

Global Overview

- Equity markets staged a strong rebound last week, driven forward by a wave of merger and acquisition stories early in the week and subsequent positive sentiment.
- On the interest rate front, the European Central Bank met but left eurozone interest rates unchanged. The Federal Reserve raised US rates from 3.75% to 4%.
- The euro slipped against the dollar over the week as US rates rose and the post-meeting rhetoric from ECB President Trichet was deemed to be less hawkish. Previously it had been confidently expected that eurozone rates would rise before the year end. The \$/€ rate closed the week at 1.18.
- In European economic news, German unemployment fell in October for the fourth month in five. The Purchasing Managers' Index of European manufacturing activity showed modest gains in October.
- In the US, the Institute for Supply Management released its manufacturing and non-manufacturing indices on successive days. Both were at the high end of expectations.

Market	Index	Year to Date Return 31.12.04 to 04.11.05		1 Week Return 28.10.05 to 04.11.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	0.7	15.5	1.8	3.9
US	NASDAQ	-0.3	14.4	3.8	6.0
Europe	FT/S&P Europe Ex. U.K.	16.9	16.9	3.7	3.7
Ireland	ISEQ	7.6	7.6	3.2	3.2
UK	FTSE 100	12.7	18.0	4.0	4.7
Japan	Topix	30.0	29.3	5.3	5.0
Hong Kong	Hang Seng	2.5	17.9	2.6	4.7
Australia	S&P/ASX 200	11.6	19.7	3.1	2.8
Bonds	Merrill Lynch Euro over 5 year Govt.	5.2	5.2	-0.7	-0.7

Equities



USA

- The US market advanced, though not to the extent of many of its international peers. Fresh signs of strength in the domestic economy were counterbalanced by hawkish comments on inflation from Fed Chairman Greenspan.
- Computer giant Dell fell nearly 9% on Tuesday after it said that revenues for the quarter just ended would be below its previous forecast while earnings would be at the lower end of its guidance due to a weak US and UK market.
- Time Warner, reported an 80% increase in third quarter earnings. The company, whose subsidiaries include Warner Bros, HBO, CNN and Time magazine, said the gains were driven by a rise in subscribers and increased earnings from TV networks.



Europe

- Mergers and acquisitions were in the news in a big way in the UK where the week started with news of an agreed bid of £18 billion for mobile operator O2 from Spanish telecom giant Telefonica.
- Another company in the news was glassmaker Pilkington where Nippon Sheet Glass, which already owns 20% of the company, made a preliminary approach valuing Pilkington at about £2 billion.
- Novartis, the Swiss pharmaceutical company, agreed to take over Chiron, the US vaccine maker, after raising its bid to \$5.1 billion.
- Shares in UBS, Europe's biggest bank, increased 10% on the week. Third quarter net income jumped over 70% to 2.77 billion Swiss francs, beating consensus forecasts by 23%.



Ireland

- Eircom, Ireland's largest telecommunications company, increased by more than 20% on the week on speculation that Swisscom will make a bid for the company.
- CRH rose 6% in the week that it announced completion of three further transactions in the US at a combined value of \$413 million, while Ryanair stock has risen 6% over the past ten days. The company reports third quarter results on Monday and is expected to finish the busy part of the year strongly.



Pacific Basin

- Asian markets experienced a strong week all round with Japan still leading the way. The Japanese rally has been strongly driven by banking and real estate stocks, sectors which are up 40% and 50% this year respectively.
- The Australian market enjoyed a good week, propelled by strong gains in both mining stocks and leading financials. Hong Kong rose in common with other markets with some bargain hunting prevalent.

Eurozone Bonds

- Eurozone bonds fell 0.7% on the week, as measured by the Merrill Lynch Eurozone Government > 5 year Index.
- US bonds were unsettled late in the week by a warning on inflation from Alan Greenspan. The sentiment carried over to Europe, which was already worrying about whether eurozone rates would rise before year end.

Global Outlook

- Global growth continues to be reasonably healthy despite high oil prices and interest rate tightening in the US. Inflation vigilance is high among the major central banks.
- For the Federal Reserve, inflation data are central to its policy of gradually raising rates. That continued last week with the rise to 4% and investors expect a further 0.25% increase next month and further increases in 2006.
- Investors have become increasingly concerned about ECB rhetoric with markets now discounting a small rate hike before year end. Bond prices are retreating after a period of strong gains. While historically expensive, they remain supported by well-behaved inflation and pension fund liability matching.
- Equity markets are currently correcting after a period of very solid gains. They remain supported by a strong earnings' background and favourable valuations relative to bonds and cash; higher US interest rates and oil prices are the constraining factors.
- Currently, the funds are close to neutral in bonds and equities versus the manager average. Sectorwise, the funds are overweight financials and underweight utilities and telecoms, while other sector stances are quite small. Geographically the funds remain overweight in Europe and the Pacific Basin, neutral in Japan and underweight the UK and, to a greater extent, the US.