



## Global Overview

### Equity markets advance

Equity markets advanced last week as investor attention turned towards benign US employment data and the prospect that an economic slowdown in the US would mean the end of interest rate increases.

### US economic data

The US unemployment report showed a slight decline in unemployment in August to 4.7%. However, there were weak numbers on the housing market with US existing homes sales down 7%.

### Eurozone economic growth

The Eurozone economy recorded its fastest growth rate in six years in the second quarter with a 0.9% rise in output. The European Central Bank left rates on hold on Thursday as anticipated but expectations of a rise in interest rates at the next meeting increased.

### Currencies

The Japanese yen continued to fall last week against most other major currencies as a result of the weak inflation data. In the UK, sterling rose after the release of strong housing and retail spending data.

### Oil prices

Oil prices were down 4% on the week to just under \$70 per barrel. There was little change on the geopolitical front with sanctions against Iran likely to be deferred. US oil inventories were also higher than expected.

Market	Index	Year to Date Return 31.12.05 to 01.09.06		1 Week Return 25.08.06 to 01.09.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	5.0	-3.2	1.2	0.6
US	NASDAQ	-0.6	-8.3	2.5	1.8
Europe	FT/S&P Europe Ex. U.K.	8.3	8.3	1.3	1.3
Ireland	ISEQ	9.9	9.9	2.8	2.8
UK	FTSE 100	5.9	8.2	1.2	1.6
Japan	Topix	-1.0	-8.1	0.8	0.4
Hong Kong	Hang Seng	17.1	7.6	2.8	2.1
Australia	S&P/ASX 200	7.0	3.1	1.5	2.3
Bonds	Merrill Lynch Euro over 5 year Govt.	-1.5	-1.5	0.5	0.5

## Equities



### USA

#### Overview

US markets moved higher last week driven by upbeat corporate news and a slight decline in unemployment.

#### Key Movers

**Retailers** – Retailers performed well due to strong sales data from a number of big players. Nordstrom rose 12% after it announced a 7% rise in sales in August. Amazon jumped 13% on news that it is to buy back \$500 million of its shares.

**Ebay** – Internet auction group Ebay jumped 11% helping the NASDAQ to rise 2.5% on the week. Google is to sell advertising on Ebay's websites outside the US. Ebay agreed a similar deal with Yahoo earlier in the year.



## Europe

### Overview

European markets rose over 1% on the back of upbeat economic growth data from the region.

### Key Movers

**EADS** – The aerospace group rose over 3% following reports that the Russian bank Vneshtorgbank had acquired a 5% stake in the group. Investors speculated that the news could result in new orders from Russia.

**KBC** – The Belgium group saw its shares fall almost 5% when it issued a profit warning for the second half of the year.

**Unilever** – The consumer products group announced the sale of its European frozen foods business to Permira for €1.7bn.



## Ireland

**C&C** – The Irish market rose almost 3%, with C&C particularly strong. The share price was up over 12% on the week due to excellent results for the first half of the year driven by the success of the Magners brand.

**Ryanair** – The stock added 7% on the back of falling oil prices. The airline also announced that it is to allow passengers to use their mobile phones on board flights. Ryanair will gain commission for any calls that are made.

**CRH** – The construction company rose over 6% when it reported slightly above consensus H1 results with operating profits up 38%.



## Asia Pacific

**Export stocks** – Japanese export stocks did well last week on the back of a sharp decline in the yen. Canon rose over 2% as it derives more than 75% of its sales from outside the Japanese market.

**Hong Kong** – The Hang Seng index rose almost 3% underpinned by strong performances from property and banking stocks. BOC Hong Kong rose almost 4% when it delivered better than expected first half profits.

## Bonds

Bond markets made ground last week despite strong Eurozone economic growth and warnings on inflation from the European Central Bank when it kept Eurozone rates on hold on Thursday. Bonds were supported by the continued emergence of weak housing data from the US indicating that the US economy is slowing. The Merrill Lynch > 5 year Index rose 0.5% on the week.

## Global Outlook

- Growth expectations remain at high levels with global GDP forecast to expand by 4.0% in 2006, slightly above last year's figure of 3.7%. The major central banks have been focused all year on cyclical inflation pressures and strong commodity prices and short rates globally have risen further.
- The Fed paused in its policy of raising US interest rates at its recent meeting, leaving them unchanged at 5.25%. Investors now believe that interest rates have peaked for this cycle. This expectation remains dependent on a slowing in the growth rate and no further acceleration in inflation.
- The ECB recently increased rates to 3%, as fully expected by the market. Expectations of future hikes haven't changed much since then. Investors still expect rates to end this year between 3.25% and 3.5%. Bond prices have taken some comfort of late from well-behaved underlying inflation data and the thought that growth might peak in 2006.
- 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 continue to be a concern and periods of volatility are likely. The gradual ending of super-easy money policies in Japan deserves attention because of its potential negative impact on various asset classes.
- Currently, the funds are close to neutral on both bonds and equities versus the manager average. Sectorwise, positions are pretty balanced at the moment. Geographically the funds are underweight Ireland and the US (slightly), marginally overweight in Europe and more neutral in the other regions.