

Global Overview

- It was a busy week for the world's Greenspan watchers as the Federal Reserve chief made two much-anticipated speeches. He said that the US economy was on a 'reasonably strong footing' and that the US central bank could continue to raise rates at a 'measured pace', the latter comment supporting bond markets.
- In Europe, Otmar Issing, the chief economist of the ECB, said that the bank's monetary strategy 'does not rule out' an interest rate cut, adding fuel to the existing rumours that a cut could be on the way.
- More poor economic news in the eurozone came from the Netherlands where the Dutch central bank slashed its economic growth forecast for the year from 1.7% to 0.4%, citing high oil prices and a global slowdown.
- Oil prices were steady to slightly downward on the week as Chinese demand forecasts were scaled back. Demand from China has played a major part in oil price rises in the past year.

Market	Index	Year to Date Return 31.12.04 to 10.06.05		1 Week Return 03.06.05 to 10.06.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-1.1	10.5	0.2	0.9
US	NASDAQ	-5.2	6.0	-0.4	0.3
Europe	FT/S&P Europe Ex. U.K.	7.7	7.7	1.0	1.0
Ireland	ISEQ	2.2	2.2	0.6	0.6
UK	FTSE 100	4.5	10.5	0.6	1.5
Japan	Topix	-0.1	5.5	0.1	0.3
Hong Kong	Hang Seng	-2.1	9.4	0.8	1.7
Australia	S&P/ASX 200	4.2	13.5	0.7	2.5
Bonds	Merrill Lynch Euro over 5 year Govt.	6.8	6.8	0.8	0.8

Equities



USA

- Equity markets in the US were flat on the week, with most attention focused on Alan Greenspan's two speeches.
- Carmaker GM enjoyed a good week as it announced a plan to shed 25,000 jobs. This was followed by news that Kirk Kerkorian had raised his stake in the company to 7.2%. Lastly, hopes on Friday that the company would reach agreement with its unions sent the stock up 8%.
- There was some focus on technology stocks as both Texas Instruments and Intel raised their forecasts for the coming quarters. Google was also in the news as its share price approached the \$300 mark for the first time, giving rise to some concerns about the stock's valuation.



Europe

- European stocks continued to rise, with exporters in the vanguard on the back of the euro's recent decline in value against most other major currencies.



Europe

- Drinks giant Diageo agreed to buy the Bushmills Distillery from Pernod-Ricard, thereby removing itself as a threat to Pernod's proposed £7.5 billion acquisition of Allied Domecq. As part of the agreement, Diageo agreed to end any talks with third parties in connection with Allied's business.
- Mediobanca was Europe's best-performing blue chip stock on the week, hitting a seven-year high on the prospect of rising revenues from its advisory role in the Unicredito takeover of HVB.
- Semiconductor stocks benefited from positive statements from Texas Instruments and Intel in the US. Both STMicroelectronics and Infineon added 2.5%.



Ireland

- The ISEQ Index had a relatively quiet week, rising 0.6%.
- Jury's Doyle Hotel group rebuffed a second takeover bid from the Precinct consortium and announced plans to knock down all three hotels on its prestigious Ballsbridge site. It will then rebuild the Berkeley Court as a 4 star hotel, while selling the rest of the site for development.



Pacific Basin

- Asian stock markets continued to advance during the week, with Chinese stocks being among the best performers as investors were encouraged by government action to support the market.
- Among the better performers in Hong Kong were Techtronic Industries, Esprit Holdings and New World Developments. In Singapore, Cycle & Carriage performed strongly.

Eurozone Bonds

- Eurozone bonds continued their upward march, adding another 0.8% on the week, despite some profit-taking on Friday.
- This was driven by gloomy economic news from the Netherlands, France and Sweden during the week, together with Greenspan's comments on Monday about long term interest rates, which were interpreted as being bond-friendly.

Global Outlook

- The global economy has continued to slow from last year's robust pace, with many of the recent data disappointing expectations. Policymakers remain vigilant regarding the effects of high oil prices on growth and inflation.
- We have said for some time that inflation data will remain central to the Fed's policy actions over coming months. Fed guidance is that rates will continue to rise at a measured pace, with markets anticipating rates to rise a further 0.75% to 3.75% by year end.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. It continues to soften its rhetoric with questions of a rate cut being less stridently dismissed. Long term eurozone interest rates are at 60 year lows after the recent strong performance from eurozone bond markets. Bonds are therefore slightly stretched at the moment but remain supported by low inflation and low short rates.
- Local currency equity market returns have been quite varied so far this year, with the European markets stronger than most. The US market remains the most sluggish of the large markets, although dollar strength has compensated for this. For 2005, global profit growth is still expected to be around 10%.
- Currently, the funds are close to neutral in bonds and slightly overweight in equities versus the manager average. Sector-wise the funds have shifted from a distinctly cyclical bias to a more neutral bias with the purchase of some defensive stocks, such as pharmaceuticals and food & beverage companies. In geographical terms, the funds continue to be neutral the UK and Japan and close to neutral in the Pacific Basin, underweight the US, while overweight Europe.