Weekly investment news

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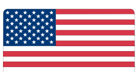
EAGLE STAR

Global Overview

- There was a good deal of volatility on equity markets last week as concerns regarding inflation and rising interest rates, which have dominated markets during October, persisted.
- Markets were helped, however, by positive corporate results as the earnings season continued. Almost two thirds of S&P 500 companies have now reported with 68% of those exceeding expectations.
- In the US, Ben Bernanke, a White House economic adviser, was nominated to succeed Alan Greenspan, the long-serving Chairman of the US Federal Reserve. The nomination had been anticipated by a majority of market participants. It is largely felt that it will be business as usual with Mr. Bernanke as Chairman. However, the nomination does bring some degree of uncertainty regarding interest rate rises going forward.
- Economic news included upbeat third quarter economic growth data in the US which came in at 3.8%. US consumer confidence data was weaker than expected.
- Oil prices ended the week at around $61 per barrel, following news that China's oil refinery production has reached over 6 million barrels per day for the first time, indicating that demand is rising again.
- On currency markets, the dollar fell 1.3% against the euro to $1.21 over the week as expectations of a rate rise by the European Central Bank before year end intensified.

Market	Index	Year to Date Return 31.12.04 to 28.10.05		1 Week Return 21.10.05 to 28.10.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-1.1	11.1	1.6	0.7
US	NASDAQ	-3.9	7.9	0.4	-0.5
Europe	FT/S&P Europe Ex. U.K.	13.1	13.1	-0.3	-0.3
Ireland	ISEQ	4.3	4.3	1.2	1.2
UK	FTSE 100	8.3	12.7	1.4	0.9
Japan	Topix	23.5	23.0	2.5	1.9
Hong Kong	Hang Seng	-0.1	12.5	-1.9	-2.7
Australia	S&P/ASX 200	8.2	16.4	0.4	-0.3
Bonds	Merrill Lynch Euro over 5 year Govt.	6.0	6.0	-1.4	-1.4

Equities



USA

- US markets moved forward last week against a background of much volatility. Positive earnings numbers helped negate the effects of rising interest rate expectations.
- Oil company, Exxon Mobil, reported record-setting earnings, with $10 billion in net profits in the three months to the end of September.
- Texas Instruments share price fell sharply on the week when it released a disappointing outlook. The stock was down almost 10%.
- The Securities and Exchange Commission announced that it is to investigate accounting practices at General Motors and the share price fell 7%.

Europe

- Carmakers were the main culprits behind the small decline on European markets last week. A number of major auto players such as Peugeot and Renault released disappointing earnings results.
- There was positive news from ABB, the Swiss based engineering group. Its earnings almost doubled due to rising orders from both Asia and the US.
- In the UK, GlaxoSmithKline advanced due to good growth potential going forward and an attractive drug pipeline. Vodafone announced that it is to take a 10% stake in Bharti Tele-Ventures of India.

Ireland

- The Irish market ended the week in positive territory in an effort to retrieve some of the losses of the first three weeks in October.
- Pharmaceutical company, Elan, is hoping that the US Food & Drug Administration agrees to speed up the review process on its Multiple Sclerosis drug, Tysabri, which could see it return to market in April of next year. The company also announced that it will not be pursuing the possibility of using Tysabri in the treatment of rheumatoid arthritis.

Pacific Basin

- There were mixed returns on Asian markets last week with Hong Kong suffering due to increased interest rate expectations in the US while Japanese stocks reacted positively to good GDP data from the US.
- Japanese export stocks were also supported by strong monthly export figures which were released during the week. The real-estate sector powered ahead due to increased demand for office property in Japans biggest cities.
- Japanese banks outperformed while insurance stocks rose sharply due to mergers and acquisitions speculation.

Eurozone Bonds

- Eurozone bonds fell 1.4% on the week, as measured by the Merrill Lynch Eurozone Government > 5 year Index.
- The big news for Eurozone bonds came from the closely watched German business sentiment survey. The Ifo index increased in October, leading investors to conclude that euro zone interest rates will rise before the end of 2005. Comments from Axel Weber, head of Germany's Bundesbank, that inflationary pressures are higher than they were a year ago also contributed to bond market weakness.
- The nomination of Ben Bernanke as head of the US Federal Reserve, had a slightly negative impact on bond markets due to some uncertainty going forward regarding his likely stance on interest rates.

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 expect a further 0.5% increase in rates to 4.25% between now and year end.
- Investors have become increasingly concerned about ECB rhetoric with markets now discounting a small rate hike before year end. Bond prices have fallen back after a period of strong gains. While historically expensive, they remain supported by well-behaved inflation and pension fund liability matching.
- Equity markets are currently correcting after a period of very solid gains. They remain supported by a strong earnings' background and favourable valuations relative to bonds and cash; higher US interest rates and oil prices are the constraining factors.
- Currently, the funds are close to neutral in bonds and slightly underweight equities versus the manager average. Sectorwise, the funds are overweight financials and underweight utilities, while other sector stances are quite small. Geographically the funds remain overweight in Europe and the Pacific Basin, neutral in Japan and underweight the UK and, to a greater extent, the US.