

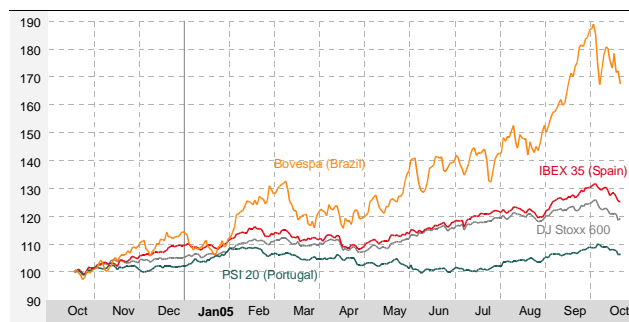
THE IBERIAN STRATEGY OBSERVER

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World Indices – Market Performance



Source: JCF.

Asset Class Monitor

	Closing	-1W	-1M	QTD	YTD
	21-Oct				
DJ Stoxx 600	284.6	-1.8	-2.8	-4.6	13.1
S&P 500	1,177.8	0.1	-2.7	-4.2	-2.8
10Y Euro bond yield	3.29	-0.7	8.2	4.3	-11.1
10Y US bond yield	4.43	-0.7	6.8	2.9	5.5
3M Euro interest rates	2.19	0.1	2.4	0.5	1.5
3M US interest rates	3.83	1.1	13.1	8.2	73.0
€/US\$	1.20	-0.2	-1.3	0.2	-11.1
Brent crude oil (US\$)	56.4	-1.9	-11.1	-9.3	41.1
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	
	05E	06F	05E	06F	EPS	EBITDA	06F	06F
CAC40	14.7	13.1	6.3	5.7	9.8	11.0	3.0	2.3
DAX30	13.1	12.2	3.8	3.5	14.1	9.3	3.3	1.6
MIB30	17.1	15.1	4.3	4.2	9.6	7.0	3.9	2.4
PSI20	14.8	13.3	8.9	8.4	8.8	7.1	4.0	2.1
IBEX35	25.0	15.3	6.9	6.5	10.5	5.5	3.4	3.2
DJ Stoxx 600	16.7	15.2	6.9	6.4	10.1	11.8	3.2	3.1
DJ Stoxx 50	14.5	13.3	5.3	5.0	10.7	11.7	3.5	2.8
DJ Euro Stoxx 50	12.9	12.1	4.6	4.4	10.3	7.7	3.7	2.1
Ib Cap Goods	9.9	11.7	4.6	5.2	-24.0	-24.4	3.0	1.6
Ib Construction	19.0	16.9	9.8	8.9	14.4	11.2	1.8	2.8
Ib Cons Goods	21.0	18.5	9.7	8.6	-1.8	-3.4	3.0	4.1
Ib Cons Serv	16.4	19.3	10.9	11.5	0.1	3.3	1.7	2.9
Ib Financials	13.7	12.6	NA	NA	18.6	NA	3.6	2.3
Ib Oil & Gas	13.7	12.2	7.0	6.8	4.6	-2.8	2.3	2.3
Ib TMTs	36.8	28.1	13.0	11.4	-21.5	-35.1	1.5	7.9
Ib Utilities	16.2	16.3	7.6	8.1	-10.6	-8.9	3.4	4.3

Source: Bloomberg, JCF and SI Bolsa estimates and forecasts.

Strategy Highlights

- Some commentators have labelled this round of profit-taking 'interest rate fears'.
- We remain bullish and believe that the current correction will be short lived (although a 1%-2% additional downside cannot be ruled out).
- Bargain hunting in the Spanish equity market at these levels should work.

Hot Spots

- We believe **Portugal Telecom**, one of Europe's 'ugly ducklings', represents a good investment opportunity.
- Underweight **EDP** on worsening fundamentals due to competition and regulations.
- Play the Spanish media sector through **Prisa**.
- The publication of the National Energy Plan guidelines shed little light, but should be more positive for **Enagás** than **REE**.

Relative Market Performance

	Closing				
	21-Oct	-1W	-1M	QTD	YTD
CAC40	4,610.5	3.0	4.8	9.0	20.7
DAX30	5,050.4	3.4	4.6	10.1	18.7
MIB30	34,975.0	1.6	4.3	8.1	12.0
PSI20	8,070.4	1.3	3.2	7.5	6.2
IBEX35	10,836.0	1.9	8.3	10.8	19.3
DJ Stoxx 600	297.4	1.8	4.4	7.8	18.5
DJ Stoxx 50	3,263.4	2.1	4.8	7.5	17.6
DJ Euro Stoxx 50	3,431.8	3.0	5.1	7.9	16.3
Ib Cap Goods	NA	-1.4	0.3	-1.4	15.4
Ib Construction	NA	-1.5	-0.2	-1.5	51.3
Ib Cons Goods	NA	-0.9	2.4	-0.9	16.1
Ib Cons Serv	NA	-0.8	5.7	-0.8	43.0
Ib Financials	NA	-0.5	3.7	-0.5	15.6
Ib Oil & Gas	NA	-4.0	1.0	-4.0	28.4
Ib TMTs	NA	1.7	2.7	1.7	0.0
Ib Utilities	NA	-1.0	4.7	-1.0	24.3

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%	↓	↓	We are increasingly concerned about the deceleration in the Spanish economy and the 'inflated' real estate sector. Recent signs of a soft landing for the real estate sector could prompt a de-rating of Spanish banks. The smaller banks have benefited from M&A speculation, which seems a little excessive at the moment.	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 and industrial companies through a restructuring story (Uralita).	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) or exposure to discretionary consumption.	Inditex, Ebro Puleva, Viscofán
Financial Services	0.9%	↓	↓	Cautious management teams at southern European insurers offer a degree of safety in a sector penalised by the equity markets' sharp fall. The current low discount to SOTP valuations gives limited upside to 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 continue their de-leveraging process, disposing of non-core activities and focusing on 'back-to-basics' strategies after the Internet hype. Latam exposure and generous shareholder remuneration policies should provide further upside in the short term. We recommend switching from TV players to newspapers in the short run.	TEF, Prisa, Sogecable
Utilities	10.4%	↓	↓	Advances in 'integration strategies' and financial de-leveraging are the basis for long-term outperformance. However, uncertainty regarding the implementation and the effects of the EU's ETS continues to drag on Spanish electricity stocks. We believe their underperformance versus their European peers is deserved.	Endesa

Source: Santander Investment Bolsa estimates.

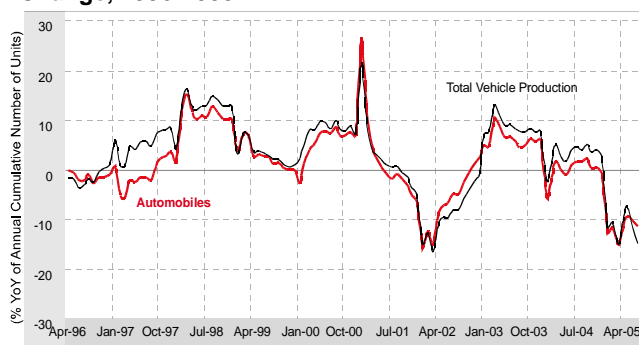
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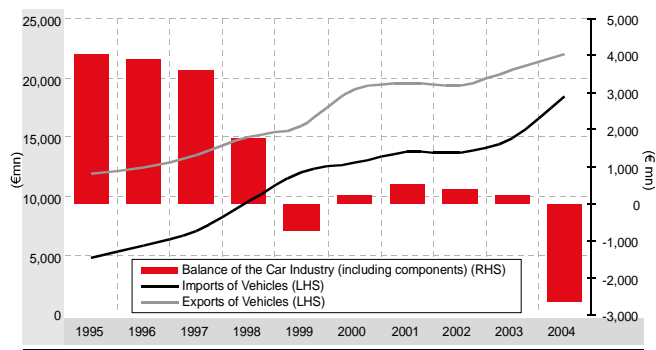
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Spain – Production of Units, Annual Cumulative Change, 1996-2005



Source: INE, Mineco and Santander Investment Bolsa.

Spain – Imports vs Exports in the Car Industry, 1990-2004



Source: AEAT-Aduanas and Santander Investment Bolsa.

Things to Watch during the Week

In the US:

- (1) 3QA GDP preliminary on the upside.
- (2) Watch out for consumer confidence increases.
- (3) Durable orders ex transport retreat slightly.
- (4) Weekly unemployment figures again likely to be distorted.
- (5) Existing home sales at record levels.

In the Euro Zone:

- (1) IFO in September could increase slightly.
- (2) Germany's CPI could decline in October.
- (3) Euro zone's M3 continues to grow above target.
- (4) Euro Zone industrial confidence poised to improve.
- (5) Euro zone's CPI estimate for October retreats.

- The battery of data published in the past two weeks continued to show the Spanish economy's strong resilience to a deceleration as industrial orders rose sharply again. However, the disequilibria in terms of current account deficit and the inflation differential with Europe persists, further diminishing Spain's competitive position the exterior sector.
- The latest data tally with our call for a recovery by the European economy in 2H05E (led by Germany). The data from Italy continue to surprise on the upside. Last week we saw another increase in consumer confidence in Italy that points to a recovery on the consumer side; in fact, the latest data for retail sales showed a strong advance from August. Italian industrial order figures accelerated too, pointing to an increase in industrial production in 2H05. However, European consumer prices climbed sharply due to the pressure from energy prices – although we still do not see a second round effect.
- Last week there was no significant economic news from the other side of the Atlantic. Weekly unemployment figures continued to be influenced by *Katrina*, although the figures excluding the effects of the hurricane were quite good. The key data of the week came from the producer prices release, which showed a sharp increase due to energy. The only data published on real activity was the Philly Fed Index, which accelerated in October on the good performance of all the components.
- In our Macro Corner we analyse the situation of the Spanish automobile industry. Given the weight that it has in the economy, its negative performance so far in 2005 could be felt by the economy in the coming quarters unless there is a significant improvement in activity levels in the short run. So far this year, production has declined and the external sector has had a weak performance, with imports exceeding exports.

ECONOMIC CALENDAR

Macro Data Published Last Week

Day	Time	Country	Indicator/Event	Period	Reference Data	Forecast	Real
MONDAY	14:30	US	Empire Manufacturing	Oct	17.0	20	12.1
	17-Oct	Italy	Current Account (mn) (€)	Aug	2,765.0	-100.0	-
TUESDAY	8:00	Germany	Producer Prices (m/y)	Sep	0.3/4.6	0.5/4.9	0.4/4.9
	18-Oct	France	Current Account (mn)(€)	Aug	-2,332	-2,650	-2,321
	11:00	Euro Zone	CPI (m/y)	Sep	0.3/2.2	0.4/2.5	0.5/2.6
	11:00	Euro Zone	Zew Survey (Econ. Sentiment)	Oct	31.8	36.3	34.7
	11:00	Euro Zone	Labour Costs (y)	2Q2	2.3	2.3	2.3
	11:00	Germany	Zew Survey (Econ.Sentiment)	Oct	38.6	42.0	39.4
	14:30	US	Producer Price Index (m/y)	Sep	0.6/5.1	1.1/5.8	1.9/6.9
		US	PPI Ex Food & Energy (m/y)	Sep	0.0/2.4	0.3/2.6	0.3/2.6
	16:00	US	Net Foreign Security Purchases (bn)	Aug	87.4	57.5	91.3
	19:00	US	NAHB Housing Market Index	Oct	65	64	67
	23:00	US	ABC Consumer Confidence	Oct 16	-19	-	-17
WEDNESDAY	11:00	Euro Zone	Ind. Production (sa/wda)(m/y)	Aug	0.2/0.5	-0.2/1.0	0.8/2.6
	19-Oct	US	MBA Mortgage Applications	Oct 14	-2.6	-	6.1
	14:30	US	Housing Starts	Sep	2,009k	1970k	2,108k
	14:30	US	Building Permits	Sep	2,138kr	2,058k	2,189k
	20:00	US	Fed's Beige Book				
THURSDAY	9:00	Spain	Factory Orders (y)	Aug	2.2r	-	9.3
	20-Oct	Italy	Trade Balance Non-EU (mn)(€)	Aug	-373.0r	-1025.0	-2,102.0
	11:00	Euro Zone	Trade Balance(sa)(bn)	Aug	7.9	2.2	-2.6
	11:00	Italy	Industrial Orders (sa/nsa) (m/y)	Aug	4.1/5.6	-1.5r/4.8	1.0/12.9
	11:00	Italy	Industrial Sales (sa/nsa)	Aug	1.9r/0.6	-0.2/0.7	6.6/11.1
	14:30	US	Initial Jobless Claims	Oct 15	390K	365K	355k
	14:30	US	Continuing Claims	Oct 8	2,858kr	2,880k	2,894k
	16:00	US	Leading Indicators	Sep	-0.1r	-0.5	-0.7
	18:00	US	Philadelphia Fed	Oct	2.2	10.0	17.3
FRIDAY	9:00	Spain	Services Sector Turnover (y)	Aug	4.8	-	9.0
	21-Oct	France	Consumer Spending (m/y)	Sep	1.5/5.5	-1.5/3.5	-0.6/4.2
	10:00	Italy	Retail Sales (m/y)	Aug	-0.3/-2.1	0.1/-0.2	0.6/2.4

Macro Data Published This Week

Day	Time	Country	Indicator/Event	Period	Reference Data	Forecast
DURING THE WEEK	25-28	Germany	Import Price Index (m/y)	Sep	0.9/4.7	0.2/4.8
MONDAY	9:00	Spain	Hotel Price Index (y)	Sep	2.5	-
	24-Oct	Euro Zone	ECB Current Account (bn)(€)	Aug	-5.9	-
	11:00	Euro Zone	Industrial New Orders (m/y)	Aug	-1.6/1.2	-
TUESDAY	8:00	Spain	Producer Prices (m/y)	Sep	0.8/4.9	0.6/5.2
	25-Oct	Germany	Ifo-Business Climate	Oct	96.0	96.1
		Germany	Consumer Price Index (m/y)	Oct P	0.4/2.5	-0.1/2.3
	14:30	US	Existing Home Sales (mn)	Sep	7.29	7.20
	14:30	US	Richmond Fed Index	Oct	8	5
	16:00	US	Consumer Confidence	Oct 16	86.6	88.5
WEDNESDAY	8:45	France	Business Confidence Indicator	Oct	100	101
	26-Oct	France	Production Outlook Indicator	Oct	-14	-11
	9:30	Italy	Business Confidence	Oct	89.5	89.5
	10:00	Italy	Hourly Wages (m/y)	Sep	0.1/2.9	-
THURSDAY	8:00	Germany	GfK Consumer Confidence			
	27-Oct	France	October Quarterly Manufacturing Survey			
	14:30	US	Durable Goods Orders	Sep	3.4	-1.0
	14:30	US	Durables Ex Transportation	Sep	4.2	1.2
	14:30	US	Initial Jobless Claims	Oct 22	355k	-
	14:30	US	Continuing Claims	Oct 15	2,894k	-
FRIDAY	8:45	France	Unemployment Change (000s)	Sep	-6k	-7k
	28-Oct	France	Producer Prices (m/y)	Sep	0.3/2.8	0.2/3.0
	9:00	Spain	Unemployment Rate (survey)	3Q	9.33	-
	9:00	Spain	CPI (EU Harmonised) (y)	Oct P	3.7	3.7
	10:00	Euro Zone	M3 (sa)(y)	Sep	8.1	8.2
	11:00	Euro Zone	Business Climate Indicator	Oct	0.07	-
	11:00	Euro Zone	Industrial Confidence	Oct	-7	-6
	11:00	Euro Zone	Consumer Confidence	Oct	-15	-15
	11:00	Euro Zone	Economic Confidence	Oct	98.6	98.9
	11:00	Euro Zone	Services Confidence	Oct	11	-
	11:00	Euro Zone	CPI Estimate (y)	Oct	2.6	2.4
	14:30	US	GDP Annualised	3QA	3.3	3.5
	14:30	US	GDP Price Index	3QA	2.6	2.8

(m) % MoM; (y) % YoY; (q) % QoQ; (a) annualised; (I) Index; (k) thousands; (mn) millions; (bn) billions; (r) revised; (F) final; (P) preliminary; (sa) seasonally-adjusted; (nsa) non-seasonally adjusted.

