



Global Overview

High commodity prices lead to inflation concerns

Oil prices hit record levels of almost \$71 per barrel last week leading to speculation that inflation could become an issue for investors over the coming months. Deepening tensions in Iran also led to supply concerns. Gold broke through the \$600 mark, its highest level since 1980.

Sell off on bond markets

Expectations of higher interest rates due to strong economic data and inflation jitters caused a sell off on bond markets. US bond yields hit the 5% mark for the first time since 2002.

Reasonable US economic data

In the US, there were better than expected retail sales numbers released and consumer confidence data was reported in line with expectations.

Subdued equity markets

Equity markets were subdued as investors focussed on the possibility of rising interest rates and inflation threats rather than positive economic data.

Market	Index	Year to Date Return 31.12.05 to 14.04.06		1 Week Return 07.04.06 to 14.04.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	3.3	0.9	-0.5	-0.5
US	NASDAQ	5.5	3.0	-0.6	-0.6
Europe	FT/S&P Europe Ex. U.K.	8.2	8.2	-1.2	-1.2
Ireland	ISEQ	6.7	6.7	-0.8	-0.8
UK	FTSE 100	7.3	6.8	0.1	0.6
Japan	Topix	5.7	2.7	-2.2	-2.5
Hong Kong	Hang Seng	10.4	7.8	-0.3	-0.3
Australia	S&P/ASX 200	8.7	5.4	-1.1	-0.9
Bonds	Merrill Lynch Euro over 5 year Govt.	-5.0	-5.0	-0.5	-0.5

Equities



USA

Overview

US equities remained subdued last week on the back of soaring oil prices and interest rate concerns.

Key Movers

Alcoa – The aluminium maker jumped 4% when it delivered a 50% increase in first quarter profits.

Boeing – The aircraft maker closed a deal to supply 80 of its 737 jets to China. The stock jumped 4% as a result.

Advanced Micro Devices – The chipmaker released weak guidance for the second quarter and fell 6%, despite announcing better than expected first quarter profits.



Europe

Key Movers

Serono – The announcement that the family which owns a controlling stake in the company had terminated all discussions regarding a sale caused a sharp fall in the stock.

Financial stocks – European financial stocks had a difficult week due to concerns about higher interest rates worldwide.

Carrefour – The retailer released a better than expected trading statement for the first quarter.



Ireland

Key Movers

Irish Financials – AIB and Bank of Ireland shares took the lead from their European financial counterparts and ended the week down 3%.

Elan – Elan had a good week due to positive updates on its multiple sclerosis drug, Tysabri, and potential positive updates on its Alzheimer's drug.



Asia Pacific

Asian markets decline

Asian markets came under pressure last week due to rising oil prices.

Profit taking in Japan

There was profit taking in Japan after markets there hit 14 year highs. The Topix retreated 2.2% on the week. Real estate stocks were among the worst performers. Exporters such as Toshiba and NEC Electronics were also affected.

Bonds

Bonds suffer sharp decline

It was another difficult week for bonds on both sides of the Atlantic. Rising commodity prices pushed bond yields higher amid concerns over possible feed through to consumer prices.

Interest rate jitters

Investors will pay close attention to the minutes of the US federal Reserve meeting this week to gain clues as to the possible path of interest rates going forward.

Global Outlook

- Growth expectations continue to nudge higher with global GDP now expected to expand by 3.7% in 2006, slightly above last year's figure of 3.6%.
- After the Fed's 15th consecutive hike to 4.75%, investors now expect rates to peak close to 5.25%. The strength of economic activity and inflation data over the next few months will be key in this regard.
- Following the most recent ECB rate hike to 2.5%, investors expect rates to be raised to over 3.25% by year end. Despite moderate inflation in the eurozone, rising short rates and less than expected demand from pension funds has kept bond prices under some pressure.
- Equity markets remain reasonably supported by a strong earnings' background and favourable valuations relative to bonds; high oil prices and tighter liquidity conditions from higher interest rates should constrain the upside to markets. The gradual ending of super-easy money policies in Japan continues to deserve attention because of its potential negative impact on various asset classes.
- Currently, the funds are close to neutral in bonds and slightly overweight in equities versus the manager average. Sectorwise, the funds are overweight industrials and financials while underweight some of the defensive areas, like telecoms. Geographically the funds are underweight Ireland and North America. The UK, Europe and Japan are overweight.