



Global Overview

- Equity markets, in general, enjoyed a strong week as economic releases in the US painted a positive picture of strong growth but low inflation. Early Quarter 2 earnings announcements also got the season off to a positive start.
- There was news on both of the 'twin deficits' in the US. May's trade deficit narrowed to \$55.3bn from \$56.9bn in April. Meanwhile, improved tax revenue caused the White House to slash its estimate for the fiscal 2005 budget deficit to \$333bn from \$427bn.
- Oil prices eased over the week as the first hurricane of the season, Hurricane Dennis, passed over the Gulf of Mexico without too much damage to supply lines.
- On the interest rate front, speculation about a cut in eurozone rates by the European Central Bank eased further.
- Other positive economic news out of the States included a 0.9% jump in industrial production in June, led by increased vehicle production. The University of Michigan index of consumer confidence also advanced.

Market	Index	Year to Date Return 31.12.04 to 15.07.05		1 Week Return 08.07.05 to 15.07.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	1.3	13.9	1.3	0.2
US	NASDAQ	-0.9	11.5	2.1	0.9
Europe	FT/S&P Europe Ex. U.K.	11.7	11.7	1.6	1.6
Ireland	ISEQ	6.5	6.5	1.1	1.1
UK	FTSE 100	8.7	11.8	0.0	0.0
Japan	Topix	3.8	6.6	1.3	0.3
Hong Kong	Hang Seng	1.9	14.5	3.9	2.7
Australia	S&P/ASX 200	6.0	14.1	1.5	1.7
Bonds	Merrill Lynch Euro over 5 year Govt.	5.6	5.6	-0.9	-0.9

Equities



USA

- The US markets had a good week, with technology stocks leading the way. Apple was up 6.3% on Thursday after it announced that its profits had grown five-fold. The NASDAQ hit a 2005 high on Friday.
- Further good news for the sector came from Advanced Micro Devices, which reported better than expected profits. Other chipmakers such as Intel and Texas Instruments also rose this week.
- Another big name to produce positive news was Pepsico, the world's second-largest soft drinks maker. It reported better than expected quarterly profits due to strong growth in its international business. There were also reports that the company was rumoured to be interested in European food company, Danone.
- A company to disappoint with its figures was General Electric which announced profits that only met expectations, while warning that Q3 earnings may fall short of some forecasts.



Europe

- European markets continued to scale new three-year highs, driven by strength in technology, steel and auto stocks.
- One of the stars of the week was Alcatel, one of Europe's largest telecom equipment suppliers. In an unusual move, it released impressive second quarter results two weeks early. The stock rose 10.5% on the week.



Europe

- European technology stocks gained from the knock-on effect of the rising NASDAQ. STMicroelectronics rose 8% on the week, while German rival Infineon rose over 7%. Philips gained nearly 5%.
- The big losers in Europe this week were oil stocks, with Shell, Statoil and Neste all down. Car stocks, on the other hand, performed well with Renault and Volkswagen up nearly 5%, the latter increasing its European market share to 19%.



Ireland

- Kingspan released a better than expected trading statement. The stock is also expected to benefit from London's successful Olympic bid.



Pacific Basin

- Asian markets enjoyed a strong week, Japan hitting a 13-week high on Monday, led by exporters and groups with a large overseas presence.
- The Bank of Japan also slightly upgraded its core economic assessment for the first time since June, saying the country's economic recovery remained on course.
- Hong Kong had a strong week with China Mobile and Hutchison Whampoa, comprising half the index between them, both lifted by positive broker comments.

Eurozone Bonds

- Eurozone bonds fell approximately 1% as lingering expectations of a further eurozone interest rate cut were further dispelled by public comments from ECB members.
- Further negatives for eurozone bonds were the continued positive performance of equity markets and the anticipation of new supply coming to the market.

Global Outlook

- Policymakers remain vigilant regarding the effects of high oil prices on growth and inflation. So far the negative impacts have been limited but the rise in the oil price to around \$60 will only heighten their sensitivity.
- We have said for some time that inflation data will remain central to the Fed's policy actions over coming months. Fed guidance is that rates will continue to rise at a measured pace, with markets anticipating rates to rise a further 0.75% to around 4% by year end.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. Long term eurozone interest rates are at 60 year lows after the recent strong performance from eurozone bond markets. Bonds are expensive on a historical basis but remain supported by sluggish growth, low inflation and pension fund liability matching.
- For 2005, global profit growth is still expected to be in the low double digits. Equities remain supported by strong corporate earnings, healthy balance sheets and favourable valuations relative to bonds and cash. Upside may be constrained by headwinds of rising US rates and the impact of high oil prices on the global economy.
- Currently, the funds are close to neutral in bonds and slightly overweight equities versus the manager average. Sector-wise the funds have shifted to a more neutral bias. In geographical terms, the funds continue to be neutral the UK and Japan and close to neutral in the Pacific Basin, underweight the US, while overweight Europe.