Weekly investment news

18th June 2007

Global Overview

Equity markets bounce back
Global equity markets bounced back last week supported by optimism regarding mergers and acquisitions activity and attractive valuations.

Economic data
In the US, the release of inflation data at the end of the week helped to calm investor jitters regarding interest rates and bond yields.

Currency markets
The Japanese yen fell to record lows against the euro and a four and a half year low against the US dollar as rising equity markets boosted risk tolerance and the demand for yen carry trades. As expected, the Japanese central bank left interest rates on hold on Friday.

Commodity prices
Oil prices rose sharply last week as concerns about US refining capacity and inventory levels worried analysts. Prices ended the week over 4% higher at $71 per barrel.

Market	Index	Year to Date Return 31.12.06 to 15.06.07		1 Week Return 08.06.07 to 15.06.07	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	8.1	6.6	1.7	1.5
US	NASDAQ	8.8	7.2	2.1	1.9
Europe	FT/S&P Europe Ex. U.K.	10.5	10.5	3.5	3.5
Ireland	ISEQ	2.7	2.7	3.0	3.0
UK	FTSE 100	8.2	7.8	3.5	4.0
Japan	Topix	5.5	0.2	1.0	-0.8
Hong Kong	Hang Seng	5.3	3.3	2.5	2.2
Australia	S&P/ASX 200	11.0	16.7	1.0	0.7
Bonds	Merrill Lynch Euro over 5 year Govt.	-4.1	-4.1	-0.8	-0.8

Global Equities

United States

Overview
US stocks rallied last week with the S&P 500 approaching its all time high as a smaller than expected rise in underlying US inflation data helped boost investor confidence.

Key Movers
Auto sector – Ford rose 8% on an announcement that it is to sell its Jaguar and Land Rover divisions. General Motors rose 11% due to expectations of a union settlement with Delphi, the carmakers former parts unit.

Lehman Brothers – The investment bank delivered a 27% rise in second quarter earnings to $1.3 billion. The stock rose 6% over the week.

Europe

Overview

It was an excellent week for European markets with German Dax index staging a particularly strong rebound of 5.8%. The Dax index has now risen an impressive 21.7% in 2007.

Siemens – The German conglomerate rose 14% on positive stock broker recommendations.

Acciona – Construction and building stocks had a strong week across Europe. Spain's Acciona rose almost 12% on renewed appetite for stocks with exposure to renewable energy.

Ireland

Overview

The Irish market recouped 3% of its losses from the previous week with Elan putting in a strong performance of +13% on positive broker comment.

CRH – The construction company rose 4% over the week supported by positive data on US construction spend. CRH derives 20% of group revenue from its US infrastructure operations.

Irish Continental Group – The consortium led by One Fifty One and Doyle Group Ltd. formally offered €22 for Irish Continental Group topping the offer of €18.50 made in March by a management group at the company.

Asia Pacific

Overview

A number of Asian markets struck all time highs this week including Hong Kong, Singapore and Seoul.

Japan – The Japanese market moved higher as yen weakness helped to boost export oriented stocks.

China – In China, the Shanghai index jumped almost 6% bringing the year to date rise to over 54%. The market was supported by the Chinese authorities' decision to keep interest rates on hold.

Bonds

Government bonds on both sides of the Atlantic fell sharply again last week. In the US, yields rose to multi year highs. However, the decline in prices faltered towards the end of the week as the bond market began to look oversold and better US inflation data helped steady investor nerves. The Merrill Lynch >5 year government bond index ended the week down 0.9%.

Global Outlook

- Forecasters continue to expect some moderation in growth in 2007, from the robust levels of 2006. The major central banks remain focused on the cyclical inflation pressures stemming from strong growth.
- At its recent meeting the Fed kept rates at 5.25% for the seventh consecutive time. It remains firmly on hold for now, waiting to see how inflation and economic growth develop over the next few months. With recent economic data firmer than expectations, investors no longer expect any rate cuts this year.
- The ECB raised rates as expected to 4% two weeks ago. While that level is closer to neutral, ECB comments continue to be hawkish. Bonds in the US and Europe have again reacted poorly in the past week; investors capitulating and dumping exposures, but may now have reached oversold levels.
- It's still the case that equity markets remain supported by strong earnings' background, continued merger and acquisition activity and favourable valuations relative to bonds. As stated continuously for some time now, it is likely that tighter liquidity conditions from higher interest rates will produce corrections and further periods of volatility, as we saw two weeks ago.
- Currently, the funds are close to neutral in bonds and slightly overweight equities. Sectorwise, the funds are overweight industrials and underweight financials, while other positions continue to be pretty balanced. Geographically, the funds are overweight Europe and the Pacific Basin, underweight Ireland and the US and more neutral in other regions.

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