

Global Overview

- Equity markets produced a mixed bag of performances last week with Hong Kong proving the stand-out performer.
- The oil price was once again front-and-centre as crude prices hit the \$60 per barrel mark on continued concerns over rising demand for oil outstripping constrained supply.
- Expectations of a cut in eurozone interest rates by the European Central Bank were heightened after a larger-than-expected cut of 0.5% (to 1.5%) in Swedish interest rates by the Riksbank on Tuesday.
- Meanwhile, the release of minutes from the June meeting of the Bank of England's Monetary Policy Committee showed that two members had voted for an interest rate cut.
- The euro dipped below the \$1.20 mark on Friday, for the first time since last August, though it recovered some ground before the close to finish at \$1.2085.

Market	Index	Year to Date Return 31.12.04 to 24.06.05		1 Week Return 17.06.05 to 24.06.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-1.7	10.3	-2.1	-0.8
US	NASDAQ	-5.6	5.9	-1.8	-0.5
Europe	FT/S&P Europe Ex. U.K.	8.3	8.3	-0.4	-0.4
Ireland	ISEQ	4.6	4.6	0.7	0.7
UK	FTSE 100	5.5	12.6	0.0	1.1
Japan	Topix	2.1	7.6	0.1	1.2
Hong Kong	Hang Seng	0.0	12.2	2.3	3.7
Australia	S&P/ASX 200	4.8	15.4	-1.5	-1.5
Bonds	Merrill Lynch Euro over 5 year Govt.	6.9	6.9	1.4	1.4

Equities



USA

- Equity markets in the US struggled to make gains in the face of jitters over the rising oil price.
- Energy stocks were among the week's better performers while energy-dependent companies, such as airlines, took a beating. Boeing was further hit by the announcement that Air Canada had cancelled an order for 32 aircraft worth \$6 billion.
- Merck stock fell as reports suggested that the company appeared to know about the risks of its Vioxx painkiller a long time before it withdrew the drug from the market last autumn.
- US carmakers had another unhappy week. Already under pressure from foreign manufacturers and the rising US dollar, Ford announced another reduction in its profit outlook for the year on Tuesday. The stock fell over 4%.



Europe

- European stocks spent much of the week hovering around three-year highs before easing a touch.



Europe

- Michelin, the tyre manufacturer, fell 1.6% on the week following the debacle at last weekend's Grand Prix in Indianapolis, when the company said it could not guarantee the performance of its tyres, leading all but six cars to withdraw from the race.
- German software company SAP rose 2.6% on Wednesday following comments from Larry Ellison, CEO of rival Oracle, that he aimed to pursue a takeover of SAP in the next two to four years.
- Leading stocks in the technology field, Ericsson and Nokia, rose over 8% and nearly 3% respectively.



Ireland

- Irish Life & Permanent issued a trading statement which said that it will meet all its targets for the year thanks to a buoyant economy sustaining a strong housing market and improving volumes of investment products.



Pacific Basin

- The Hong Kong market enjoyed its best one day performance for four months on Wednesday and volumes increased as the Hang Seng Index pushed above the key 14,000 level. Good news on HSBC, which accounts for about a third of the index, was a factor.
- Australian stocks lost value on the back of worries about the effect of rising oil prices on economic growth.

Eurozone Bonds

- Eurozone bonds enjoyed a very strong week amid increasing speculation that the ECB will cut rates. As mentioned above, the Swedish central bank cut rates by 0.5% during the week, while Bank of England minutes also suggested a change in the wind in its monetary policy.
- The rise in oil prices through the symbolic \$60 per barrel level was interpreted by some as a dampener on growth going forward, also bond friendly.

Global Outlook

- The global economy has continued to slow from last year's robust pace, with many of the recent data disappointing expectations. Policymakers remain vigilant regarding the effects of high oil prices on growth and inflation. The rise in the oil price to \$60 will only heighten this sensitivity.
- We have said for some time that inflation data will remain central to the Fed's policy actions over coming months. Fed guidance is that rates will continue to rise at a measured pace, with markets anticipating rates to rise a further 0.75% to just 3.75% by year end.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. It continues to soften its rhetoric with questions of a rate cut being less stridently dismissed. Long term eurozone interest rates are at 60 year lows after the recent strong performance from eurozone bond markets. Bonds are therefore slightly stretched at the moment but remain supported by low inflation and low short rates.
- Local currency equity market returns have been quite varied so far this year, with the European markets by far the strongest. The US market remains sluggish, although dollar strength has compensated for this. For 2005, global profit growth is still expected to be around 10%.
- Currently, the funds are close to neutral in bonds and slightly overweight equities versus the manager average. Sector-wise the funds have shifted to a more neutral bias. 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.