

# IBEX35

## Decision Uncertain due to Timing of Amadeus TOB

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### Potential Changes in the IBEX35

Entry Candidates	Volume Traded <sup>1</sup> (€mn)	Potential Weighting (%)
Cintra	1,293.6	0.73
REE	1,170.6	0.75
Antena 3	779.7	0.62

  

Exit Candidates	Volume Traded <sup>1</sup> (€mn)	Current Weighting (%)
NH Hoteles	455.8	0.35
Banesto	459.6	0.49
Prisa	581.1	0.59

(1) Adjusted trading volumes from December 1, 2004 to March 31, 2005.  
Source: Sociedad de Bolsas and Santander Central Hispano Bolsa.

### Adjusted Monthly Volumes of Entry Candidates, Dec 2004-March 2005

(€mn)	Dec-04	Jan-04	Feb-05	Mar-05	Total (4M)
Cintra	228.6	464.4	299.5	301.1	<b>1,293.6</b>
REE	385.8	144.1	364.5	276.2	<b>1,170.6</b>
Antena 3	129.6	207.6	246.8	195.8	<b>779.7</b>

Source: Sociedad de Bolsas and Santander Central Hispano Bolsa.

### Adjusted Monthly Volumes of Exit Candidates, Dec 2004-March 2005

(€mn)	Dec-04	Jan-04	Feb-05	Mar-05	Total (4M)
NH Hoteles	88.8	124.3	107.8	135.0	<b>455.8</b>
Banesto	78.9	152.5	123.6	104.6	<b>459.6</b>
Prisa	88.0	130.8	233.2	129.1	<b>581.1</b>

(1) Adjusted trading volumes from December 1, 2004 to March 31, 2005.  
Source: Sociedad de Bolsas and Santander Central Hispano Bolsa.

On June 8, the IBEX committee is to meet to announce the IBEX35 changes based on the clean trading volumes from December 2004 to May 2005. After four months (two-thirds of the period), Cintra looks the most likely to enter the IBEX35 (it ranks 21<sup>st</sup> by accumulated trading volume since December 1). Cintra would have an index weighting of 0.73% and its inclusion would trigger tracker fund purchases of around four days' daily volume.

REE (which ranks 24<sup>th</sup> by accumulated trading volume) is the other main entry candidate after its exclusion in the last revision (two of the last three revisions have seen the re-inclusion of former members). It would weigh 0.75% of the IBEX35 and would trigger demand equivalent to three days' trading volume.

Jazztel ranks eighth by trading volume, but falls short of the 0.30% minimum IBEX weighting (only 0.26%). Its share price would need to average €1.40 in April-May (30% above current prices) to reach the 0.30% average weight required by the IBEX committee. However, Jazztel should be a clear candidate for the next revision in December 2005 (it would only need to average €1.11/share in the period).

Another key issue is Amadeus. The final bid for Amadeus was submitted on April 8, but CNMV approval and the acceptance period will probably take until mid-June (after the IBEX committee meeting). The IBEX committee might decide to: (1) make just one change (removing NH Hoteles and including Cintra) and wait for the conclusion of the takeover bid for Amadeus (which would be excluded automatically if acceptance exceeds 80% as its weighting would fall below 0.30%) before including REE; or (2) make two changes in June, bringing Cintra and REE in to replace NH Hoteles and Banesto, and waiting for the Amadeus deal to be finalised before replacing it with Antena 3. We believe that the first option is more likely in order to give stability to the index.

## MAKING MONEY BY PLAYING CHANGES IN THE IBEX35

As shown in the table below, successfully identifying the changes in the IBEX 35 three months ahead of the reviews would have made (assuming long positions in the entry candidates and short positions in the exit candidates, and equal weightings in all the positions) an average absolute return of 3.8% (2.1% higher than on the IBEX35 itself). Looking at our research on the last ten ordinary reviews in the past five years, following this strategy would have yielded a negative absolute return on four occasions (all in the last five revisions).

