



Global Overview

- The corporate earnings-reporting season continued last week and better than expected announcements resulted in positive returns on most equity markets.
- Equity markets were also supported by an increase in mergers and acquisitions activity. The big news of the week came from Procter & Gamble, when it announced one of the largest take-over deals on record. It plans to buy Gillette Co. for \$57 billion.
- On currency markets, the dollar was fractionally higher over the week despite the announcement that US gross domestic product grew at a lower than expected 3.1% in the fourth quarter of 2004.
- Other economic news included a rise in durable goods orders in the US resulting in the biggest annual increase in ten years for manufacturers of long-life items. In Europe, the German Ifo survey of business confidence rose slightly more than expected to 96.4.
- Oil prices fell following the elections in Iraq, which passed off relatively smoothly and without further attacks on oil pipelines. OPEC also announced that it might raise production in the second quarter, 2005.

Market	Index	Year to Date Return 31.12.04 to 28.01.05		1 Week Return 21.01.05 to 28.01.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-3.4	0.5	0.3	0.5
US	NASDAQ	-6.4	-2.7	0.1	0.3
Europe	FT/S&P Europe Ex. U.K.	2.0	2.0	1.0	1.0
Ireland	ISEQ	4.2	4.2	-0.6	-0.6
UK	FTSE 100	0.4	2.8	0.6	1.1
Japan	Topix	-0.8	2.3	0.8	0.2
Hong Kong	Hang Seng	-4.1	-0.6	1.3	1.4
Australia	S&P/ASX 200	1.2	4.0	1.4	1.8
Bonds	Merrill Lynch Euro over 5 year Govt.	1.8	1.8	0.3	0.3

Equities



USA

- Procter & Gamble's take-over of Gillette dominated US equity markets last week. P&G is the biggest house-hold goods maker in the US and plan to buy Gillette for \$57 billion. Gillette specialises in beauty and grooming products. Gillette shares roses over 12% on the news.
- Other M&A activity included SBC Communications's, the biggest US telecoms group, planned take-over of AT&T, the long distance carrier. AT&T shares rose 9% on the week while the SBC share price was down 7%.
- In the technology sector , Microsoft and Texas Instruments both reported better than expected earnings.



Europe

- European markets rose on the week with stocks such as Bic and L'oreal benefiting from the news of P&G's take-over of Gillette. Bic rose 6% on the week.
- Nokia, the world's biggest mobile phone handsets manufacturer, announced a better than expected outlook for the first quarter and proposed a €5 billion share buyback plan. Also in the technology sector, Philips delivered upbeat fourth quarter earnings and increased its dividend.
- In the UK, Reckitt & Benckiser and Unilever gained on the back of the P&G deal.
- Minutes released from the last Monetary Policy Committee meeting in the UK showed that the vote to hold interest rates at 4.75% was unanimous.



Ireland

- The Irish market declined marginally on the week due to profit taking. The overall market capitalisation of the ISEQ Index had hit a record €84 billion in the previous week.
- Ryanair, Europe's biggest low-cost airline, reported third-quarter profit that exceeded analyst's estimates and raised its full-year earnings forecast.



Pacific Basin

- Asian equity markets advanced last week despite mixed economic data and corporate news.
- In Japan, poor retail sales numbers for December were the main economic release. China's 4th quarter GDP release showed growth accelerating by 9.5%, in spite of the mainland's economic cooling measures. CPI remained subdued however, with December's CPI registering an increase of 2.4%, which slowed from November's increase of 2.8% and represented the 5th consecutive decline in inflation.
- With regard to corporate news, there was poor earnings news from Elpida, Kyocera, Toshiba, Sony, Fujitsu and Nintendo. On the positive side, Siam cement announced results (+83%) beating consensus by almost 20% and Keppel Land in Singapore announced an in-line full year result (+ 32%).

Eurozone Bonds

- Eurozone bond prices rose again this week. All eyes are on the Federal Reserve policy meeting this coming Wednesday where a further 0.25% rate increase is expected.
- Stronger than expected business confidence numbers from Germany and increased durable goods orders from the US put limited pressure on prices. The Merrill Lynch over 5-year bond index rose 0.3% on the week.

Global Outlook

- Activity in the global economy remains reasonably strong, although the forward indicators suggest some slowdown over coming months. The effects of last year's one-third rise in oil prices seem limited to date, but policymakers will remain vigilant during 2005.
- The Federal Reserve raised rates from the emergency 1% level last year, ending the period at 2.25%. For 2005 investors anticipate further 'measured pace' increases and will be looking to the Fed meeting this week to validate those expectations.
- In the eurozone, the ECB has kept rates flat at 2% for a prolonged spell now, notwithstanding currency strength and subdued economic data. Investors and the ECB still anticipate an upward bias to rates during the year, notwithstanding the latest ECB comments, which have been less hawkish than before. Continued low ECB rates and well-behaved inflation could continue to underpin eurozone bonds in 2005.
- Equities have started the year somewhat sluggishly, following the strong returns of the fourth quarter of 2004. US technology sector earnings' announcements in the past two weeks have disappointed and this has dampened sentiment somewhat. In contrast, non-tech earnings to date have been slightly better than expectations. Corporate profit growth globally for 2005 is expected to be in the order of 10% and this is likely to underpin equity markets.
- Currently, the funds are overweight bonds and equities versus the manager average. Sector-wise the funds are overweight basic industries, resources and financials, while underweight some of the more defensive sectors, such as healthcare. In geographical terms, the funds continue to be neutral the UK and Japan, underweight the US, while overweight Europe and the Pacific Basin.