



Global Overview

US dollar declines

The US dollar was the big story on investment markets last week with the currency breaking through the \$1.30 level against the euro for the first time in 19 months. Speculation that China may diversify its foreign currency reserves away from US dollars was behind the sell off. Expectations of a slowdown in the US economy and of higher eurozone interest rates also contributed to dollar weakness. The dollar is now down over 10% against the euro this year.

Economic news

In Europe, the German Ifo business climate survey came in above expectations. In the US, economic advisors to the President cut their growth forecasts for next year on the back of continued weakness in the housing market.

Metal markets

On commodities markets, platinum and nickel hit record highs as dollar weakness provided a boost to metal markets. Gold was up 3% while silver rose 5% over the week.

Oil prices

There was support for energy prices due to disruptions to exports from Alaska due to bad weather. The oil price is now just under \$60 per barrel.

Market	Index	Year to Date Return 31.12.05 to 24.11.06		1 Week Return 17.11.06 to 24.11.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	12.2	1.5	0.0	-2.0
US	NASDAQ	11.6	0.9	0.6	-1.4
Europe	FT/S&P Europe Ex. U.K.	16.1	16.1	-0.4	-0.4
Ireland	ISEQ	20.5	20.5	0.7	0.7
UK	FTSE 100	9.0	10.7	-1.1	-1.2
Japan	Topix	-6.8	-14.2	-2.3	-2.8
Hong Kong	Hang Seng	29.5	16.7	0.4	-1.5
Australia	S&P/ASX 200	14.5	9.9	0.6	-0.1
Bonds	Merrill Lynch Euro over 5 year Govt.	0.2	0.2	0.2	0.2

Equities



USA

Overview

There was little movement on US equity markets last week due to the Thanksgiving holiday in the US which shortened the trading week. However, dollar weakness lead to negative returns for eurozone investors.

Key Movers

Phelps Dodge – There was plenty of M&A activity in US mining stocks last week. Freeport-McMoRan Copper & Gold said it would buy Phelps Dodge in a \$26 billion deal that would create the world's largest publicly traded copper group. Phelps Dodge stock rose 29% over the week on the news.

Alcoa – The aluminium group rose 9% following an announcement that it would join forces with Sapa Group, part of Norway's Orkla ASA. This will result in 6,700 job cuts.

Technology stocks – It was a good week for the technology sector with many big names hitting record highs. Google, the internet search group, hit a record high of \$510. The stock has risen 39% since August. Apple gained 7% while Dell delivered better than forecast earnings and rose 9% as a result.



Europe

Overview

European markets ended the week in the red as the strength of the euro undermined European exporters.

Auto sector – DaimlerChrysler and Renault both fell over 3% due to concerns regarding their US dollar earnings.

Credit Agricole – The French bank disappointed investors when it released weaker third quarter results. Negative broker comments added to the bank's woes and the stock fell 6%.

UK market – The FTSE 100 had a difficult week registering losses in four of the five sessions. Broker downgrades affected big names such as Kingfisher and Next.



Ireland

CRH – Positive data from the US on the value of potential highway contracts helped CRH record a 1.4% gain over the week.

Bank of Ireland – The bank was the best performing heavyweight on the week with a return of over 2% on the back of positive broker comment.



Asia Pacific

Overview

In Asia, a number of equity markets hit record highs including Hong Kong, Singapore, New Zealand and India.

Australia – Qantas Airways shares gained on the back of mergers and acquisitions activity. The airline received a takeover approach from a private equity consortium.

Japan – The Japanese market had a difficult week due to dismal results from the banking sector which is being hit by tighter lending margins.

Bonds

Eurozone bond prices recorded marginal gains last week benefiting from euro strength against the dollar. The Merrill Lynch >5 year bond index rose by 0.2% over the week.

Global Outlook

- Growth expectations remain at high levels although leading indicators suggest some growth moderation in 2007. The major central banks continue to focus on cyclical inflation pressures stemming from strong growth and high oil prices.
- As expected, the Fed left rates unchanged at 5.25% at its last meeting in October. Investors now believe that interest rates have peaked for this cycle. However, this expectation remains dependent on a slowing in the growth rate and no further acceleration in inflation. In recent weeks investors have begun to factor in rate cuts in 2007, but Fed comments have been cautious and continue to indicate a neutral stance on rates.
- As expected, the ECB recently raised rates to 3.25% and confirmed market expectations of a further rise to 3.5% before year end. It gave little indication of its plans for 2007 although the tone of ECB rhetoric continues to be hawkish overall. Bonds have performed well on the back of better inflation data, some indications that global growth might peak this year and the peaking of US short rates.
- Equity markets still remain reasonably supported by a strong earnings' background and favourable valuations relative to bonds; tighter liquidity conditions from higher interest rates continue to be a concern and periods of volatility are likely. In the recent period, positive sentiment towards equities has been boosted by the sharp fall in energy prices from the summer peak and the surge in merger & acquisition activity.
- Currently, the funds are close to neutral in bonds and slightly overweight equities versus the manager average. Sectorwise, the funds are overweight industrials but other positions continue to be pretty balanced. Geographically, the funds are overweight in Europe and the Pacific, underweight Ireland and the US and more neutral in the other regions.