Moreover, for long-only investors, a portfolio of stocks joining the IBEX would have yielded an absolute return of 14.9% and been positive in eight of the ten revisions (note that there were no changes in the IBEX35 components in the December 2001 review).

**Figure 1. IBEX 35 – Index Reviews and Performance 2M Prior to Change in Composition**

	IN	IN	OUT	OUT	IBEX35	IBEX Changes
<b>13-Dec-2004</b>	SacyrValleherm	Telecinco	REE	Zeltia	–	–
<b>-2M</b>	20.8	4.3	24.7	24.3	14.3	-6.0
<b>8-Jun-2004</b>	B. Sabadell	–	Sacyr-Vallehermoso	–	–	–
<b>-2M</b>	6.8	–	-11.9	–	-3.4	9.3
<b>11-Dec-2003</b>	Banesto	Prisa	Dragados	Terra	–	–
<b>-2M</b>	7.6	15.4	–	-0.2	6.6	7.6
<b>11-Jun-2003</b>	Mapfre	–	Prisa	–	–	–
<b>-2M</b>	20.8	–	36.0	–	5.4	-7.6
<b>9-Dec-2002</b>	Metrovacesa	Vallehermoso	Alba	Sol Meliá	–	–
<b>-2M</b>	26.5	20.6	8.9	14.7	17.3	5.9
<b>11-Jun-2002</b>	Iberia	–	TelePizza	–	–	–
<b>-2M</b>	24.5	–	7.0	–	-5.2	8.8
<b>11-Dec-2001*</b>	–	–	–	–	–	–
<b>-2M</b>	–	–	–	–	–	–
<b>12-Jun-2001</b>	Inditex	–	Picking Pack	–	–	–
<b>-2M</b>	28.2	–	-10.6	–	-2.1	19.4
<b>12-Dec-2000</b>	T. Móviles	Picking Pack	Aguas	Vallehermoso	–	–
<b>-2M</b>	0.8	-9.4	10.8	-1.3	-8.1	-4.5
<b>7-Jun-2000</b>	REE	Zeltia	Aumar	Mapfre	–	–
<b>-2M</b>	19.0	2.5	14.4	-6.2	-9.3	3.3

(\*) Note that there were no changes in the IBEX35 components in the December 2001 revision.  
Source: Sociedad de Bolsas, Bloombergs and Santander Central Hispano Bolsa.

### IBEX35 REVISION OF JUNE 8

On the front page we have already analysed the implications of the likely changes in the IBEX this time round. If both NH Hoteles and Banesto were excluded from the IBEX35, the negative impact in terms of selling pressure by tracker funds would be equivalent to five and seven days' trading, respectively.

Another possible change might derive from the reduction in TPI's free float factor (FFF) from 80% to 60% as a result of retiring treasury stock (2%), thus lowering its IBEX35 weighting to 0.45% from 0.60%. The corresponding selling pressure from tracker funds might reach the equivalent of five days' trading. However, we do not rule out the possibility of Telefónica placing a small stake (above 2%) in the market to avoid TPI's FFF being reduced.



Figure 2. Ranking by Total Adjusted Volume, December 2004-March 2005 (€ mn)

