



## Global Overview

### Japan announces end to its super-easy monetary policy

The Bank of Japan ended its loose monetary policy last week, making way for future interest rate rises. The Japanese market responded positively, however, as the bank said that rates would remain close to zero for "the time being".

### US markets weaken on higher interest rate expectations

Strong employment data from the US led to speculation that interest rates may rise above the 5% level.

### Oil and metal prices fall

Oil prices fell 5% on the week due to a report that showed that US crude inventories were near their highest level since 1999. OPEC announced that it will keep production levels at close to full capacity. Copper and gold prices were also down 5% on the week.

### Dollar strength

The US dollar strengthened throughout the week against the major currencies with the €/£ rates falling to \$1.19 from \$1.20 previously.

Market	Index	Year to Date Return 31.12.05 to 10.03.06		1 Week Return 03.03.06 to 10.03.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	2.7	2.1	-0.4	0.7
US	NASDAQ	2.6	2.1	-1.8	-0.7
Europe	FT/S&P Europe Ex. U.K.	6.9	6.9	1.0	1.0
Ireland	ISEQ	7.0	7.0	0.8	0.8
UK	FTSE 100	5.2	5.1	0.8	0.4
Japan	Topix	-0.2	-1.6	2.1	1.0
Hong Kong	Hang Seng	3.8	3.2	-2.3	-1.2
Australia	S&P/ASX 200	2.6	1.7	-0.2	-0.9
Bonds	Merrill Lynch Euro over 5 year Govt.	-2.8	-2.8	-0.8	-0.8

## Equities



### USA

#### Overview

Blue-chip stocks and the broader market fell slightly in the US. Technology stocks underperformed with the NASDAQ falling almost 2% over the week.

#### Key Movers

**Google** – The technology bellwether experienced another roller-coaster week. It fell almost 11% due to a financial forecast mistakenly posted on its website. The company urged investors to ignore the posting.

**Texas Instruments** – The stock disappointed the market after it delivered a less favourable outlook than had been expected.

**AT&T** – The telecoms giant made a \$67 billion bid for BellSouth. The deal would make AT&T the largest telecommunications company in the world. AT&T shares fell 3%, while BellSouth rose 10% on the week.

**General Motors** – The carmaker had an uncharacteristically positive week due to reports that it is near an agreement with the United Auto Workers union to cut costs.



## Europe

### Mergers & acquisitions activity supports European markets

European markets made ground last week despite concerns over rising interest rates.

#### Key Movers

**Linde** – The German engineering group rose 10% after it agreed to acquire BOC group for \$14 billion.

**Vodafone** – the company confirmed that it is in discussions with Softbank over the sale of Vodafone Japan.

**Alstom** – Stock in the engineering company fell 9% on rumours that the French government may be selling its stake in the company.



## Ireland

### Economic News

Consumer spending and employment data for Ireland in 2006 continues to be upbeat with unemployment staying static at around 4.5%.

#### Key Movers

**CRH** – CRH reported results which were marginally ahead of expectations. They also said the outlook for Europe and America is good.

**Elan** – A panel of experts assembled by the Food and Drug Administration in the US voted 12-0 in favour of bringing the multiple sclerosis drug, Tysabri back to the market. The stock was up 21% on the week.



## Asia Pacific

### Japanese market moves higher

Japanese markets had a good week supported by news that while interest rates may be rising, they are expected to rise gradually.

#### Profit-taking in Hong Kong

There was profit-taking in evidence on the Hong Kong market as investor concerns about rising interest rates in the US emerged.

## Bonds

### Bonds Fall on Strong Data

Government bonds in all the major markets saw falling prices and rising yields as mainly strong economic data drove expectations of higher interest rates. The hawkish tones from European and Japanese authorities on interest rates also drove contributed to the negative sentiment.

## Global Outlook

- Global growth continues to be healthy despite high oil prices and higher global interest rates. Consensus expectations are that global GDP will expand by 3.5% in 2006, similar to last year's rates.
- Investors expect official US rates to peak at just over 5% from the current 4.5% level. The strength of economic activity and inflation data over the next few months will be key in this regard.
- Following the most recent ECB rate hike to 2.5% investors expect rates to pass the 3% mark by year end. Moderate inflation and pension fund liability matching should continue to offer some support to longer-dated bonds.
- Equity markets remain reasonably supported by a strong earnings' background and favourable valuations relative to bonds and cash; high oil prices and tighter liquidity conditions from higher interest rates should constrain the upside to markets. The gradual ending of super-easy money policies in Japan- announced last week- may cause some further jitters in both equity and bond markets.
- Currently, the funds are close to neutral in bonds and slightly overweight equities versus the manager average. Sectorwise, the funds are overweight industrials and financials while underweight some of the defensive areas like utilities. Other sectors are broadly neutral. Geographically the funds are underweight Ireland and North America; neutral in the UK; Europe, Japan and the Pacific Basin remain overweight.