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



STRATEGIST CORNER

DON'T CALL IT 'INTEREST RATE FEARS'; IT'S PROFIT-TAKING

In this week's *Strategist Corner*, we analyse the current correction in the Spanish equity market (down 5.2% in the last two weeks) linked to the weakness in European equity markets (down 4.7%), expectations of a rise in interest rate following some hawkish comments by the Fed and ECB officials (10Y bond yields have risen 27bp in Europe) and doubts about the outlook for 4Q05 and 2006 presented by companies that have released their 3Q05 results. However, in our view the key factor behind this correction is the very strong performance of the European equity markets in the previous six-month period, which suggested that the market was ready to take a break. We believe that profit-taking is the name of the game.

SPAIN, AN INTEREST RATE-SENSITIVE MARKET

As mentioned in our *Strategist Corner* of September 13: a drastic change in long bond yields could lead Spain to underperform its European peers. This is happening right now, and we believe that the Spanish equity market's structure (interest rate-sensitive sectors account for 74% of the market versus 43% for Europe) and Spain's strong relative performance relative to Europe (+21% in absolute terms between March and October, outperformance of 4% versus Europe) are behind this underperformance.

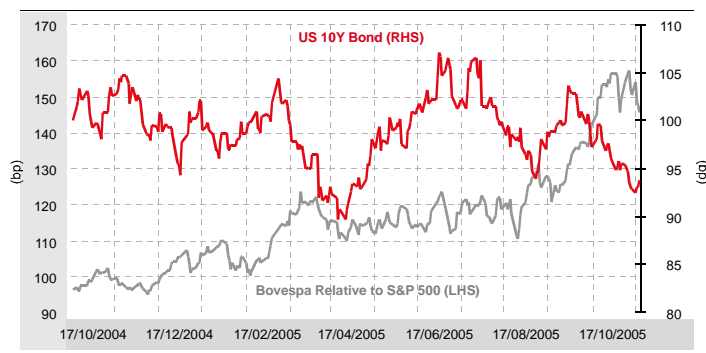
Spain – Relative Performance vs DJ Stoxx and 10Y Yields



Source: Datastream and Santander Investment Bolsa.

Moreover, its high Latam exposure (20% of the IBEX 35's valuation and 25% of its earnings) makes the Spanish market even more sensitive to interest rates. As interest rate fears rise in the US, Latam tends to underperform on the back of most of the countries' large financial debt and the fact that higher interest rates reduce the appeal of high-yield countries.

Brazil – Relative Performance vs 10Y US Bond Yields



Source: Datastream and Santander Investment Bolsa.

FOLLOWING IN THE FOOTSTEPS OF THE FEBRUARY CORRECTION

In February 2005, the markets took a very similar direction to that now, with equity market commentators indicating that the equity market was reacting to interest rate fears. As shown in the table below, bond yields have reversed their downward trend five times in Europe since the bull market resumed in March 2003. On three occasions (mid 2005 being the latest), the equity market continued to perform well and the increase in bond yields was generally much bigger than at present. In our view, the current downwards trend in equity market prices should be seen as profit-taking rather than ‘interest rate fears’.

Europe – Expansion in Bond Yields in Past Three Years

Beginning	End	10Y Yield Inc (bp)	IBEX35 (%)
13-Jun-03	10-Nov-03	103	6.0
25-Mar-04	14-Jun-04	59	1.9
10-Feb-05	14-Mar-05	34	-6.6
27-Jun-05	9-Aug-05	26	5.4
21-Sep-05	To date	27	-5.2

Source: Datastream and Santander Investment Bolsa.

In fact, analysing the February/March 2005 correction, Europe’s worst performers were the best performers in the September 2004/February 2005 rally, independent of their interest rate sensitivity. The October 2005 correction repeats the same pattern: underperformers in the March 2005/September 2005 rally have outperformed and vice versa. Interestingly, five out of eleven European sectors show a different relative performance to the European equity market in the October correction than in the February one.

European Sectors – Absolute and Relative Market Performance, September 2004 to Date

(% Change)	Absolute Performance				Relative Performance (vs DJ Stoxx)			
	Sept 2004- Feb 2005	Feb 2005- March 2005	March 2005- Sept 2005	Oct 2005- To Date	Sept 2004- Feb 2005	Feb 2005- March 2005	March 2005- Sept 2005	Oct 2005- To Date
Banks	21.9	-6.7	14.9	-4.9	6.7	-2.9	-2.1	-0.2
Basic Materials	22.9	-7.1	28.9	-7.7	7.6	-3.3	11.9	-3.0
Consumer Goods	11.6	-2.5	21.3	-5.4	-3.6	1.3	4.3	-0.7
Consumer Services	17.2	-6.0	6.9	-5.0	2.0	-2.2	-10.1	-0.3
Health Care	4.6	5.6	13.8	-1.1	-10.6	9.4	-3.1	3.6
Industrial	22.1	-5.9	20.8	-6.8	6.8	-2.1	3.8	-2.1
Insurance	23.3	-5.2	16.3	-3.1	8.1	-1.4	-0.6	1.6
Oil & Gas	13.2	-0.4	25.7	-8.7	-2.0	3.4	8.7	-4.0
Technology	19.9	-5.7	25.0	-6.6	4.7	-1.9	8.0	-1.9
Telecommunications	22.4	-7.2	9.5	-4.0	7.2	-3.3	-7.5	0.7
Utilities	22.1	-3.8	15.7	-6.1	6.9	0.0	-1.3	-1.4
IBEX35	27.1	-6.6	21.3	-5.2				
DJ Stoxx 600	17.8	-4.1	17.4	-5.3				
DJ Stoxx 50	15.2	-3.8	17.0	-4.7				

Source: Datastream and Santander Investment Bolsa.

BARGAIN HUNTING SHOULD WORK

In our view, the current round of profit-taking opens up some good bargain hunting opportunities in Spanish equities. If the market follows the February/March trend, the downside for the IBEX35 is limited (to around 1%-2%) and we see a good opportunity to take positions in stocks that we like: **Ferrovial**, **ACS** and **Acciona** in the construction sector; **Cintra** in motorways; **Repsol YPF** in energy; **Endesa** and **Enagás** in electric utilities; and **Prisa** in the media sector.

**IBEX35 – Absolute Performance, September 2005 to Date**

	Sept 2004- Feb 2005	Feb 2005- March 2005	March 2005- Sept 2005	Oct 2005- To Date
Abertis	31.6	-8.8	50.2	-7.4
Acerinox	23.6	-15.1	1.3	-5.8
ACS	47.3	-4.2	32.5	-7.9
Altadis	31.8	-2.5	13.2	-5.5
Antena 3	37.4	8.2	-2.3	-6.3
Arcelor	39.1	-16.6	27.8	-7.4
Banco Popular	21.7	-8.3	8.1	-4.5
Banco Sabadell	20.2	1.3	15.6	-5.8
Bankinter	40.0	-6.8	15.6	0.3
BBVA	26.5	-10.5	24.1	-4.5
Cintra	NA	-8.9	36.9	-15.1
Enagás	40.7	-5.3	24.1	-6.2
Endesa	22.7	-5.6	35.0	-7.9
FCC	35.2	6.7	20.0	-10.0
Ferrovial	34.1	-8.4	61.4	-17.8
Gamesa	0.4	-7.2	26.6	-9.1
Gas Natural	24.0	-5.8	11.0	-6.7
Grupo Acciona	48.0	-8.2	50.0	-10.3
Grupo Prisa	28.1	-7.6	10.6	-6.6
Grupo Santander	25.3	-7.2	21.6	-2.6
Iberdrola	22.5	0.1	17.5	-5.9
Iberia	37.4	-12.1	-2.1	0.5
Inditex	25.4	0.8	7.1	-1.1
Indra	39.4	-2.5	37.4	-6.4
Mapfre	34.6	-4.6	24.6	-0.9
Metrovacesa	19.8	8.1	65.1	-4.9
Red Eléctrica	41.8	-2.6	26.9	-7.6
Repsol	22.3	-2.4	36.9	-9.9
Sacyr-Vallehermoso	22.2	-1.6	85.8	-9.5
Sogecable	13.6	-10.1	13.8	-4.1
Telecinco	30.9	7.9	1.8	-9.1
Telefónica	30.0	-9.8	8.4	0.1
Telefónica Móviles	27.7	-11.8	3.1	-6.7
TPI	43.1	-1.9	1.4	-6.6
Unión Fenosa	24.8	4.2	17.9	-2.4
IBEX35	27.1	-6.6	21.3	-5.2

Source: Datastream and Santander Investment Bolsa.

HOT SPOTS

- In our recent note on **Portugal Telecom** (Buy, TP €8.62), we analysed the implications of the potential sale of PT's 50% stake in Vivo to Telefónica in exchange for cash and/or its 10% stake in PT or other assets. We believe that, although negotiations would probably not be easy, it is reasonable to assume that Telefónica would be willing to pay a premium, as it would gain management control and be able to restructure Vivo, with the potential synergies from integration with its other Latam operations. If Telefónica paid a 30% premium over our €1.7bn EV for Vivo, this could boost our fair value to €9.03/share. The sale would allow PT to reduce its risk profile, increase its speculative appeal and make a fresh start. But even if we are wrong, and the sale of Vivo does not materialise, we think PT's downside is limited. The stock has been the European sector's worst performer (-18.1% YTD vs +4.9% for the sector and +14.7% for Euro Stoxx 50), and it is now trading at a 10%-15% discount to the sector in terms of 2005E EV/EBITDA and EV/OCF, and a 0%-5% discount on 2006F multiples.
- We believe that **EDP** (U/W, TP €2.39) is facing a deteriorating environment. EDP is in a weaker strategic position following the wave of concentration in the Spanish electric utilities sector. Moreover, the Portuguese government seems willing to strengthen GALP's position in the domestic electricity market, while blocking EDP's ambitions in gas. While the 2006 tariff is higher than expected (ERSE is proposing a 5.6% increase), the announced creation of a tariff deficit (€388mn recoverable in the 2007-2011 tariff, equivalent to 9% of the total system revenues for 2006) adds uncertainty about the recovery of stranded costs (as highlighted by the CTC system created in Spain in 1998).
- The correction in media stocks and the good relative performance of **Sogecable** (Buy, TP €4.00) supports our view that Sogecable is the best way to play the increased competition in Spain's FTA TV segment. On the other hand, **Prisa** (which holds a 24.5% stake in Sogecable, accounting for 31% of its valuation) is still delivering strong results (advertising revenues up 14.3% in 9M05) and the valuation of its assets (ex-Sogecable) has de-rated sharply in the last few months (now trading at 6.9x EV/EBITDA and 13.6x P/E for 2006F). So, Prisa also offers a good way to play both Sogecable and undervalued media assets in the press, radio and educational publishing segments.
- On October 18, Spanish Industry Minister José Montilla presented the outlines of the long-awaited review of the National Energy Plan (2002-11), which envisages a 45% increase in investments for gas infrastructure (to €7.6bn) and 85% higher expenditure (to €5bn) in power networks. Given the lack of details, it is too early to draw conclusions as to the potential implications for the stocks. **Enagás** (Buy, TP €16.90) could increase its capex guidance to €900mn/year from €500mn at present. **REE** (U/W, TP €21.00) could increase its annual capex to €500mn in the period to 2011 vs our current estimate of €392mn.

Main Revisions in Recommendations and Target Prices

Date	Company	Rating		Target Price		%	2006F EPS		%	Comments
		New	Old	New	Old		New	Old		
13-Oct	Portugal Telecom	Buy	Hold	8.62	8.40	2.6	0.47	0.45	-4.0	Vivo disposal analysed
13-Oct	EDP	U/W	U/R	2.39	2.45	-2.4	0.22	0.18	23.7	Regulation and competition
28-Sept	Cimpor	U/W	N/R	3.85	N/R	-	0.28	N/R	-	Stretched valuation
26-Sept	Acciona	Buy	Buy	105.00	82.00	28.0	5.37	4.95	8.5	Better outlook for renewables
26-Sept	Corp Mapfre	U/W	U/W	14.00	11.50	21.7	1.18	1.01	16.8	Strong results and use of surplus capital
26-Sept	Enagás	Buy	Buy	16.90	14.50	16.6	0.84	0.83	1.2	Higher capex expectations
26-Sept	Faes	U/W	U/W	14.10	11.90	18.5	0.37	0.40	-7.5	Better visibility on Bilastina
26-Sept	Iberia	U/W	Hold	2.00	2.85	-29.8	0.07	0.09	-22.2	High oil prices affect P&L and valuation
26-Sept	Indra	Hold	Buy	17.00	15.80	7.6	0.77	0.77	0.0	Good performance forced downgrade

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	31-Dec-04	Absolute	Rel to Iberian Large Caps	Relative to IBEX35	-1M	-3M	-6M	YTD
Sogecable	30-Sep-04	31.18	32.66	-4.5	-14.3	-18.9	3.3	10.9	10.5	-3.2
BBVA	23-May-05	14.16	13.05	8.5	-1.2	-5.8	2.6	4.5	17.8	8.7
Ferrovial	16-May-03	58.45	39.32	48.7	38.9	34.3	-13.2	0.7	32.4	47.4
Endesa	22-Apr-05	20.99	17.29	21.4	11.7	7.1	-0.1	12.4	26.2	21.3
Repsol	17-Jul-03	24.22	19.16	26.4	16.7	12.1	-7.9	5.8	22.6	25.5
Inditex	04-Mar-05	24.30	21.70	12.0	2.2	-2.4	0.3	9.2	3.7	11.3
SI Bolsa Large Caps Model Portfolio	–	122.28	100.00	22.3	12.5	7.9	NA	NA	NA	22.3
Iberian Large Caps	–	109.75	100.00	9.7	0.0	-4.6	NA	NA	NA	9.7
IBEX35	–	10,382.30	9,080.80	14.3	4.6	0.0	-1.1	3.6	15.2	14.4
PSI 20	–	7,907.98	7,571.85	4.4	-5.3	-9.9	-0.7	5.1	1.0	3.8
DJ Stoxx 50	–	3,141.49	2,774.77	13.2	3.5	-1.1	-2	1.2	11.7	12.9

Source: Santander Investment Bolsa estimates and forecasts.

Iberian Small & Mid Caps – Santander Investment Bolsa Recommended List

Companies	Date of Inclusion	Price (€)		Market Performance (%)						
		Current	31-Dec-04	Absolute	Rel to Iberian SMCs	Relative to IBEX35	-1M	-3M	-6M	YTD
Obrascón Huarte	30-Dec-04	11.43	6.30	81.4	59.6	67.1	-9.8	-2.0	33.2	79.0
Sol Meliá	16-Feb-05	10.60	7.30	45.2	23.4	30.9	-6.1	-8.5	19.7	43.4
Prisa	30-Dec-04	15.23	15.62	-2.5	-24.3	-16.8	-3.3	-4.4	-0.3	-2.3
Enagás	23-May-05	14.21	12.20	16.5	-5.3	2.1	-5.4	-1.3	18.9	16.1
Viscofán	30-Dec-04	9.30	7.45	24.8	3.1	10.5	0.4	17.2	18.7	23.5
Prosegur	08-Mar-05	19.20	14.48	32.6	10.8	18.3	-6.8	0.2	13.9	31.8
SI Bolsa Small & Mid Caps Model Portfolio	–	132.13	100.00	32.1	10.4	17.8	NA	NA	NA	32.1
Iberian Small & Mid Caps	–	121.78	100.00	21.8	0.0	7.4	NA	NA	NA	21.8
IBEX35	–	10,382.30	9,080.80	14.3	-7.4	0.0	-1.1	3.6	15.2	14.4
PSI 20	–	7,907.98	7,571.85	4.4	-17.3	-9.9	-0.7	5.1	1.0	3.8
DJ Stoxx SML 200	–	148.61	129.16	15.1	-6.7	0.7	-6.0	-0.7	8.6	14.3

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.

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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.

