Weekly investment news

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EAGLE STAR

Global Overview

- Equity markets were mixed last week as rising oil and commodity prices dominated investment markets. Weak US employment data and terrorism fears also affected investor sentiment.
- Oils prices reached record highs of over $53 per barrel last week. However, oil prices are still well below their historical peaks when inflation is factored in. Oil prices would need to reach $80 in today's prices to compare with the peak of 1979.
- One of the well-known commodity indices (CRB Index) reached its highest levels for more than 20 years last week. There were strong gains in gas prices and industrial metal prices.
- There were disappointing employment data from the US. Non-farm payrolls rose by 96,000 in September, less than the expected level of 150,000.
- In Europe, the ECB left interest rates on hold last week as expected and Jean Claude Trichet , president of the ECB, delivered some optimistic comments about the Eurozone economic recovery.
- In the US, Federal Reserve governor, Ben Bernanke, said that the Federal Reserve will pause the policy of increasing interest rates if the US economy slows.
- On the currency front, the dollar continued to weaken, reaching $1.24 against the euro and $1.79 against sterling.

Market	Index	Year to Date Return 31.12.03 to 08.10.04		1 Week Return 01.10.04 to 08.10.04	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	0.9	2.1	-0.8	-1.0
US	NASDAQ	-4.2	-3.0	-1.1	-1.3
Europe	FT/S&P Europe Ex. U.K.	5.1	5.1	0.5	0.5
Ireland	ISEQ	14.3	14.3	-0.3	-0.3
UK	FTSE 100	5.0	6.9	0.8	0.6
Japan	Topix	9.2	8.5	2.0	2.8
Hong Kong	Hang Seng	5.3	6.3	0.9	1.0
Australia	S&P/ASX 200	11.7	10.6	0.7	2.1
Bonds	Merrill Lynch Euro over 5 year Govt.	6.8	6.8	0.8	0.8

Equities

USA

- The US market ended the week marginally lower due to disappointing economic data and rising commodity prices.
- Pharmaceutical giant, Merck, continued its decline following last week's announcement that it is withdrawing its arthritis drug, Vioxx. The stock fell a further 9% over the week.
- General Electric kicked off the 3rd quarter earnings' reporting season with earnings in line with expectations. General Electric is the largest company in the US.
- Sectorwise, US energy stocks out-performed and healthcare stocks under-performed. Technology stocks also had a difficult week and investors will pay close attention to earnings results from Intel and Yahoo in the coming week.

Europe

- European stocks out-performed their US counterparts last week. Insurance stocks out-performed with Swiss Re rising 3.7% on the week as it quantified its hurricane losses at US$750 million.
- The 'specialist and other financials' sector also had a good week, fuelled by gains in Depfa Bank, among others. AstraZeneca's business review day was taken poorly as it announced a year's delay in its diabetes drug, Galida. Pharmaceutical and real estate stocks under-performed on the week.
- In the UK, Man Group, the hedge fund operator, was the focus of bid speculation following reports that it had received an approach from a leading US financial group. The stock rose over 13%. Speculation of a take-over of either Lloyds TSB or Barclays, by Citigroup, also resurfaced.

Ireland

- There were reports that both HBOS and Irish Life & Permanent are interested in acquiring National Irish Bank.
- Pharmaceutical company, Elan, fell 7% last week due to nervousness ahead of the conclusion of the SEC investigation into its accounting practices and some concerns that European regulators may ask for more data studies on Antegren, thus delaying its launch, if approved.

Pacific Basin

- Japan out-performed on the back of stronger economic data. Household spending for August was better than expected and machine tool orders for September were strong.
- Pacific ex Japan under-performed on the back of talk that the Chinese authorities were to relax their tightening measures.

Eurozone Bonds

- Bond markets moved ahead last week in response to weak economic data from US. The monthly US employment report on non-farm payrolls came in below expectations, sending bond yields lower.
- Bond markets are also taking support from rising oil prices in anticipation that they will limit global economic growth.
- The ECB left interest rates on hold last week as expected. Jean Claude Trichet, president of the ECB, delivered some optimistic comments about the Eurozone economic recovery. However, the comments had little effect on bond prices.

Global Outlook

- Activity levels in the global economy remain high, although leading indicators foresee a slowing in the pace of global expansion. The high oil price is a "growth tax" for consuming nations but also boosts inflation, posing an undoubted dilemma for policymakers in the major economies.
- The Fed has raised rates from 1% to 1.75% this year and has promised more increases at a "measured pace". Employment growth is seen as the key test of the US economy's strength. This has been modest in past months and may temper the Fed somewhat. In the eurozone the ECB remains more upbeat on growth prospects than the market, but is still in "wait and see" mode regarding interest rates.
- Bond markets have taken some comfort from the stance of the Fed and the ECB, well-behaved inflation data and a sense that global growth momentum has peaked.
- Strong corporate profits have endorsed last year's equity market performance. This year markets have been more subdued although the support of more favourable valuations in the non-US markets is seen in these markets' ongoing out-performance of the US. Markets have recovered well from their mid-August trough, out-performing bonds substantially since then.
- Our current stance is overweight equities versus the manager average and underweight bonds. Sector-wise the funds are overweight resources, basic/general industrials and financials, while underweight some of the more defensive sectors. In geographical terms, the funds continue to be underweight the US, are neutral on UK and Japan and overweight the Pacific Region and Europe.