Weekly investment news

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Global Overview

- It was a difficult week for equity markets around the world due to soft economic data from the US and rising oil prices.
- Oil prices have risen over 30% so far this year, driven by continued strength in the US economy, which consumes 25% of world oil. Demand from Asia is also strong while supply disruptions in Russia and the Middle East continue to cause concern. The oil price currently stands at $44 per barrel.
- There was disappointing jobs news on Friday from the US. A report showed that only 32,000 non- farm jobs were added, against expectations of 230,000. Economic data on consumer spending were also weaker than expected.
- Weak economic data caused the US dollar to fall; the euro rose to $1.23, from $1.20.
- The US Federal Reserve meets on Tuesday 10th to decide on interest rates. The market is expecting a 0.25% rise.

Market	Index	Year to Date Return 31.12.03 to 06.08.04		1 Week Return 30.07.04 to 06.08.04	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-4.3	-2.1	-3.4	-5.6
US	NASDAQ	-11.3	-9.3	-5.9	-8.0
Europe	FT/S&P Europe Ex. U.K.	-1.4	-1.4	-3.0	-3.0
Ireland	ISEQ	6.5	6.5	-2.2	-2.2
UK	FTSE 100	-3.1	2.5	-1.7	-2.4
Japan	Topix	6.1	5.8	-2.8	-4.0
Hong Kong	Hang Seng	-0.8	1.1	2.0	-0.3
Australia	S&P/ASX 200	7.0	4.0	-0.2	-0.5
Bonds	Merrill Lynch Euro over 5 year	4.2	4.2	1.1	1.1

Equities

USA

- US markets fell back last week due to weaker economic data and rising oil prices.
- Warnings that the New York Stock Exchange and other financial institutions were being targeted by terrorists also led to investor jitters early in the week.
- Technology was the worst performing sector with the NASDAQ down almost 6% on the week.

Europe

- European stocks also fared badly last week, taking the lead from their US counterparts.
- The financial sector held up well relative to other sectors despite disappointing earnings results from Credit Suisse. While earnings were in line with expectations, the company reported poor performance from its investment-banking arm. Technology was the worst performing sector in Europe also.
- In the UK, the Monetary Policy Committee increased interest rates again in an attempt to calm the booming property market, bringing the base rate to 4.75%.
- HBOS announced that it was considering a bid to counter the Banco Santander Central Hispano offer for Abbey National. Shares in HBOS fell 5% on the week. Barclays rose 9% on the back of bid speculation concerning Citigroup.

Ireland

- On the Irish market, CRH stood out due to positive comments from analysts. Goodbody has set a price target of €23 for the stock, saying that its current rating does not factor in an improvement in earnings growth.

Pacific Basin

- Asian equities produced mixed returns last week. Another rise in oil prices and worries over the strength of the US economy weighed on most markets.
- Mixed earnings reports from companies across the region also failed to lift markets.
- Hong Kong's stock market was boosted by some high profile property sales, while in Singapore equities rose on the back of takeover activity.

Eurozone Bonds

- Bonds gained last week due to weak payroll and consumer spending data from the US. Renewed terrorist concerns also led to safe haven buying.
- Bond prices continue to be supported by expectations of measured rises in US interest rates and much slower moves in Eurozone rates.
- However, oil prices reached record levels and continue to cause some concern due to the effect on inflation levels.

Global Outlook

- Activity levels in the global economy remain high, although there has been some softness in recent US data. The eurozone has been a laggard but is improving. Japan is the fastest-growing G7 economy according to recent data. The much-watched Chinese economy is slowing from a period of torrid growth. A high and sustained oil price is a growth negative but also boosts inflation.
- 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 loss of momentum in the pace of economic expansion, albeit from high levels.
- 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 slightly overweight 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.