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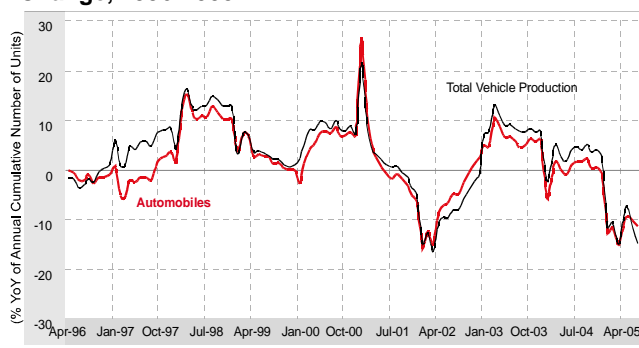
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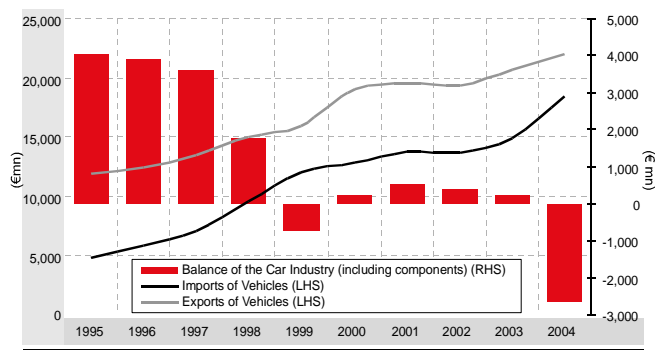
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Spain – Production of Units, Annual Cumulative Change, 1996-2005



Source: INE, Mineco and Santander Investment Bolsa.

Spain – Imports vs Exports in the Car Industry, 1990-2004



Source: AEAT-Aduanas and Santander Investment Bolsa.

Things to Watch during the Week

In the US:

- (1) 3QA GDP preliminary on the upside.
- (2) Watch out for consumer confidence increases.
- (3) Durable orders ex transport retreat slightly.
- (4) Weekly unemployment figures again likely to be distorted.
- (5) Existing home sales at record levels.

In the Euro Zone:

- (1) IFO in September could increase slightly.
- (2) Germany's CPI could decline in October.
- (3) Euro zone's M3 continues to grow above target.
- (4) Euro Zone industrial confidence poised to improve.
- (5) Euro zone's CPI estimate for October retreats.

- The battery of data published in the past two weeks continued to show the Spanish economy's strong resilience to a deceleration as industrial orders rose sharply again. However, the disequilibria in terms of current account deficit and the inflation differential with Europe persists, further diminishing Spain's competitive position the exterior sector.
- The latest data tally with our call for a recovery by the European economy in 2H05E (led by Germany). The data from Italy continue to surprise on the upside. Last week we saw another increase in consumer confidence in Italy that points to a recovery on the consumer side; in fact, the latest data for retail sales showed a strong advance from August. Italian industrial order figures accelerated too, pointing to an increase in industrial production in 2H05. However, European consumer prices climbed sharply due to the pressure from energy prices – although we still do not see a second round effect.
- Last week there was no significant economic news from the other side of the Atlantic. Weekly unemployment figures continued to be influenced by *Katrina*, although the figures excluding the effects of the hurricane were quite good. The key data of the week came from the producer prices release, which showed a sharp increase due to energy. The only data published on real activity was the Philly Fed Index, which accelerated in October on the good performance of all the components.
- In our Macro Corner we analyse the situation of the Spanish automobile industry. Given the weight that it has in the economy, its negative performance so far in 2005 could be felt by the economy in the coming quarters unless there is a significant improvement in activity levels in the short run. So far this year, production has declined and the external sector has had a weak performance, with imports exceeding exports.

THE WEEK BEHIND

Macro Data Published Last Week

Day	Time	Country	Indicator/Event	Period	Reference Data	Forecast	Real
MONDAY 17-Oct	14:30	US	Empire Manufacturing	Oct	17.0	20	12.1
		Italy	Current Account (mn) (€)	Aug	2,765.0	-100.0	-
TUESDAY 18-Oct	8:00	Germany	Producer Prices (m/y)	Sep	0.3/4.6	0.5/4.9	0.4/4.9
	8:45	France	Current Account (mn)(€)	Aug	-2,332	-2,650	-2,321
	11:00	Euro Zone	CPI (m/y)	Sep	0.3/2.2	0.4/2.5	0.5/2.6
	11:00	Euro Zone	Zew Survey (Econ. Sentiment)	Oct	31.8	36.3	34.7
	11:00	Euro Zone	Labour Costs (y)	2Q2	2.3	2.3	2.3
	11:00	Germany	Zew Survey (Econ.Sentiment)	Oct	38.6	42.0	39.4
	14:30	US	Producer Price Index (m/y)	Sep	0.6/5.1	1.1/5.8	1.9/6.9
		US	PPI Ex Food & Energy (m/y)	Sep	0.0/2.4	0.3/2.6	0.3/2.6
	16:00	US	Net Foreign Security Purchases (bn)	Aug	87.4	57.5	91.3
	19:00	US	NAHB Housing Market Index	Oct	65	64	67
23:00	US	ABC Consumer Confidence	Oct 16	-19	-	-17	
WEDNESDAY 19-Oct	11:00	Euro Zone	Ind. Production (sa/wda)(m/y)	Aug	0.2/0.5	-0.2/1.0	0.8/2.6
	13:00	US	MBA Mortgage Applications	Oct 14	-2.6	-	6.1
	14:30	US	Housing Starts	Sep	2,009k	1970k	2,108k
	14:30	US	Building Permits	Sep	2,138kr	2,058k	2,189k
	20:00	US	Fed's Beige Book				
THURSDAY 20-Oct	9:00	Spain	Factory Orders (y)	Aug	2.2r	-	9.3
	10:00	Italy	Trade Balance Non-EU (mn)(€)	Aug	-373.0r	-1025.0	-2,102.0
	11:00	Euro Zone	Trade Balance(sa)(bn)	Aug	7.9	2.2	-2.6
	11:00	Italy	Industrial Orders (sa/nsa) (m/y)	Aug	4.1/5.6	-1.5r/4.8	1.0/12.9
	11:00	Italy	Industrial Sales (sa/nsa)	Aug	1.9r/0.6	-0.2/0.7	6.6/11.1
	14:30	US	Initial Jobless Claims	Oct 15	390K	365K	355k
	14:30	US	Continuing Claims	Oct 8	2,858kr	2,880k	2,894k
	16:00	US	Leading Indicators	Sep	-0.1r	-0.5	-0.7
	18:00	US	Philadelphia Fed	Oct	2.2	10.0	17.3
FRIDAY 21-Oct	9:00	Spain	Services Sector Turnover (y)	Aug	4.8	-	9.0
	8:45	France	Consumer Spending (m/y)	Sep	1.5/5.5	-1.5/3.5	-0.6/4.2
	10:00	Italy	Retail Sales (m/y)	Aug	-0.3/-2.1	0.1/-0.2	0.6/2.4

(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: Disequilibria Increases

The battery of data published in the past two weeks continued to show the Spanish economy's strong resilience to a deceleration as industrial orders rose sharply again. However, the disequilibria in terms of current account deficit and the inflation differential with Europe persists, further diminishing Spain's competitive position the exterior sector.

Spanish current account deterioration continues

The Spanish current account deficit rose to **€4,546.6mn in July 2005 from €3,874.1mn in the same month of 2004**. In other words, it was up 17.36% YoY. The deterioration in the CA deficit was due to the increase in the trade balance deficit to **€5,433.7mn in July 2005 from €4,399.7mn one year ago**. The increase in the trade deficit was explained by a 5.4% YoY increase in imports and a 0.7% YoY decline in exports. The balance of services surplus increased to **€3,010.8mn from €2,880.6mn**. In cumulative terms, the CA deficit rose to **€37,671.6mn from €22,527.2mn in the same period of 2004**. This means that the CA deficit increased by 67.2%, the main culprit once again being the trade deficit, which rose as a result of an 11.2% increase in imports and an increase of just 2.3% in exports. On the other hand, the financial account registered a surplus of just **€10.9mn**, while in the same month of 2004 the surplus was **€9,883.5mn**. The deterioration of the CA deficit continues. We expect it to reach



levels of over 7.0% of GDP in 2005E, while the trade balance deficit will probably reach levels of around 9.0% of GDP. The increases in prices and ULC in Spain at higher rates than in the rest of Europe will probably contribute to the further deterioration of the CA as a result of the deterioration in Spain's competitive position. A deceleration in internal demand would be needed to adjust this imbalance.

Spanish CPI numbers skyrocket in September on oil

Spanish inflation rose sharply in September, by 0.6% MoM and 3.7% YoY (compared with 0.4% MoM and 3.3% YoY in August). The underlying index climbed to 2.5% YoY from 2.4% YoY in the previous month. The clothing and shoe index rose sharply (3.4% MoM), following declines of 0.5% MoM in August and 10.7% MoM in July. The transport index also jumped to 2.2% MoM in September, compared with 1.1% MoM in August, driven by energy prices. Some components, however, registered a decline in prices in the month: communications (-0.1% MoM), leisure and culture (-1.3% MoM) and hotels, bars and restaurants (-0.7% MoM). Inflation is accelerating in Spain. The annual rate has risen to 3.7% in September from 3.1% in June. The main culprit of the increase in prices is energy. The underlying index is more or less stable, at levels of around 2.5% YoY. In the short run, inflation could remain at current levels, finishing the year well above the government's forecasts (around 2.0%) at around 3.0%. The positive spread in prices against Europe is likely to continue damaging Spain's competitive position going forward.

Spanish Treasury reduces issuances

The Treasury has said that it will reduce its issuance of new gross debt by €10bn, a reduction of 13.0% YoY. Gross issuances are to fall to €4bn in 2005 from €7.4bn in the previous year. According to the Treasury, this decline in the rate of issuance is due to the improvement of public finances and the positive performance of revenues. On the other hand, amortizations are expected to be €500mn higher than expected at the beginning of the year. Therefore, net issuances for 2005E will also be reduced (to €3.5bn in 2005E from the €4.0bn forecasted previously). As a result, the ratio of debt/GDP will be reduced to 35.0% for central government and to 43.0% for all public administrations. In our view, this is positive news. The government should increase its efforts to adjust its accounts to partially offset the negative effects that the deterioration of the households' balance sheets may have on the economy in the future.

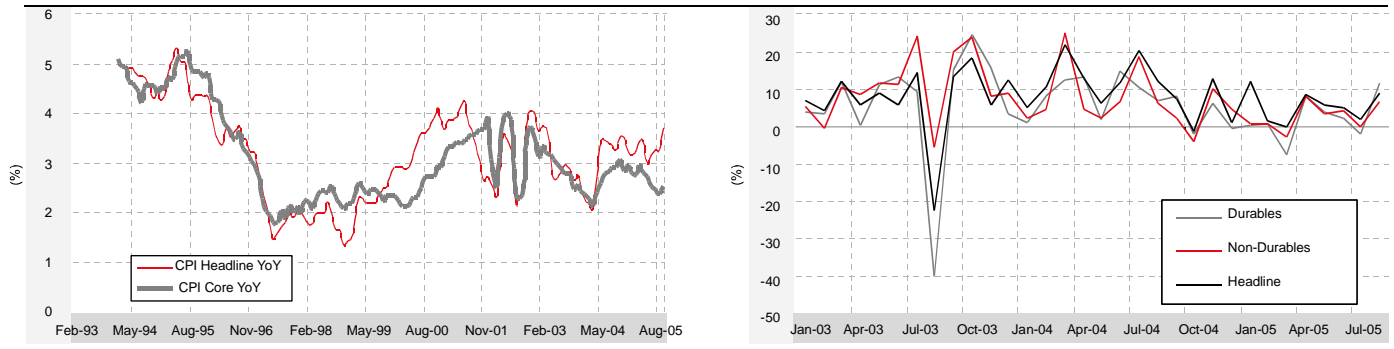
Number of tourists in Spain still positive

In September, the number of tourists visiting Spain posted the biggest leap in six months, taking the figure for the first nine months of the year to a record 44.4mn. The numbers of visitors rose 8.3% in September, while the increase between January and September was 6.3%. The average spend per tourist per day grew by around 3.0% in the first eight months of the year. British tourism, which remains Spain's main market, rose by 8.6% in September and 2.8% in the first nine months to total around 13mn. Tourism from Germany came next, logging almost 8mn visitors in the nine-month period, or 4.0% more than last year. Tourism numbers continued to be positive. After showing some weakness in previous years, 2005 is managing quite strong numbers. On the less positive side, spending levels are not growing as much as visitor numbers.

Industry orders in Spain accelerate

Spanish Industry Orders rose 5.1% in the first eight months of 2005, while the August increase in annual terms reached 9.3%. This implies an acceleration from the previous month's numbers, when orders went up by 2.2% YoY. Orders were mainly driven by energy (37.1% YoY), although there was acceleration in the rest of the components: consumer goods (7.3% YoY), capital goods (3.5% YoY) and intermediate goods (6.0% YoY). The improvement in industry orders is positive news, particularly considering the weakness in industrial activity in recent months, when industrial production has been very poor. Therefore, we could see a slight upturn in industrial production numbers going forward, in line with the latest figures published.

Spain – CPI Headline & Core, Jan 1994-Sep 2005 Spain – Industrial Orders, Jan 2003-Sep 2005



Source: INE and Bloomberg.

International News

The Week in the US: Last week there was no significant economic news from the other side of the Atlantic. Weekly unemployment figures continued to be influenced by *Katrina*, although the figures excluding the effects of the hurricane were quite good. The key data of the week came from the producer prices release, which showed a sharp increase due to energy. The only data published on real activity was the Philly Fed Index, which accelerated in October on the good performance of all the components.

Producer prices jump because of energy

US Producer Prices jumped in September (1.9% MoM, 6.9% YoY). As in the case of the CPI last week, inflation at the producer level came from the energy side: (1) energy goods were up 7.1% MoM; (2) gasoline was up 12.7% MoM; and (3) residential natural gas rose 9.0% MoM. The underlying index crept up just 0.3% MoM (2.6% YoY). Thus, the inflationary pressures coming from the energy side continue, and we believe the Federal Reserve will react by raising interest rates by 25bp at its next meeting.

Initial jobless claims declined again in the last week

Initial jobless claims posted another decline in the last week. According to the BLS, around 40,000 new claims were related to *Katrina*, which means that the 'real' initial jobless claims number was even better (315k instead of 355k). We expect the labour market to keep improving in the coming quarters.

Philly Index rises in October

The Philly Fed index rose in October, pointing to acceleration in activity in the coming months. Practically all the components showed a positive trend. On the other hand, it seems that inflationary pressures are mounting, according to the increases seen in both prices received and paid during the month. The Fed is likely to keep raising interest rates at its next meetings.

Housing starts came out much stronger than expected

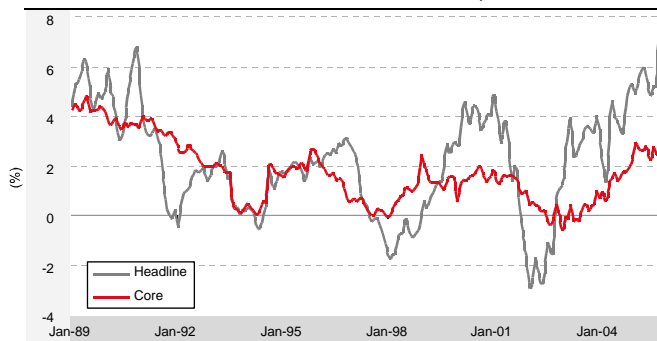
Rather than being held back by hurricane-related disruptions, **Housing starts (+3.4% to 2.108 million) jumped to a seven-month high in September**. In a technical note, the US Census said that in dealing with the hurricane destruction it would assume that no permits were issued for building permit offices in the areas it could not contact or from which it received no survey replies. Nevertheless, overall permits rose by 2.4%, with both single (+2.6%) and multi-family (+7.8) starts posting solid gains.



