



Global Overview

- It was a volatile week for equity investors due to sharp declines in Japanese equities, high oil prices and disappointing earnings data from a number of big players in the US.
- Japanese markets tumbled on Tuesday triggered by an investigation into Livedoor, the internet services group, regarding possible securities violation. The Japanese market rose by over 40% in 2005 and had been expected to take a breather. However, the extent of the decline surprised the market. On Wednesday, trading was forced to close early due to a substantial rise in volumes which overloaded the trading computer system.
- The earnings results season continued with surprisingly disappointing earnings from companies such as Intel and Yahoo. These were compounded as the week progressed with poorer than expected results from General Electric and Citigroup, leading to concerns regarding US corporate profit growth going forward.
- Economic data from the US was upbeat with industrial production figures coming in better than expected and unemployment claims falling to their lowest levels in 5 years.
- Stubbornly high oil prices also impacted investor sentiment. Prices reached \$68 per barrel, rising \$4 over the week, due to tensions surrounding Nigeria and Iran which may lead to disruptions in supply. Gold reached 25 year highs driven by a general rise in commodity prices.
- The euro finished the week virtually unchanged against the dollar as speculation regarding interest rate rises in Europe and the US continued unabated.

Market	Index	Year to Date Return 31.12.05 to 20.01.06		1 Week Return 13.01.06 to 20.01.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	1.1	-1.2	-2.0	-1.7
US	NASDAQ	1.9	-0.3	-3.0	-2.7
Europe	FT/S&P Europe Ex. U.K.	0.5	0.5	-1.6	-1.6
Ireland	ISEQ	0.8	0.8	-1.4	-1.4
UK	FTSE 100	1.0	1.4	-0.7	-1.0
Japan	Topix	-1.5	-1.6	-3.4	-4.1
Hong Kong	Hang Seng	5.3	2.9	-0.8	-0.6
Australia	S&P/ASX 200	1.9	1.9	0.4	-0.4
Bonds	Merrill Lynch Euro over 5 year Govt.	-0.3	-0.3	0.8	0.8

Equities



USA

- US markets followed their Japanese counterparts into the red last week. Disappointing corporate earnings and higher oil prices contributed to weakness across most sectors.
- Citigroup, General Motors and Motorola were among some of the big names to declare unsatisfactory results.
- Intel slumped 14% over the week when it said that earnings in the first quarter would be lower than expected. Competitor, Advanced Micro Devices gained 5% when it reported record fourth quarter sales.
- Rumours that Morgan Stanley was interested in buying a controlling stake in Blackrock Investments, resulted in a 6% gain for the investment manager.



Europe

- The issues in Japan sparked profit taking on European markets with the German market falling over 2% on the week.
- German chipmaker, Infineon fell 7% on the week when it reported operating losses.
- A number of French banks including BNP Paribas and Societe Generale were upgraded by Goldman Sachs. Deutsche Borse was one of the biggest gainers on the week due to merger speculation.
- In the UK, the telecoms sector came under pressure when Tesco announced that it would launch a low cost internet based phone service.



Ireland

- The Irish market fell on the back of falling equities worldwide and higher oil prices. Ryanair was down 2.5% on the week as oil prices went through \$68 per barrel.
- Anglo Irish Bank placed 400 million worth of stock which was well received by the market.



Pacific Basin

- Japanese equities suffered dramatic falls last week (see overview) with declines affecting most sectors. Real estate, retailers and construction stocks were the worst performers.
- Shares in Softbank, the internet services company, fell 11% on Tuesday and a further 13% on Wednesday. Calm returned to the market on Thursday and the stock reclaimed 15% of its losses.
- Singapore had another difficult week as a government forecast showed that exports are expected to slow.

Eurozone Bonds

- Eurozone bonds rose 0.8% on the week, as measured by the Merrill Lynch Eurozone Government > 5 year Index. Bonds recorded gains mainly due to weakness on equity markets.
- In the UK, demand by pension funds for long bonds for asset liability matching purposes brought yields on 50 year bonds to new lows.

Global Outlook

- Global growth continues to be healthy despite high oil prices and higher global interest rates. Inflation vigilance should remain high among the major central banks during 2006.
- Investors expect US rates to peak at slightly less than 4.75%, from current levels of 4.25%. This expectation depends on the strength of activity and inflation data over the next few months.
- Investors remain on watch for data that may sway the ECB to further rate increases. In the background is still moderate inflation and pension fund liability matching which should continue to offer support to longer-dated bonds.
- Equity markets remain supported by a strong earnings' background and favourable valuations relative to bonds and cash; high oil prices and tighter liquidity conditions from higher interest rates should constrain the upside to markets.
- Currently, the funds are slightly underweight in bonds and slightly overweight equities versus the manager average. Sectorwise, the funds are overweight general industrials and financials while underweight some of the defensive areas like telecoms. Other sectors are broadly neutral. Geographically the funds are underweight Ireland, the UK and North America; Europe and the Pacific Basin remain overweight.