



## Global Overview

- Equity markets managed to make ground last week despite the devastation wreaked by Hurricane Katrina in the US.
- The hurricane pushed oil and gas prices to record levels with oil hitting \$70.8 on Tuesday before settling to finish the week at \$68.8. Natural gas futures rose by 20% over the week.
- On currency markets, the US dollar tumbled as the fall-out from Hurricane Katrina emerged and weaker economic data was released from the US. The currency fell 2% against both the euro and sterling.
- Speculation mounted that the US Federal Reserve will not increase interest rates as quickly as previously expected. Markets now expect only one more interest rate hike before the end of the year.
- On economic news, US manufacturing data was weaker with the Chicago purchasing managers' index coming in well short of expectations. However, US job growth continued to rise in August.

Market	Index	Year to Date Return 31.12.04 to 02.09.05		1 Week Return 26.08.05 to 02.09.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	0.5	8.6	1.2	-0.7
US	NASDAQ	-1.6	6.4	1.0	-0.8
Europe	FT/S&P Europe Ex. U.K.	13.3	13.3	1.7	1.7
Ireland	ISEQ	8.8	8.8	1.5	1.5
UK	FTSE 100	10.7	15.1	1.9	2.2
Japan	Topix	11.6	12.7	0.8	-0.9
Hong Kong	Hang Seng	7.0	15.7	1.6	-0.2
Australia	S&P/ASX 200	10.1	16.6	0.5	-0.4
Bonds	Merrill Lynch Euro over 5 year Govt.	8.4	8.4	0.9	0.9

## Equities



### USA

- US markets proved resilient in the face of one of the worst natural disasters in recent US history. The US economy is expected to slow as a result of the hurricane and expectations of interest rate rises have been scaled back, with positive effects on equity markets.
- Sectorwise, energy, construction and gold stocks surged while insurance and retail stocks did poorly. Exxon Mobil rose 4% while General Motors was down 4% on concerns regarding future sales.
- Construction and building stocks performed well due to expectations of rebuilding needs in New Orleans. Halliburton rose 9% on the week.



## Europe

- European equities rose over the week with oil shares accounting for the 5 of the top 15 performing stocks. The construction sector also did well.
- It was a difficult week for re-insurers with Swiss Re and Munich Re both issuing estimates of \$500 million losses due to the Hurricane Katrina. European insurers are still dealing with large European flood losses in August.
- In corporate news, L'Oreal slipped by 4% due to disappointing first-half results.
- In the UK, BOC rose 4% amid talk of a merger with German rival, Linde. Diageo rose by 2% following broker upgrades and strong recent results.



## Ireland

- On the home front the ISEQ index rose by 1.5%. CRH dominated the news as it released a strong set of figures and also benefited from a rally in building materials stocks due to the hurricane.
- Irish Life and Permanent is due to release results this week.



## Pacific Basin

- Asian equities moved higher last week as trading was dominated by newsflow from the US. Hurricane Katrina's most immediate impact was on the price of oil, which rose to record levels due to production shutdowns.
- Energy companies and refiners in particular, gained on the news.
- In Japan, banking stocks did well with Mizuho, Japan's biggest banking group, announcing that it would accelerate the repayment of money owed to the Japanese government.

## Eurozone Bonds

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- Eurozone bonds added a further 0.9% this week, as measured by the Merrill Lynch Eurozone Government > 5 year Index.
- Bonds rallied on the back of safe-haven buying due to Hurricane Katrina. A meeting between Alan Greenspan and George Bush prompted speculation that interest rates may be kept on hold in the US. Weaker manufacturing data was also bond positive.
- In Europe, Jean - Claude Trichet , president of the ECB, said oil prices could weigh on growth and the ECB lowered growth forecasts

## Global Outlook

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- The effects of high oil prices on growth and inflation remain centre-stage for policymakers. The negative impacts have been limited to date but persistently higher oil prices of over \$60 will heighten this sensitivity.
- Inflation data remains central to the Fed's policy actions but in the immediate term the economic disruption from Hurricane Katrina will dominate their considerations. Investors scaled back their expectations of further Fed rate hikes by over 0.25% last week, now anticipating only one further rate hike of 0.25% by year end.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. While bonds are still expensive on an historical basis they 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 higher US rates and the impact of high oil prices on the global economy.
- Currently, the funds are close to neutral 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 in the US.