

Global Overview

Equity markets remain nervous

Global equity markets produced a mixed bag of returns on the week as they absorbed a series of important data releases from the US.

Minutes of last Federal Reserve meeting released

Minutes of the May meeting of the Fed revealed that 'participants judged that inflation expectations had risen somewhat, a development that would have to be taken into account in policymaking'. Equity markets initially fell on this news.

Weaker US data on Friday

Employment figures released on Friday showed that the US economy generated 75,000 jobs in May, compared with a downwardly revised 126,000 in April. In the immediate aftermath, expectations for US rate rises fell.

Further dollar weakness

The dollar fell another 1.6% against the euro on the week, as the chances of a June rate rise fell following weaker data on Friday.

Commodities

Commodity prices were volatile, copper suffering a 7% price fall on Thursday, while nickel, aluminium, gold, silver and platinum all fell also. Oil prices held above \$70 all week.

Market	Index	Year to Date Return 31.12.05 to 02.06.06		1 Week Return 26.05.06 to 02.06.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	3.2	-5.6	0.6	-1.1
US	NASDAQ	0.6	-7.9	0.4	-1.3
Europe	FT/S&P Europe Ex. U.K.	3.5	3.5	-0.9	-0.9
Ireland	ISEQ	4.3	4.3	0.4	0.4
UK	FTSE 100	2.6	2.9	-0.5	-0.6
Japan	Topix	-2.7	-5.8	-0.5	-1.1
Hong Kong	Hang Seng	7.0	-2.2	0.1	-1.6
Australia	S&P/ASX 200	6.6	-0.1	0.5	-2.0
Bonds	Merrill Lynch Euro over 5 year Govt.	-4.3	-4.3	-0.4	-0.4

Equities



USA

Overview

Wall Street lacked a clear direction but did finish in positive territory on the week.

Key Movers

Communication Stocks – Ciena, the telecoms software producer, rose nearly 17%, Qwest rose nearly 10% and AT&T added 2% on the week.

Healthcare Stocks – The sector enjoyed a rally with UnitedHealth up 9% and Cigna and Aetna both adding 5%.



Europe

Overview

European markets were virtually all weaker with France and Germany both down nearly 2%.

Key Movers

Telecom stocks – Telecoms enjoyed a strong week, bucking the overall trend, with Telecom Italia, Telefonica, France Telecom and Telenor all gaining in value.

Euronext – The New York Stock Exchange announced that it had agreed to buy the pan-European bourse operator for €7.78 billion.

SCI Entertainment – The UK computer game developer rose over 7% on Friday on positive feedback from a series of investor presentations.



Ireland

C&C – C&C rose over 8% on the week as the latest figures showed continuing success for its Magners cider brand in the UK. The brand showed strong growth in both absolute and market share terms.

Irish Life & Permanent – The banking and life assurance combine had a good week in the wake of its May 26th statement, when it said it had a 'really good start to the year'. The stock rose 3.5% on the week.



Asia Pacific

Overview

Asian markets fell strongly on Wednesday on concerns that exporters could be hurt by a slowdown in demand from the US. Japan recovered somewhat to finish the week down 0.5%. Hong Kong and Australia both finished the week in positive territory.

Bank of China

The stock made its debut on the Hong Kong exchange on Thursday and closed up 15% on its offer price. The bank raised \$9.7 billion in the world's largest initial public offering for six years.

Bonds

Eurozone bonds fell on the week as economic data on money supply, inflation and manufacturing all pointed to higher rates. They recovered a little on Friday following the poor data from the US, which lifted US bonds.

Global Outlook

- Growth expectations remain at 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.
- Investors are keenly focused on the Fed meeting at the end of this month to see whether rates will change from the current 5% level. The probabilities assigned to a further hike or a pause in rate moves have jumped around over the past few weeks, as markets try to gauge the impact of new economic data on the debate within the Fed.
- Investors expect ECB rates to be raised close to 3.25% by year end with the next move coming this week; ECB rhetoric continues to be hawkish and the stronger euro/weaker US dollar does not seem to be influencing its thinking so far. Despite moderate inflation in the eurozone, rising short rates and less than expected demand from pension funds have kept bond prices under some pressure.
- Equity markets still 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 or produce the type of corrections we have seen during the past few weeks. 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 equities versus the manager average. Sectorwise, the funds are overweight industrials while underweight some of the defensive areas. Geographically the funds are underweight Ireland and North America, while the UK, Japan and Pacific are closer to neutral. Europe remains overweight.