



Global Overview

- Global equity markets enjoyed a positive week as analysis of the likely effects of Hurricane Katrina on economic growth became more reasoned. Economists appear to think that while US growth will slow a little, there will be no lasting damage to the economy due to the boost it will receive from the reconstruction effort.
- A key question is whether the Federal Reserve will refrain from raising interest rates in the US when it meets on September 20th.
- The Japanese and German markets hit recent highs in the run up to their countries' general elections. The Japanese market hit a four-year high on Friday, while the Xetra Dax in Germany hit its best level since May 2002.
- The oil price fell about 5% on the week, settling well below the \$70 per barrel mark attained last week.
- On currency markets, the US dollar regained some of the losses incurred in the immediate aftermath of the hurricane. Meanwhile, the Japanese yen is expected to strengthen on the re-election of Prime Minister Koizumi on an economic reform platform.

Market	Index	Year to Date Return 31.12.04 to 09.09.05		1 Week Return 02.09.05 to 09.09.05	
		Local Currency	Euro	Local Currency	Euro
		%	%	%	%
US	S & P 500	2.4	11.8	1.9	2.9
US	NASDAQ	0.0	9.2	1.6	2.6
Europe	FT/S&P Europe Ex. U.K.	15.8	15.8	2.1	2.1
Ireland	ISEQ	9.9	9.9	1.0	1.0
UK	FTSE 100	11.3	16.6	0.6	1.4
Japan	Topix	12.5	14.6	0.8	1.8
Hong Kong	Hang Seng	6.6	16.5	-0.4	0.6
Australia	S&P/ASX 200	10.3	19.0	-0.1	2.0
Bonds	Merrill Lynch Euro over 5 year Govt.	8.6	8.6	0.2	0.2

Equities



USA

- A four-day trading week for the US market saw equities in buoyant form, amid hopes that the Fed may delay interest rate rises and that the rebuilding effort in New Orleans will stimulate the economy, particularly the construction sector.
- On the corporate front, Apple rose 11% on the week as it unveiled its iTunes product for mobile phones. Texas Instruments rose nearly 4% on the week as it posted better-than-expected earnings guidance.
- Coca Cola Enterprises fell 11% on the week as the soft drinks bottler warned that earnings would miss estimates.



Europe

- European equities had a positive week, with the German Xetra Dax Index closing above the 5,000 level for the first time since May 2002. With the general election fast approaching, there is still optimism that a more economic reform-minded government will be returned.
- On corporate news, France's biggest retail bank, Credit Agricole, produced a very positive set of results to beat market expectations, while the world's biggest maker of building materials, Lafarge, disappointed the market with its first half results. The stock fell nearly 6% on the week.
- In Spain, the natural gas distributor, Gas Natural, made an offer for Spain's largest power generator, Endesa, driving the stock up 10% on the week.
- In UK news, Germany's Eon confirmed that it has an interest in buying Scottish Power. It is expected that the bid would be an all cash affair.



Ireland

- On the home front the ISEQ index rose by 1%. Kingspan announced results which pleased the market, with operating profit for the first half of 2005 up 41%.
- Irish Life and Permanent released results in line with market expectations.



Pacific Basin

- Asian equities were a mixed bag during the week. Japan had another good week in the immediate run up to Sunday's general election (subsequently won by Prime Minister Koizumi with a landslide).
- The Australian market struggled as one of its heavyweight stocks, telecoms company Telstra, fell sharply after forecasting a drop in earnings next year. This also clouded the outlook for the company's planned privatization.

Eurozone Bonds

- Eurozone bonds moved modestly, rising 0.2% on the week, as measured by the Merrill Lynch Eurozone Government > 5 year Index.
- The eurozone bond market was range-bound amid uncertainty over interest rate policy in the US in the aftermath of Hurricane Katrina. Stronger than expected factory orders and industrial production numbers from Germany were a mild negative although the continued strong demand for bonds provided support leaving bonds broadly unchanged on the week.

Global Outlook

- The effects of high oil prices on growth and inflation remain centre-stage for policymakers. The negative impacts have been limited to date but persistently higher oil prices of over \$60 will heighten this sensitivity.
- Inflation data remain central to the Fed's policy actions. Fears over the impact of Hurricane Katrina have lessened somewhat over the past few days; investors are once again thinking that the Fed will raise rates by a further 0.5% to 4% by year end.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. While bonds are still expensive on an historical basis they remain supported by relatively sluggish eurozone 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 higher 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 a more neutral bias, with a small overweight in basic industries and resources. In geographical terms, the funds are overweight in Europe and the Pacific Basin, slightly overweight in Japan and underweight in the UK and particularly in the US.