



## Global Overview

- It was a mixed week for equities, despite the emergence of positive economic data, with European markets outperforming their US counterparts.
- A milestone was recorded when Alan Greenspan, Chairman of the US Federal Reserve, left his post after over 18 years of service. His colleague on the Federal Reserve board Ben Bernanke is the new chairman.
- In economic news, the US unemployment rate hit a four and a half year low of 4.7% while payroll data showed a higher than expected increase in hourly wages.
- The boom in metal prices continued last week with copper, lead and zinc all reaching record highs. Gold prices hit a new 25-year high of \$575 an ounce. Oil prices were range bound ending the week at \$65 per barrel.
- The European Central Bank left interest rates unchanged at 2.25% but Jean-Claude Trichet, the bank's president, signalled that a rate rise is due in March.

Market	Index	Year to Date Return 31.12.05 to 03.02.06		1 Week Return 27.01.06 to 03.02.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	1.3	-0.2	-1.5	-0.6
US	NASDAQ	2.6	1.1	-1.8	-0.9
Europe	FT/S&P Europe Ex. U.K.	3.7	3.7	0.2	0.2
Ireland	ISEQ	3.9	3.9	0.9	0.9
UK	FTSE 100	2.5	3.5	-0.5	-0.2
Japan	Topix	3.5	1.1	1.0	0.5
Hong Kong	Hang Seng	3.7	2.1	-2.1	-1.1
Australia	S&P/ASX 200	2.5	3.2	-0.7	-0.0
Bonds	Merrill Lynch Euro over 5 year Govt.	-1.4	-1.4	0.2	0.2

## Equities



### USA

- In the US, the earnings season continued with disappointing reports from two big players, Amazon and Google. Both share prices fell sharply when earnings fell short of expectations.
- Gateway also failed to impress and received broker downgrades as a result.
- On a positive note, Boeing doubled its quarterly profits and raised earnings guidance while ExxonMobil delivered another strong set of results.



## Europe

- European markets ended the week in the black as the ECB kept interest rates on hold and mergers & acquisitions activity continued.
- Steel stocks were in the news as Arcelor, the world's second largest steel company rejected a hostile bid from Mittal Steel. Investors now expect a sweetened bid and the stock rose 7% as a result.
- Thompson, the French media services group, had a difficult week when it missed earnings expectations.
- In the UK, the FTSE 100 Index fell 0.5%. Kingfisher, owner of B&Q, slipped when it was subject to a downgrade from Credit Suisse.



## Ireland

- The Irish market rose over the week with the banks doing well on the back of upbeat mortgage lending data. Both Irish life & Permanent and Bank of Ireland were up in the region of 2%.
- CRH was up over 2% on the week due to upbeat demand data from the US. Elan rose 6% on the week due to an optimistic trading update from management.



## Pacific Basin

- The Japanese market had another good week with banking stocks doing well due to positive employment and household spending data.
- The Hong Kong market fell back due to its sensitivity to US interest rate rises.

## Eurozone Bonds

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- Bond markets traded in a range last week as investor predictions regarding interest rates came to pass. The ECB left rates on hold while in the US the Federal Reserve increased rates by 25 basis points to 4.5%.
- The Merrill Lynch over 5 year government bond index rose by 0.2%.

## Global Outlook

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- Global growth continues to be healthy despite high oil prices and higher global interest rates. Consensus expectations are that global GDP will expand by 3.5% in 2006, similar to last year's rates.
- Following last weeks US rate increase to 4.5% investors now expect rates to peak somewhere between 4.75% and 5%. The strength of activity and inflation data over the next few months will be key in this regard.
- Investors remain on watch for stronger data that may sway the ECB to further rate increases. In the background is still moderate inflation and pension fund liability matching which should continue to offer some support to longer-dated bonds.
- Equity markets remain supported by a strong earnings' background and favourable valuations relative to bonds and cash; high oil prices and tighter liquidity conditions from higher interest rates should constrain the upside to markets.
- Currently, the funds are slightly underweight in bonds and slightly overweight equities versus the manager average. Sectorwise, the funds are overweight general industrials and financials while underweight some of the defensive areas like telecoms. Other sectors are broadly neutral. Geographically the funds are underweight Ireland, the UK and North America; Europe, Japan and the Pacific Basin remain overweight.