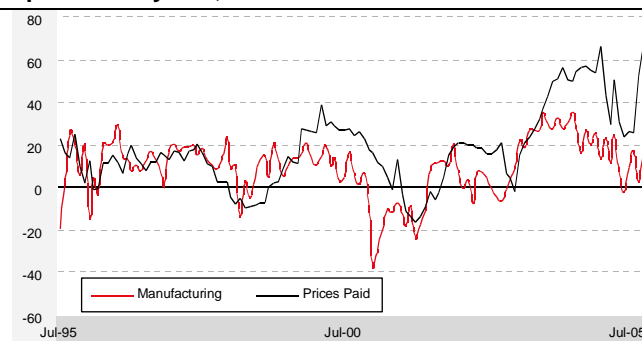
Unified message from the Fed: the economy has shown resilience; inflationary pressures are a concern; the Fed's target is to keep inflation expectations in check

A heavy calendar of Federal Reserve speakers over the past week expressed a unified message. Three key points to highlight. **First, the economy has shown a great resilience in the face of a serious shock, (Katrina).** As Ferguson characterized the situation, after a negative near-term impact on growth, 'repair and recovery activities should pick up as we move through the fourth quarter,' and in 2006 the 'recovery process is expected to contribute to the growth of real GDP.' Governor Kohn said: 'the economy would still seem poised to expand more quickly than the rate of growth of its sustainable potential.' **Second, inflationary pressures remain a concern,** and upside risks have increased since the Katrina shock. The economy was operating near full potential in August, and with growth now looking likely to see little slowing, headline inflation surging and **inflation expectations threatening to become 'unanchored'**, inflation risks have intensified. Governor Kohn warned that 'unless activity slows unexpectedly, and after the rise in retail energy prices, the risks may be skewed a little toward the upside on inflation.' **Third, the Fed is intensely focused to keep inflation expectations in check** (to prevent surging energy prices from creating an inflationary psychology) and will do what is necessary to prevent a feed-through into core prices. Ferguson warned: 'monetary accommodation can be withdrawn at a faster pace if inflation pressures seem to be building to a greater extent than expected.' **Officials also pointedly warned that investors should not assume the Fed will move to some predetermined estimated 'neutral' rate level and stop** – as currently seems to be estimated in futures market pricing of a 4.5% peak in Fed funds in mid-2006. **Its policy will react to incoming data and will move to a more restrictive policy if inflationary pressures remain high.**

USA – Producer Prices Headline & Core, Jan 1994-Oct 2005



Spain – Philly Fed, Jan 2003-Oct 2005



Source: Bloomberg.

The Week in the Euro Zone: The latest data tally with our call for a recovery by the European economy in 2H05E (led by Germany). The data from Italy continue to surprise on the upside. Last week we saw another increase in consumer confidence in Italy that points to a recovery on the consumer side; in fact, the latest data for retail sales showed a strong advance from August. Italian industrial order figures accelerated too, pointing to an increase in industrial production in 2H05. However, European consumer prices climbed sharply due to the pressure from energy prices – although we still do not see a second round effect.

Euro zone inflation accelerates to 2,6%

Euro zone inflation went up again in September, rising 2.6% YoY from 2.2% YoY in August. The monthly increase was 0.5%. The main culprit of the increase in inflation was energy (3.0% MoM, 15.2% YoY), since the underlying index went up modestly (0.3% MoM, 1.5% YoY). There have not been any second round effects in the underlying inflation index so far, but there are still risks going forward. In fact, the ECB has said that it will act on interest rates if underlying inflation starts going up.

Euro zone industrial production in good health

Euro zone industrial production came out strong. Energy pulled the index down, posting -2.3 MoM. Excluding this component, the numbers would have been significantly higher, at 1.2% MoM and 2.9% YoY. Intermediate goods were the main drivers of the index's increase, posting their strongest numbers in years – up 2.3% MoM and 4.2% YoY. Consumer goods posted a strong +1.7% MoM, with durable and non-durable goods growing at a similar pace over the month and quarter. These strong numbers confirm the good health of the Euro zone's industrial production.

ZEW increases slightly

The German ZEW survey rose less than expected in October. The main culprits of the modest increase were the increase in oil prices, the relatively poor performance of the stock market in the last couple of weeks and the uncertainty regarding the elections. That is, the capability of the new coalition to go ahead with the planned economic reforms. Without these reforms, German economic growth rates would not improve.

Italy recovering

Italy's consumer confidence, industrial orders and retail sales figures were better than expected and continue to surprise on the upside. This points to better times for the Italian economy in 3Q05, when we could see GDP growth levels of around 0.4%-0.5% QoQ.

French consumption declines for first time in 4 months

French consumer spending on manufactured goods declined by 0.6 MoM after three strong months in a row. The textile-leather component pulled the overall numbers sharply downwards, with a reading of -3.8 MoM and +2.3 YoY. Durable goods (cars and home equipment) remained stable at -0.1 MoM but largely above the trend on a year-on-year basis at +7.7 YoY. Sales of home equipment goods declined from last month (-1.4%), remaining very strong over the year at 11.5%.



THE WEEK AHEAD

Macro Data Published This Week

Day	Time	Country	Indicator/Event	Period	Reference Data	Forecast	
DURING THE WEEK	25-28	Germany	Import Price Index (m/y)	Sep	0.9/4.7	0.2/4.8	
MONDAY	9:00	Spain	Hotel Price Index (y)	Sep	2.5	-	
	24-Oct	10:00	Euro Zone	ECB Current Account (bn)(€)	Aug	-5.9	-
		11:00	Euro Zone	Industrial New Orders (m/y)	Aug	-1.6/1.2	-
TUESDAY	8:00	Spain	Producer Prices (m/y)	Sep	0.8/4.9	0.6/5.2	
	25-Oct	10:00	Germany	IFO-Business Climate	Oct	96.0	96.1
			Germany	Consumer Price Index (m/y)	Oct P	0.4/2.5	-0.1/2.3
		14:30	US	Existing Home Sales (mn)	Sep	7.29	7.20
		14:30	US	Richmond Fed Index	Oct	8	5
		16:00	US	Consumer Confidence	Oct 16	86.6	88.5
WEDNESDAY	8:45	France	Business Confidence Indicator	Oct	100	101	
	26-Oct	8:45	France	Production Outlook Indicator	Oct	-14	-11
		9:30	Italy	Business Confidence	Oct	89.5	89.5
		10:00	Italy	Hourly Wages (m/y)	Sep	0.1/2.9	-
THURSDAY	8:00	Germany	GFK Consumer Confidence				
	27-Oct	8:45	France	October Quarterly Manufacturing Survey			
		14:30	US	Durable Goods Orders	Sep	3.4	-1.0
		14:30	US	Durables Ex Transportation	Sep	4.2	1.2
		14:30	US	Initial Jobless Claims	Oct 22	355k	-
		14:30	US	Continuing Claims	Oct 15	2,894k	-
FRIDAY	8:45	France	Unemployment Change (000s)	Sep	-6k	-7k	
	28-Oct	8:50	France	Producer Prices (m/y)	Sep	0.3/2.8	0.2/3.0
		9:00	Spain	Unemployment Rate (survey)	3Q	9.33	-
		9:00	Spain	CPI (EU Harmonised) (y)	Oct P	3.7	3.7
		10:00	Euro Zone	M3 (sa)(y)	Sep	8.1	8.2
		11:00	Euro Zone	Business Climate Indicator	Oct	0.07	-
		11:00	Euro Zone	Industrial Confidence	Oct	-7	-6
		11:00	Euro Zone	Consumer Confidence	Oct	-15	-15
		11:00	Euro Zone	Economic Confidence	Oct	98.6	98.9
		11:00	Euro Zone	Services Confidence	Oct	11	-
		11:00	Euro Zone	CPI Estimate (y)	Oct	2.6	2.4
		14:30	US	GDP Annualised	3QA	3.3	3.5
		14:30	US	GDP Price Index	3QA	2.6	2.8

(m) % MoM; (y) % YoY; (q) % QoQ; (a) annualised; (I) Index; (k) thousands; (mn) millions; (bn) billions; (r) revised; (F) final; (P) preliminary; (sa) seasonally-adjusted; (nsa) non-seasonally adjusted.

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

THE WEEK ON THE MACRO FRONT: WATCH OUT FOR FRIDAY, OCTOBER 27TH

In the US: (1) 3QA GDP preliminary on the upside; (2) watch out for consumer confidence increases; (3) durable goods orders ex transport retreats slightly; (4) weekly unemployment figures should again be distorted by hurricanes; and (5) existing home sales at record levels.

In the Euro zone: (1) IFO in September could increase slightly; (2) Germany's CPI could retreat in October; (3) Euro zone's M3 continues to grow above target; (4) Euro zone industrial confidence poised to improve; and (5) Euro zone CPI estimate for October retreats.

RATES AND CURRENCIES

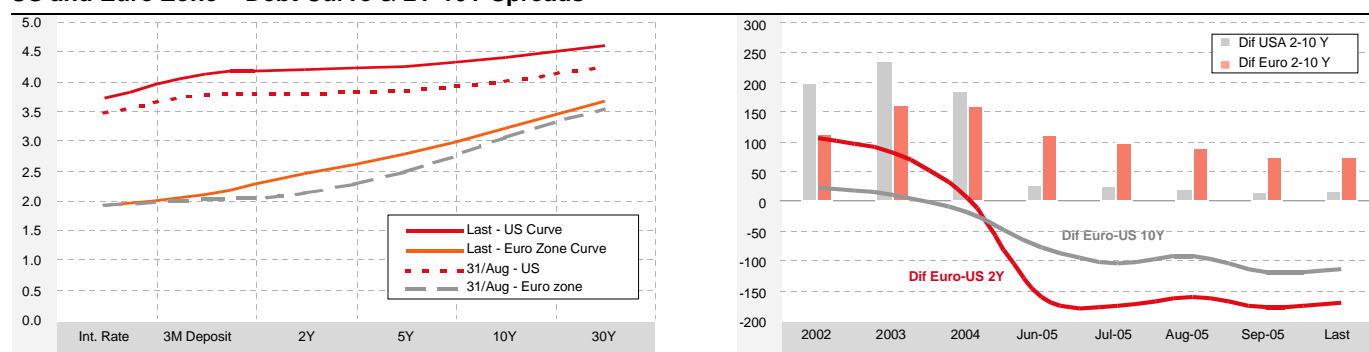
- **European markets consolidated some of the sell-off of the past several weeks, and yields ended up lower.** The front end retained strong resistance. In keeping with global concerns about inflation, the market has taken the ECB's more hawkish words, and the futures strip now prices in a rate hike in the first quarter of 2006. This looks like the most possible timing to us. We think the ECB is likely to want to see at least two good quarters of growth before moving. Based on encouraging survey data, there is every reason to believe that the first of these could be in 3Q05.
- **The Fed is on a mission to make it clear that it will fight to control inflation expectations** for the benefit of longer-term economic stability. The Fed speakers were out in full force last week. The Fed seems to want to make its policy goals extremely clear to the markets.

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	Jun-05	Jul-05	Aug-05	Sep-05	07-Oct	14-Oct	21-Oct	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	2.0	2.00	2.00	2.00	2.00
	Fed funds	1.7	1.1	1.4	1.5	2.0	2.5	3.0	3.3	3.3	3.5	3.8	3.75	3.75	3.75	3.75
	Euribor 3M	3.3	2.3	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.14	2.16	2.16	2.18
	US dep 3M	1.7	1.1	1.6	1.8	2.3	2.9	3.3	3.5	3.7	3.8	4.0	4.10	4.14	4.13	4.18
LT Interest Rates																
Euro	2Y	3.6	2.5	2.5	2.5	2.4	2.5	2.1	2.0	2.3	2.2	2.4	2.46	2.49	2.51	2.50
	5Y	4.2	3.3	3.3	3.4	3.1	3.0	2.6	2.5	2.7	2.5	2.7	2.77	2.86	2.84	2.84
	10Y	4.8	4.1	4.1	4.1	3.8	3.6	3.3	3.1	3.2	3.1	3.1	3.17	3.30	3.26	3.25
	30Y	5.2	4.8	4.7	4.7	4.4	4.1	3.8	3.7	3.7	3.6	3.6	3.60	3.73	3.68	3.66
US	2Y	2.5	1.6	2.4	2.6	2.9	3.5	3.6	3.6	4.0	3.8	4.2	4.18	4.25	4.20	4.22
	5Y	3.7	2.9	3.4	3.5	3.5	4.0	3.8	3.7	4.1	3.9	4.2	4.23	4.34	4.25	4.27
	10Y	4.5	4.0	4.2	4.2	4.2	4.3	4.0	3.9	4.3	4.0	4.3	4.35	4.48	4.38	4.39
	30Y	5.3	4.9	5.0	5.0	4.9	4.7	4.3	4.2	4.5	4.3	4.6	4.56	4.70	4.60	4.61
Spreads																
Dif-Euro	3M-30Y	195	257	265	262	229	199	170	156	162	148	145	146	157	153	149
	2Y-10Y	115	164	160	154	136	117	113	110	99	90	75	72	81	76	74
Dif US	3M-30Y	355	376	338	321	254	180	103	72	80	45	61	47	56	47	43
	2Y-10Y	198	235	184	168	133	78	41	28	26	20	16	17	23	18	17
Dif-Euro-US Int		154	115	60	50	0	-50	-100	-125	-125	-150	-175	-175	-175	-175	-175
	2Y	107	82	5	-2	-45	-109	-148	-161	-176	-161	-178	-172	-176	-170	-172
	10Y	24	11	-20	-16	-42	-71	-77	-79	-103	-91	-119	-118	-118	-112	-115
Currencies																
	€/US\$	0.95	1.14	1.25	1.22	1.32	1.31	1.24	1.211	1.212	1.235	1.203	1.213	1.208	1.195	1.194
	€/¥	118	132	134	135	137	137	134	134	136	137	137	138	138	139	138
	US\$/¥	125	116	107	110	104	105	108	111	113	111	114	114	114	116	116

(1) Figures represent the average for the period; (2) October 24, 2005.
Source: Santander Investment Bolsa estimates and forecasts.

US and Euro Zone – Debt Curve & 2Y-10Y Spreads



Source: Bloomberg.



MACRO CORNER: THE SPANISH AUTO INDUSTRY

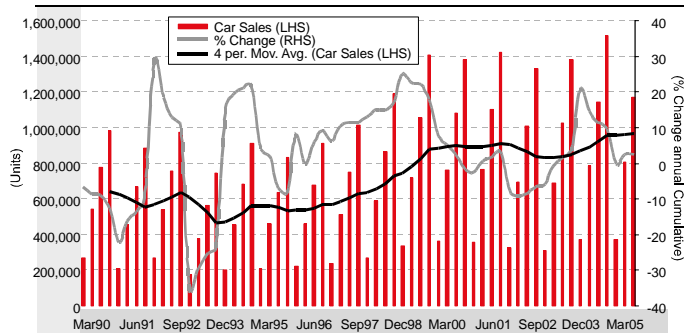
The automobile industry represents around 6.0% of Spanish GDP. It accounts for around 11% of all jobs. It is responsible for around 25% of total Spanish exports. Lastly, it contributes significantly to the public accounts coffers (up to €1bn annually). These numbers clearly evidence the importance of the automobile industry in Spain and, therefore, the increasing concerns triggered by the deterioration in production, exports, employment and salaries in the sector since the beginning of the year.

In this edition of Macro Corner we analyse recent developments in the automobile industry, looking at the recent trends in its most important variables and their most probable performance going forward.

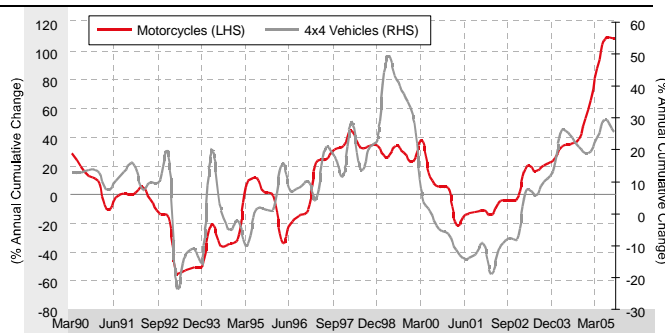
Car Sales Are Still Relatively Strong in Spain, but . . .

Car sales are still relatively strong in Spain, in line with the good trend in private consumption. Although there is a clear sign of deceleration in growth rates from the strong readings registered in 2003 (3.8%) and 2004 (9.8%), the sector is likely to post record sales of around 1.55mn units in 2005E (around 2.2% more than in 2004). Looking at the breakdown of sales in the first nine months of 2005 in comparison with the same period of 2004 we find that: (1) automobile sales are growing at a rate of just 2.5% (1,172,329 units); (2) four-wheel drive sales are up 25.8% (89,966 units); (3) commercial vehicle sales have risen 14.6% (197,043 units); and (4) industrial vehicle sales 2.9% (28,907 units); and (5) bus sales have grown by 12.1% (3,076 units). The most impressive performances relate to four-wheel drive sales (+25.8%) and motorcycle sales (+108.8%).

