



Global Overview

Emerging markets

A number of emerging markets suffered sharp falls during a dramatic week, marked by a military coup in Thailand, riots in Hungary, a corruption scandal in Brazil and the collapse of the Polish Government.

Economic data

US interest rates remained unchanged at 5.25% following the Fed's meeting on Wednesday. Fears of a larger-than-expected slowdown in the US economy were raised on Thursday by the first negative reading for three years in the Philadelphia Federal Reserve's business conditions index.

Commodity prices

Oil prices continued to fall during the week towards the \$60 per barrel level, with prices now down more than 20% since early August. There is talk that OPEC may introduce production cuts before long. Other commodity prices firmed on the week.

European data

In Germany, the ZEW economic sentiment indicator fell for the eighth successive month to its lowest level since January 1999.

Market	Index	Year to Date Return 31.12.05 to 22.09.06		1 Week Return 15.09.06 to 22.09.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	5.3	-2.6	-0.4	-1.6
US	NASDAQ	0.6	-7.0	-0.8	-1.9
Europe	FT/S&P Europe Ex. U.K.	8.7	8.7	0.1	0.1
Ireland	ISEQ	10.6	10.6	0.9	0.9
UK	FTSE 100	3.6	6.0	-0.9	-0.8
Japan	Topix	-5.2	-11.2	-1.9	-1.7
Hong Kong	Hang Seng	18.3	9.0	2.1	0.9
Australia	S&P/ASX 200	4.6	-0.8	-1.1	-2.0
Bonds	Merrill Lynch Euro over 5 year Govt.	-0.7	-0.7	0.8	0.8

Equities



USA

Overview

US markets were down last week as evidence of the economic slowdown accumulated and investors were slightly unsettled by events in emerging markets.

Key Movers

Technology stocks – The technology sector once again provided some of the main talking points. Yahoo said that third-quarter results would be at the bottom end of their forecast range due to slowing advertising revenue. The stock fell over 13% on the week.

Oracle – The software maker reported a 29% increase in first-quarter profits, as its CEO said the company was gaining market share from German rival SAP. The stock rose almost 8%.

Boston Scientific – The medical device maker reported preliminary sales and earnings figures for the third quarter that came in below estimates. The shares fell over 9% on the week.



Europe

Overview

European markets were mostly flat last week, helped by a flurry of bid and merger activity.

Key Movers

Merck – The German pharmaceutical company unexpectedly announced that it was buying Serono, the Swiss biotechnology company, for €10.6bn, creating Europe's seventh largest drugs group. This followed Merck's unsuccessful attempt to acquire Schering last spring.

Continental – The German tyre maker enjoyed a second successive strong week when news broke that it had received an approach. The company said the talks had been terminated but the share price still rose almost 3%.

Mining stocks – A fall in the UK market on Friday saw mining stocks hardest hit as investors worried about the impact of slowing US economic growth on demand for basic resources.



Ireland

ISEQ – The ISEQ Index breached the 8,200 mark for the first time last week and traded a full 18% above the low point reached in the aftermath of the May/June sell-off, before weakening a little on Thursday and Friday.

Bank of Ireland – A trading statement from Bank of Ireland revealed that it expects earnings growth of 25% in the first half of its financial year and guided high-teens earning growth for the full financial year.



Asia Pacific

Japan – The Japanese market had a poor week, mirroring many other international markets.

Hong Kong – The Hong Kong market once again bucked the trend in south-east Asia, China Mobile hitting a six-year high during the week on the back of strong subscriber numbers.

Australia – Weakness in mining stocks kept the Australian market subdued.

Bonds

Bond prices rose last week as the Federal Reserve left US rates unchanged, oil prices continued their fall and economic numbers on both sides of the Atlantic showed some weakness. The Merrill Lynch > 5 year Index rose 0.8% on the week and is now only marginally negative on the year to date.

Global Outlook

- Growth expectations remain at high levels with global GDP forecast to expand robustly again in 2006, although leading indicators suggest some growth moderation in 2007. The major central banks have been focused all year on cyclical inflation pressures and strong commodity prices and short rates globally have risen further.
- As expected, the Fed left rates unchanged at 5.25% last week. 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 increased rates to 3% last month, as fully expected by the market. Expectations of future hikes have not changed much since then, despite continued hawkish comments from ECB officials. Investors still expect rates to end this year close to 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; 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 neutral in bonds and slightly overweight equities versus the manager average. Sectorwise, positions are pretty balanced at the moment. Geographically, the funds are overweight in Europe, underweight Ireland and the US and more neutral in the other regions.