

Global Overview

- Most equity markets rose last week due to encouraging second quarter earnings reports and upbeat economic data. Two thirds of the companies in the S&P 500 have reported earnings and almost 70% of these reports have beaten analyst expectations.
- An increase in US consumer confidence figures also helped underpin markets. The Conference Board's index for July rose to 106 from 103 the previous month, beating expectations. The widely watched University of Michigan's consumer sentiment index also rose in July. The Chicago Purchasing Managers survey for July was also stronger than expected.
- European stocks were also buoyed by good economic news from Germany. The IFO survey of German business sentiment was stronger than expected.
- However, US second quarter GDP figures showed a rise of 3% versus market expectations of 3.7%.
- Oil prices hit a high of \$43.6 last week due to fears of tightened supply and geopolitical tensions in the Middle East.

Market	Index	Year to Date Return 31.12.03 to 30.07.04		1 Week Return 23.07.04 to 30.07.04	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-0.9	3.7	1.4	2.5
US	NASDAQ	-5.8	-1.4	2.1	3.1
Europe	FT/S&P Europe Ex. U.K.	1.6	1.6	1.5	1.5
Ireland	ISEQ	8.9	8.9	0.4	0.4
UK	FTSE 100	-1.4	5.1	2.0	2.0
Japan	Topix	9.2	10.1	0.4	0.1
Hong Kong	Hang Seng	-2.7	1.4	-0.9	0.1
Australia	S&P/ASX 200	7.2	4.6	1.5	1.2
Bonds	Merrill Lynch Euro over 5 year	3.6	3.6	0.4	0.4

Equities



USA

- US markets advanced last week due to strong earnings reports and good economic data.
- There were positive results from Exxon Mobil, Time Warner and Boeing. Boeing released solid results and increased its guidance for 2005 due to higher expected deliveries of commercial aeroplanes.
- Sectorwise, basic materials outperformed on the back of strong earnings from the likes of International Paper and consumer staples underperformed on the back of poor results from the likes of Gillette.



Europe

- The European auto sector had a strong week driven by good results from Renault and Peugeot. Renault gained 10% on the week due to a 28% rise in profits. Peugeot also delivered good results and the stock was up 9% on the week.
- The paper sector also performed well. Swedish paper giant, Stora Enso rose 10% on the week after Merrill Lynch lifted its recommendation on the stock to 'buy'.
- In the UK, the market rose 2% due to positive earnings results and upbeat forecasts for the second half of the year. There were strong results from BP, GlaxoSmithKline and Prudential.
- Santander Central Hispano, Spain's biggest bank unveiled its bid for Abbey National. The investor response was cool and the Abbey share price fell 2.2% on the week.



Ireland

- On the Irish market, Elan stock fell when it reported an increased second quarter loss due to reduced revenues and higher costs.
- AIB reported H1 results in line with expectations. The stock rose over 3% on the week on better sentiment towards the banks.



Pacific Basin

- Asian equities posted mixed returns last week as generally strong earnings reports were offset by worries over the global economic outlook and high oil prices.
- Japanese banks were of major interest as Sumitomo Mitsui Financial Group launched a rival-hostile-bid for UFJ, an almost unprecedented event in Japan.
- Singapore stocks performed strongly as economic reports increased optimism regarding the country's outlook.

Eurozone Bonds

- Bonds gained last week but were held back by upbeat economic data in the US and Europe. Oil prices reached record levels and continue to cause concern due to the effect on inflation levels.
- Eurozone bond prices edged higher following strong demand at auctions for €6 billion of Italian debt. Prices continue to be supported in the medium term by expectations of a measured rises in US interest rates and much slower moves in eurozone rates.

Global Outlook

- Activity levels in the global economy remain high. The eurozone has continued to be a laggard but the second quarter data is showing some acceleration in activity. Japan is the fastest-growing G7 economy according to first quarter data. The much-watched Chinese economy is slowing from a period of torrid growth.
- The Fed has commenced its well-flagged tightening cycle, beginning with a 0.25% increase to 1.25%. Rates will be raised further at a 'measured pace' according to Fed statements. Price pressures will be closely watched by both eurozone and US central banks in coming months, although the ECB's official stance is that it has no bias as to the next change in rates.
- Bond markets have taken some comfort from the Fed's 'measured pace' rhetoric. In addition, global growth indicators are now anticipating a slight loss of momentum in the pace of economic expansion.
- Strong profits and earnings' revisions have validated last year's strong price gains; this year's overall performance for global equities has been more muted. Underlying profit strength and lower valuations than last year offer support to equity markets, although recent earnings' guidance from US companies has been a bit disappointing.
- Our current stance is overweight equities versus the manager average and neutral in bonds. The funds continue to have overweight sectoral positions in cyclical areas such as general industrials and basic materials, while remaining relatively neutral in other sectors. As regards geographical bias, the funds are overweight Europe and underweight the UK and the US while the Pacific region has been increased from underweight to slightly overweight.