

Global Overview

- As has so often been the case in recent months, the oil price dominated headlines during the week. Crude prices set new record highs in every session, hitting \$67 per barrel on Friday as fears grew that global refining cannot keep pace with demand.
- Equity markets coped well, posting rises across the board (with the exception of the NASDAQ, which was hit by bad news from two major companies).
- On the interest rate front, the Federal Reserve raised US rates on Tuesday by 0.25%, to 3.5%. This was the tenth upward move in the past 14 months. The move was fully anticipated and more interest was focused on the accompanying statement. This said that the Fed would continue with its 'measured pace' increases.
- The US dollar came under pressure, hitting a two-month low against the euro during the week, and also falling against the yen and sterling. It closed the week at \$1.24 against the euro.
- On economic news, the US trade deficit widened by 6.1% in June, to a bigger than expected \$58.8 billion. However, second quarter non-farm productivity figures were strong, while unit labour costs were significantly lower than expected.
- The Italian economy, the eurozone's third largest, beat expectations by posting a 0.7% quarter-on-quarter rise in GDP after two quarters of decline.

Market	Index	Year to Date Return 31.12.04 to 12.08.05		1 Week Return 05.08.05 to 12.08.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	1.5	10.7	0.3	-0.5
US	NASDAQ	-0.9	8.1	-1.0	-1.8
Europe	FT/S&P Europe Ex. U.K.	14.6	14.6	1.4	1.4
Ireland	ISEQ	8.7	8.7	0.0	0.0
UK	FTSE 100	11.0	14.8	0.6	2.1
Japan	Topix	8.3	10.6	4.7	6.3
Hong Kong	Hang Seng	8.6	18.5	2.7	1.8
Australia	S&P/ASX 200	10.3	18.7	2.1	2.0
Bonds	Merrill Lynch Euro over 5 year Govt.	6.0	6.0	0.7	0.7

Equities



USA

- US markets produced mixed returns on the week with the S&P showing a small rise, while the NASDAQ fell more than 1%.
- The technology sector was driven downwards by disappointing news from two market heavyweights, Dell and Cisco. Both stocks fell nearly 8% on the news.
- Cisco reported increased second quarter earnings, but gave subdued guidance for quarter three. Both of these results helped to drag down other companies in the sector also.
- In the merger & acquisitions world, Whirlpool increased its offer for Maytag to \$21 per share, valuing the deal at \$1.7 billion.



Europe

- European markets scaled further three-year highs this week as the soaring oil price fuelled gains in the oil sector.



Europe

- Among the best-performing oil stocks on the week (and therefore among the best stocks overall) were Finland's Neste Oil, up over 8%, and Austria's OMV, up nearly 6%.
- French utility Suez gained over 11% after announcing that it planned to buy the remaining stock it does not own in Belgian electricity supplier, Electrabel
- In the UK, Standard Chartered was up almost 10% to an all-time high as it announced better than expected results, thanks in part to its acquisition of South Korean bank, Korea First.



Ireland

- On the home front, the Irish market was flat on the week.
- Elan and its partner, Biogen, announced that their safety evaluation of Tysabri had shown no new cases of PML in MS patients. The companies are taking preliminary steps to restart clinical trials of the drug. Elan stock rose 6% on the week.



Pacific Basin

- Asian equity markets enjoyed a very strong week, led by Japan. The Nikkei 225 Index moved through the 12,000 level, hitting a four-year high. Prime Minister Koizumi dissolved parliament on Monday and called a general election. Optimism is growing that a more reform-minded government may be elected in September.
- Hong Kong also rose to a 4.5 year peak, while Australian shares set a record closing high every day of the week.

Eurozone Bonds

- Eurozone bonds bucked their recent trend, adding 0.7% over the week, as measured by the Merrill Lynch Eurozone Government > 5 year Index.
- The most relevant story for bonds during the week was the decision by the Federal Reserve to raise US rates by a further 0.25% to 3.5%. US and eurozone bonds rose on relief that the Fed had not taken a more hawkish stance in its comments.

Global Outlook

- Policymakers remain vigilant regarding the effects of high oil prices on growth and inflation. So far the negative impacts have been limited but persistently higher oil prices of over \$60 will only heighten their sensitivity.
- We have said for some time that inflation data will remain central to the Fed's policy actions over coming months. Fed guidance remains that rates will continue to rise at a measured pace, with markets anticipating rates to rise a further 0.5% at least, to over 4% by year end.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. Long term eurozone interest rates fell somewhat last week, having risen in recent weeks by some 20 basis points. Bonds are expensive on a historical basis but remain supported by relatively sluggish eurozone growth, low inflation and pension fund liability matching.
- For 2005, global profit growth is still expected to be in the low double digits. Equities remain supported by strong corporate earnings, healthy balance sheets and favourable valuations relative to bonds and cash. Upside may be constrained by headwinds of rising US rates and the impact of high oil prices on the global economy.
- Currently, the funds remain underweight in bonds and slightly overweight equities versus the manager average. Sector-wise the funds have a more neutral bias, with a small overweight in basic industries and resources. In geographical terms, the funds are overweight in Europe and the Pacific Basin, slightly overweight in Japan and underweight in the UK and, particularly, the US.