.9	4.3	1.6	1.6	2.7	2.6	2.6	2.6	Cintra						
Inm. Colonial	SP	EUR	45.7	2,726	Buy	54.2	18.7			-1.0	-9.6	54.3	9.9	16.4	15.1	12.6	10.1	12.7	12.0	14.9	6.9	10.1	9.5	-7.6	2.5	2.8	1.9	1.6	1.6	1.6	Inm. Colonial						
Inm. Urbis	SP	EUR	15.9	2,034	U/W	16.7	4.8			0.9	-15.0	49.3	12.6	10.9	9.8	25.0	11.4	10.5	9.8	24.3	18.1	10.2	9.2	7.8	2.6	3.0	2.3	2.0	2.0	2.0	Inm. Urbis						
Metrovacesa	SP	EUR	52.2	5,308	U/W	55.0	5.5	1.3		-1.7	-14.9	75.1	15.2	13.1	13.6	9.3	19.6	14.6	14.8	37.3	10.7	9.7	9.9	12.5	1.6	2.0	2.4	2.2	2.2	2.2	Metrovacesa						
Sacyr Vallehermoso	SP	EUR	21.3	5,843	Hold	24.5	15.1	1.2		0.0	-8.8	90.7	19.0	23.2	19.4	1.8	15.5	14.0	12.8	14.0	9.4	10.2	9.2	60.4	1.1	1.3	2.9	2.6	2.6	2.6	Sacyr Vallehermoso						
Abertis	SP	EUR	12.3	1,154	Buy	16.0	25.4			-2.7	-12.8	75.5	19.0	12.8	12.8	12.8	15.8	12.2	9.8	1.5	8.4	6.7	6.5	4.1	2.8	3.0	NA	NA	NA	NA	Abertis						
Agua Barcelona	SP	EUR	19.2	2,841	Hold	20.5	6.8			-0.2	-4.1	26.0	15.5	14.2	13.0	2.8	7.9	7.3	6.7	11.1	17.5	7.6	7.1	5.2	1.9	2.0	1.9	1.7	1.7	1.7	Agua Barcelona						
Prosegur	SP	EUR	19.4	1,197	Buy	23.5	21.1			-2.5																											

IV. MOMENTUM MONITOR

1M Stock Market Performance (%)			
Ten Highest		Ten Lowest	
Cem Portland	8.3	Telef Móviles	-3.7
Acerinox	8.2	Logista	-4.3
Inditex	8.1	Corp. Mapfre	-4.4
EDP	7.2	Ferrovial	-4.6
Unión Fenosa	7.0	Sol Meliá	-5.5
Sonae SGPS	6.3	Sacyr Valleherm	-6.6
Zeltia	6.0	Inm. Colonial	-8.3
ACS	5.6	Abengoa	-10.0
Antena 3	5.5	Metrovacesa	-13.0
Arcelor	5.5	Jazztel	-17.0

Performance from 12M High (%)			
Ten Highest		Ten Lowest	
Inditex	-0.5	Abertis	-14.0
Sonae SGPS	-0.7	Inm. Colonial	-14.7
Enagás	-0.8	Abengoa	-16.1
REE	-1.1	Portugal Telecom	-16.1
EDP	-1.2	Acerinox	-16.2
CF Alba	-1.3	Inm. Urbis	-17.0
BES	-1.5	Ferrovial	-18.0
Cimpor	-1.5	Metrovacesa	-19.5
Grupo Santander	-1.5	Uralita	-21.7
BPI	-1.8	Jazztel	-53.3

3M Consensus Recommendation ¹			
Ten Highest		Ten Lowest	
Aldeasa	3.0	Tubacex	1.6
B. Valencia	2.8	Brisa	1.5
Jazztel	2.8	BBVA	1.5
Metrovacesa	2.8	Prisa	1.5
B. Guipuzcoano	2.8	BPI	1.5
Amadeus	2.6	Grupo Santander	1.5
Faes	2.6	B. Pastor	1.4
Inm. Colonial	2.6	Sonae SGPS	1.4
Abertis	2.6	Arcelor	1.3
CF Alba	2.5	Inditex	1.3

