



Global Overview

- European and US equity markets enjoyed a good week, many touching new four-and-a-half year highs, helped by encouraging earnings reports and a further fall in the oil price.
- Despite an increase towards the end of the week, the oil price still ended the week below \$60 per barrel and down over 3% on the week.
- Japanese GDP grew by 5.5% for the fourth quarter of 2005 and by 2.8% for the full year – twice the rate of the eurozone.
- In the US, there were strong data releases on retail sales, housing starts and producer prices. Retail sales rose 2.3% in January, sharply above the 0.9% forecast level.
- The first testimony by new Federal Reserve Chairman, Ben Bernanke, to Congress seemed to give the markets the re-assurance they needed that monetary policy is in safe hands. Most analysis of his performance was positive.

Market	Index	Year to Date Return 31.12.05 to 17.02.06		1 Week Return 10.02.06 to 17.02.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	3.1	2.5	1.6	1.7
US	NASDAQ	3.5	2.8	0.9	1.0
Europe	FT/S&P Europe Ex. U.K.	5.9	5.9	1.4	1.4
Ireland	ISEQ	5.4	5.4	2.1	2.1
UK	FTSE 100	4.1	4.6	1.4	1.1
Japan	Topix	-2.7	-3.6	-3.3	-3.9
Hong Kong	Hang Seng	4.0	3.3	0.3	0.4
Australia	S&P/ASX 200	0.8	0.7	-1.5	-1.3
Bonds	Merrill Lynch Euro over 5 year Govt.	-1.1	-1.1	0.0	0.0

Equities



USA

- In the US, news from two of the market heavyweights in the IT sector made the headlines. Dell announced fourth quarter results which saw double-digit growth in quarterly revenue and net income. However, shares fell after the company said that current quarter growth would be lower than estimates.
- Hewlett Packard stock had a strong week after it delivered stronger-than-expected results, beating both revenue and earnings forecasts. The stock rose 8% on the week.
- In takeover news, Merrill Lynch announced a deal to acquire a 49.8% stake in fund manager BlackRock. The investment management units of both will be combined and will have about \$1,000 billion in assets under management.



Europe

- French bank Société Générale gained nearly 7% on the week after its fourth quarter profits rose 42% year-on-year. This helped the Paris bourse to a rise of 1.8% for the week.
- Volkswagen enjoyed another strong week in the wake of the announcement of plans to let 20,000 workers go in a restructuring plan. The stock rose nearly 7% on the week and is now up over 20% over the past three weeks.
- Nokia rose over 5% on the news that the company would combine its underperforming CDMA handset business with Sanyo's.
- In the UK, mining stocks surged late in the week on news of an approach for Lonmin, the world's third-largest platinum producer. The London market ended the week at a fresh four-and-a-half year high.



Ireland

- AIB enjoyed a strong week, rising almost 6%, ahead of 2005 results next Wednesday (22nd). Bank of Ireland gained 3% and is up over 10% year-to-date.
- Elan stock rose just over 2% on the week as the FDA lifted the clinical hold that was placed on the Tysabri drug last February. This will allow Elan to resume clinical trials of the drug in controlled conditions.



Pacific Basin

- The Japanese market underwent another volatile week, the Topix Index falling 3.3%. Speculation continues that the end of the zero interest rate environment is in sight.
- The Australian markets slipped again as commodity prices struggled for much of the week.

Eurozone Bonds

- Bond markets paid close attention to the first Congressional testimony by Ben Bernanke, the new Chairman of the Federal Reserve. He hinted that there would be further monetary tightening but would not be drawn on how far interest rates would rise.
- The Merrill Lynch over 5 year government bond index was flat on the week.

Global Outlook

- Global growth continues to be healthy despite high oil prices and higher global interest rates. Consensus expectations are that global GDP will expand by 3.5% in 2006, similar to last year's rates.
- Following the most recent US rate increase to 4.5%, investors currently expect rates to peak close to 5%. The strength of activity and inflation data over the next few months will be key in this regard.
- Investors expect the ECB to use a more positive view on the economy to justify a further rate hike in March, with rates rising to around 3% by year end. Moderate inflation and pension fund liability matching which should continue to offer some 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, Japan and the Pacific Basin remain overweight.