



Global Overview

Most equity markets traded in a range last week as investors engaged in some profit taking after a strong equity market rally in December. The exception was the Australian market which fell 3% due to a sharp decline in commodity prices.

Commodity prices

There were steep declines in oil and copper prices last week. Oil fell 9% to \$55 a barrel on the back of decreased demand due to the mild winter in the US and expectations of a global economic slowdown. Copper prices fell a further 11% due to a rise in inventories and lower demand.

Economic news

In the US, there were much better than expected employment numbers. The US Department of Labour survey showed that 167,000 jobs were created in December supporting the view that the economy is heading for a soft landing. Investors had expected a rise in employment of 100,000.

Currency markets

The US dollar rose 1.4% on the week against the euro with the €/£ falling to 1.30. The dollar was supported by positive US employment data.

Year to Date Return 31.12.06 to 05.01.06			
Market	Index	Local Currency (% Return)	Euro (% Return)
US	S&P 500	-0.6	0.7
US	NASDAQ	0.8	2.1
Europe	FT/S&P Europe Ex. U.K.	0.2	0.2
Ireland	ISEQ	0.2	0.2
UK	FTSE 100	0.3	0.4
Japan	Topix	-0.3	1.7
Hong Kong	Hang Seng	0.3	1.5
Australia	S&P/ASX 200	-3.0	-2.8
Bonds	Merrill Lynch Euro over 5 year Govt.	0.0	0.0

Equities



USA

Overview

US stocks declined last week as stronger employment data resulted in speculation that the Federal Reserve will hold off on interest rate cuts until later this year.

Key Movers

Energy Stocks – Energy stocks suffered due to the sharp decline in the oil price. ExxonMobil shares fell 5% while Conoco Philips fell 7%.

Technology stocks – Technology stocks out-performed the wider market with Cisco rising almost 4% when it announced that it had bought email security company IronPort Systems for \$830 million.



Europe

Overview

European markets ended the week marginally in the red as speculation regarding the path of interest rates in 2007 continued to dominate market sentiment.

Key Movers

Telecoms – Motorola announced that its fourth quarter earnings would come in below expectations. The announcement had a knock on effect for Nokia which fell over 1% on the week.

Energy stocks – The falling oil price resulted in a 6% fall in the Statoil share price and a 4% fall in Total.

Airline stocks – Lufthansa had a good week rising 8% on the back of the oil price decline and positive broker comment about the sale of its 50% stake in travel company Thomas Cook last year. Air France was up 7% on the week.



Ireland

Ryanair – The airline put in a strong performance rising 5.4% on the week due to a sharp decline in oil prices.

Waterford Wedgwood – The crystal maker issued a trading statement showing a 6% increase in US crystal sales over the Christmas period, the first rise in five years. The share price rose 12% over the week from low levels.



Asia Pacific

Australia – In Sydney, the market recorded a 3% loss last week as resource stocks came under pressure.

Hong Kong – There was profit taking in evidence on the Hong Kong market as the week drew to a close. The market had set record highs earlier in the week.

Bonds

The release of positive US employment data negatively impacted bond prices on both sides of the Atlantic in the second half of the week. European bonds were flat on the week.

Global Outlook

- Leading indicators continue to suggest some growth moderation in 2007 from the robust levels of 2006. The major central banks will likely remain focused on the cyclical inflation pressures stemming from strong growth.
- As expected, the Fed left rates unchanged at 5.25% at its meeting in mid-December. In recent months investors have begun to factor in a modest easing in rates during 2007, but the latest official Fed comment continued to give few clues in that regard.
- The ECB, as fully expected, raised rates to 3.5% at its meeting in December. The new set of ECB economic forecasts, released alongside the interest rate decision, suggest lower inflation risks going into the next year, but bond markets have been more focused on the hawkish tone of ECB rhetoric. No change is expected at this week's meeting but the statement and press conference will be scrutinised for clues into policy moves 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. In the recent period, positive sentiment towards equities has been boosted by the surge in merger & acquisition activity in Europe and the US.
- 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 and the Pacific, underweight Ireland and the US and more neutral in other regions.