Weekly investment news

EAGLE STAR

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Global Overview

- The world's equity markets generally enjoyed a very strong end to the third quarter, with Japan once again leading the way.
- The US economy proved itself to be in good shape with GDP growing at a steady 3.3% in the second quarter, while the number of Americans filing new claims for jobless benefits fell by a larger-than-expected 79,000 in the aftermath of Hurricane Katrina.
- By way of contrast, US consumer confidence plunged to its lowest level for almost two years, according to Conference Board data showing sentiment falling to 86.6 this month from 105.5 in August. More positively, in Germany the Ifo measure of German business confidence rose to its highest level since January.
- The oil price was up 3% on the week while copper prices hit record highs, helping mining stocks. The gold price also remained with touching distance of its 18-year high.
- On currency markets, the US dollar was more or less unchanged against the euro over the week. Initially the euro weakened but a stronger eurozone business climate indicator helped the currency recover.

Market	Index	Year to Date Return 31.12.04 to 30.09.05		1 Week Return 23.09.05 to 30.09.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	1.4	14.3	1.1	1.4
US	NASDAQ	-1.1	11.5	1.7	2.0
Europe	FT/S&P Europe Ex. U.K.	18.2	18.2	2.3	2.3
Ireland	ISEQ	10.4	10.4	2.7	2.7
UK	FTSE 100	13.8	18.1	1.2	0.8
Japan	Topix	22.9	25.0	4.1	3.3
Hong Kong	Hang Seng	8.4	22.4	1.9	2.2
Australia	S&P/ASX 200	14.6	26.0	1.7	2.9
Bonds	Merrill Lynch Euro over 5 year Govt.	7.9	7.9	-0.7	-0.7

Equities

USA

- US equity markets advance last week due to strong economic data and end of quarter buying by investors.
- On the corporate front, PepsiCo rose nearly 3% on Thursday after it reported revenues which were above expectations.
- Red Hat, the open-source software provider, jumped 30% when it reported revenues and profits that exceeded analysts' estimates.
- Paychex, the payroll and human services outsourcing company, added 10% on Wednesday after announcing positive earnings and giving upbeat guidance for the coming quarter.

Europe

- European markets had a good week, buoyed by strong financial stocks. BNP Paribas added nearly 6% on the week, Deutsche Bank added 4% and Commerzbank was up 3%. Munich Re, which had fallen on its initial assessment of likely losses due to Hurricane Katrina, climbed nearly 6% as it re-assessed its numbers.

- Volkswagen continued to be in the headlines as Porsche said it was to raise its stake in VW to 20% to prevent a hostile takeover and to protect its business ties with the company. The State of Lower Saxony, which holds 18% of Volkswagen, called for the resignation of VW's supervisory board head, on conflict of interest grounds.
- Other European carmakers enjoyed a good week, BMW rising 4%, Renault by 5.4%, Peugeot by 5.6% and Fiat by 2.6%.
- The UK market rose despite weak economic data releases. A CBI survey showed retail sales volumes falling at their fastest rate for 22 years and GDP growth sinking to its weakest for 12 years in the second quarter.

Ireland

- On the home front the Bank of Ireland issued a trading statement which showed trading slightly ahead of expectations, despite ongoing fund losses from its fund management operation, Bank of Ireland Asset Management.
- An EGM of the Jurys Doyle Group approved the sale of their Ballsbridge site to developer Sean Dunne. It remains to be seen what he will do with his stake of almost 30% in the company.

Pacific Basin

- Japanese equities enjoyed another strong week. Data showed that Japanese manufacturers became more confident of business decisions in the three months to the end of September, reinforcing the view that Japan's economy is recovering thanks to strong exports and strengthening domestic demand.
- Proving that the Asian rally is not just confined to Japan, the Hong Kong market hit a six-week high on Thursday, while the Korean and Indian markets hit all-time highs towards the end of the week. The Australian market was also up almost 2%.

Eurozone Bonds

- Eurozone bonds fell 0.7% on the week, as measured by the Merrill Lynch Eurozone Government > 5 year Index.
- Some stronger than expected economic releases were not bond friendly, among them the Ifo survey in Germany and inflation figures which showed eurozone inflation rising 2.5% year on year, well above the ECB's 2% target rate.

Global Outlook

- Policymakers remain focused on the growth and inflation effects of high oil prices and how economies are responding to the impacts of higher interest rates in countries like the US and UK.
- For the Federal Reserve, inflation data are central to its policy of gradually raising rates. Investors now think there is a strong possibility of a further 0.5% increase in rates to 4.25% between now and year end.
- The picture in the eurozone is quite different. While the ECB is concerned about second-round effects of oil prices on overall inflation, at the same time it says these effects are very mild. Eurozone bonds remain expensive historically but still remain supported by relatively sluggish growth, well-behaved inflation and pension fund liability matching.
- Global equity markets have performed very strongly so far this year. Equities remain supported by a strong earnings' background and favourable valuations relative to bonds and cash. Higher US interest rates and oil prices may constrain the upside from current levels.
- Currently, the funds are slightly overweight in bonds and equities versus the manager average. Sectorwise, the funds are overweight financials and slightly overweight basic industries, resources and technology, while underweight some of the more defensive areas. Geographically the funds remain overweight in Europe and the Pacific Basin, slightly overweight in Japan and underweight the UK and, to a greater extent, the US.

EAGLE STAR HOUSE FRASCATI ROAD BLACKROCK CO DUBLIN IRELAND TELEPHONE 01 283 1301 FAX 01 283 1578 WEBSITE www.eaglestarlife.ie