



Global Overview

Strong commodity markets drive Asian markets up

Asian markets performed well as forecasts of robust demand for metals caused further surges in gold and copper. Demand from markets such as China and India as well supply fears for copper are underpinning record commodity prices.

Upbeat US employment data

US employment data for March surprised on the upside and this, combined with tame wage inflation figures, led to much investor optimism over the week.

Eurozone interest rates on hold

The European Central Bank kept rates on hold at 2.5% on Thursday. Investors were surprised by comments from Jean Claude Trichet, the ECB president. He indicated that expectations of a rate rise in May were unwarranted.

Difficult week for bonds

Nervousness regarding interest rate rises and positive economic data led to a sharp decline in bond prices last week driving yields in both the US and the Eurozone to multi-year highs.

US dollar recovers against the euro

The US dollar rallied against the euro to \$1.21 as the week came to a close due to the comments from the ECB president that there may not be an interest rate rise in May.

| Market | Index | Year to Date Return 31.12.05 to 07.04.06 | | 1 Week Return 24.03.06 to 07.04.06 | |
|-----------|--------------------------------------|---|-----------|---------------------------------------|-----------|
| | | Local Currency % | Euro % | Local Currency % | Euro % |
| US | S&P 500 | 3.8 | 1.4 | 0.1 | 0.3 |
| US | NASDAQ | 6.1 | 3.6 | 0.0 | 0.2 |
| Europe | FT/S&P Europe Ex. U.K. | 9.4 | 9.4 | 0.1 | 0.1 |
| Ireland | ISEQ | 7.5 | 7.5 | -1.8 | -1.8 |
| UK | FTSE 100 | 7.3 | 6.2 | 1.0 | 1.4 |
| Japan | Topix | 8.1 | 5.4 | 3.2 | 2.8 |
| Hong Kong | Hang Seng | 10.7 | 8.1 | 4.2 | 4.5 |
| Australia | S&P/ASX 200 | 9.9 | 6.4 | 2.0 | 3.8 |
| Bonds | Merrill Lynch Euro over 5 year Govt. | -4.6 | -4.6 | -1.4 | -1.4 |

Equities



USA

Overview

US equities treaded water despite upbeat economic data as the prospect of rising interest rates offset the possibility of strong earnings reports.

Key Movers

Apple Computer – Apple shares soared 12% when it unveiled new software allowing users to run Microsoft Software Windows operating system in its Macintosh computers.

3M – The stock rose 7% after raising its profit outlook for the first quarter.

Google – The technology giant stock jumped a further 4% as index fund managers continued to purchase the stock following its inclusion in the S&P 500.



Europe

Key Movers

SAP – The German business software maker added 3% due to mixed ratings from different brokers.

National Bank of Greece – The bank sealed a €2.3 billion deal to gain a 46% stake in Turkey's Finansbank. The stock rose 8% on the week.

UK mining stocks – Mining stocks helped the FTSE 100 to record a 1% gain on the week. Rio Tinto was up 5% on the week.



Ireland

Key Movers

AIB – AIB stock was down over 4% on the week when the bank announced the introduction of free banking.

Aer Lingus – The government approved the IPO of Aer Lingus saying it intends to keep 25% of the company.



Asia Pacific

Asian markets outperform

Asian markets surged ahead last week on the back of rising commodity prices. Mining stocks did particularly well.

Japanese business confidence rises

The Bank of Japan's Tankan survey of business activity confirmed the strengthening of the Japanese economy. The Topix index rose to its highest close since 1991 as a result.

Bonds

Eurozone bonds suffer sharp decline

Concerns regarding interest rate rises and positive economic data led to a sharp decline in bond prices last week driving yields in both the US and the Eurozone to multi-year highs.

Trichet Comments

Eurozone bonds declined despite the fact that the European Central Bank kept rates on hold at 2.5%. Jean Claude Trichet, the ECB president, indicated that interest rates may not rise in May.

Global Outlook

- Growth expectations continue to nudge higher with global GDP now expected to expand by 3.7% in 2006, slightly above last year's figure of 3.6%.
- After the Fed's 15th consecutive hike to 4.75%, investors now expect rates to peak close to 5.25%. 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 to be around the 3.25% mark by year end. Despite moderate inflation in the eurozone, rising short rates and less than expected demand from pension funds has kept bond prices under some pressure.
- Equity markets remain reasonably supported by a strong earnings' background and favourable valuations relative to bonds; 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 continues to deserve attention because of its potential negative impact on various asset classes.
- Currently, the funds are close to neutral in bonds and slightly overweight in equities versus the manager average. Sectorwise, the funds are overweight industrials and financials while underweight some of the defensive areas, like telecoms. Geographically the funds are underweight Ireland and North America and neutral in the UK. Europe and Japan remain overweight.