2005 Consensus EPS / SIB 2005E EPS (%)			
Ten Highest		Ten Lowest	
Iberdrola	29.3	Unión Fenosa	-19.2
TPI	29.1	Aguas Barcelona	-24.6
Cimpor	20.2	Portugal Telecom	-27.2
Barón de Ley	18.8	Aldeasa	-28.5
Faes	13.9	REE	-29.6
Ferrovial	13.2	Gas Natural	-37.5
Amadeus	11.2	Sol Meliá	-37.7
BPI	10.9	PT Multimédia	-57.0
Tubacex	10.4	Sogetel	-61.6
Brisa	10.3	EDP	-86.0

3M Stock Market Performance (%)			
Ten Highest		Ten Lowest	
PT Multimédia	21.4	Inm. Colonial	-5.3
Ence	21.4	BCP	-5.4
Unión Fenosa	20.4	Sacyr Valleherm	-6.8
Sogetel	19.8	Metrovacesa	-7.6
Arcelor	18.5	Telefónica	-7.8
Sonae SGPS	15.8	Ferrovial	-10.7
Tubacex	14.4	Gamesa	-11.5
Viscofán	12.8	Abengoa	-13.8
Antena 3	12.3	Jazztel	-17.0
B. Pastor	12.2	Uralita	-17.5

Performance from 12M Low (%)			
Ten Highest		Ten Lowest	
OHL	107.2	Jazztel	9.9
Tubacex	105.0	TPI	9.8
Sacyr Valleherm	93.6	Telefónica Móviles	9.2
Metrovacesa	79.2	Gas Natural	7.9
Cortefiel	78.9	B. Popular	7.4
Abengoa	76.7	Amadeus	6.8
Inm. Colonial	64.5	BES	6.3
Unión Fenosa	62.7	Prisa	5.5
B. Guipuzcoano	61.6	Uralita	5.1
B. Pastor	60.3	Telefónica	3.3

3M Positive to Negative Recommendations (x)			
Ten Highest		Ten Lowest	
Inditex	15.0	BES	0.0
Arcelor	10.5	Amadeus	0.0
Ferrovial	10.0	Metrovacesa	0.0
Brisa	8.0	Cortefiel	0.0
Telefónica	7.5	Abertis	0.0
Grupo Santander	5.7	Aldeasa	0.0
Telecinco	5.0	Faes	0.0
Iberdrola	4.5	B. Valencia	0.0
BPI	4.0	B. Guipuzcoano	0.0
Enagás	3.7	Jazztel	0.0

Most Recommended Stocks (% of Buys)			
Ten Highest		Ten Lowest	
Sonae SGPS	100.0	BES	0.0
Arcelor	87.5	Amadeus	0.0
Inditex	83.3	Metrovacesa	0.0
B. Pastor	81.8	Cortefiel	0.0
Tubacex	75.0	Abertis	0.0
BPI	66.7	Aldeasa	0.0
Brisa	66.7	Faes	0.0
Grupo Santander	65.4	B. Valencia	0.0
Prisa	62.5	B. Guipuzcoano	0.0
Enagás	61.1	Jazztel	0.0

(1) 1 = Buy; 2 = Hold; 3 = Sell.

Source: Bloomberg, JCF and Santander Investment Bolsa estimates and forecasts.



V. VALUE MONITOR

2006F P/E (x)			
Ten Highest		Ten Lowest	
B. Valencia	25.8	Inm. Urbis	10.9
TPI	23.3	PT Multimédia	10.9
Sacyr Valleherm	23.2	Portugal Telecom	10.7
Ferrovial	22.1	Cem Portland	10.6
B. Guipuzcoano	21.8	BCP	10.2
NH Hoteles	20.1	Ence	10.1
Brisa	20.0	Arcelor	9.7
Aldeasa	19.6	Repsol YPF	9.0
Inditex	19.4	Gas Natural	8.5
TelePizza	18.7	EDP	1.7

2006F GDY (%)			
Ten Highest		Ten Lowest	
B. Popular	4.4	Sacyr Valleherm	1.1
Brisa	4.2	Sos Cuétara	0.9
REE	3.9	B. Valencia	0.8
Inditex	3.8	Indra	0.6
Gas Natural	3.7	Unión Fenosa	0.5
Cimpor	3.6	Sogecable	0.3
FCC	3.6	PT Multimédia	0.0
B. Sabadell	3.6	Jazztel	0.0
Cementos Portland	3.4	Zeltia	0.0
Jerónimo Martins	3.4	Barón de Ley	0.0