Spain – Car Sales, 1990-2005



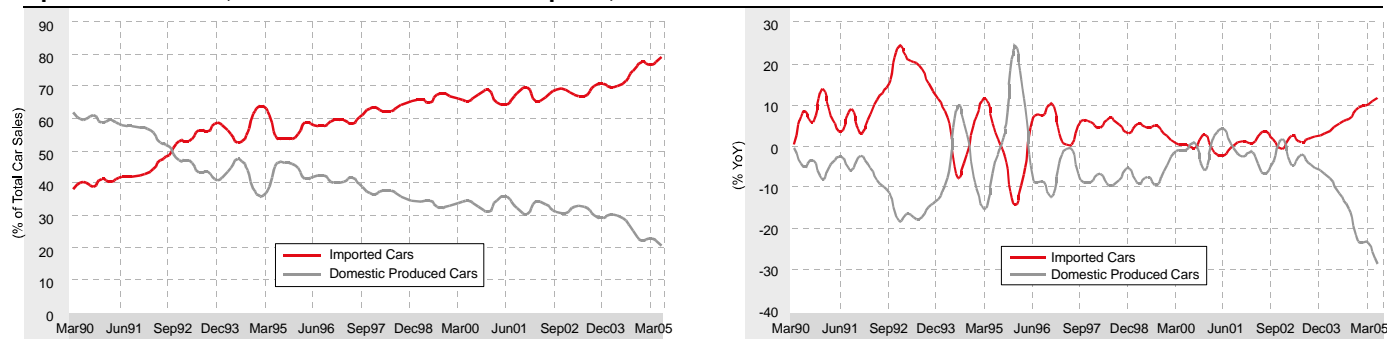
Spain – 4x4 Vehicles and Motorcycles, 1990-2005



Source: Anfac, Mineco and Santander Investment Bolsa.

As can be seen in these numbers, the strength of private consumption – thanks to the still robust employment market and capital gains obtained in the housing market – has clearly been felt in auto sales in recent years. However, the strength of domestic auto sales has not had a proportional affect on the domestic auto industry. If we look at the origin of production of the cars sold in Spain in recent years, we will see that nearly 80% of them were produced abroad (imported) rather than in domestic factories. As can be seen in the graphs, this trend is not new. What is really important, however, is the fact that this trend is clearly accelerating. The percentage of cars produced and sold in Spain is falling at an annual rate of nearly 30%.

Spain – Car Sales, Domestic Production vs Imports, 1990-2005



Source: Anfac, Mineco and Santander Investment Bolsa.

As can be seen in the table below, the distribution of Spanish auto sales by segment shows that the segments with the biggest gains in sales in 2005 compared with 2004 were luxury cars (49.3%) and minivans (14.16%). Conversely, compact cars (-7.5%) Executive (-6.78%) and Sport (-6.41%) segments are experiencing declines. The penetration rates show that more than 50% of Spanish auto sales are concentrated in the Small to Medium-Small segments. It is also interesting to highlight the significant penetration of the Minivan segment, which used to account for around 7.8% of the total in 2001 and now stands at 13.31%.

Spain – Distribution of Sales by Segment, 2004-2005

Segment	September			Cumulative January/September		
	2005	2005/2004	2005/2004	2005	2005/2004	2005/2004
	Units	% Total	% Change	Units	% Total	% Change
Micro	527	5.12	5.40	60,281	5.14	7.23
Compact	24,344	23.67	-4.06	296,106	25.26	-7.50
Medium-Low	35,705	34.72	13.86	391,192	33.37	7.83
Medium-High	18,264	17.76	3.40	200,359	17.09	0.65
Executive	2,593	2.52	-11.92	29,011	2.47	-6.78
Sport	971	0.94	-9.84	9,994	0.85	-6.41
Luxury	415	0.40	121.93	3,604	0.31	49.30
Minivans	12,963	12.60	1.16	156,047	13.31	14.16
Large vans	2,322	2.26	24.04	25,735	2.20	3.98

Source: Anfac.

... Sales Abroad Are Not Going So Well

Looking at the external sector, we find that car sales abroad are weaker than in the domestic market. In the January-August period of 2005 car exports fell with respect to the previous year. Sales abroad have declined by 9%, and car sales are currently falling by 12.54%.

Spain – Car Exports by Type, 2004-05

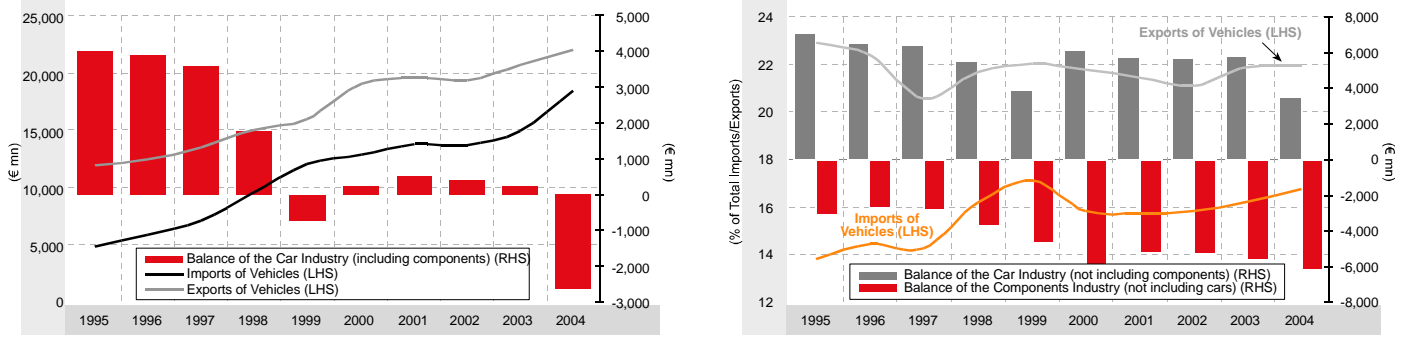
	August	% 05/04	Cumulative	% 05/04
Cars	53,165	-14.84	1,130,828	-12.54
4x4 vehicles	1,987	217.41	36,983	110.53
Light commercial vehicles	7,593	236.87	202,719	-6.84
Vans	604	-63.50	76,716	12.86
Light industrial vehicles	548	9.60	21,676	4.03
Heavy industrial vehicles	362	16.03	9,022	30.00
Trucks	68	-22.73	2,595	-13.50
Buses	0	-	355	-31.86
Total	64.327	-5.23	1,480,894	-9.00

Source: Anfac.

At the same time, as discussed above, imports are growing strongly in 2005. After comparing the trend in car exports with car imports (including components), we found that imports already exceeded exports in 2004. The trade balance deficit for the sector was €0.63bn. The car balance was still positive (€3.55bn), but the deficit of the car components segment increased to €6.18bn. For the January-July 2005 period, imports already outstripped exports.



Spain – Imports vs Exports in the Car Industry, 1990-2004



Source: AEAT-Aduanas and Santander Investment Bolsa.

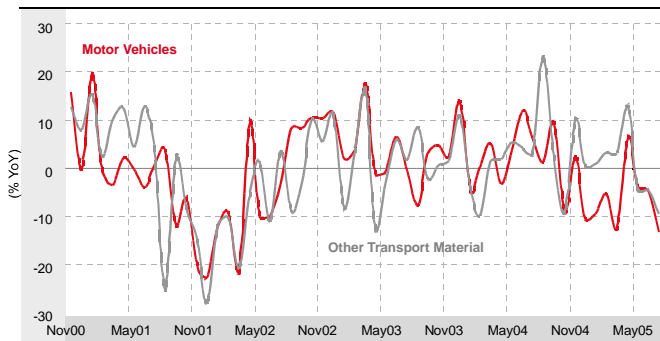
As can be seen in the graphs, although the weight of the auto industry in total exports is still quite significant, the weight of the industry in total imports is rising progressively. The trends for exports and imports are quite important in terms of the Spanish trade balance deficit, which currently stands at over 8.0% of GDP. If the weakness in exports persists and the dynamism in imports continues to thrive – driven by strong internal demand – the deterioration of the overall trade balance is likely to persist. In fact, nearly 20% of the increase in the trade balance deficit in 2005E would be attributable to the auto sector.

Given the fact that nearly 80% of domestic production in the auto industry goes to the external market, if this weakness persists, the negative effects on the domestic industry would also be significant, as we will now see.

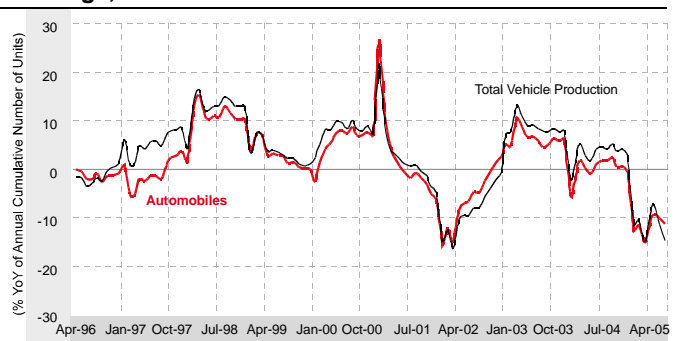
In a Weak Environment for Car Exports, Domestic Production Would Suffer

With car sales decelerating in the domestic market and exports falling, industrial production in the car sector is clearly weakening. Given the fact that August is usually a rather weak month because of summer holidays, we would look at the latest available numbers (July). In July 2005, the annual growth rate of industrial production in the auto sector was falling by 13.2%, while in the other transport materials segment (components) the decline was 9.4%. As of 2Q05, the cumulative annual industrial production of cars in terms of units was down 11.5%. According to the data already published, the growth rate in 3Q05 is likely to be even more negative.

Spain – Industrial Production Indices, 2002-2005



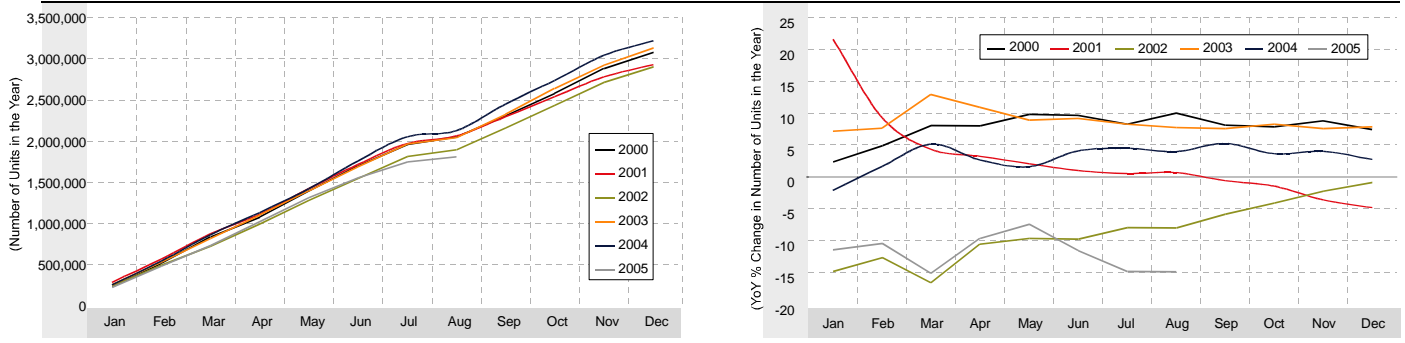
Spain – Production of Units, Annual Cumulative Change, 1996-2005



Source: INE, Mineco and Santander Investment Bolsa.

Comparing the performance of the sector (in terms of units produced) in 2005 with previous years, we find that 2005 looks like it is going to be quite negative. As can be seen in the following graphs, unit production levels in 2005 are significantly below those of previous years, while the growth rates of 2005 versus 2004 are clearly negative.

Spain – Production of Units in Cumulative Annual Terms, 2000-05E



Source: INE and Santander Investment Bolsa.

Based on the survey, we have analysed the industry trend in both activity and employment going forward. The main conclusions would be: (1) new orders have been quite negative since the beginning of the year, although it seems that there has been some sort of recovery in August; (2) the backlog of orders is at very low levels; (3) inventories of final products are experiencing a downward trend – and it seems that business intentions are to reduce them further; (4) the level of production is low and looks like it will remain low going forward, according to the businesses; (5) according to the industry, the limitations for future production mainly come from the external sector, so the weakness of the external demand is raising more and more concerns; and (6) employment expectations are also negative. We would therefore conclude that there is cause for concern about deterioration going forward.

Companies Should Look for Solutions

In recent weeks we have seen how the sector is feeling the pain of the weak performance of the auto industry. Seat is in negotiations with employees to reduce the number of hours worked and cut salaries by 10%. According to the company, there is an excess of 1,400 employees in their factories in Spain. At the same time, GM is negotiating with the autonomous government of Aragon in order to improve profitability at factories in the region. Renault is also showing negative numbers for its factory in Valladolid (production declined by 50% in July). PSA is also experienced an 8% decline in activity in the January-July period in Vigo.

In the end, the competition from Eastern European countries is clearly affecting Spanish companies: (1) logistics costs are lower there, since the destination of the final products is much closer; (2) labour costs are four to five times higher in Spain than in those countries; (3) tax incentives are much higher in those countries than in Spain; and (4) they can get more highly skilled employees for a lower cost.

In our opinion, in order for Spain to maintain its competitive position in the industry, it will have to introduce more flexibility in the labour market, new infrastructures, a better tax treatment, more highly skilled employees and more investment in R&D.



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	0.9	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	2005E	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	3.4	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	2005E	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)	2.14	2.80 (2.56)	2.45
US	1.29 (1.72)	1.09 (1.14)	2.52 (1.56)	4.15 (3.52)	3.70	4.45 (4.51)	4.25
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)	3.38	4.25 (3.88)	3.75
US	3.82 (4.53)	4.25 (3.99)	4.22 (4.25)	4.30 (4.20)	4.50	4.40 (4.62)	5.20
Currencies							
Euro-dollar	1.05 (0.95)	1.26 (1.14)	1.36 (1.24)	1.23 (1.25)	1.24	1.15 (1.19)	1.23

(*) Annual averages in brackets.

