



Global Overview

Strong corporate earnings drive equities higher

Investors focussed on strong corporate earnings last week causing many equity markets to hit multi-year highs. An estimated 67% of the S&P 500 companies have reported quarterly earnings above expectations.

ECB leaves rates unchanged

The European Central Bank met last week and left interest rates unchanged at 2.5% but hinted that rates are likely to rise in June. The Bank of England also left rates unchanged despite evidence of stronger economic data.

Oil price volatility

Oil prices experienced some volatility last week reaching almost \$75 on Tuesday before falling back to \$71 by the weekend on the back of an unexpected build-up in US gasoline inventories. Commodities continue to surge ahead with gold reaching a 25 year peak of \$684 an ounce and copper reaching \$7,800 a tonne.

US dollar under further pressure

The US dollar continued its decline against all major currencies, with the €/ \$ rate rising to 1.27. The dollar has lost 5% against the euro year to date.

Market	Index	Year to Date Return 31.12.05 to 05.05.06		1 Week Return 28.04.06 to 05.05.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	6.2	-1.4	1.9	0.9
US	NASDAQ	6.2	-1.4	1.2	0.2
Europe	FT/S&P Europe Ex. U.K.	10.6	10.6	1.3	1.3
Ireland	ISEQ	8.1	8.1	0.4	0.4
UK	FTSE 100	8.4	8.9	1.1	2.4
Japan	Topix	5.3	2.6	1.2	1.5
Hong Kong	Hang Seng	14.4	6.2	2.1	1.2
Australia	S&P/ASX 200	10.3	7.7	-0.1	0.5
Bonds	Merrill Lynch Euro over 5 year Govt.	-5.0	-5.0	-0.2	-0.2

Equities



USA

S&P 500

The S&P 500 reached its highest level in five years underpinned by strong earnings and an easing in the oil price.

Key Movers

Steel Stocks – Demand for steel fuelled strong gains in steel stocks such as Nucor (+8%) and US Steel (+10%).

Phelps Dodge – The copper miner soared over 8% as it was upgraded by brokers on the back of soaring copper prices.

Procter & Gamble – The pharmaceutical company bucked the rising trend last week following poor earnings forecasts.



Europe

Key Movers

Swiss banks – Credit Suisse and UBS both delivered better than expected results.

Telenor – The Norwegian telecoms group rose 12% when it reported a 55% surge in first-quarter earnings and lifted its profit target.

ThyssenKrupp – The German steelmaker jumped 7% on the back of bid speculation.

Alliance & Leicester – The mortgage lender rose on the back of speculation that it may be subject to a bid from Banco Santander or Credit Agricole.



Ireland

Key Movers

Ryanair – Ryanair recovered some of the losses of the previous week on the back of strong passenger numbers for April.

CRH – The stocks slipped over 1% on the week as concerns regarding higher metal and energy costs dragged the share prices lower.



Asia Pacific

Japan

Japanese stocks rose in a short week with markets closed from Tuesday due to the Golden week holiday. Domestically focussed stocks rose due to mounting optimism on the economy.

Hong Kong

The Hang Seng Index had an excellent week led by financial and property stocks.

Australia

Australian markets underperformed due to an unexpected decision to raise interest rates by 0.25% to 5.75%.

Bonds

The European Central Bank kept interest rates on hold last week. However, there were strong indications that there will be a rate rise in June causing bond prices to weaken further. The Bank of England also kept interest rates on hold.

Global Outlook

- Growth expectations remain at very high levels with global GDP now expected to expand by 3.7% in 2006, slightly above last year's figure of 3.6%. Surging commodity prices remain a key focus of the major central banks.
- The Fed is expected to raise rates to 5% this week. Given recent strong data and surging commodity prices investors will scrutinise the accompanying statement for guidance on future Fed policy. At the moment markets expect a mid-year pause in rates between 5% and 5.25%.
- Investors expect ECB rates to be raised to over 3.25% by year end with the next move in June; ECB rhetoric continues to be hawkish. Despite moderate inflation in the eurozone, rising short rates and less than expected demand from pension funds has kept bond prices under some pressure.
- 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 continues to deserve attention because of its potential negative impact on various asset classes.
- Currently, the funds are close to neutral in bonds and slightly overweight in equities versus the manager average. Sectorwise, the funds are overweight industrials and financials while underweight some of the defensive areas, like telecoms. Geographically the funds are underweight Ireland and North America. The UK, Europe, Japan and Pacific remain overweight.