

Global Overview

- Equity markets had a volatile week as weaker economic data emerged from around the world leading to concerns that economies are in a 'soft patch'.
- In Europe, the German government and other German economic institutes reduced forecasts for economic growth. German business and consumer sentiment reports were disappointing. Business confidence in Italy and France has also been poor.
- US economic data was weaker with first quarter GDP growth in the U.S. less than expected and a key survey of manufacturing was weaker than expected.
- On currency markets, there was much speculation that China will revalue its currency. As a result, the US dollar weakened against the yen as any revaluation is likely to lead to less buying of US bonds by China. However, the dollar firmed against the euro with the €/ \$ rate falling back to \$1.29 from \$1.3050 the prior week due to expectations for continued rises in US interest rates.
- Bonds markets had a good week underpinned by the downturn in investor sentiment on equity markets and lower eurozone rate expectations.
- On commodity markets, oil prices fell by 10% over the week due to reports of higher US inventories and a slowing US economy. The oil price ended the week at \$50 per barrel.

Market	Index	Year to Date Return 31.12.04 to 29.04.05		1 Week Return 22.04.05 to 29.04.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-4.5	0.3	0.4	1.6
US	NASDAQ	-11.7	-7.2	-0.6	0.6
Europe	FT/S&P Europe Ex. U.K.	0.7	0.7	-1.8	-1.8
Ireland	ISEQ	-5.9	-5.9	-2.4	-2.4
UK	FTSE 100	-0.3	4.5	-1.0	0.0
Japan	Topix	-1.7	1.0	-0.1	2.2
Hong Kong	Hang Seng	-2.3	+2.4	1.6	2.8
Australia	S&P/ASX 200	-1.7	3.2	-1.3	0.0
Bonds	Merrill Lynch Euro over 5 year Govt.	3.7	3.7	0.7	0.7

Equities



USA

- It was a mixed week for equity markets in the US as investors focused on poor economic data including declining consumer confidence.
- The earnings season continued in the US. Earnings grew 14.6% last quarter among S&P 500 companies that have reported so far, handily beating rates of 7.6% projected at the year's start and 8.2% expected as recently as April 1st .
- The technology sector continued to under perform. Microsoft, Lexmark and Amazon delivered results. Microsoft failed to meet earnings expectations but delivered an upbeat outlook. Amazon gave poor guidance while Lexmark earnings were below expectations.
- Healthcare stocks outperformed and energy stocks underperformed last week.



Europe

- European markets lagged last week as investor sentiment dipped due to poor economic data.



Europe (continued)

- Pharmaceuticals, tobacco and real estate were the best performing sectors while engineering, retail and transport underperformed.
- GlaxosmithKline delivered good quarter 1 results while Astra Zeneca reported sales 3% ahead of expectations.
- In the UK, Allied Domecq rose a further 3.5% following a second approach for the company by a consortium led by Constellation Brands. The company recently recommended a £7.4 billion takeover bid from Pernod Ricard. Kingfisher, lost 10% on the week when it announced that 1st quarter retail profits fell 15%.



Ireland

- The Irish equity market fell 2.4% on the week, dragged down by generally weaker European investment markets.
- AIB delivered an upbeat statement on current trading at its AGM on Wednesday.



Pacific Basin

- China was the focus of much attention in Asia last week as rumours abounded yet again that the country might revalue its currency.
- Political developments in the region appeared to improve as the anti-Japanese protests in China quietened down and the head of Taiwan's nationalist party made a historic visit to mainland China.
- Commodity stocks fell after the release of weaker-than-expected US economic data; some Japanese stocks also suffered following downbeat reports on the state of the economy.

Eurozone Bonds

- Eurozone bonds added 0.7% during the week as equity markets fell and German authorities cut forecasts for economic growth.
- German 10-year yields fell to their lowest levels for four decades, outperforming the US bond market despite a slightly weaker euro.

Global Outlook

- The global economy has continued to slow from last year's robust pace, with the recent data in most economies disappointing expectations. Policymakers remain vigilant regarding the effects of high oil prices on growth and inflation.
- We have said for some time that inflation data will remain central to the Fed's policy actions over coming months. Although US rate expectations have eased back in recent weeks, markets still expect the Fed to raise its rates by a further 1% to 3.75% by year end, with 0.25% of this anticipated this evening, 3rd May.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. It had voiced concerns over rising property prices, generous financial liquidity conditions and the level of government borrowings, although recent weak data has tempered these concerns somewhat. It is still likely that low ECB rates and well-behaved inflation can remain supportive of eurozone bonds, although recent gains leave Eurozone bonds slightly stretched.
- Equity market returns have been quite varied so far this year; some of the major indices have recently slipped into negative territory. The US market remains the most sluggish of the large markets and technology has been the weaker sector. For 2005, global profit growth is still expected to be around 10%, although investors are now attaching less certainty to that prediction.
- Currently, the funds are neutral to slightly overweight bonds and neutral to slightly underweight equities versus the manager average, having recently lowered exposures to the US, Europe and Pacific Basin. Sector-wise the funds' exposure to cyclical sectors such as basic industries and resources has been reduced while some defensive sectors have been increased. In geographical terms, the funds continue to be neutral the UK and Japan and close to neutral in the Pacific Basin, underweight the US, while overweight Europe.