Source: Consensus forecasts (September 2005). Euro Zone Barometer (September 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	-0.5	-	0.3	-1.7	-1.4	1.4	-0.5	-
GDP	0.9	0.7	1.8	1.6	1.3	1.1	-	1.8	1.1	0.7	1.5	1.2	-
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	Apr05	May05	Jun05	Jul05	Aug05	Sep05
Industrial production	-0.3	0.2	2.2	1.2	-0.2	1.1	-	2.2	0.3	1.0	0.4	0.1	-
- Ex construction	-0.5	0.3	2.0	1.1	0.7	0.6	-	1.2	0.0	0.7	0.5	2.7	-
Manufacturing production	-0.8	0.0	1.9	0.8	0.8	0.7	-	1.9	-0.2	0.6	0.0	2.7	-
Retail sales	0.3	0.4	0.9	1.1	1.1	0.5	-	-0.8	2.1	0.3	-0.2	2.0	-
New car registrations	-2.4	-1.3	1.6	2.7	-0.8	1.1	4.3	4.1	-2.9	2.3	3.4	7.1	2.4
Capacity utilisation	81.2	81.1	81.6	82.1	81.9	81.2	81.2						
Confidence indicators	Annual Average			Quarterly Average				Index					
	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	Apr05	May05	Jun05	Jul05	Aug05	Sep05
Economic confidence	94.4	93.3	99.9	100.9	99.0	96.3	98.0	96.5	96.1	96.3	97.5	97.8	98.6
Business climate	-0.56	-0.44	0.32	0.45	0.16	-0.32	-0.03	-0.30	-0.38	-0.29	-0.08	-0.08	0.07
Industrial confidence	-11	-11	-5	-3	-6	-10	-8	-10	-11	-10	-8	-8	-7
Construction confidence	-18	-20	-15	-12	-12	-12	-9	-12	-12	-13	-12	-9	-7
Retail trade survey	-17	-12	-8	-8	-8	-9	-9	-8	-8	-9	-10	-9	-8
Services confidence	1	2	12	11	11	9	11	8	10	9	12	9	11
Consumer confidence	-11	-18	-14	-13	-13	-14	-15	-13	-15	-15	-15	-15	-15
PMI	48	50	49	52.8	54.4	53.9	51.4	49.2	48.7	49.9	50.8	50.4	51.7
- Output	49	52	51	53.9	56.0	55.9	52.3	50.3	50.0	51.0	52.7	51.8	53.8
- New orders	47	51	50	55.0	56.1	55.2	51.3	48.9	48.5	50.9	52.3	51.7	53.2
- Employment	49	47	47	48.4	48.9	49.5	48.4	47.6	47.5	48.2	47.8	48.3	48.9
- Stock purchases	47	46	46	46.9	48.4	49.2	49.5	48.1	46.7	46.8	46.6	46.7	47.0
- Delivery times	53	50	50	45.0	40.4	43.1	44.6	49.2	50.0	49.5	48.8	48.9	47.6
- Prices	48	52	52	59.8	70.7	69.4	72.8	57.2	50.7	50.0	51.3	56.3	59.1
Prices	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	Apr05	May05	Jun05	Jul05	Aug05	Sep05
CPI	2.3	2.1	2.1	2.3	2.0	2.0	2.3	0.4	0.2	0.2	-0.2	0.3	0.5
Core CPI	2.4	1.8	1.8	1.8	1.5	1.5	1.3	0.3	0.3	0.0	-0.4	0.3	0.3
PPI (ex construction)	-0.1	1.4	2.3	3.8	4.1	3.9	-	0.5	-0.2	0.5	0.5	0.4	-
GDP deflator	2.6	2.2	1.9	1.6	1.8	1.3	-						
Domestic demand deflator	2.2	1.9	2.1	2.1	2.2	1.6	-						
Costs and salaries	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	Apr05	May05	Jun05	Jul05	Aug05	Sep05
Unit labour costs	2.2	2.1	0.9	1.1	1.7	-	-						
Salaries	2.6	2.4	2.1	1.8	2.3	-	-						
Productivity	0.4	0.4	1.2	0.7	0.6	0.4	-						
Employment market	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	Apr05	May05	Jun05	Jul05	Aug05	Sep05
Unemployment rate	8.3	8.7	8.9	8.8	8.8	8.7	-	8.8	8.7	8.6	8.5	8.6	-
Money supply	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	Apr05	May05	Jun05	Jul05	Aug05	Sep05
M3	6.6	6.4	6.3	6.3	6.5	7.9	-	0.7	0.7	1.1	1.0	0.7	-
M3 mov. average 3m (YoY)	7.1	7.0	6.5	6.5	6.6	7.6	-	6.9	7.2	7.6	7.9	-	-
Loans to the private sector	4.0	4.7	6.4	6.4	6.9	8.1	-	0.7	0.8	1.7	0.7	0.1	-
Currency (YoY rates)	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	Apr05	May05	Jun05	Jul05	Aug05	Sep05
€ effective exchange rate	3.0	11.4	4.0	3.7	0.8	1.2	-0.9	3.3	1.5	-1.2	-1.2	-0.4	-1.2
Real effective exch rate € (CPI)	4.1	12.6	4.1	3.3	1.0	1.5	-0.7	3.4	1.7	-0.7	-1.0	-0.3	-1.0
Real effective exch rate € (PPI)	3.9	11.2	3.1	2.5	0.7	0.7	-1.5	2.6	0.8	-1.4	-1.8	-1.1	-1.7
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	Apr05	May05	Jun05	Jul05	Aug05	Sep05
CA Balance (% GDP)	0.9	0.3	0.6	0.8	0.0	-0.7	-	0.0	0.0	0.0	0.0	-	-
- EUR bn	65	20	47	44	38	23	6	23	20	14	6	-	-
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	46.9	46.4	47.2	47.5	46.9	47.4	47.1	46.3	45.7	45.7	45.2
Government expenditures	52	53.1	52.0	51.4	51.4	50.1	49.2	48.7	48.1	48.2	48.2	48.7	48.0
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	-	4.3	3.5	3.4	-
Government consumption	2.8	2.2	2.1	1.7	1.8	-	0.9	1.9	2.5	-
Business investment	3.9	11.9	10.4	10.1	4.0	-	6.8	8.6	-3.7	-
- Equipment & software	3.2	11.9	13.8	12.8	11.8	-	12.4	8.3	11.0	-
- Construction	4.0	7.7	5.4	6.3	4.7	-	2.5	5.9	8.3	-
Internal demand	3.1	4.8	4.5	4.2	3.5	-	4.1	4.0	2.0	-
Exports	1.8	8.4	6.1	6.7	7.7	-	7.1	7.5	10.7	-
Imports	4.6	10.7	10.6	9.4	5.7	-	11.3	7.4	-0.2	-
GDP	2.7	4.2	3.8	3.6	3.6	-	3.3	3.8	3.3	-
Nominal GDP (US\$ bn)	10,971	11,734								
General Activity	YoY Rates				YoY Rates					
	4Q04	1Q05	2Q05	3Q05	Apr05	May05	Jun05	Jul05	Aug05	Sep05
Leading indicator	5.6	3.7	2.2	1.7	2.3	1.9	2.6	2.1	1.9	1.2
Coincident indicator	3.2	2.9	2.7	2.5	2.7	2.6	2.9	2.7	2.5	2.4
Stocks to sales ratio	1.19	1.18	1.20	1.20	1.20	1.19	1.19	1.20	1.18	-
Industrial production	4.3	3.8	3.1	2.7	2.9	2.5	3.7	3.0	3.1	2.0
Capacity utilisation (1)	78.5	79.3	79.1	79.7	79.1	79.2	79.8	79.7	79.8	78.6
ISM index	-4.8	-10.8	-14.8	-5.9	-14.5	-17.9	-12.1	-8.1	-10.1	0.5
ISM index (1)	57.5	57.3	53.3	56.6	53.3	51.4	53.8	56.6	53.6	59.4
Private consumption	YoY Rates				YoY Rates					
	4Q04	1Q05	2Q05	3Q05	Apr05	May05	Jun05	Jul05	Aug05	Sep05
Real hourly earnings	-0.8	-0.4	-0.4	-1.3	-1.0	-0.2	0.1	-0.4	-1.2	-2.4
Retail sales	8.3	7.3	8.4	8.3	9.1	6.3	9.8	10.3	8.1	6.5
- Less autos	8.9	7.9	8.4	9.1	9.0	7.6	8.7	8.4	9.4	9.6
Personal spending	3.8	3.5	3.9	-	4.1	3.1	4.6	4.6	3.5	-
Consumer confidence (1)	92.9	102.7	97.5	103.6	97.5	103.1	106.2	103.6	105.5	86.6
- Expectations (1)	92.2	100.7	86.7	93.2	86.7	93.4	96.4	93.2	93.3	71.7
Savings rate (1)	1.1	4.4	0.2	-1.1	0.2	0.3	-0.3	-1.1	-0.7	-
Consumer credit	4.5	4.1	4.3	-	4.1	3.9	4.3	4.2	4.0	-
Business investment	YoY Rates				YoY Rates					
	4Q04	1Q05	2Q05	3Q05	Apr05	May05	Jun05	Jul05	Aug05	Sep05
New orders	8.9	8.5	8.6	-	6.1	9.9	9.8	5.7	7.5	-
- Less autos	10.7	11.3	8.2	-	8.0	7.4	9.1	7.1	7.4	-
Non-defense cap orders less aircraft	12.7	14.7	10.7	-	9.6	13.5	9.2	7.1	7.8	-
ISM: production index	-12.3	-14.4	-14.3	-4.0	-14.7	-15.7	-12.3	-6.7	-7.6	2.4
ISM: new orders	-10.6	-15.9	-15.1	-2.7	-18.4	-19.1	-7.4	-5.0	-9.3	6.5
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	Apr05	May05	Jun05	Jul05	Aug05	Sep05
Housing starts	-3.1	8.0	6.3	4.8	3.0	3.4	13.0	3.8	0.6	10.3
New home sales	10.8	5.1	7.1	-	9.2	4.0	8.2	24.4	6.2	-
Construction spending	10.2	12.4	8.4	-	9.0	8.6	7.7	6.4	6.1	-
Building permits	5.9	4.0	2.1	4.6	3.8	-3.2	5.9	2.7	3.9	7.4
Employment, wages and salaries	4Q04	1Q05	2Q05	3Q05	Apr05	May05	Jun05	Jul05	Aug05	Sep05
Pool of available workers	0.8	1.0	1.3	1.5	1.3	1.4	1.2	1.2	1.5	1.7
Total employment	1.3	1.4	1.8	1.9	1.8	1.9	1.8	1.8	2.0	2.1
Unemployment rate (1)	5.5	5.4	5.2	5.0	5.2	5.1	5.0	5.0	4.9	5.1
Unemp avg duration (weeks) (1)	19.7	19.3	19.6	17.6	19.6	18.8	17.1	17.6	18.9	18.3
Avg working hours per week (1)	33.8	33.7	33.8	33.7	33.8	33.7	33.7	33.7	33.7	33.7
Avg hourly earnings	2.5	2.6	2.7	2.7	2.7	2.6	2.8	2.8	2.6	2.6
Employment cost index	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05
	3.8	4.0	4.0	3.9	4.0	3.9	3.9	3.4	3.1	-
Prices	YoY Rates				YoY Rates					
	4Q04	1Q05	2Q05	3Q05	Apr05	May05	Jun05	Jul05	Aug05	Sep05
CPI	3.3	3.0	3.0	3.8	3.5	2.8	2.5	3.2	3.6	4.7
Core CPI	2.1	2.3	2.2	2.1	2.2	2.2	2.0	2.1	2.1	2.0
PPI	4.6	4.6	4.0	5.5	4.8	3.6	3.6	4.7	5.1	6.9
Core PPI	2.0	2.6	2.5	2.6	2.6	2.8	2.2	2.8	2.4	2.6
Import prices	8.5	6.5	7.2	8.7	8.4	5.9	7.4	8.2	7.9	9.9
Export prices	4.2	3.6	2.9	3.3	3.1	2.5	3.2	2.8	3.2	3.8
External sector	4Q04	1Q05	2Q05	3Q05	Apr05	May05	Jun05	Jul05	Aug05	Sep05
Balance of goods & services (3)	-587.0	-630.0	-661.0	-680.0	-661	-668	-673	-680	-685	-
Balance of goods & serv (3) (% GDP)	-4.9	-5.2	-5.3	-	-	-	-	-	-	-
Trade balance (3)	-674.7	-720.8	-754.7	-776.9	-755	-763	-769	-777	-784	-
Trade balance (3) as a % of GDP	-5.6	-5.9	-6.1	-	-	-	-	-	-	-
Nominal effective exchange rate	-6.3	-4.4	-4.6	-1.5	-5.3	-6.0	-2.5	-0.1	-2.2	-2.2
Monetary policy and public accts	4Q04	1Q05	2Q05	3Q05	Apr05	May05	Jun05	Jul05	Aug05	Sep05
Money supply (M2)	5.2	5.3	3.8	3.9	4.3	3.3	3.7	3.8	3.9	3.9
Federal funds rate (1)	1.76	2.16	2.79	3.26	2.79	3.00	3.04	3.26	3.50	3.62
Federal receipts (2)	487	452	665	550	278	153	235	142	155	253
Federal expenditures (2)	605	628	620	619	220	188	212	195	207	217
Federal public deficit (2)	-118	-177	45	-69	58	-35	23	-53	-52	36

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

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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.

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I. 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	0.9	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 (Sept 2005). Euro Zone Barometer (Sept 2005). Santander Investment 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)	830,843	14.4	12.8	11.8	10.1	6.2	5.6	5.0	11.1	7.5	6.8	6.2	8.7	3.1	3.5	2.2	2.0
Germany (DAX 30)	516,046	12.9	12.7	10.8	14.1	3.8	3.4	3.1	9.7	5.2	4.9	3.8	0.6	3.4	3.8	1.5	1.4
Italy (MIB 30)	469,597	16.3	14.3	13.2	11.3	4.0	3.8	3.6	7.7	6.0	5.9	4.3	0.7	4.1	4.4	2.3	2.1
Portugal (PSI 20)	50,744	14.7	13.2	12.1	10.2	8.8	8.3	7.8	6.8	6.4	5.8	5.5	6.0	4.0	4.2	2.1	2.0
Spain (IBEX35)	474,267	16.0	15.3	13.3	10.8	6.7	6.0	4.6	3.1	7.5	6.8	4.8	-9.5	3.5	4.0	3.2	2.8
DJ Stoxx 600	7,186,583	15.4	13.8	12.5	10.3	6.7	6.0	5.5	12.2	8.7	7.9	6.6	8.1	3.3	3.7	3.1	3.1
DJ Stoxx 50	2,973,404	14.2	12.9	11.9	11.3	5.0	4.7	3.9	12.8	6.4	6.0	4.5	4.6	3.6	3.9	2.8	2.5
DJ Euro Stoxx 50	1,318,035	12.5	11.7	11.0	10.7	4.5	4.2	3.8	8.0	5.8	5.5	4.1	4.4	3.9	4.2	2.1	1.9
Iberia Capital Goods	28,999	9.4	11.0	21.7	-24.0	4.4	4.9	11.3	-24.4	6.1	6.3	13.4	-23.8	3.2	2.1	1.5	3.9
Iberia Construction	28,770	17.4	15.5	13.7	14.4	9.2	8.3	7.5	11.2	10.5	9.6	8.8	25.3	1.9	2.2	2.6	2.3
Iberia Consumer Goods	34,605	20.6	18.1	24.3	-1.8	9.5	8.4	11.6	-3.4	12.4	11.2	14.8	-2.6	3.1	2.8	4.0	4.7
Iberia Consumer Services	57,973	15.3	18.0	18.5	0.1	10.4	11.0	11.9	3.3	9.8	9.6	11.0	2.8	1.8	1.8	2.8	2.8
Iberia Financials	171,402	13.5	12.4	10.8	18.6	NA	NA	NA	NA	NA	NA	NA	NA	3.7	4.3	2.2	2.0
Iberia Oil & Gas	53,993	12.9	11.5	16.9	4.6	6.7	6.5	8.2	-2.8	8.1	7.1	9.2	-3.6	2.5	2.0	2.2	2.6
Iberia TMTs	130,276	35.4	27.0	NA	-21.5	12.5	11.0	54.0	-35.1	15.4	15.1	72.1	-31.9	1.6	0.6	7.6	25.1
Iberia Utilities	61,804	15.7	15.7	24.2	-10.6	7.4	8.0	10.9	-8.9	7.8	8.7	12.5	-17.5	3.6	2.3	4.2	3.9
Total Iberia	567,822	16.4	15.4	18.3	3.8	11.6	11.5	17.5	-8.8	14.5	14.2	22.1	-9.8	2.7	2.4	2.9	3.2

Note: CAGRs are calculated over 2004-07F.

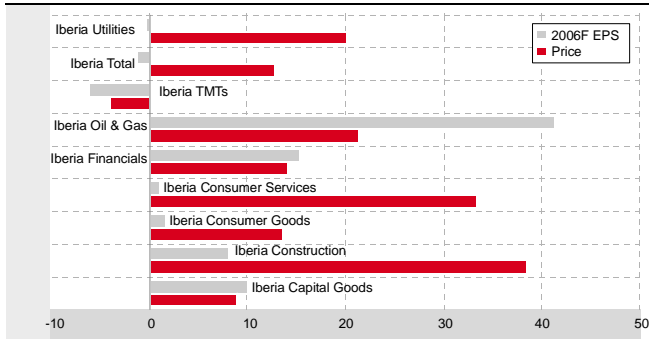
Source: Bloomberg, JCF and Santander Investment Bolsa estimates and forecasts.