2006F P/CF (x)			
Ten Highest		Ten Lowest	
Sos Cuétara	16.5	OHL	6.2
Viscofán	16.2	Uralita	6.2
Brisa	15.4	Gas Natural	6.0
Antena 3	14.0	Sonae SGPS	5.5
Prisa	13.2	Repsol YPF	5.4
Inditex	12.7	Arcelor	5.3
Ferrovial	12.1	Telefónica	5.3
Aldeasa	11.7	Portugal Telecom	4.4
ACS	11.5	PT Multimédia	4.0
Barón de Ley	11.3	EDP	0.8

2006F P/BV (x)			
Ten Highest		Ten Lowest	
Faes	6.1	Repsol YPF	1.7
Inditex	4.8	Corp. Mapfre	1.7
Telefónica Móviles	4.7	Viscofán	1.7
Prisa	4.6	Barón de Ley	1.7
Zeltia	4.3	Acerinox	1.4
B. Valencia	3.8	BES	1.4
Portugal Telecom	3.5	Arcelor	1.1
Logista	3.5	Ence	1.1
Prosegur	3.5	Iberia	1.0
Ferrovial	3.5	EDP	0.3

Revisions to 2006F EPS YTD (%)			
Ten Highest		Ten Lowest	
Tubacex	63.1	Sonae SGPS	-24.4
Arcelor	44.3	BES	-25.1
Repsol YPF	42.1	Viscofán	-26.3
Cortefiel	35.6	Ence	-26.6
Telecinco	31.3	Faes	-31.9
Antena 3	30.4	Cimpor	-32.5
Inm. Colonial	27.3	Portugal Telecom	-33.5
B. Pastor	26.0	Iberia	-34.0
OHL	22.8	Aldeasa	-35.0
Sol Meliá	21.4	Sogecable	-65.7

2006F CFPS/DPS (%)			
Ten Highest		Ten Lowest	
Sacyr Valleherm	9.1	Portugal Telecom	2.9
Prosegur	8.5	Endesa	2.8
Aguas Barcelona	6.9	Aldeasa	2.7
Arcelor	6.7	Faes	2.7
Repsol YPF	6.7	Inditex	2.1
Metrovacesa	6.6	TPI	1.6
Uralita	6.5	Brisa	1.5
Amadeus	6.5	Prisa	1.4
Sos Cuétara	6.4	Antena 3	1.4
Ence	5.9	Zardoya Otis	1.0

2006F D/E (%)			
Ten Highest		Ten Lowest	
Metrovacesa	239.4	TelePizza	-10.6
Ferrovial	229.5	Inditex	-19.9
Unión Fenosa	221.0	Prisa	-22.1
Brisa	155.6	Aldeasa	-31.5
PT Multimédia	149.8	Telecinco	-32.4
Enagás	147.3	Logista	-42.2
Inm. Urbis	134.8	Amadeus	-44.3
Inm. Colonial	134.4	Iberia	-63.1
EDP	133.4	Antena 3	-66.0
Gamesa	128.3	Zardoya Otis	-136.3

2006F ROE (%)			
Ten Highest		Ten Lowest	
Telecinco	26.1	NH Hoteles	11.3
Gamesa	24.9	Ence	10.8
Prosegur	24.8	BES	10.4
Jerónimo Martins	23.6	Barón de Ley	9.8
Telefónica	23.2	Sos Cuétara	9.5
ACS	23.1	Viscofán	9.1
PT Multimédia	22.7	Unión Fenosa	7.5
Inm. Urbis	22.5	Iberia	3.5
Abertis	22.3	Zeltia	-3.3
Gas Natural	22.2	Jazztel	-116.8

Source: Bloomberg, JCF and Santander Investment Bolsa estimates and forecasts.

VI. GROWTH MONITOR

2004-07F EPS CAGR (%)			
Ten Highest		Ten Lowest	
BES	28.6	TelePizza	0.9
Sogecable	26.5	Aldeasa	0.4
Prisa	25.1	Barón de Ley	-5.1
Inm. Urbis	25.0	Faes	-5.5
OHL	22.4	Abengoa	-7.2
Indra	22.4	Iberia	-10.4
Sos Cuétara	22.1	Sonae SGPS	-12.3
B. Sabadell	20.3	TPI	-21.8
B. Popular	20.2	Jazztel	-23.7
Acciona	19.0	PT Multimédia	-211.0