Rank	Code	Company	Oct-04	Nov-04	Dec-04	Jan-04	Feb-05	Mar-05	Total (6M)	Total (4M)	
1	TEF	Telefónica	9,421.0	10,233.8	8,110.0	8,910.1	9,130.4	8,852.6	54,658.1	35,003.2	IBEX
2	SAN	Grupo Santander	6,677.5	10,011.4	4,704.8	6,622.5	8,383.1	6,842.8	43,242.1	26,553.2	IBEX
3	BBVA	BBVA	6,620.8	5,502.4	3,681.0	5,290.4	5,125.2	5,586.0	31,805.7	19,682.5	IBEX
4	REP	Repsol YPF	2,837.0	2,904.8	2,650.9	3,089.2	3,308.7	3,203.0	17,993.5	12,251.7	IBEX
5	ELE	Endesa	1,757.3	2,103.7	1,630.5	1,872.8	2,869.4	2,590.0	12,823.7	8,962.7	IBEX
6	IBE	Iberdrola	1,357.3	1,364.7	1,332.4	1,333.1	1,797.2	1,725.3	8,910.0	6,188.0	IBEX
7	ALT	Altadis	759.1	839.6	998.7	964.7	969.8	1,368.7	5,900.5	4,301.9	IBEX
8	<b>JAZ</b>	<b>Jazztel</b>	<b>528.5</b>	<b>1,286.8</b>	<b>483.6</b>	<b>189.4</b>	<b>1,288.6</b>	<b>2,283.1</b>	<b>6,060.0</b>	<b>4,244.7</b>	
9	POP	Banco Popular	1,275.5	856.6	593.2	912.2	991.6	1,252.2	5,881.3	3,749.2	IBEX
10	ITX	Inditex	486.4	640.5	569.7	618.9	678.5	644.8	3,638.8	2,511.8	IBEX
11	AMS	Amadeus	327.3	438.8	715.0	826.4	390.0	289.0	2,986.5	2,220.3	IBEX
12	SGC	Sogecable	486.3	502.3	260.0	565.9	926.0	372.4	3,112.9	2,124.3	IBEX
13	ACS	ACS	263.9	371.0	367.6	556.7	656.1	478.2	2,693.5	2,058.5	IBEX
14	UNF	Unión Fenosa	304.8	426.2	395.7	407.6	491.0	715.7	2,740.9	2,009.9	IBEX
15	ACX	Acerinox	353.6	279.0	352.3	374.8	645.9	405.4	2,411.0	1,778.4	IBEX
16	TEM	Telefónica Móviles	299.2	295.0	402.6	538.5	409.7	297.2	2,242.3	1,648.1	IBEX
17	TL5	Telecinco	640.4	333.3	347.2	485.8	456.9	324.0	2,587.5	1,613.8	IBEX
18	LOR	Arcelor	365.6	297.2	287.8	358.0	390.0	378.5	2,077.2	1,414.4	IBEX
19	GAM	Gamesa	426.5	563.1	413.6	398.2	325.6	262.0	2,389.1	1,399.5	IBEX
20	IBLA	Iberia	296.6	377.9	291.1	283.8	313.7	414.9	1,978.0	1,303.5	IBEX
21	<b>CIN</b>	<b>Cintra</b>	<b>709.7</b>	<b>418.5</b>	<b>228.6</b>	<b>464.4</b>	<b>299.5</b>	<b>301.1</b>	<b>2,421.8</b>	<b>1,293.6</b>	
22	GAS	Gas Natural	285.7	341.0	242.0	311.2	330.2	341.3	1,851.3	1,224.6	IBEX
23	ENG	Enagás	123.1	163.1	282.4	294.5	365.8	276.5	1,505.5	1,219.2	IBEX