Market Performance (%)

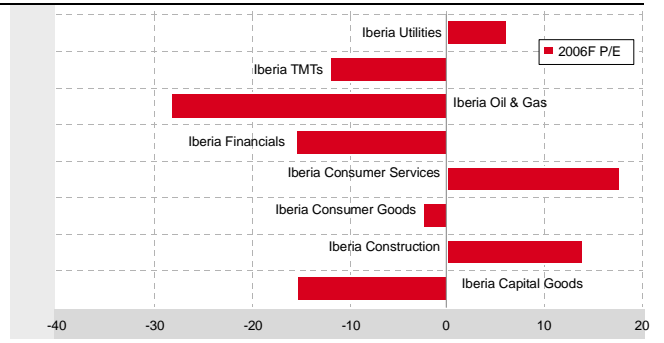
Index	Close 21-Oct	Last 12M			-1W	-1M	-3M	-6M	-12M	QTD	YTD	From	
		High	Low	12M High								12M Low	
France (CAC40)	4,482	4,651	3,599	-1.0	-0.6	2.5	11.2	22.1	-2.6	17.3	-3.6	24.5	
Germany (DAX30)	4,976	5,138	3,839	-0.6	-0.2	5.6	15.4	26.9	-1.4	16.9	-3.2	29.6	
Italy (MIB30)	33,251	35,210	28,292	-1.4	-4.0	0.2	3.9	16.7	-5.0	6.5	-5.6	17.5	
Portugal (PSI20)	8,038	8,174	7,345	-0.7	1.6	8.0	3.0	8.4	-0.6	5.8	-1.7	9.4	
Spain (IBEX35)	10,629	10,919	8,200	-1.0	0.9	6.9	16.1	28.7	-1.7	17.1	-2.7	29.6	
DJ Stoxx 600	289	301	236	-1.1	-1.7	2.7	10.3	20.6	-2.9	15.1	-3.9	22.5	
DJ Stoxx 50	3,178	3,297	2,635	-0.9	-1.1	2.1	11.2	18.1	-2.6	14.5	-3.6	20.6	
DJ Euro Stoxx 50	3,350	3,464	2,728	-0.7	-0.5	2.2	11.1	20.8	-2.3	13.5	-3.3	22.8	
Iberia Capital Goods	NA	NA	NA	-3.7	-5.2	-1.4	9.7	20.8	-7.0	8.9	-11.9	24.9	
Iberia Construction	NA	NA	NA	-5.6	-9.8	-1.3	26.0	57.5	-9.9	38.5	-14.5	62.4	
Iberia Consumer Goods	NA	NA	NA	-2.0	-1.6	3.2	4.7	26.7	-3.0	13.6	-6.4	29.4	
Iberia Consumer Services	NA	NA	NA	-4.5	-6.4	5.2	24.7	NA	-7.5	33.4	-12.0	49.1	
Iberia Financials	NA	NA	NA	-1.3	2.8	5.2	15.0	23.1	-1.8	14.1	-4.2	25.7	
Iberia Oil & Gas	NA	NA	NA	-3.4	-7.3	2.4	21.0	31.6	-9.2	21.5	-13.6	36.5	
Iberia TMTs	NA	NA	NA	-2.4	-2.3	-0.3	-0.8	1.6	-2.3	-4.0	-11.7	8.1	
Iberia Utilities	NA	NA	NA	-1.6	-0.2	8.5	16.1	29.4	-4.3	20.1	-6.7	33.6	
Total Iberia	NA	NA	NA	-2.5	-2.1	3.1	12.0	NA	-4.3	12.9	-9.1	26.4	

Source: Bloomberg.

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

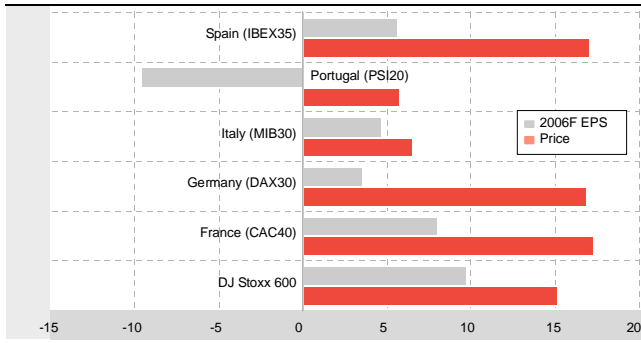


DJ Stoxx 600 – Relative Re-Rating/De-Rating in 2006F P/E by Sector (%)

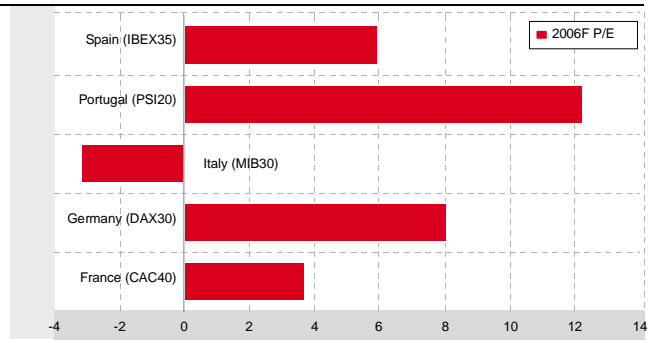


Source: Bloomberg, JCF and Santander Investment Bolsa estimates.

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 20/10/05	Mkt Cap (€mn)	SI Bolsa Recom	Target Price	Upside Potential (%)	Weighting (%)		Mkt Perform (%)			P/E (x)			04-07F EV/EBITDA (x)			04-07F P/CF (x)			04-07F GDY (%)			P/BV (x)		Company		
								IBEX 35	PSI 20	-1W	QTD	YTD	05E	06F	07F	05E	06F	07F	05E	06F	07F	05E	06F	07F	06F	07F		06F	07F
Acerinox	SP	EUR	10.9	2,839	U/W	12.2	11.5	0.7	-2.8	-5.4	-7.4	10.3	10.5	8.6	3.2	5.7	5.8	4.9	3.8	6.6	6.6	5.7	-0.4	3.2	3.2	1.3	1.2	Acerinox	
Arcelor	SP	EUR	18.4	11,759	U/W	15.2	-17.6	1.8	-2.5	-5.3	4.1	5.8	8.3	NA	NA	NA	NA	NA	NA	4.0	4.8	NA	NA	3.3	NA	1.0	NA	Arcelor	
Cementos Portland Cimpor	SP	EUR	65.0	1,808	Buy	80.0	23.2		-3.1	-9.6	35.3	12.3	10.0	10.2	15.2	5.7	4.8	4.6	10.1	7.8	6.8	6.7	10.9	3.6	3.5	1.7	1.5	Cementos Portland Cimpor	
Ence	POR	EUR	4.5	3,004	U/W	3.9	-15.3	3.3	-2.6	-2.6	7.7	18.8	16.1	12.5	8.9	9.2	8.6	7.4	4.7	8.4	7.8	6.8	1.4	3.7	4.8	2.7	2.5	Ence	
Gamesa	SP	EUR	24.9	633	Buy	28.0	12.6		-2.5	-0.5	10.4	9.2	8.0	11.9	7.0	4.6	3.9	6.1	12.6	5.3	5.3	6.8	2.7	2.9	3.0	1.0	0.9	Gamesa	
Tubacex	SP	EUR	11.5	2,798	U/W	12.5	8.7	0.6	-5.3	-10.0	11.7	13.1	12.3	10.6	6.1	9.3	8.6	7.6	12.6	7.1	6.6	5.9	8.8	2.6	3.0	2.8	2.4	Tubacex	
Uralita	SP	EUR	3.4	452	U/R	U/R	U/R		-3.4	-12.1	79.9	17.2	13.9	20.6	17.6	8.8	7.8	10.1	7.1	10.4	9.4	12.5	7.0	2.1	1.4	2.1	1.9	Uralita	
Zardoya Otis	SP	EUR	8.8	750	Buy	5.5	44.7		-9.3	-15.0	1.9	18.7	16.7	13.3	7.6	5.5	5.1	4.5	4.4	6.9	6.4	5.6	-6.4	2.4	3.0	3.1	2.7	Zardoya Otis	
Capital Goods	SP	EUR	20.8	4,955	U/W	20.7	-0.7		-6.1	-10.5	21.3	31.6	31.3	28.6	3.4	20.6	18.5	17.0	9.5	29.0	28.8	26.8	5.3	3.4	3.7	31.5	28.7	Capital Goods	
				28,999				3.1	3.3	-3.7	-7.0	8.9	9.4	11.0	21.7	-24.0	4.4	4.9	11.3	-24.4	6.1	6.3	13.4	-23.8	3.2	2.1	1.5	3.9	
Acciona	SP	EUR	88.8	5,643	Buy	105.0	18.2	1.1	-7.7	-6.8	36.4	19.6	16.6	14.4	19.0	9.2	8.5	8.1	15.6	10.4	9.1	8.0	22.0	3.0	3.5	1.9	1.8	Acciona	
ACS	SP	EUR	22.9	8,084	U/R	U/R	U/R		-5.3	-5.5	36.4	14.3	12.5	11.1	17.1	6.9	6.0	5.1	8.2	11.0	10.4	9.6	18.4	2.0	2.2	2.7	2.3	ACS	
FCC	SP	EUR	5.895	5,895	Hold	U/R	U/R		-2.9	-0.0	27.4	14.3	13.6	12.4	7.1	7.2	6.5	5.6	7.1	8.7	8.2	7.6	5.0	3.8	4.2	2.4	2.2	FCC	
Ferrovial	SP	EUR	58.0	8,138	Buy	22.8	1.6		-1.2	-1.2	47.5	24.6	21.8	18.9	14.1	13.4	11.9	10.9	13.1	13.1	12.0	10.6	-321.3	1.8	2.1	3.5	3.1	Ferrovial	
OHL	SP	EUR	11.3	1,012	Buy	14.2	25.7		-6.1	-9.5	79.4	17.7	16.1	13.6	22.4	6.6	6.5	6.2	15.6	5.9	5.5	5.1	4.1	1.6	1.8	2.4	2.4	OHL	
Construction	SP	EUR						5.7	0.0	-5.6	-9.9	38.5	17.4	15.5	13.7	14.4	9.2	8.3	7.5	11.2	10.5	9.6	8.8	25.3	1.9	2.2	2.6	2.3	Construction
Altadis	SP	EUR	35.0	9,423	U/W	30.7	-12.3	2.4	-3.8	-6.1	3.9	17.4	15.4	NA	NA	NA	NA	NA	11.2	10.2	NA	NA	3.2	NA	6.3	NA	Altadis		
Barón de Ley	SP	EUR	43.0	332	U/R	35.7	-17.0		1.2	5.1	13.1	18.1	18.3	18.0	-5.1	9.2	8.7	8.1	4.2	11.8	11.6	11.3	-4.1	0.0	0.0	1.7	1.6	Barón de Ley	
Ebro Puleva	SP	EUR	13.6	2,099	Buy	16.9	-23.9		0.6	-8.5	29.9	14.7	12.1	15.1	4.7	8.9	7.5	8.1	4.7	6.8	6.8	7.5	4.4	2.8	3.0	1.7	1.6	Ebro Puleva	
Faes	SP	EUR	15.6	865	U/W	14.1	-2.3		-0.8	-1.8	28.6	17.4	16.1	40.5	-5.5	26.2	24.7	24.0	0.4	24.3	24.1	23.5	-8.6	1.5	1.5	5.9	5.6	Faes	
Inditex	SP	EUR	24.2	15,085	Buy	31.0	28.1	2.3	-1.2	-0.9	15.1	21.2	18.3	16.0	13.9	10.4	8.8	7.6	15.6	14.0	12.0	10.4	13.3	4.0	5.2	4.5	4.1	Inditex	
Jerónimo Martins	POR	EUR	12.0	1,507	U/W	12.4	3.6	1.7	-0.3	-0.3	23.4	14.3	14.0	13.5	4.1	6.8	6.7	6.3	4.4	7.3	7.0	6.5	6.5	3.5	3.6	3.1	2.8	Jerónimo Martins	
Sos Cuétara	SP	EUR	10.1	1,388	U/R	7.0	-30.7		-0.4	-4.3	32.7	29.4	27.2	21.2	22.1	14.2	12.2	10.4	20.5	16.1	15.7	13.4	14.2	1.0	1.0	2.5	2.3	Sos Cuétara	
Viscofán	SP	EUR	9.2	445	Buy	12.0	30.3		-1.8	-7.0	23.6	48.1	37.1	29.7	12.2	8.7	7.3	6.3	15.3	16.4	15.6	13.8	11.0	1.5	1.7	1.6	1.5	Viscofán	
Zeltia	SP	EUR	5.9	1,246	U/W	5.0	-15.1		-0.8	-2.3	14.4	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	0.0	0.0	4.1	3.4	Zeltia	
Consumer Goods	SP	EUR		34,605				4.6	1.7	-2.0	-3.0	13.6	20.6	18.1	24.3	-1.8	9.5	8.4	11.6	-3.4	12.4	11.2	14.8	NM	3.1	2.8	4.0	4.7	Consumer Goods
NH Hoteles	SP	EUR	12.1	1,448	Buy	14.3	17.7		-3.7	-5.8	24.1	33.7	19.0	15.5	30.2	12.6	10.1	9.1	8.9	12.0	9.7	9.0	15.6	2.6	3.2	2.1	1.9	NH Hoteles	
Sol Meliá	SP	EUR	10.5	1,933	U/W	13.3	26.7		-6.5	-8.9	43.3	19.5	13.4	10.3	64.8	9.6	7.9	6.6	14.8	9.2	7.6	6.5	31.4	1.1	1.3	2.2	1.9	Sol Meliá	
TelePizza	SP	EUR	1.8	391	U/W	1.6	-11.4		-4.4	-7.9	16.7	19.0	18.3	18.9	0.9	6.8	6.0	5.5	2.5	10.3	10.0	10.5	-3.0	2.8	3.0	2.6	3.0	TelePizza	
Iberia	SP	EUR	2.1	2,009	U/W	2.0	-6.1	0.5	-3.6	0.5	-5.5	3.1	29.6	13.9	-10.4	4.3	15.7	11.2	-1.0	3.0	7.8	5.9	-5.4	2.3	2.3	1.0	1.0	Iberia	
Logista	SP	EUR	2.8	1,955	Buy	47.0	9.9		-3.7	-0.5	7.2	20.2	17.3	16.0	10.9	9.1	8.0	7.2	17.0	11.7	10.5	9.8	8.8	2.9	3.1	3.6	3.2	Logista	
Albertis	SP	EUR	22.4	12,953	U/W	17.0	-21.9	3.1	-7.7	-7.4	45.3	NA	NA	NA	NA	12.5	11.9	11.4	6.2	NA	NA	NA	NA	2.8	2.9	NA	NA	Albertis	
Brisa	POR	EUR	6.6	3,982	U/R	U/R	U/R		-3.1	-7.8	-1.8	19.7	NA	NA	NA	NA	NA	NA	NA	11.8	NA	NA	NA	NA	NA	NA	NA	Brisa	
Cintra	SP	EUR	9.7	4,754	Buy	U/R	U/R	0.7	-4.7	-15.3	19.8	28.8	NA	NA	NA	NA	NA	NA	17.2	NA	NA	NA	NA	NA	NA	NA	NA	Cintra	
Inm. Colonial	SP	EUR	48.0	2,689	Buy	54.2	12.9		0.6	-5.0	62.2	10.4	17.3	15.9	12.6	10.1	12.6	11.9	14.9	7.3	10.6	9.9	-7.6	2.4	2.7	2.0	1.7	Inm. Colonial	
Inm. Urbis	SP	EUR	15.8	2,009	U/W	16.7	6.0		-5.3	-16.0	47.5	12.5	10.8	9.6	25.0	11.3	10.4	9.7	24.3	17.8	10.1	9.0	7.8	2.6	3.1	2.3	2.0	Inm. Urbis	
Metrovacesa	SP	EUR	57.4	5,843	U/W	55.0	-4.2	1.5	-0.3	-6.3	92.7	16.7	14.4	14.9	9.3	20.3	15.1	15.3	37.3	11.8	10.7	10.9	12.5	1.4	1.8	2.7	2.4	Metrovacesa	
Sacyr Vallehermoso	SP	EUR	21.1	5,800	Hold	24.5	15.9	1.2	-7.2	-9.5	79.3	18.9	23.1	19.2	1.8	15.4	13.9	12.7	14.5	9.4	10.1	9.2	60.4	1.1	1.3	2.9	2.6	Sacyr Vallehermoso	
Abengoa	SP	EUR	13.0	1,172	Buy	16.0	23.6		-3.1	-11.5	78.1	19.3	13.0	12.8	-7.2	8.3	6.3	5.9	1.5	8.5	8.8	8.6	4.1	1.1	1.1	2.4	2.0	Abengoa	
Agua Barcelona	SP	EUR	19.1	2,797	Hold	20.5	7.4		-4.6	-5.5	24.1	15.4	14.1	12.9	2.8	7.8	7.2	6.7	11.1	17.4	7.5	7.1	5.2	1.9	2.0	1.8	1.7	Agua Barcelona	
Prosegur	SP	EUR	18.9	1,168	Buy	23.5	24.2		-11.8	-12.4	30.7	19.1	15.0	13.7	60.7	8.6	7.0	6.4	15.2	9.3	8.1	7.5	28.4	1.5	1.9	3.4	2.9	Prosegur	
Sonae SGPS	POR	EUR	1.4	2,720	Buy	1.6	16.2	6.0	-2.2	-4.2	40.1	12.9	15.6	14.2	-12.3	6.4	6.7	6.3	3.0	4.7	5.0	4.7	5.7	1.4	1.4	1.9	1.7	Sonae SGPS	
Consumer Services	SP	EUR		57,973				6.9	13.9	-4.5	-7.5	33.4	15.3	18.0	18.5	0.1	10.4	11.0	11.9	3.3	9.8	9.6	11.0	2.8	1.8	2.8	2.8	Consumer Services	
B. Guipuzcoano	SP	EUR	18.2	1,249	U/W	14.0	-23.0		-2.9	-4.3	55.1</																		

