

Global Overview

- Most equity markets rose last week as good corporate earning results helped markets overcome concerns over rising interest rate expectations in the US.
- Alan Greenspan, the chairman of the Federal Reserve in the US, indicated that US interest rates could not remain at historic lows indefinitely.
- Economic news remained positive in the US. Durable goods orders rose to 3.4% in March. A rise of 0.8% had been expected.
- In currency markets, the US dollar strengthened against the euro to finish the week at \$1.18.

Market	Index	Year to Date Return 31/12/2003 to 23/04/2004		1 Week Return 16/04/2004 to 23/04/2004	
		Local Currency	Euro	Local Currency	Euro
US	S&P 500	2.6	9.0	0.5	2.0
US	NASDAQ	2.3	8.7	2.7	4.2
Europe	FT/S&P Europe Ex. UK	6.5	6.5	1.1	1.1
Ireland	ISEQ	11.9	11.9	3.3	3.3
UK	FTSE 100	2.1	7.8	0.7	1.0
Japan	Topix	15.9	21.2	1.1	1.5
Hong Kong	Hang Seng	-1.5	4.1	-0.6	0.8
Australia	S&P/ASX 200	4.8	8.3	1.2	1.0
Bonds	Merrill Lynch Euro over 5 year	2.2	2.2	-0.4	-0.4

Equities



USA

- The technology sector outperformed in the US last week due to good results from a number of technology companies including Microsoft and Corning. The NASDAQ was up 2.7% on the week.
- Auto stocks also performed well with good results from Ford and General Motors. Ford announced that profits have almost doubled.
- Interest rate sensitive sectors like financials and utilities under-performed as investors focussed on the likelihood of an interest rate rise in the US during the summer.
- The Q1 earnings-reporting season continued with good results from JP Morgan, 3M and CocaCola. Overall, corporate results have been strong with the majority of companies delivering better than expected results.



Europe

- In Europe, the big news of the week was in the pharmaceuticals sector. Sanofi- Synthelabo, the French drugs group, ended months of speculation when it finally closed the deal on its take-over of Aventis on Sunday night with a €55 billion bid. The deal will create the world's third largest pharmaceuticals company behind Pfizer of the US and GlaxoSmithKline of the UK.
- European auto stocks also outperformed as euro weakness helped exporting auto manufacturers.
- Nokia had another tough week; the stock is now down 23% on the month to date. The world's largest maker of mobile handsets is facing increasing competition from rivals Samsung and Sony/Ericsson, whose more sophisticated products are taking market share.
- In the UK, both Tesco and Reckitt Benckiser had strong results, while the mining sector performed poorly on interest rates concerns and the possibility of Chinese demand slowing.



Ireland

- The Irish market rose strongly on the back of continued rises in Elan, the pharmaceuticals company due to positive expectations for its multiple sclerosis drug, Antegen. Elan is now the fourth largest stock on the ISEQ Index at 10%, behind AIB, Bank of Ireland and CRH. Elan accounts for almost 9% of the 11.9% rise in the Irish index, year to date.
- CRH also rose strongly as positive newsflow from US building material companies continued. Ryanair was weak on the back of renewed concerns on the competitive market impact on yields for 2004.



Pacific Basin

- The Hang Seng market was weak with Chinese "H" shares, in particular, experiencing significant drops. Chinese Government officials announced a series of additional tightening measures in an attempt to slow down the economy to a more sustainable pace. In addition, Hong Kong exporters remain under pressure due to the recent strength of the US \$ and HK\$.
- Elsewhere in the Pacific, markets in Australia, Singapore and Japan all ended the week in positive territory supported by strong demand from China.

Eurozone Bonds

- Bond prices fell as expectations of lower Eurozone interest rates faded last week due to higher than expected German inflation data plus comments from the new Bundesbank head, Axel Weber that ECB rates should not be reduced.
- A poor tone from the US bond market dampened sentiment further in Eurozone bonds. The Merrill Lynch over 5 year government bond index fell 0.4% on the week.

Global Outlook

- The global economy, led by the US, continues to be strong. Recent data from the US and Japan has been very supportive; data from the eurozone has been more mixed.
- Recent economic data including the employment figure for March as well as comments from the Federal Reserve Chairman, Alan Greenspan regarding the return of pricing power is questioning how quickly US interest rates will rise from their current ultra low levels.
- Comments from ECB officials in the last few weeks have removed any thoughts of further Eurozone rate cuts
- Eurozone bonds should continue to be pressurised by weak US bonds.
- 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 underweight bonds versus the manager average. The funds continue to be overweight Asian equities due to more attractive valuations and better economic growth potential and are overweight Japan and Europe, on economic and valuation grounds respectively. The UK is underweight due to the defensive nature of the market while the US is underweight on valuation grounds. The funds continue to have overweight sectoral positions in cyclical areas such as general industrials and basic materials while remaining underweight in utilities. Financials have been moved from neutral to underweight given their sensitivity to the prospect of rising interest rates.