2004-07F DPS CAGR (%)			
Ten Highest		Ten Lowest	
Sol Meliá	26.0	Ence	4.3
REE	23.4	Acerinox	3.2
OHL	22.4	Aldeasa	3.2
Telecinco	21.4	Sogecable	3.0
BCP	20.0	Sacyr Valleherm	1.8
BBVA	19.6	Sonae SGPS	0.0
Logista	19.1	Sos Cuétara	0.0
Acciona	19.0	Iberia	0.0
B. Popular	18.8	Abengoa	0.0
Repsol YPF	17.3	Faes	0.0

2004-07F EBITDA CAGR (%)			
Ten Highest		Ten Lowest	
Prisa	19.6	Barón de Ley	4.2
Logista	17.0	Acerinox	3.8
Indra	16.0	Aldeasa	3.4
OHL	15.6	Sonae SGPS	3.0
Acciona	15.6	TelePizza	2.5
Inditex	15.6	Repsol YPF	2.4
Viscofán	15.3	Brisa	2.2
Prosegur	15.2	Abengoa	1.5
Enagás	15.0	Faes	0.4
Inm. Colonial	14.9	Iberia	-1.0

2004-07F Revenues CAGR (%)			
Ten Highest		Ten Lowest	
Logista	17.9	Enagás	3.5
Gamesa	17.7	Barón de Ley	3.4
Bankinter	14.3	BES	3.1
Indra	13.9	Iberia	2.8
Corp. Mapfre	11.6	Brisa	2.8
Banesto	11.6	Repsol YPF	1.5
Telecinco	11.2	TelePizza	1.0
B. Popular	11.0	EDP	-0.3
B. Sabadell	10.8	TPI	-0.4
Abertis	10.7	Uralita	-4.5

2006F Net Margin (%)			
Ten Highest		Ten Lowest	
B. Sabadell	29.7	Arcelor	4.2
Grupo Santander	28.2	Sos Cuétara	4.0
B. Pastor	28.1	Abengoa	3.9
B. Guipuzcoano	27.8	Corp. Mapfre	3.4
Bankinter	27.7	Jerónimo Martins	2.7
BPI	25.2	Sonae SGPS	2.5
Prisa	23.0	OHL	2.3
BES	22.3	Iberia	1.3
Barón de Ley	21.7	Zeltia	-11.5
Zardoya Otis	20.7	Jazztel	-24.2

2004-07F CFPS CAGR (%)			
Ten Highest		Ten Lowest	
Prisa	21.5	TelePizza	-3.0
Enagás	18.9	EDP	-3.6
ACS	18.4	Barón de Ley	-4.1
NH Hoteles	15.6	Iberia	-5.4
Sos Cuétara	14.2	REE	-5.6
Inditex	13.3	Uralita	-6.4
Telecinco	13.0	Inm. Colonial	-7.6
Metrovacesa	12.5	Faes	-8.6
Viscofán	11.0	TPI	-15.2
Cem Portland	10.9	Indra	-24.8

2006F EBITDA Margin (%)			
Ten Highest		Ten Lowest	
Inm. Colonial	47.4	OHL	12.0
Antena 3	45.0	Arcelor	11.6
Barón de Ley	44.9	Abengoa	10.9
Telefónica	44.1	Aldeasa	10.6
Portugal Telecom	41.5	Sos Cuétara	9.7
Telefónica Móviles	40.8	ACS	9.0
Enagás	39.0	Jerónimo Martins	7.9
Prisa	34.5	Iberia	5.0
EDP	34.5	Zeltia	5.0
Cementos Portland	34.4	Jazztel	-1.1

Potential to SCH Target Price (%)			
Ten Highest		Ten Lowest	
Uralita	49.5	Telecinco	-15.3
Ence	33.1	Cimpor	-15.5
Sol Meliá	25.7	Zeltia	-19.2
Abengoa	25.4	Abertis	-20.8
Viscofán	25.0	B. Guipuzcoano	-25.1
Ferrovial	21.5	Arcelor	-29.1
Prosegur	21.1	Tubacex	-32.2
Inditex	20.5	Sos Cuétara	-34.0
Inm. Colonial	18.7	B. Valencia	-42.6
TPI	18.5	Sogecable	-48.6

Source: Bloomberg, JCF and Santander Investment Bolsa estimates and forecasts.

ANALYST CERTIFICATION: We, Jesús Gómez, Antonio Espasa and Juanjo Fernández hereby certify that the views expressed in this research report accurately reflect our personal views about the subject companies and their securities. We also certify that we have not been promised compensation, either directly or indirectly, for expressing the recommendations in this report.