24	<b>REE</b>	<b>REE</b>	<b>95.3</b>	<b>125.9</b>	<b>385.8</b>	<b>144.1</b>	<b>364.5</b>	<b>276.2</b>	<b>1,391.8</b>	<b>1,170.6</b>	
25	FER	Ferrovial	255.6	379.0	208.7	308.6	293.1	330.1	1,775.0	1,140.4	IBEX
26	ABE	Abertis	291.0	306.7	195.5	251.8	343.4	319.8	1,708.1	1,110.5	IBEX
27	SAB	Banco Sabadell	190.1	244.5	137.2	345.3	288.2	217.0	1,422.1	987.6	IBEX
28	MVC	Metrovacesa	176.4	155.3	162.3	228.5	214.6	369.1	1,306.2	974.5	IBEX
29	SYV	Sacyr-Vallehermoso	245.1	251.6	259.3	196.9	269.0	124.1	1,345.9	849.3	IBEX
30	FCC	FCC	114.8	106.2	182.7	230.5	243.2	189.1	1,066.5	845.5	IBEX
31	IDR	Indra	185.1	194.8	162.4	222.7	220.3	198.7	1,184.0	804.1	IBEX
32	A3TV	Antena 3	260.9	122.0	129.6	207.6	246.8	195.8	1,162.6	779.7	
33	ANA	Acciona	144.1	179.9	191.4	186.7	218.4	177.6	1,097.9	774.0	IBEX
34	TPI	TPI	121.1	127.7	161.7	125.7	251.2	173.0	960.3	711.6	IBEX
35	MAP	Corp. Mapfre	103.1	153.1	118.6	163.7	257.2	165.8	961.4	705.2	IBEX
36	ZEL	Zeltia	85.0	86.8	99.2	83.2	280.1	200.2	834.5	662.6	
37	FAD	Fadesa	65.2	101.8	122.7	158.2	165.9	173.9	787.7	620.8	
38	BKT	Bankinter	184.5	141.0	108.7	121.4	131.9	238.8	926.3	600.8	IBEX
39	<b>PRS</b>	<b>Prisa</b>	<b>150.4</b>	<b>119.1</b>	<b>88.0</b>	<b>130.8</b>	<b>233.2</b>	<b>129.1</b>	<b>850.6</b>	<b>581.1</b>	<b>IBEX</b>
40	EVA	Ebro Puleva	61.9	48.5	97.4	105.3	183.7	165.4	662.2	551.8	
41	ALD	Aldeasa	19.2	25.2	104.4	221.7	91.1	115.6	577.3	532.8	
42	<b>BTO</b>	<b>Banesto</b>	<b>187.0</b>	<b>207.2</b>	<b>78.9</b>	<b>152.5</b>	<b>123.6</b>	<b>104.6</b>	<b>853.8</b>	<b>459.6</b>	<b>IBEX</b>
43	<b>NHH</b>	<b>NH Hoteles</b>	<b>162.7</b>	<b>87.1</b>	<b>88.8</b>	<b>124.3</b>	<b>107.8</b>	<b>135.0</b>	<b>705.6</b>	<b>455.8</b>	<b>IBEX</b>
44	ECR	Ercros	2.1	8.8	126.1	87.3	114.6	63.8	402.8	391.9	
45	AVZ	Avanzit	25.6	16.3	16.9	80.3	153.4	106.5	398.9	357.0	
46	TRR	Terra	16.1	18.8	36.6	40.7	178.6	42.1	332.9	298.0	
47	AGS	Aguas Barcelona	62.3	45.7	71.6	70.4	60.3	59.2	369.5	261.5	
48	LOG	Logista	27.1	28.5	83.5	50.3	59.2	67.8	316.5	260.9	
49	TPZ	TelePizza	27.6	40.7	32.1	71.3	64.9	53.1	289.8	221.4	

