



Global Overview

Interest Rate News

There were two major pieces of news on global interest rates last week. In a surprise move, the Chinese authorities raised rates on Thursday by 0.27% and asked the nation's banks to restrict lending to prevent the economy from overheating.

In the US, Federal Reserve Chairman, Ben Bernanke, reassured investors by hinting that the Fed would probably pause its current rate-tightening cycle, after increasing rates by a further 0.25% at its May meeting.

Economic News

In the US, there were strong figures on durable goods orders, consumer confidence and housing sales, together with a GDP number which showed annualised growth for quarter one of 4.8%. In Germany, the Ifo Index of business confidence rose to a 15-year high.

Oil Price Eases

Oil prices eased about 4% over the course of the week, despite an uptick on Friday after the International Atomic Energy Agency reported that Iran had ignored calls to suspend its uranium enrichment programme. Price per barrel at week end was \$72.

US dollar under pressure

The US dollar continued its decline against other major currencies, closing the week a further 2% down against the euro, at \$1.26.

Market	Index	Year to Date Return 31.12.05 to 28.04.06		1 Week Return 21.04.06 to 28.04.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	5.0	-1.6	-0.1	-2.4
US	NASDAQ	5.3	-1.3	-0.9	-3.2
Europe	FT/S&P Europe Ex. U.K.	9.3	9.3	-1.2	-1.2
Ireland	ISEQ	7.7	7.7	0.4	0.4
UK	FTSE 100	7.2	6.4	-1.8	-1.9
Japan	Topix	4.0	1.1	-2.3	-1.9
Hong Kong	Hang Seng	12.0	5.0	-1.5	-3.8
Australia	S&P/ASX 200	10.4	7.2	0.2	-0.1
Bonds	Merrill Lynch Euro over 5 year Govt.	-4.8	-4.8	0.0	0.0

Equities



USA

Earnings

334 of the 500 companies in the S&P 500 had reported by the end of last week, with the market on course for an eleventh consecutive quarter of double-digit growth.

Key Movers

Microsoft – The technology giant fell 11% on Friday morning after the company revealed a shift in strategy, raising its spending in the internet and gaming sectors, thereby reducing its forecast earnings per share from 16% to 8-12%.

Monster – A stock travelling the other way on the week was Monster Worldwide after it reported better-than-expected earnings, sending the stock up over 11%.

Banks – In a good week for banking stocks, Bank of America announced a plan to spend up to \$12 billion buying back its own stock, sending its share price to its highest ever level.



Europe

Key Movers

Renault – The French carmaker announced a 5.8% year-on-year rise in first quarter sales, described as “eye-popping” by Merrill Lynch. The stock rose over 7% on the week.

Chip Makers – Infineon rose nearly 4.5% on the week as it beat expectations by moving into profit for the first time in four quarters. STMicroelectronics fell over 6% as concerns mounted about its future profitability.

Oil Stocks - The oil sector put downward pressure on the overall market as crude prices retreated on the week. This effect was exacerbated by Thursday’s announcement of the rise in Chinese interest rates, prompting fears of a cooling in overall demand.



Ireland

Key Movers

Ryanair – Ryanair had another difficult week due to the ongoing impact of higher oil prices. The share was down over 4% on the week.

Paddy Power – The bookmaker rose nearly 9% on the week following a broker upgrade.



Asia Pacific

Chinese Rates

Asian markets fell in the wake of China’s rate announcement on Thursday, worried that a slowdown in Chinese growth might affect the prospects of exporters in the region.

Sony

Shares in the world’s second-biggest maker of consumer electronics fell over 5% on Friday, as the company announced that costs associated with the development of the PlayStation 3 console will dent profits in the electronics division.

Bonds

Eurozone bonds see-sawed during the week, finishing where they started. A 15-year high reading for German business confidence (Ifo Index) on Tuesday hit bonds, as expectations for both inflation and interest rates rose.

Comments from Fed Chairman, Ben Bernanke, later in the week, to the effect that the Fed may pause in its rate tightening cycle, send bond markets on both sides of the Atlantic up.

Global Outlook

- Growth expectations remain at very high levels with global GDP now expected to expand by 3.7% in 2006, slightly above last year’s figure of 3.6%. Surging commodity prices remain a key focus of the major central banks.
- After the Fed’s 15th consecutive hike to 4.75%, investors are focused on any indications that this rate cycle will either pause or peak out. Currently rates are expected to reach 5% - 5.25% by mid year.
- 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 pension fund 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, Japan and Pacific are overweight.