



Global Overview

Volatile week for equities

There was volatile trading last week which resulted in equity markets finishing the week in negative territory. This was due to credit-market and sub-prime concerns which outweighed the cut in US interest rates and strong employment data.

Interest rate

The Fed met last week and cut US interest rates by 0.25%, to 4.5%. However, expectations of further cuts were diminished as the Fed stated that it felt 'that the upside risks of inflation roughly balance the downside risks to growth'. Investors believe that the Fed will pause for now and await further economic data before making a further decision.

Economic data

There was surprisingly stronger-than-expected employment data in the US last week. The gain of 166,000 jobs in October was almost double the forecast of economists and increased prospects that consumer spending will increase, helping the economy avoid a recession.

Oil price

Oil prices recorded another 5% rise last week as Middle East tensions escalated and stock piles reduced. Tensions in the Middle East escalated further after the US efforts to forge an agreement on sanctions against Iran met resistance from both China and Russia. The price hit a new record of over \$96 per-barrel during the week, before easing slightly to finish at just under the \$96 mark.

Market	Index	Year to Date Return 31.12.06 to 02.11.07		1 Week Return 26.10.07 to 02.11.07	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	6.4	-3.3	-1.7	-2.5
US	NASDAQ	16.4	5.7	0.2	-0.7
Europe	FT/S&P Europe Ex. U.K.	5.9	5.9	-1.1	-1.1
Ireland	ISEQ	-19.1	-19.1	-3.1	-3.1
UK	FTSE 100	5.0	1.8	-2.0	-1.0
Japan	Topix	-4.8	-10.3	1.7	0.3
Hong Kong	Hang Seng	52.6	39.0	0.2	-0.8
Australia	S&P/ASX 200	18.1	25.6	-0.1	-0.2
Bonds	Merrill Lynch Euro over 5 year Govt.	0.9	0.9	0.0	0.0

Global Equities



United States

Overview

Most US markets finished the week in the red after fears of further credit market writedowns and sub-prime concerns counteracted the gains from the latest interest rate cut.

Key Movers

Citigroup – Fears that losses from the credit market turmoil may result in Citigroup cutting its dividend caused a sell-off of the banking giant's shares. Citigroup shares fell 11.5% over the week.

Technology shares – Technology stocks produced better returns than most last week as the sector continues its strong year. Microsoft rose almost a further 6% after its surprisingly strong results the previous week, while Google reached a new all-time-high after a rise of just over 5%.



Europe

Overview

European stock markets declined last week, with financial stocks leading the way, after fresh fears of further credit market turmoil in the marketplace.

Financial stocks – Merrill Lynch stockbrokers cut Swiss giant UBS's rating to 'neutral', on the back of concern that the company may need to write down further losses of \$8bn. This caused its share price to fall over 8%. Elsewhere, Credit Suisse declined 4% after announcing a 27% fall in third-quarter net profit.

Metal industry – Poor results from global steel companies and fears of a slowdown in the industry resulted in ArcelorMittal, a Luxembourg steel conglomerate, falling over 6% on the week. Germany's ThyssenKrupp continued the trend by falling 4%, while Swedish steelmaker SSAB fell almost 10%.



Ireland

Overview

Renewed concern in the homebuilding and financial markets caused a major sell-off of Irish equities. This resulted in the ISEQ falling by over 3%.

Irish Life & Permanent – Irish Life & Permanent saw a decline of almost 11% in its share price, coinciding with the departure of a senior executive and some personnel restructuring.



Asia Pacific

Overview

Asian markets had gained modestly early last week in anticipation of a further rate cut in the US. However, gains were wiped out after fresh credit market and sub-prime concerns emerged later in the week.

Indonesia – The Jakarta market hit a new high after it rose over 3% last week. This was following strong returns from the country's mining companies.

India – The Indian market was one of the few markets to end the week in positive territory, aided by lower-than-expected inflation figures.

Bonds

Bonds traded poorly ahead of last week's Fed meeting but rallied afterwards, as news of increasing sub-prime losses in the financial system gave a renewed flight to quality bid. The Merrill Lynch >5 year government bond index finished the week unchanged.

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 meeting last week, the Fed cut rates by 0.25%, as expected. Despite focus on risks of higher inflation, spurred by energy and commodity prices, investors still remain confident of further rate cuts.
- 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 had 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.

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