



Global Overview

- The market focus for most of the week was on Friday's US employment numbers which came in at a rise of 21,000 versus forecasts of 130,000.
- Markets responded by pushing the dollar lower and bonds higher as expectations of an interest rate rise receded.
- Equities held their gains of earlier in the week as investors took the view that, while the employment figures were a concern, the likelihood of an extended period of very low interest rates would underpin the economic recovery.
- In Europe, the ECB met on Thursday and decided to hold rates steady at 2% despite the fact that inflation has fallen to 1.6% and many politicians have called for lower rates to boost economic growth.

Market	Index	Year to Date Return 31/12/2003 to 05/03/2004		1 Week Return 27/02/2004 to 05/03/2004	
		Local Currency	Euro	Local Currency	Euro
US	S&P 500	4.0	5.5	1.0	1.8
US	NASDAQ	2.2	3.6	0.9	1.6
Europe	FT/S&P Europe Ex. UK	7.1	7.1	1.8	1.8
Ireland	ISEQ	5.9	5.9	2.3	2.3
UK	FTSE 100	1.6	6.4	1.2	0.7
Japan	Topix	8.4	5.7	4.5	2.8
Hong Kong	Hang Seng	7.0	8.2	-3.3	-2.6
Australia	S&P/ASX 200	3.3	5.7	1.4	0.3
Bonds	Merrill Lynch Euro over 5 year	3.0	3.0	0.5	0.5

Equities



USA

- Technology stocks were worst affected by Friday's employment news as their earnings are most sensitive to the level of growth in the economy.
- The sector was also hit by a downbeat mid-quarter update from Intel, which said that demand for its chips was lower than normal.
- Retailers had a good week, with giant Wal-Mart gaining over 1% on announcing strong sales growth and a higher dividend. McDonalds had better than expected sales in February and the stock was up over 5% on the week.
- Energy stocks outperformed helped by rising oil prices.



Europe

- The shock US employment news caused some wobbles on European stocks on Friday after very solid gains earlier in the week, but by the end of Friday's trading nerves had calmed.
- A reversal of recent weakness in the euro to 1.24 against the dollar renewed expectations of an ECB rate cut and this underpinned positive sentiment.
- Bid speculation pushed prices ahead in the financial sector, with persistent rumours of a takeover of Deutsche Bank contributing to a gain of almost 9% in the share price on the week.
- Adecco, the Swiss based temporary employment agency, which took a plunge earlier in the year on announcing accounting problems at its US subsidiary, signalled that its 2003 results would be released in April and the stock rose 13% in anticipation of better news.



Ireland

- CRH and Irish Life & Permanent released results. The CRH figures were in line with expectations and the company gave a positive outlook for 2004, helping the stock rise 1% on the week. IL&P was up 2% with results slightly ahead of expectations.
- Iona Technologies was the top performer, adding 21.7% on take-over rumours.
- Elan also continued its good run, adding 15.6% on expectations that its multiple sclerosis drug might receive FDA approval.



UK

- The big news of the week was the announcement of the resignation of Sir Philip Watts as chairman of Shell. He was forced out by the board following a shock revelation in January that the oil giant was cutting its reserve estimates by 20%.
- HSBC Bank reported lacklustre results and the share price fell.



Pacific Basin

- A drop in the value of the yen, which increases exporters earnings, boosted Japanese stocks. Financial stocks were also strong on news that Mizuho Bank plans to repay to the government some of the money it received in industry bailouts in 1998 and 1999.
- * Hong Kong was weak with banks contributing much to the decline. Hang Seng Bank reported earnings that disappointed the market.
- * In Korea, exports recorded their biggest gain in 15 years while in Malaysia elections were called for later this month. The ruling coalition is expected to be returned.



Latin America

- Brazil was strong on the back of the fact that the allegations regarding political corruption have not been substantiated.

Eurozone Bonds

- Bond markets were boosted by the weak US employment numbers as investors took the view that the Federal Reserve is unlikely to push up interest rates until it is sure that US employment is firmly on an upturn. Some commentators have pushed the likely upturn in rates out to 2005.
- Eurozone bond prices were further supported by the renewed slide in the dollar as it helps lower eurozone inflation and increases the possibility that the ECB may cut interest rates again over the coming months.
- The Merrill Lynch over 5 year eurozone bond index rose 0.5% on the week.

Currencies

- The US dollar had a roller coaster ride during the week, rising initially to 1.21 against the euro, as it made its biggest one day gain in more than a year on Tuesday. However, the trend reversed rapidly on Friday on the release of weak US employment numbers and it fell back to end the week at 1.24.

Global Outlook

- The global economy, led by the US, continues to display good momentum.
- The Fed is using low inflation as justification for maintaining US interest rates at their current ultra-low levels, although investors are highly sensitive to remarks/data that could alter the status quo.
- The ECB had also been keen to persist with unchanged rates. Recent data and persistent euro strength against the dollar could soften this stance however. Markets are now pricing for an additional ECB rate cut over coming months.
- In the medium term bonds should remain less favoured than equities; however in the short term bonds are being supported by a low inflationary background and low short rates.
- The economic picture remains broadly positive for equity markets, although valuations are once more an issue in certain markets and sectors. Historically, equity markets have continued to be supported even in the initial stages of tighter monetary policy.
- Our current stance is overweight equities and neutral bonds versus the manager average. The funds continue to be overweight Asia due to more attractive valuations and better economic growth potential and are slightly overweight Japan. The funds have moved from overweight to closer to neutral in European equities. The UK exposure has been moved from underweight to neutral. The funds continue to have overweight sectoral positions in financials, general industrials and basic industries.