



## Global Overview

### Difficult week for equities

Most equity markets finished the week in negative territory as risk aversion increased amongst investors. This was due to concerns that the fallout from the banking turmoil may spread to the wider economy and affect economic growth.

### Economic data

Economic data in the US was mostly in-line with expectations, with manufacturing activity over the past month falling slightly and inflation rising as forecast. There was, however, a higher-than-expected 20,000 rise in jobless claims over the past month.

### Currencies

The Japanese yen was the main story amongst the major currencies last week as risk averse investors unwound carry trades, where low yield currencies are sold to fund purchases in higher yielding currencies. Poor economic data has caused raised expectations, the Bank of England may lower interest rates in the coming months. This resulted in sterling falling.

### Oil price

Oil prices retreated from all-time-highs last week after the International Energy Agency cut its demand forecast and there was a surprise increase in US stock piles. Over the week, oil prices dropped by almost 3%, to just over \$95 per-barrel.

Market	Index	Year to Date Return 31.12.06 to 16.11.07		1 Week Return 09.11.07 to 16.11.07	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	2.9	-7.5	0.4	0.4
US	NASDAQ	9.2	-1.8	0.4	0.4
Europe	FT/S&P Europe Ex. U.K.	2.2	2.2	-0.9	-0.9
Ireland	ISEQ	-25.9	-25.9	-2.2	-2.2
UK	FTSE 100	1.1	-4.6	-0.2	-2.0
Japan	Topix	-12.5	-15.4	-1.5	-1.4
Hong Kong	Hang Seng	38.3	24.4	-4.1	-4.0
Australia	S&P/ASX 200	14.0	16.0	-1.3	-3.7
Bonds	Merrill Lynch Euro over 5 year Govt.	1.4	1.4	-0.1	-0.1

## Global Equities



### United States

#### Overview

US equity markets gained slightly last week. However, they remained volatile as investors are concerned that the current credit situation may affect consumer spending.

#### Key Movers

**JC Penny** – The department store announced that sales had declined “dramatically” in the past two months, fuelling concern that consumer spending in the US is slowing. This caused the share price to drop by almost 8%.

**Merrill Lynch** – After former New York Stock Exchange CEO John Thain, was appointed chief executive, the financial company’s share price rose by over 5%.



## Europe

### Overview

European equities fell for the third successive week as investors weighed up the impact of the credit concerns on the wider economy.

**Deutsche Postbank** – On the back of mounting speculation that the German bank may be subject to a takeover approach in the near future, its share-price rose by over 10%.

**Steel companies** – Concern that the current credit woes would result in lower economic growth caused metal stocks to fall last week. SSAB, Thyssen Krupp and Salzgitter all experienced negative returns over the week.



## Ireland

### Overview

The Irish market fell further as financial stocks remained under pressure due to the worldwide credit market concerns. The ISEQ finished the week just over 2% lower.

**C&C** – The beverage company announced details of a cost-cutting programme which will result in 150 job losses. This comes on the back of poor sales in 2007. Its share price fell further by almost 9%.

**Bank of Ireland** – Despite record half-year results in which profit rose by 12%, the revised outlook for lower profits in the coming months was a cause for concern among investors. The bank's share price is now down 42% in 2007 after a loss of 2.6% last week.



## Asia Pacific

### Overview

Asian markets continued the global trend and fell once again last week, on the back of credit woes in the banking sector. Sydney has now fallen for five weeks in succession.

**China** – Chinese stocks were affected due to concerns that local interest rates could be raised shortly.

## Bonds

Bond prices fell slightly after mixed US manufacturing, labour market and inflation data. In Europe, core inflation increased slightly and is now at its highest level since mid-2004. The Merrill Lynch >5 year government bond index fell 0.1% on the week.

## 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 cut rates by 0.25%, as expected. Despite Fed worries about higher inflation, spurred by energy and commodity prices, investors still remain confident of further rate cuts over the coming months.
- Following the ECB's recent meeting, investors still 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 given up some of their recent gains with financial stocks in particular being hit heavily over concerns regarding exposure to US housing. Investors are also worried about the reliability of earnings' forecasts over the next twelve months. While US rate cuts have helped sentiment somewhat, nervousness and volatility look set to persist for the time being, before confidence returns.
- At the moment, the funds are slightly overweight in bonds and close to neutral in equities. Sector positions are pretty balanced at the moment. 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.  
Advice should always be sought from an appropriately qualified professional.