Weekly investment news

Issued on 14th November 2005

Global Overview

- Global equity markets advanced last week underpinned by good corporate earnings results and a decline in the oil price.
- Oil prices fell back to $57 per barrel helped by positive forecasts from the International Energy Agency regarding future global oil consumption which they predict will decline next year. Oil prices have declined almost 20% from a peak of $71 in August.
- The US dollar hit two year highs against the euro and the yen last week despite the US government reporting a record trade deficit of $66 billion in September. The interest rate differential between the US and other markets continue to dominate investor sentiment. The dollar has risen over 14% against the euro this year and finished the week at $1.17.
- In European economic news, The European Central Bank left interest rates on hold at 2%. However, the ECB president warned about inflation going forward, especially given the current weakness of the euro against the US dollar.

Market	Index	Year to Date Return 31.12.04 to 11.11.05		1 Week Return 04.11.05 to 11.11.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	1.9	18.0	1.2	2.2
US	NASDAQ	1.2	17.3	1.5	2.5
Europe	FT/S&P Europe Ex. U.K.	16.9	16.9	3.7	3.7
Ireland	ISEQ	9.5	9.5	1.7	1.7
UK	FTSE 100	13.5	19.4	0.8	1.2
Japan	Topix	30.0	30.8	0.0	1.2
Hong Kong	Hang Seng	3.6	20.3	1.1	2.0
Australia	S&P/ASX 200	12.9	22.2	1.2	2.1
Bonds	Merrill Lynch Euro over 5 year Govt.	5.3	5.3	0.1	0.1

Equities

USA

- The US market advanced last week as the US dollar gained and oil prices declined. The market largely dismissed weak employment data and a record trade deficit.
- Wal-Mart, the largest US retailer, gained 3% when it delivered upbeat earnings reports with a 34% increase in its third quarter profits.
- The auto sector underperformed with General Motors falling 9% following an announcement that the company has to restate its 2001 earnings. The stock is down almost 40% year to date.

Europe

- European markets scaled a five-week high due to a strong earnings season which offset the effects of worrying riots in France.
- There were strong third quarter earnings from a number of the big financial players including UniCredito and Dutch insurance company, ING.
- Takeover speculation sent both Serono, the Swiss biotech company up by 13% and logistics company TNT up by 10%.
- In the UK, mining stocks had a good week as copper prices reached new highs. Rio Tinto and BHP Billiton both advanced.

Ireland

- Speculation that Swisscom will make a bid for Eircom, Ireland's largest telecommunications company, were confirmed last week as the companies entered into early talks.
- Ryanair fell 3% on Monday when it delivered a cautious outlook for the remainder of the winter. However, it recovered as the week progressed when it announced plans to expand its Frankfurt base by investing in a new terminal and new planes.

Pacific Basin

- Asian markets performed in line with other markets although Japan was flat on the week.
- In Japan, Sony rose after it delivered better than expected earnings while financials benefited from Citigroups decision to raise its target price for some of the big banks, including Sumitomo Mitsui and Mizuho.
- The Australian market enjoyed a good week, propelled by strong gains in mining stocks.

Eurozone Bonds

- Eurozone bonds rose 0.1% on the week, as measured by the Merrill Lynch Eurozone Government > 5 year Index.
- The European Central Bank kept rates on hold at 2%. However, Jean-Claude Trichet, ECB president, said the Bank is are ready to stave off inflation when necessary. Eurozone bonds were supported later in the week by weaker then expected inflation data from France.

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 is central to its policy of gradually raising rates. That continued in the last few weeks 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 have retreated after a period of strong gains. While historically expensive, they remain supported by well-behaved inflation and pension fund liability matching.
- Equity markets 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.