



Global Overview

- Equity markets finished off a strong July on a positive note. An upbeat assessment of the US economy by the Federal Reserve and good earnings reports from several major companies set the tone for the week.
- China announced that it is unlikely to make any further moves on its currency in the near future. The announcement, however, failed to eliminate speculation that the upward revaluation of the renminbi by 2.1% was just an "initial" move.
- Oil prices moved higher to over \$60 per barrel due to concerns regarding Russian supplies following an explosion at a Russian oil refinery.
- In the UK, comments from a member of the Monetary Policy Committee, that the slowdown in the housing market could hurt consumer spending reinforced the prospect of an interest rate cut in the UK.
- Economic news included a positive reading from the US Institute of Supply Management new orders index (a positive indicator on the US economy). In Germany, the Ifo institute released upbeat business confidence numbers and there were also better German employment data. There was an improvement in Italian business confidence leading to tentative suggestions that the economic outlook for Europe may be improving.

Market	Index	Year to Date Return 31.12.04 to 29.07.05		1 Week Return 22.07.05 to 29.07.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	1.8	13.8	0.0	-0.5
US	NASDAQ	0.4	12.3	0.2	-0.3
Europe	FT/S&P Europe Ex. U.K.	13.7	13.7	1.1	1.1
Ireland	ISEQ	9.2	9.2	-0.4	-0.4
UK	FTSE 100	9.7	12.6	0.8	1.6
Japan	Topix	4.8	6.9	1.5	0.2
Hong Kong	Hang Seng	4.6	16.9	0.6	0.1
Australia	S&P/ASX 200	8.4	17.4	0.4	-0.9
Bonds	Merrill Lynch Euro over 5 year Govt.	5.8	5.8	-0.5	-0.5

Equities



USA

- The second quarter earnings season in the US continued last week with announcements from many market heavyweights. Results continue to be better than expected with positive contributions from energy and telecommunications sectors.
- Texas Instruments moved ahead on the back of positive results. Boeing and Amazon also announced good numbers.
- There were better than expected earnings from the telecom company, Sprint and healthcare company, Bristol-Myers Squibb. But there were worse than expected earnings and/or guidance from Xerox and Lexmark.
- Energy stocks continued to perform well on the back of high oil prices.



Europe

- European equities increased by 1.1% over the week, with UK equities outperforming their peers. Outperforming sectors included autos, telecoms and health care, while banks, industrial goods and technology were the weakest sectors.



Europe

- Daimler Chrysler Group was in the news as its CEO Mr Juergen Schrempp announced his decision to step down earlier than expected.
- French food group, Danone, fell back after PepsiCo told France's market regulator that it was not preparing a bid for the French food company.



Ireland

- In M&A activity, the Eircom Group re-entered the mobile phone market after it acquired the number three Irish mobile phone operator, Meteor, which was funded through a rights issue.
- Jury's Doyle Hotels also benefited from a revised proposal in relation to a takeover offer from Precinct Investments Ltd. at €17.50 provided they receive 80% acceptance.



Pacific Basin

- Asian equity markets rose last week on the back of continued optimism following China's revaluation of its currency. Many companies also gained after reporting strong earnings growth.
- Companies that failed to meet expectations, such as Sony, dropped.
- Energy companies climbed higher following another increase in the price of oil.

Eurozone Bonds

- Eurozone bonds prices were flat on the week as better economic data emerged from Germany and Italy. There was also an uptick in Eurozone inflation. However, overseas flows combined with high investor cash levels helped to support the market.
- US bonds were lower due to upbeat economic data from the US. Conjecture that Asian demand for US bonds would wane due to the Chinese revaluation receded following a clear statement from the Chinese that there would not be any additional near-term currency adjustments.

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 - repeated last week- 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.