



## Global Overview

### Equities markets gain

Most equity markets ended the week in positive territory as expectations of an upcoming US interest rate cut lent support to global equity markets.

### Economic data

However, disappointing US economic data and fresh sub-prime worries kept investors on their toes. US existing home sales fell to their lowest level on record in September while US consumer confidence data also came in weaker than expected.

### Currencies

Weaker US economic data, surging oil prices and expectations that the Fed will cut interest rates this week resulted in further weakness in the US dollar, causing it to fall to a record low against the euro. The €/ \$ rate ended the week at 1.43.

### Oil price

Oil prices recorded another 3% rise last week as Middle East tensions escalated. Turkey threatened military action against Kurdish rebels in northern Iraq while the US announced a new round of sanctions against Iran. Iran is the second largest producer in OPEC. The price hit a record of \$92 per-barrel during the week, before easing slightly to finish at \$91.

Market	Index	Year to Date Return 31.12.06 to 26.10.07		1 Week Return 19.10.07 to 26.10.07	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	8.3	-0.8	2.3	1.4
US	NASDAQ	16.1	6.4	2.9	2.0
Europe	FT/S&P Europe Ex. U.K.	7.1	7.1	0.6	0.6
Ireland	ISEQ	-16.4	-16.4	0.9	0.9
UK	FTSE 100	7.1	2.9	2.0	1.2
Japan	Topix	-6.4	-10.5	-1.1	-1.1
Hong Kong	Hang Seng	52.3	40.1	3.2	2.3
Australia	S&P/ASX 200	18.2	25.9	-0.1	1.5
Bonds	Merrill Lynch Euro over 5 year Govt.	0.9	0.9	0.4	0.4

## Global Equities



### United States

#### Overview

Despite a good deal of volatility, US equities put in a strong performance last week due to expectations of interest rate cuts and some strong earnings results, particularly in the technology sector.

**Microsoft** – Microsoft helped to spur a rally in the technology stocks after it delivered a stellar set of third quarter earnings results with a 27% increase in revenues. Microsoft shares rose 16% over the week.

**Financial stocks** – Financial stocks experienced volatility after Merrill Lynch announced a \$7.9 billion write down due to sub-prime losses and a \$2.2 billion loss in the third quarter. Bank of America announced that it is to cut 3,000 jobs in its corporate and investment banking divisions.



## Europe

### Overview

European stocks were supported by upbeat earnings data particularly in the telecoms sector.

**Telecoms** – TeliaSonera and France Telecom both beat earnings expectations and saw their share prices rise by 10% and 6% respectively. Deutsche Telekom, Vodafone and Telecom Italia also bounced.

**ABB** – Swiss engineering group ABB beat expectations when it reported a 60% rise in quarterly earnings year on year on the back of strong demand for power generation infrastructure.



## Ireland

### Overview

The Irish market ended the week in the black as most of the big players stabilised. Anglo Irish Bank was the exception as continued negativity regarding commercial property in the UK saw its share price decline by 5%.

**CRH** – CRH's share price bounced back despite fears of a slowdown in its construction end markets. Stronger pricing expectations in US aggregates offered support to the stock, as well as stock valuations having only been this low twice in the last 20 years.



## Asia Pacific

### Overview

Hong Kong was a strong performer in Asia last week rising 3% to end above the 30,000 mark for the first time. Most other Asian markets also advanced but Tokyo and Shanghai fell back.

**Tokyo** – Yen strength weighed on Japanese export stocks during the week and the Japanese market fell by 1%.

**India** – The Indian market rose 9.3% on the week as the regulator moved to allow more overseas funds access to the market.

## Bonds

Bonds prices rose last week supported by expectations of a cut in US interest rates. Trading was volatile with much of the movement in bond markets determined by equity market events. The Merrill Lynch >5 year government bond index ended the week 0.4% higher.

## Global Outlook

- Global growth has been strong year to date, although it has moderated from 2006's robust levels. The major central banks had been focused on cyclical inflation pressures, but have clearly become concerned about dislocation in parts of the credit markets and how that might impact on real economic activity.
- At its last meeting, the Fed surprised the markets with a 0.5% cut in its key interest rate. Despite some cautious Fed comment, investors have once again become confident that rates will be cut both this week and again early next year.
- Following the recent ECB meeting, investors expect eurozone rates to remain on hold for some time, judging that US rate cuts and a stronger euro exchange rate will be sufficient to offset the still hawkish stance of many ECB members. Bonds continue to be a hostage to sentiment in equity and corporate credit markets.
- Equity markets have improved of late boosted by the Fed rate cut and some improvements in the credit markets. However, investors remain concerned about the earnings' implication of the credit dislocation and they want to see further normality return to the money and credit markets. Further bouts of nervousness are quite possible. However, the perception that the Fed will "cut as needed" has been a support to market sentiment.
- At the moment, the funds are slightly overweight in bonds and neutral in equities. Sector positions are overweight industrials and technology and underweight financials and some of the consumer-related areas. In terms of geographical exposures, the funds are underweight Ireland and Japan, overweight the Pacific Basin and closer to neutral in other areas.

This outlook does not constitute an offer and should not be taken as a recommendation from Eagle Star.  
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