Source: Sociedad de Bolsas and Santander Central Hispano Bolsa

Figure 3. IBEX 35 – Ranking by Total Adjusted Volume and Average Market Cap Weighting, Dec 2004-Mar 2005

Rank	Code	Company	Total Volume <sup>1</sup> (€mn)	Free Float Adjust (%)	Adj Avg Mkt Cap <sup>1</sup>		IBEX35	Comments
					Total (€mn)	Weight (%)		
1	TEF	Telefónica	35,003	100.0	68,448.7	20.25	IBEX	
2	SAN	Grupo Santander	26,553	100.0	44,247.8	13.09	IBEX	
3	BBVA	BBVA	19,682	100.0	43,573.2	12.89	IBEX	
4	REP	Repsol YPF	12,252	100.0	24,116.7	7.13	IBEX	
5	ELE	Endesa	8,963	100.0	18,168.3	5.37	IBEX	
6	IBE	Iberdrola	6,188	100.0	17,341.5	5.13	IBEX	
7	ALT	Altadis	4,302	100.0	9,422.4	2.79	IBEX	
8	JAZ	Jazztel	4,245	100.0	884.8	0.26		Below minimum entry level (0.30%)
9	POP	Banco Popular	3,749	100.0	12,119.8	3.59	IBEX	
10	ITX	Inditex	2,512	60.0	8,360.3	2.47	IBEX	
11	AMS	Amadeus	2,220	100.0	4,248.8	1.26	IBEX	Pending end of TOB acceptance period
12	SGC	Sogecable	2,124	80.0	3,155.1	0.93	IBEX	
13	ACS	ACS	2,059	100.0	6,486.1	1.92	IBEX	
14	UNF	Unión Fenosa	2,010	100.0	6,379.8	1.89	IBEX	
15	ACX	Acerinox	1,778	100.0	3,203.1	0.95	IBEX	
16	TEM	Telefónica Móviles	1,648	10.0	4,111.8	1.22	IBEX	
17	TL5	Telecinco	1,614	60.0	2,407.3	0.71	IBEX	
18	LOR	Arcelor	1,414	60.0	5,590.3	1.65	IBEX	
19	GAM	Gamesa	1,399	80.0	2,030.6	0.60	IBEX	
20	IBLA	Iberia	1,303	100.0	2,403.1	0.71	IBEX	
21	CIN	Cintra	1,294	60.0	2,488.2	0.74		Entry candidate
22	GAS	Gas Natural	1,225	60.0	6,014.6	1.78	IBEX	
23	ENG	Enagás	1,219	80.0	2,273.3	0.67	IBEX	
24	REE	REE	1,171	100.0	2,381.7	0.70		Entry candidate
25	FER	Ferrovial	1,140	80.0	4,812.9	1.42	IBEX	
26	ABE	Abertis	1,110	100.0	8,344.4	2.47	IBEX	
27	SAB	Banco Sabadell	988	100.0	5,666.6	1.68	IBEX	
28	MVC	Metrovacesa	974	100.0	2,303.8	0.68	IBEX	
29	SYV	Sacyr-Vallehermoso	849	80.0	2,516.8	0.74	IBEX	
30	FCC	FCC	846	60.0	2,896.1	0.86	IBEX	
31	IDR	Indra	804	100.0	1,938.1	0.57	IBEX	
32	A3TV	Antena 3	780	60.0	1,931.7	0.57		Entry candidate
33	ANA	Acciona	774	80.0	3,415.1	1.01	IBEX	
34	TPI	TPI	712	80.0	2,032.1	0.60	IBEX	FFF to be adjusted to 60% after buyback
35	MAP	Corp. Mapfre	705	80.0	2,174.3	0.64	IBEX	
36	ZEL	Zeltia	663	100.0	1,197.0	0.35		
37	FAD	Fadesa	621	80.0	1,440.5	0.43		
38	BKT	Bankinter	601	100.0	3,018.1	0.89	IBEX	
39	PRS	Prisa	581	60.0	2,037.1	0.60	IBEX	Exit candidate
40	EVA	Ebro Puleva	552	100.0	1,811.4	0.54		
41	ALD	Aldeasa	533	100.0	696.8	0.21		
42	BTO	Banesto	460	20.0	1,563.4	0.46	IBEX	Exit candidate
43	NHH	NH Hoteles	456	100.0	152.0	0.04	IBEX	Exit candidate
44	ECR	Ercros	392	100	245.6	0.07		
45	AVZ	Avanzit	357	100.0	51.2	0.02		
46	TRR	Terra	298	40.0	767.1	0.23		
47	AGS	Aguas Barcelona	262	80.0	1,801.1	0.53		
48	LOG	Logista	261	60.0	1,110.9	0.33		
49	TPZ	TelePizza	221	100.0	376.6	0.11		
50	OHL	OHL	214	80.0	544.3	0.16		

(1) From December 1, 2004 to March 31, 2005.

Note: Companies in boxes are candidates to enter the index, while those shaded in grey are candidates for removal.

Source: Sociedad de Bolsas (adjusted trading volumes for December 2004-March 2005) and Santander Central Hispano Bolsa.

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### Key to Investment Codes

<b>Buy</b>	Upside of more than 15%.
<b>Hold</b>	Upside of 10%-15%.
<b>Underweight</b>	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.

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