Weekly
investment news

12th December 2005

EAGLE STAR

Global Overview

- It was a lacklustre week for equity markets with attention firmly focused on commodity prices. Gold prices soared to their highest level in 25 years to finish the week above $530.
- Oil prices rose above the $60 per barrel due to colder than expected weather conditions in the US.
- US markets had a disappointing week due to continued speculation over interest rates and by how much further they are likely to rise.
- The US dollar fell 1% against the euro to $1.18 due to profit taking following a strong run.
- In the UK, there was strong demand from pension funds for the new 50-year index linked UK bond.

Market	Index	Year to Date Return 31.12.04 to 09.12.05		1 Week Return 02.11.05 to 09.12.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	3.9	19.2	-0.9	-1.8
US	NASDAQ	3.7	19.0	-0.5	-1.4
Europe	FT/S&P Europe Ex. U.K.	22.0	22.0	0.1	0.1
Ireland	ISEQ	15.4	15.4	2.1	2.1
UK	FTSE 100	14.6	20.4	-0.2	0.1
Japan	Topix	38.4	35.0	0.5	-0.4
Hong Kong	Hang Seng	4.9	20.5	-1.9	-2.8
Australia	S&P/ASX 200	13.1	24.6	-0.9	-1.3
Bonds	Merrill Lynch Euro over 5 year Govt.	6.3	6.3	-0.2	-0.2

Equities

USA

- The US market ended the week in negative territory due to rising energy prices and concerns regarding future interest rate hikes.
- In the healthcare sector, Merck fell 3.1% following allegations that critical information had been omitted from a study about its painkiller drug, Vioxx. Guidant gained 9% on the week when it announced that Boston Scientific had approached it with a $25 billion bid.
- Intel fell 6% when it surprised the market by narrowing its fourth quarter revenue forecast.

Europe

- European markets held up better then their US counterparts with marginal gains on the week.
- Reinsurers had a difficult week following comments from JP Morgan indicating that profitability should not improve markedly going foreward.
- In the UK, it was a good week for retailers with Marks & Spencer and Next delivering upbeat news on Christmas trading.

Ireland

- The release of the budget had a positive effect on the Irish market which outperformed other global indices.
- Paddy Power stock surged ahead after a cut in Irish betting tax was announced. Numerous brokers upgraded the stock as a result.
- Elan also had a positive week after agreeing a new contract with its chief executive, Kelly Martin. The stock continues to hold up well on the back of a possible relaunch of Tysabri in 2006.

Pacific Basin

- It was a difficult week in general for Asian markets although Japan maintained its upward momentum.
- The Australian market fell back as strong domestic employment data led to concerns over possible interest rate rises there.

Eurozone Bonds

- Eurozone bonds fell 0.2% on the week, as measured by the Merrill Lynch Eurozone Government > 5 year Index.
- The European Central Bank delivered mixed signals to the market about whether the rise in Eurozone interest rates is likely to be the start of many.

Global Outlook

- Global growth continues to be healthy despite high oil prices and interest rate tightening in the US and Asia. Inflation vigilance is high among the major central banks.
- For the Federal Reserve, inflation data is central to its policy of gradually raising rates. Investors expect a further 0.25% increase this week, with rates peaking at 4.75% in 2006.
- Changes in the language of the statement issued by the Fed will be watched carefully. ECB rhetoric since the rate hike has continued to confuse the market. Bond markets remain on watch for data that may sway the ECB to further rate increases. In the background is still moderate inflation and pension fund liability matching which should continue to offer support to longer – dated bonds.
- Equity markets remain supported by a strong earnings' background and favourable valuations relative to bonds and cash; high oil prices and tighter liquidity conditions from higher interest rates should constrain the upside to markets.
- Currently, the funds are close to neutral in bonds and slightly overweight equities versus the manager average. Sectorwise, the funds are overweight general industrials while underweight some of the defensive areas like utilities and telecoms. Other sectors are broadly neutral. Geographically the funds are underweight Ireland , the UK and US, overweight Europe and Japan and neutral the Pacific Basin.