



## Global Overview

### Mixed week for global equities

Global equity markets experienced a relatively quiet week overall, though many touched landmark levels. The FTSE 100, for instance, closed above 6,000 for the first time in five years.

### Bernanke speech carefully watched

The new Chairman of the Federal Reserve, Ben Bernanke, delivered his first major address, to the Economic Club of New York. He delivered a broadly upbeat assessment of the world's largest economy, and shrugged aside the theory that the flat yield curve indicated an economic slowdown. US rates are confidently expected to rise a further 0.25% this week.

### Commodity prices strong

While the oil price rose a further \$1 per barrel, to €64 per barrel, the headlines were grabbed by the price of silver, which reached its highest level for 22 years. With other metal prices also strong, resource stocks gained on international markets.

### Dollar strength despite poor new homes data

The US dollar regained its losses of the previous week to close at \$1.20 versus the euro. This was despite data on sales of new homes in the US in February, which fell 10.5%, the biggest drop in nearly nine years. A slowdown in the housing market was seen as easing pressure on the Fed to raise rates.

Market	Index	Year to Date Return 31.12.05 to 24.03.06		1 Week Return 17.03.06 to 24.03.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	4.4	2.6	-0.3	0.9
US	NASDAQ	4.9	3.1	0.3	1.5
Europe	FT/S&P Europe Ex. U.K.	9.6	9.6	1.0	1.0
Ireland	ISEQ	9.2	9.2	0.9	0.9
UK	FTSE 100	7.4	7.1	0.6	1.1
Japan	Topix	2.4	1.1	1.5	1.4
Hong Kong	Hang Seng	5.7	3.8	-0.5	0.7
Australia	S&P/ASX 200	5.8	0.8	1.4	0.1
Bonds	Merrill Lynch Euro over 5 year Govt.	-2.3	-2.3	0.5	0.5

## Equities



### USA

#### Overview

US stock markets were firmly focused on the likely future path of US interest rates last week, causing them to oscillate strongly.

#### Key Movers

**Google** – Demand for Google surged as it was announced that the stock will be included in the S&P 500 Index. The stock was up nearly 8% on the week.

**Bristol Myers Squibb** – The stock rose over 11% after the company settled a patent dispute with a Canadian drugmaker over its Plavix blood-thinning treatment.

**Technology Stocks** – Microsoft fell after announcing that the finished consumer version of its Vista operating system would not be available until next year. This is seen as a blow to PC makers. Gateway and HP both fell.



## Europe

### Overview

European stocks recorded a succession of four-and-a-half year highs on a continuing wave of bid and merger activity.

### Key Movers

**Alcatel** – The French telecommunications equipment maker hit a two-year peak after news that merger talks with Lucent Technologies were back on. Previous negotiations between the two companies broke down in 2001.

**BMW** – The German carmaker enjoyed another good week, rising nearly 9%, after describing business in the first quarter as “superb”.

**Schering** – The German drugs group rose nearly 5% after Bayer made an 86 per share offer for the company, trumping an earlier €77 per share offer by Merck.

**Prudential** – The life insurer lost 5% after rival Aviva withdrew its bid, but reserved the right to make an offer if another rival offer appeared.



## Ireland

### Key Movers

**Elan** – The pharmaceutical group fell 6% on the week as the FDA announced a decision to delay the return of the Tysabri drug by as much as 90 days.

**Irish Life & Permanent** – The stock rose nearly 9% on the week on speculation that it could be a likely takeover target in the current wave of M&A activity.



## Asia Pacific

### Resource stocks still on the up

The Sydney and Mumbai (India) exchanges ended the week at fresh record closing highs, boosted by stronger commodity prices.

### Hong Kong under some pressure

The Hong Kong market recorded its biggest one-day fall since October on Wednesday as banking and property shares came under pressure. The market finished the week down 0.5%.

## Bonds

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### Eurozone bonds stronger

Eurozone bonds rose 0.5% during the week, following US bonds upwards on Friday in the wake of very poor numbers for sales of new homes in the US during February.

## 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.
- Investors expect official US rates to peak close to 5% from the current 4.5% level. The strength of economic activity and inflation data over the next few months will be key in this regard.
- Following the most recent ECB rate hike to 2.5%, investors expect rates to pass the 3% mark by year end. Moderate inflation and pension fund liability matching should continue to offer some support to longer-dated bonds.
- Equity markets remain reasonably supported by a strong earnings' background and favourable valuations relative to bonds; high oil prices and tighter liquidity conditions from higher interest rates should constrain the upside to markets. The gradual ending of super-easy money policies in Japan may cause some further jitters in both equity and bond markets.
- Currently, the funds are slightly overweight in both bonds and equities versus the manager average. Sectorwise, the funds are overweight industrials and financials while underweight some of the defensive areas, like utilities. Geographically the funds are underweight Ireland and North America and neutral in the UK. Europe, Japan and the Pacific Basin remain overweight.