IV. MOMENTUM MONITOR

1M Stock Market Performance (%)			
Ten Highest		Ten Lowest	
PT Multimédia	10.3	OHL	-9.6
Barón de Ley	8.8	Tubacex	-10.1
Bankinter	6.8	Antena 3	-10.6
Grupo Santander	5.1	Zardoya Otis	-10.9
Logista	3.1	ACS	-10.9
Sogecable	3.0	Inm. Urbis	-11.5
Corp. Mapfre	3.0	Uralita	-12.6
BBVA	2.4	Ferrovial	-13.1
Unión Fenosa	1.9	Telecinco	-13.2
B. Valencia	1.6	Gamesa	-14.7

Performance from 12M High (%)			
Ten Highest		Ten Lowest	
Bankinter	0.0	Zeltia	-18.0
Grupo Santander	-2.3	Inm. Urbis	-18.0
Inditex	-3.2	Gamesa	-18.2
BES	-3.4	Ferrovial	-18.8
Cortefiel	-3.8	Uralita	-19.1
Cimpor	-4.1	Antena 3	-19.3
EDP	-4.2	Telecinco	-20.0
Banesto	-4.4	Acerinox	-21.0
B. Valencia	-4.6	Portugal Telecom	-23.2
BBVA	-4.6	Jazztel	-44.3

3M Consensus Recommendation ¹			
Ten Highest		Ten Lowest	
Aldeasa	3.0	Brisa	1.6
B. Valencia	2.8	BBVA	1.5
Faes	2.8	Telefónica	1.5
B. Guipuzcoano	2.8	Prisa	1.5
Metrovacesa	2.7	B. Pastor	1.4
Jazztel	2.7	PT Multimédia	1.4
Barón de Ley	2.7	Inditex	1.4
Acciona	2.7	Ferrovial	1.4
Abertis	2.5	Grupo Santander	1.3
CF Alba	2.5	Arcelor	1.2

2005 Consensus EPS / SIB 2005E EPS (%)			
Ten Highest		Ten Lowest	
Zeltia	35.4	Portugal Telecom	-16.4
PT Multimédia	25.3	Jazztel	-16.9
Arcelor	19.5	Telefónica Mów	-17.2
Cimpor	16.8	Ence	-19.5
Sonae SGPS	15.1	NH Hoteles	-19.9
Ferrovial	13.8	Cem Portland	-22.7
Altadis	13.4	Aguas Barcelona	-24.8
Uralita	13.2	Sol Meliá	-32.5
BPI	12.6	Gas Natural	-39.8
Barón de Ley	11.7	Sogecable	-44.7

3M Stock Market Performance (%)			
Ten Highest		Ten Lowest	
Abengoa	26.7	Gas Natural	-7.6
Sonae SGPS	26.7	Uralita	-8.2
Viscofán	18.3	Sol Meliá	-8.6
Metrovacesa	17.3	TPI	-8.7
Corp. Mapfre	16.1	Faes	-9.9
Endesa	13.0	Jazztel	-10.6
Tubacex	12.6	Ebro Puleva	-12.2
BPI	12.6	Zardoya Otis	-12.9
B. Pastor	12.4	Telecinco	-17.2
Barón de Ley	11.8	Antena 3	-18.2

Performance from 12M Low (%)			
Ten Highest		Ten Lowest	
Jazztel	111.4	EDP	12.7
Tubacex	97.7	Gas Natural	12.3
Metrovacesa	97.3	Cimpor	10.4
Sacyr Vallehermoso	94.4	Brisa	9.0
OHL	92.2	Telefónica	8.4
Cortefiel	91.8	Prisa	6.0
Abengoa	87.4	Telefónica Mów	5.5
Inm. Colonial	83.1	BES	4.6
Acciona	71.8	Acerinox	7.1
Inm. Urbis	71.2	Portugal Telecom	2.0

3M Positive to Negative Recommendations (x)			
Ten Highest		Ten Lowest	
PT Multimédia	All Pos	Acciona	0.1
Arcelor	14.0	Metrovacesa	0.0
Grupo Santander	11.0	Barón de Ley	0.0
Inditex	10.0	Cortefiel	0.0
B. Pastor	7.0	Abertis	0.0
ACS	5.5	Aldeasa	0.0
Brisa	5.0	Faes	0.0
BPI	5.0	B. Valencia	0.0
Telecinco	4.0	B. Guipuzcoano	0.0
Sogecable	3.5	Jazztel	0.0

Most Recommended Stocks (% of Buys)			
Ten Highest		Ten Lowest	
Arcelor	93.3	Unión Fenosa	5.3
Grupo Santander	84.6	Metrovacesa	0.0
Sogecable	77.8	Barón de Ley	0.0
B. Pastor	77.8	Cortefiel	0.0
PT Multimédia	75.0	Abertis	0.0
Inditex	74.1	Aldeasa	0.0
Tubacex	71.4	Faes	0.0
Ferrovial	71.4	B. Valencia	0.0
BPI	71.4	B. Guipuzcoano	0.0
Prisa	66.7	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	
Iberia	29.6	B. Popular	11.7
PT Multimédia	28.9	BBVA	10.9
Sos Cuétara	27.2	Inm. Urbis	10.8
B. Valencia	25.2	Acerinox	10.5
Sacyr Valleherm	23.1	Cem Portland	10.0
Indra	22.1	Portugal Telecom	9.8
Ferrovial	21.8	Repsol YPF	9.0
B. Guipuzcoano	21.2	Gas Natural	8.4
Aldeasa	19.6	Arcelor	8.3
NH Hoteles	19.0	Ence	8.0

2006F GDY (%)			
Ten Highest		Ten Lowest	
PT Multimédia	4.6	Sol Meliá	1.1
Iberdrola	4.5	Sacyr Valleherm	1.1
B. Popular	4.5	Abengoa	1.1
Telefónica	4.4	Sos Cuétara	1.0
Endesa	4.1	B. Valencia	0.8
Inditex	4.0	Prisa	0.7
FCC	3.8	Jazztel	0.0
Cimpor	3.7	Zeltia	0.0
Gas Natural	3.7	Barón de Ley	0.0
B. Sabadell	3.7	Sogecable	0.0

2006F P/CF (x)			
Ten Highest		Ten Lowest	
Sos Cuétara	15.7	Gamesa	6.6
Viscofán	15.6	Uralita	6.4
TPI	14.3	Gas Natural	5.9
PT Multimédia	13.5	Telefónica	5.8
Sogecable	13.1	OHL	5.5
Telecinco	12.7	Ence	5.3
Antena 3	12.5	Repsol YPF	5.3
Prisa	12.4	Sonae SGPS	5.0
Inditex	12.0	Arcelor	4.6
Ferrovial	12.0	Portugal Telecom	4.1

2006F P/BV (x)			
Ten Highest		Ten Lowest	
Altadis	6.3	Barón de Ley	1.7
Telecinco	6.2	Corp. Mapfre	1.7
Faes	5.9	Ebro Puleva	1.7
Indra	5.3	Cementos Portland	1.7
Inditex	4.5	Repsol YPF	1.7
Telefónica Móviles	4.5	Viscofán	1.6
Antena 3	4.4	Acerinox	1.3
Zeltia	4.1	Iberia	1.0
PT Multimédia	3.8	Ence	1.0
B. Valencia	3.8	Arcelor	1.0

Revisions to 2006F EPS YTD (%)			
Ten Highest		Ten Lowest	
Repsol YPF	42.6	Logista	-17.8
Tubacex	41.9	Ence	-20.6
Sol Meliá	31.5	PT Multimédia	-21.0
Metrovacesa	26.0	Portugal Telecom	-23.7
Inm. Colonial	25.5	Viscofán	-25.1
Telecinco	24.8	Iberia	-27.4
Ebro Puleva	22.5	Cimpor	-33.9
Antena 3	20.7	Faes	-36.1
Corp. Mapfre	19.9	Jazztel	-40.4
Arcelor	18.5	Sogecable	-52.7

2006F CFPS/DPS (%)			
Ten Highest		Ten Lowest	
Sol Meliá	11.4	Portugal Telecom	2.9
Sacyr Valleherm	9.1	Iberdrola	2.8
Prosegur	8.5	Aldeasa	2.7
Aguas Barcelona	6.9	Faes	2.7
Arcelor	6.7	Inditex	2.1
Metrovacesa	6.6	PT Multimédia	1.6
Ence	6.6	Antena 3	1.4
Uralita	6.5	Telecinco	1.4
Amadeus	6.5	TPI	1.2
Repsol YPF	6.5	Zardoya Otis	1.0

2006F D/E (%)			
Ten Highest		Ten Lowest	
REE	265.7	TelePizza	-10.6
Telefónica Móv	241.0	Inditex	-19.9
Metrovacesa	239.4	Antena 3	-22.1
Ferrovial	229.5	Aldeasa	-31.5
Sogecable	149.8	Indra	-32.4
Enagás	147.3	Logista	-42.2
Inm. Urbis	134.8	Amadeus	-44.3
Inm. Colonial	134.4	Iberia	-63.1
Endesa	133.4	Telecinco	-66.0
Gamesa	128.3	Zardoya Otis	-136.3

2006F ROE (%)			
Ten Highest		Ten Lowest	
Telefónica Móviles	39.2	Inm. Colonial	12.8
Portugal Telecom	35.1	Arcelor	12.2
Antena 3	35.0	Acciona	11.6
BBVA	32.0	NH Hoteles	11.3
Inditex	26.5	Barón de Ley	9.8
Indra	26.1	Sos Cuétara	9.5
Gamesa	24.9	Viscofán	9.1
Prosegur	24.8	Iberia	3.5
Jerónimo Martins	23.6	Zeltia	-3.3
Telefónica	23.2	Jazztel	-116.8

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

VI. GROWTH MONITOR

2004-07F EPS CAGR (%)			
Ten Highest		Ten Lowest	
Sol Meliá	64.8	TelePizza	0.9
Prosegur	60.7	Aldeasa	0.4
B. Pastor	42.7	Barón de Ley	-5.1
NH Hoteles	30.2	Faes	-5.5
Prisa	26.5	Abengoa	-7.2
Antena 3	25.1	Iberia	-10.4
Inm. Urbis	25.0	Sonae SGPS	-12.3
OHL	22.4	PT Multimédia	-21.8
Sos Cuétara	22.1	Jazztel	-23.7
B. Sabadell	20.3	Sogecable	-211.0

2004-07F DPS CAGR (%)			
Ten Highest		Ten Lowest	
Inm. Urbis	26.7	Ence	4.3
Banesto	26.1	Acerinox	3.2
Sol Meliá	26.0	Aldeasa	3.2
Unión Fenosa	23.4	Prisa	3.0
OHL	22.4	Sacyr Valleherm	1.8
B. Pastor	21.9	Sonae SGPS	0.0
Indra	21.4	Sos Cuétara	0.0
BBVA	19.6	Iberia	0.0
Logista	19.1	Abengoa	0.0
Acciona	19.0	Faes	0.0

2004-07F EBITDA CAGR (%)			
Ten Highest		Ten Lowest	
Sos Cuétara	20.5	Uralita	4.4
Antena 3	19.6	Barón de Ley	4.2
Logista	17.0	Acerinox	3.8
OHL	15.6	Aldeasa	3.4
Acciona	15.6	Sonae SGPS	3.0
Inditex	15.6	TelePizza	2.5
Viscofán	15.3	Repsol YPF	2.1
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	
Grupo Santander	21.3	Prisa	4.0
B. Pastor	19.3	Faes	4.0
Inditex	18.0	Enagás	3.5
Logista	17.9	Barón de Ley	3.4
Gamesa	17.7	Iberia	2.8
Bankinter	14.3	TelePizza	1.0
Corp. Mapfre	11.6	Repsol YPF	0.9
Banesto	11.6	Endesa	-0.3
Indra	11.2	PT Multimédia	-0.4
B. Popular	11.0	Uralita	-4.5

2006F Net Margin (%)			
Ten Highest		Ten Lowest	
Telecinco	31.3	Arcelor	4.2
B. Valencia	30.3	Sos Cuétara	4.0
B. Sabadell	29.7	Abengoa	3.9
Grupo Santander	28.2	Corp. Mapfre	3.4
B. Guipuzcoano	27.8	Jerónimo Martins	2.7
Bankinter	27.7	Sonae SGPS	2.5
B. Pastor	27.2	OHL	2.3
BPI	25.1	Iberia	1.3
Antena 3	23.0	Zeltia	-11.5
Barón de Ley	21.7	Jazztel	-24.2

2004-07F CFPS CAGR (%)			
Ten Highest		Ten Lowest	
Sogecable	25.1	Acerinox	-0.4
Acciona	22.0	TelePizza	-3.0
Antena 3	21.5	Endesa	-3.6
Enagás	18.9	Barón de Ley	-4.1
ACS	18.4	Iberia	-5.4
NH Hoteles	15.6	Unión Fenosa	-5.6
Sos Cuétara	14.2	Uralita	-6.4
Inditex	13.3	Inm. Colonial	-7.6
Indra	13.0	Faes	-8.6
Metrovacesa	12.5	PT Multimédia	-15.2

2006F EBITDA Margin (%)			
Ten Highest		Ten Lowest	
Inm. Colonial	47.4	OHL	12.0
Telecinco	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
Ence	36.7	Iberia	5.0
TPI	36.5	Zeltia	5.0
Antena 3	34.5	Jazztel	-1.1

Potential to SCH Target Price (%)			
Ten Highest		Ten Lowest	
Sogecable	34.4	TelePizza	-11.4
Viscofán	30.3	Altadis	-12.3
Inditex	28.1	Zeltia	-15.1
Sol Meliá	26.7	CF Alba	-16.3
OHL	25.7	Barón de Ley	-17.0
Telecinco	25.2	Arcelor	-17.6
Prosegur	24.2	Jazztel	-19.4
Ebro Puleva	23.9	Unión Fenosa	-21.4
Abengoa	23.6	Abertis	-21.9
CemeN Portland	23.2	B. Guipuzcoano	-23.0

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.

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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, OHL, Altadis, Viscopan, NH Hoteles, Amadeus, Iberia, Cintra, Metrovacesa, Sacyr-Vallehermoso, Grupo Santander, Corp Mapfre, Enagás, Jazztel, Sogecable, Antena 3, Telecinco, EDP, Endesa, Iberdrola, 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, ACS, FCC, Ferrovial, OHL, Altadis, Ebro Puleva, Faes, Inditex, SOS, Zeltia, TelePizza, Iberia, Brisa, Cintra, Metrovacesa, Sacyr-Vallehermoso, Banco Sabadell, Bankinter, BES, Grupo Santander, Corp Mapfre, Enagás, Repsol YPF, Telefónica, Portugal Telecom, Jazztel, TPI, Sogecable, Antena 3, Telecinco, Endesa, Iberdrola and Union Fenosa.

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