



Global Overview

- Equity markets moved forward last week due to positive economic data and a slight reduction in the oil price.
- In the US, there was a rise in consumer sentiment reported by the University of Michigan and an increase in the Institute of Supply Managements factory activity index. There was also better than expected corporate confidence numbers from the Bank of Japan.
- Oil prices had another volatile week, hitting a high of over \$60 on Monday before falling back slightly towards the end of the week. Supply/ demand issues continue to underpin high oil prices.
- The US Federal Reserve met on Thursday and increased interest rates by 0.25% to 3.25% as expected. There was much speculation prior to the meeting as to whether the accompanying statement would hint at an end to monetary tightening. However, no such hint emerged and the Fed said that expansion remains firm and labour market conditions continue to improve gradually.
- On currency markets, the US dollar hit a recent new high on Friday due to buoyant economic data and a further increase in interest rates. The currency hit \$1.19 against the euro. Sterling fell against all major currencies as conjecture over interest rate cuts due to poor UK economic data continued.

Market	Index	Year to Date Return 31.12.04 to 01.07.05		1 Week Return 24.06.05 to 01.07.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-1.4	11.7	0.2	1.3
US	NASDAQ	-5.4	7.2	0.2	1.3
Europe	FT/S&P Europe Ex. U.K.	9.5	9.5	1.2	1.2
Ireland	ISEQ	5.8	5.8	1.2	1.2
UK	FTSE 100	7.2	12.3	1.6	-0.2
Japan	Topix	2.8	7.0	0.7	-0.6
Hong Kong	Hang Seng	-0.2	13.2	-0.2	0.9
Australia	S&P/ASX 200	5.5	14.8	0.6	-0.5
Bonds	Merrill Lynch Euro over 5 year Govt.	6.8	6.8	-0.2	-0.2

Equities



USA

- US equity markets gained marginally on the week despite a further increase in interest rates.
- The big news of the week came from Bank of America. It is to take over MBNA, the credit card issuer, for \$35 billion. MBNA stock soared 24% while Bank of America fell 3% on the week.
- In the technology sector, Sun Microsystems acquired SeeBeyond Technology leading to a 31% jump in the latter's share price.
- Technology stocks underperformed while telecom stocks outperformed.



Europe

- European stocks rose last week on the back of positive employment figures from Germany and the fact that oil prices fell below \$60.



Europe

- Altana, the German drugs group, fell nearly 16% after Pfizer terminated a collaboration between the two on the respiratory drug, Daxas.
- Telecom stocks performed well after France Telecom announced plans to more than double its dividend.
- Outperforming sectors included telecoms, energy, construction and materials, while the technology, financial services and industrial goods sectors were the weakest.



Ireland

- The Irish market had a good week buoyed by good performance on European markets.
- Fyffes shares rose following a better than expected trading statement.



Pacific Basin

- In Japan, sentiment improved due to a better than expected quarterly Tankan survey which showed an increase in corporate confidence.
- Japanese exporters benefited from a weaker yen. The yen has not been this weak against the US dollar since October.
- The Hong Kong market underperformed due to a sharp fall in banking giant HSBC following a downgrade by Morgan Stanley.

Eurozone Bonds

- Eurozone bonds declined marginally on the week following stronger economic numbers and a rise in US interest rates.
- There were no indications from the Federal Reserve that interest rates will stop rising soon and this was also bond negative.

Global Outlook

- The global economy has continued to slow from last year's robust pace. Policymakers remain vigilant regarding the effects of high oil prices on growth and inflation. The rise in the oil price to around \$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 around 4.0% by year end.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. 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.