



Global Overview

Mergers & Acquisitions Activity

Asian and European markets outperformed their US counterparts last week due partly to M&A activity particularly in the utilities sector.

Japanese markets recover some losses

The Japanese market bounced 2.5%. The market has had a number of difficult weeks as speculation regarding possible monetary tightening increased due to upbeat Japanese economic data.

German Business Confidence

The Ifo Index of German business sentiment climbed to a 14 year high as a result of optimism regarding the German economy. However, the unemployment rate remains high at 11.3%.

Eurozone Interest Rates

The unanimous view among economists is that Eurozone interest rates will rise from 2.25% to 2.5% this week due to improving economic data.

Oil Prices Rise

There was a 4% rise in the oil price prompted by an attack at a large oil refinery in Saudi Arabi.

Icelandic Currency

Fitch ratings downgraded Iceland's debt leading to falls not only in the Icelandic krona but in the emerging market currencies of Brazil, South Africa, Poland, Mexico and Turkey. The downgrade was due to an "unsustainable" current account deficit. Traders subsequently rushed to liquidate profitable positions in other currencies to fund their losses on the Icelandic krona. Corrective moves by various countries helped to calm the situation by the end of the week.

Market	Index	Year to Date Return 31.12.05 to 24.02.06		1 Week Return 17.02.06 to 24.02.06	
		Local Currency	Euro	Local Currency	Euro
		%	%	%	%
US	S & P 500	3.3	2.9	0.2	0.4
US	NASDAQ	3.7	3.3	0.2	0.5
Europe	FT/S&P Europe Ex. U.K.	7.4	7.4	1.5	1.5
Ireland	ISEQ	7.9	7.9	2.4	2.4
UK	FTSE 100	4.3	5.4	0.2	0.7
Japan	Topix	-0.1	0.4	2.6	4.1
Hong Kong	Hang Seng	6.6	6.1	2.5	2.8
Australia	S&P/ASX 200	2.7	3.2	2.0	2.5
Bonds	Merrill Lynch Euro over 5 year Govt.	-1.2	-1.2	-0.2	-0.2

Equities



USA

Economic News

There was a drop in US unemployment and speculation continued that the US Federal Reserve is coming to the end of the interest rate rising cycle.

Key Movers

Dana – The auto parts maker was the worst performer on the S&P when it fell 46% due to worries about the financial health of the company.

Gap – The clothing store reported its first annual fall in profit for four years. The company has lost customers to rival Abercrombie and Fitch.

Wal-Mart – The retailer released reports that matched expectations but delivered a disappointing outlook.



Europe

Mergers & Acquisitions Activity

European Union steps to open national energy markets to competition have prompted a flurry of cross-border takeovers and bids.

Key Movers

E.ON – Europe's second-largest utility company, offered €29.1 billion for Spain's Endesa. The bid has topped a hostile approach from Spain's Gas Natural SDG in the biggest ever bid for a power company. The takeover if successful would be twice as big as any previously in the industry and would create a company with more than 50 million customers in more than 30 countries.

L'Oreal – The French cosmetic group said it might make a cash bid for Body Shop International. Shares of the latter rose 7% on the back of this announcement.

Cairn Energy – The UK oil explorer, defies the recent oil sector dip on the back of renewed takeover speculation which pushed the shares to near all time highs.



Ireland

Economic News

Consumer spending reached a five year high at home of 6.5% per annum. Buoyancy on the Irish market is expected to continue with the release of the first SSIA accounts next month.

Key Movers

AIB – The bank delivered pre-tax profits of €1.7 billion on Wednesday and rose 3% on the week bringing the year to date return to over 11%.



Pacific Basin

Chinese Steel Demand

China's top steelmaker, Baosteel raised prices for key steel products by more than 10% for second-quarter delivery, in a sign that the country's steel prices have finally begun to recover from overcapacity pressures.

Japanese Property

Mitsubishi Real Estate and other major property developers plan to raise rents for prime office space in central Tokyo by an average of 5-10% this spring. This is the first increase in five years and had a positive effect on Japanese markets.

Eurozone Bonds

ECB signals interest rate rise

Eurozone bonds weakened due to strong indications by European Central Bank officials that interest rates will increase to 2.5% this week.

Strong economic data

Economic data, particularly from Germany, continued to improve which also caused some weakness on bond markets.

Global Outlook

- 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 the most recent US rate increase to 4.5%, investors currently expect rates to peak close to 5%. The strength of economic activity and inflation data over the next few months will be key in this regard.
- Investors expect the ECB to use a more positive view on the economy to justify a further rate hike in March, with rates rising to around 3% by year end. 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.