Local Offices

Madrid

Tel: 34-91-257-2309
Fax: 34-91-257-1811

Lisbon

Tel: 351-21-389-3400
Fax: 351-21-387-9133

London

Tel: 44-207-332-6900
Fax: 44-207-332-6909

New York

Tel: 212-692-2550
Fax: 212-407-4540

Bogotá

Tel: 571-644-8006
Fax: 571-592-0638

Buenos Aires

Tel: 54114-341-1052
Fax: 54114-341-1226

Caracas

Tel: 582-401-4306
Fax: 582-401-4219

Lima

Tel: 511-215-8100
Fax: 511-215-8185

Mexico City

Tel: 5255-5629-5040
Fax: 5255-5629-5846

Santiago

Tel: 562-336-3300
Fax: 562-697-3869

São Paulo

Tel: 5511-5538-8226
Fax: 5511-5538-8407

Tokyo

Tel: 813-3211-0356
Fax: 813-3211-0362

Key to Investment Codes¹

Buy	Upside of more than 15%.
Hold	Upside of 10%-15%.
Underweight	Upside of less than 10%.

Note: New investment code criteria were implemented on January 1, 2005. Target prices set from January to June are for December 31 of the current year. Target prices set from July to December are for December 31 of the following year.

IMPORTANT DISCLOSURES:

Santander Investment Bolsa expects to receive or intends to seek compensation for investment banking services from the following companies in the next three months: Ence, Acciona, ACS, FCC, NH Hoteles, Iberia, Cintra, Metrovacesa, Sacyr-Vallehermoso, Corp Mapfre, Enagás, Jazztel, Sogecable, Antena 3, EDP, Indra, REE and Union Fenosa.

Santander Investment Bolsa has received compensation for investment banking services from the following companies in the past 12 months: Arcelor, Ence, Uralita, Acciona, FCC, Ferrovial, OHL, Altadis, Ebro Puleva, Faes, Inditex, SOS, Zeltia, TelePizza, Iberia, Brisa, Cintra, Metrovacesa, Sacyr-Vallehermoso, Banesto, Banco Sabadell, Bankinter, BES, Grupo Santander, Corp Mapfre, Enagás, Repsol YPF, Telefónica, Portugal Telecom, Jazztel, TPI, Sogecable, Antena 3, Telecinco, REE, EDP, Endesa, Iberdrola and Union Fenosa.

Santander Investment Bolsa has managed or co-managed a public offering of the following companies' securities in the past 12 months: Arcelor, Ence, Metrovacesa, Unión Fenosa and Telecinco.

Grupo Santander or its affiliates beneficially own 1% or more of any class of common equity securities of: Ferrovial Urbis, Banco Popular, Banesto, BBVA, Bankinter, REE, Repsol YPF, Antena 3, Telefónica, Iberdrola, Endesa and Union Fenosa.

This report has been prepared by Santander Investment Bolsa, Sociedad de Valores, S.A. ("Santander Investment Bolsa") and is provided for information purposes only. This document must not be considered as an offer to sell or a solicitation of an offer to buy. Any decision by the recipient to buy should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with the CNMV (Spanish National Securities Market Commission) and available from the CNMV, the company governing the related market (Sociedad Rectora de la Bolsa) and the company issuing the security. This report is issued in the United States by Santander Investment Securities, Inc. ("SIS"), in Spain by Santander Investment Bolsa and in the United Kingdom by Banco Santander Central Hispano S.A., London Branch ("SCH London"), which is regulated by the Financial Services Authority in the conduct of its investment business in the UK. SIS, Santander Investment Bolsa and SCH London are members of Grupo Santander. This report is not being issued to private customers.

The information contained herein has been compiled from sources believed to be reliable, but while all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgement as at the date of this report and are subject to change without notice. From time to time, Grupo Santander, its affiliates and/or any of its officers or directors may have a position, or otherwise be interested in, transactions in securities which are directly or indirectly the subject of this report.

Grupo Santander, or its affiliates, may from time to time perform services for or solicit business from any company mentioned in this report. Grupo Santander, its affiliates or any other person do not accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose.

Any US recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with the company distributing the research, SIS at (212) 692-2550, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the US Securities Exchange Act of 1934) under this report and its dissemination in the United States. US recipients of this report should be advised that this research has been produced by a non-member affiliate of SIS and, therefore, by rule, not all disclosures required under NASD Rule 2711 apply.

© Santander Investment Bolsa, Sociedad de Valores, S.A., 2005. All Rights Reserved.

