



Global Overview

US equity markets outperform

The US equity market was the best performing market last week on the back of falling oil prices, weaker than expected inflation data and positive corporate news. Investors' confidence in a soft landing for the US economy also supported equities.

US Federal Reserve minutes

Minutes from the October meeting of the US Federal Open Market Committee showed that members are still hawkish on inflation. This led to a pull back in expectations of interest rate cuts in early 2007.

Economic news

In the US, data showed that US housing starts had declined by almost 15% in October, hitting their lowest level for six years. The data had little impact on markets.

Oil prices

Oil prices continued to fall last week dropping to below \$56 per barrel due to expectations of mild winter weather conditions in the northern hemisphere. Sentiment towards commodities such as silver and gold also weakened.

Market	Index	Year to Date Return 31.12.05 to 17.11.06		1 Week Return 10.11.06 to 17.11.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	10.6	1.8	1.5	1.7
US	NASDAQ	8.4	-0.3	2.4	2.6
Europe	FT/S&P Europe Ex. U.K.	16.5	16.5	0.3	0.3
Ireland	ISEQ	17.9	17.9	1.4	1.4
UK	FTSE 100	10.5	13.2	-0.3	-1.0
Japan	Topix	-4.2	-11.4	-0.5	-0.4
Hong Kong	Hang Seng	27.0	16.5	1.5	1.7
Australia	S&P/ASX 200	14.1	9.9	-0.3	0.1
Bonds	Merrill Lynch Euro over 5 year Govt.	0.0	0.0	0.1	0.1

Equities



USA

Overview

US equity markets performed well across the board last week with technology stocks, in particular, doing well. The NASDAQ rose 2.4% over the week.

Key Movers

Initial public offerings – There were a number of new listings in the US with the New York Mercantile Exchange opening at \$59 per share before rising sharply to finish the week at \$140 per share. Shares in car hire firm Hertz were also offered to investors at \$15 per share. The share price rose 4.5% on the week.

US airlines – US Airways launched an \$8 billion bid for bankrupt Delta Airlines. The US Airways share price rose 20% on the news.

Intel – The Intel share price rose 7% when Citigroup added the stock to its recommended list.



Europe

Overview

European markets performed strongly early in the week on the back of mergers and acquisitions activity. However, the falling oil price took its toll on energy stocks as the week progressed leading to only marginally positive returns overall.

Auto sector – There was speculation that Porsche would launch a takeover bid for Volkswagen. Porsche already owns 27% of Volkswagen.

Energy stocks – Statoil and Norsk Hydro were lower due to the fall in oil prices. The stocks fell 4% and 5% respectively.

Technology stocks – Technology stocks did well supported by strong performances from their US counterparts. Infineon, the German chipmaker was up 5%.



Ireland

Overview

The Irish market was up 1.4% on the week with strong returns from market heavyweights CRH, Elan and Ryanair.

Ryanair – The airline was up another 4% last week to €9.80 due to the decline in oil prices to below \$56 per barrel.



Asia Pacific

Asian – Asian markets in general were strong last week with the exception of Japan and Australia. Australia was weaker due to a fall in commodity prices. Hong Kong and Singapore reached record highs.

Japan – The Japanese market had a difficult week despite upbeat gross domestic product data. Expectations of a slowdown in exports and capital spending are weighing on market sentiment.

Bonds

Eurozone bonds ended the week largely unchanged. Weaker than expected housing data from the US helped prices to hold steady. The Merrill Lynch >5 year bond index rose by 0.1% over 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. In recent weeks investors have begun to factor in rate cuts in 2007, but Fed comments have been very cautious and continue to indicate a very neutral stance on rates.
- As expected, the ECB recently raised rates 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 on the back of better inflation data, some indications that global growth might peak this year and the peaking of US short rates.
- 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. In the recent period, positive sentiment towards equities has been boosted by the sharp fall in energy prices from the summer peak and the surge in merger & acquisition activity.
- Currently, the funds are close to neutral in bonds and slightly overweight equities versus the manager average. Sectorwise, the funds are overweight industrials but other positions continue to be pretty balanced. Geographically, the funds are overweight in Europe, underweight Ireland and the US and more neutral in the other regions.