



Global Overview

Interest Rates

There were interest rate decisions in two important areas last week. The European Central Bank raised eurozone rates to 3.25%, an increase of 0.25%, while the Bank of England left UK rates unchanged at 4.75%.

US Economic News

US employment figures released on Friday weighed down the equity market, sent bond yields sharply upwards and gave the dollar a boost. There was a strong upward revision in job creation numbers, showing the economy to be stronger than supposed and, therefore, lowering the possibility of an interest rate cut.

Oil prices

Oil prices continued their fall, losing approximately 5% on the week. This was despite planned production cuts from some OPEC members. Oil prices are now down about 25% from their peak in early August.

Currencies

Despite an interest rate rise in the eurozone, the euro lost ground against the dollar, closing at \$1.26. The US employment figures, mentioned above, were seen as strongly dollar-positive.

Market	Index	Year to Date Return 31.12.05 to 06.10.06		1 Week Return 29.09.06 to 06.10.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	8.1	1.5	1.0	1.6
US	NASDAQ	4.3	-2.1	1.8	2.5
Europe	FT/S&P Europe Ex. U.K.	12.0	12.0	1.0	1.0
Ireland	ISEQ	12.4	12.4	0.6	0.6
UK	FTSE 100	6.8	9.2	0.7	1.3
Japan	Topix	-0.9	-7.7	1.5	1.3
Hong Kong	Hang Seng	20.4	12.5	2.1	2.8
Australia	S&P/ASX 200	9.6	4.1	1.3	1.4
Bonds	Merrill Lynch Euro over 5 year Govt.	-1.1	-1.1	-0.3	-0.3

Equities



USA

Overview

US equities enjoyed another strong week, with the Dow Jones Industrial Average reaching an all-time high, up nearly 60% from its bear market low in early 2003. While the Dow is not as important as the S&P 500, the feat was still being hailed as a psychological boost.

Key Movers

Boeing – The Seattle-based aircraft manufacturer gained nearly 6% on the week as EADS, the parent company of its main rival Airbus, issued a profit warning and said delivery of its A380 superjumbo would be delayed a further year.

Starbucks – The coffee-shop chain jumped 13%, its best week in six years, after it said September same-store sales had risen 6%, almost doubling estimates.

Wal-Mart – The world's largest retailer had a poor week after it said that same-store sales for September grew only 1.3%, less than the 1.8% it had predicted only days earlier.



Europe

Overview

European stocks had a good week amid a flurry of merger & acquisition activity and strong markets internationally.

Key Movers

Corus – The Anglo-Dutch steelmaker jumped nearly 16% on Thursday after India's Tata Steel said it might bid for the company.

EADS – As mentioned above, the European aerospace group's shares fell 10% on the news of further delays in its A380 superjumbo project.



Ireland

Airlines – No doubting the story of the week as Ryanair launched an audacious €1.48bn bid for newly-floated Aer Lingus, offering €2.80 a share. Aer Lingus ended the week up 35% from its flotation price of €2.20, while Ryanair was up 4.3%.

Viridian – Shares in the Northern Ireland electricity supplier gained 25% on the week as it received, and recommended, an offer from Bahrain-based investment group Arcapita.



Asia Pacific

Hong Kong – The Hang Seng Index scaled a new six-year peak as banking and property stocks drew support from optimism that the next move in US rates would be downwards.

Others – Japan and Australia both had a good week, the former helped by a strong reading from the Bank of Japan's Tankan survey of business confidence, which rose to a two-year high in September.

Bonds

Eurozone bonds fell on the week, as the European Central Bank raised interest rates by 0.25% to 3.25%. This was widely expected and the tone of the accompanying statement left little room for doubt that at least one further increase will be forthcoming in the coming months. The Merrill Lynch > 5 year Index fell 0.3% on the week.

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 continue to focus on cyclical inflation pressures stemming from strong growth and high oil prices.
- As expected, the Fed left rates unchanged at 5.25% at its meeting last month. Investors now believe that interest rates have peaked for this cycle. However, this expectation remains dependent on a slowing in the growth rate and no further acceleration in inflation.
- As expected, the ECB raised rates last week to 3.25% and confirmed market expectations of a further rise to 3.5% before year end. It gave little indication of its plans for 2007 although the tone of ECB rhetoric continues to be hawkish overall. Bonds have performed well in the past couple of months as investors reacted to some better inflation data and some indications that global growth might peak this year.
- 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 slightly overweight in bonds and 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.