



Global Overview

- Corporate earnings news, interest rate developments and a sharp fall in the US dollar dominated markets last week.
- There was profit taking in evidence on equity markets as stronger than anticipated corporate earnings news had led to sharp share price increases in recent weeks.
- On currency markets, the dollar fell sharply against the euro to \$1.24, as investors focused on recent tentative signs of recovery in the eurozone rather than positive economic data emerging from the US.
- Oil prices hit a record \$62.5 per barrel on Wednesday as investors worried about the affect of the death of King Fahd of Saudi Arabia. Problems with refineries in the US and low US inventory levels also put upward pressure on prices.
- In the UK, the Bank of England lowered interest rates by 0.25% to 4.5% as expected. This was the first cut in two years and was implemented due to weakening employment and retail sales data. The ECB left interest rates unchanged for the 26th consecutive month.
- Economic news included robust manufacturing and employment data from the US.

Market	Index	Year to Date Return 31.12.04 to 05.08.05		1 Week Return 29.07.05 to 05.08.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	1.2	11.3	-0.6	-2.2
US	NASDAQ	0.1	10.1	-0.3	-1.9
Europe	FT/S&P Europe Ex. U.K.	13.2	13.2	-0.6	-0.6
Ireland	ISEQ	8.7	8.7	-0.5	-0.5
UK	FTSE 100	10.4	12.4	0.6	-0.1
Japan	Topix	3.4	4.0	-1.3	-2.8
Hong Kong	Hang Seng	5.8	16.3	1.1	-0.5
Australia	S&P/ASX 200	8.1	16.5	-0.3	-0.8
Bonds	Merrill Lynch Euro over 5 year Govt.	5.3	5.3	-0.9	-0.9

Equities



USA

- US markets took a breather last week, ignoring positive employment data and instead focusing on rising oil prices and interest rates.
- On the corporate front, Adidas and Reebok came together in a €3.1 billion deal that will challenge the dominance of market leader, Nike. The takeover of Reebok will give the German group, Adidas, greater presence in the US market.
- Tyco International dropped sharply after the company reported earnings above expectations but delivered a disappointing outlook for the remainder of the year.



Europe

- It was a volatile week on European equity markets due to mixed earnings reports and an abundance of corporate news.
- Nokia's chief executive, Jorma Ollila, announced that he is to step down in order to join Royal Dutch Shell as chairman.



Europe

- BMW reported a poor set of quarterly numbers as raw materials and adverse currency movements hurt the luxury car maker.
- Outperforming sectors included the basic resources, oil and gas and industrial goods, while the insurance, technology and telecommunications were the weakest.



Ireland

- On the home front the ISEQ index fell -0.5%. C&C performed strongly on a broker upgrade and Ryanair announced a positive earnings report.
- Allied Irish Banks delivered excellent results which lead to upgrades by brokers but profit-taking by investors. Earnings grew by 22% in the first half of the year driven by an increasing market for loans.



Pacific Basin

- Asian equity markets posted mixed returns last week. Japanese stocks fell on concern that a vote on reforming the Post Office this week could precipitate an election. Early this Monday morning this outcome came to pass. Its impact on corporate Japan is expected to be minimal as companies have been restructuring independently of government policy.
- Elsewhere, energy companies' shares rose again as the price of oil remained stubbornly high; profit-taking after recent strong gains was evidenced in some markets.

Eurozone Bonds

- European bond price fell after better than expected European economic and business confidence data suggested that an ECB rate cut was less likely.
- US bonds were also lower due to upbeat employment data from the US supporting the widely held view that the Federal Reserve will increase interest rates on Tuesday 9th August.

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% at least to just over 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 have however risen in recent weeks following a long period of strong performance. Bonds are expensive on a historical basis but remain supported by relatively 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 underweight in bonds and slightly overweight equities versus the manager average. Sector-wise the funds have shifted to a more neutral bias, although still maintaining a slightly overweight position in some cyclical areas. In geographical terms, the funds are overweight in Europe and the Pacific Basin, neutral in Japan and underweight in the UK and particularly the US.