Weekly
investment news

EAGLE STAR

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Global Overview

- The dollar continued its decline last week; the euro rose almost 2% to end the week at $1.3285.
- The dollar came under selling pressure on Tuesday when comments attributed to the Russian central bank implied that it was likely to increase the proportion of its reserves held in euros, at the expense of the dollar. On Friday there was a report that the Chinese central bank was cutting its holdings of US bonds. This was subsequently denied, but traders remained concerned that purchases of dollars by China, and also Japan, were at risk.
- US bond prices fell back on the week, whereas the strength of the euro continued to support eurozone bonds, which saw further price rises. News of a fall in German business confidence also helped bond prices advance.
- Oil prices were fairly stable but there was a big jump in steel prices after carmaker Nissan announced on Thursday that it had to temporarily halt output because it was running out of steel supplies, due to high demand. The news gave a strong boost to shares of steelmaking companies around the world.

Market	Index	Year to Date Return 31.12.03 to 26.11.04		1 Week Return 19.11.04 to 26.11.04	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	6.4	0.5	1.1	-0.9
US	NASDAQ	4.9	-0.8	1.5	-0.4
Europe	FT/S&P Europe Ex. U.K.	8.4	8.4	0.1	0.1
Ireland	ISEQ	22.1	22.1	-0.1	-0.1
UK	FTSE 100	5.9	6.5	-0.4	-0.3
Japan	Topix	4.6	3.6	-1.7	-3.2
Hong Kong	Hang Seng	10.5	4.3	0.8	-1.1
Australia	S&P/ASX 200	18.6	17.7	1.0	-0.2
Bonds	Merrill Lynch Euro over 5 year Govt.	9.6	9.6	0.8	0.8

Equities

USA

- In a quiet trading week, the S&P 500 moved ahead on confidence that a weaker dollar and more stability in oil prices would boost the economy. A fall in jobless numbers and indications of strong retail sales over the holiday shopping weekend also acted as a support.
- Steelmakers made strong gains on the back of news of a supply shortage at Nissan Motors in Japan.
- McDonald's announced that CEO Charlie Bell was stepping down in order to devote all of his time and energy to his battle with cancer and that its board has elected company veteran Jim Skinner as his successor - the stock was up 4.3% on the week.

Europe

- Worries about the impact of a strong euro on exporters limited the advance in European shares. A notable exception was Arcelor, the world's biggest steelmaker, which gained 6.9% on the week. Arcelor, based in Spain, is the major steel supplier to car manufacturers in Europe.
- Merger speculation continued to support financial stocks. Almanjj, the Belgian holding company that owns 67% of KBC, gained 13.7% on speculation the two companies would merge following the announcement of a restructuring of their relationship.
- UK retailer, Tesco, announced strong third quarter results and an increase in market share. The stock moved up 2.9% on the week.

- Pharmaceuticals suffered from continued concerns about possible withdrawal of major drug brands on safety grounds. AstraZeneca, which makes Crestor, the anti-cholesterol drug, fell 3% and GlaxoSmithKline fell 2.4%.

Ireland

- Strong results from Anglo Irish Bank were the highlight of the week. The Bank announced a 45% rise in pre-tax profits to €504 million in the year to end September and a 20% rise in its dividend. The share price was up 6.8% on the week.
- Eircom announced its first half-year results since returning to the market in March. These were better than expected with a profit of €9 million.

Pacific Basin

- Asian equities posted mixed returns. Most exporters declined after the dollar continued to drop against most major currencies. The comments by a Chinese official - later denied - that the country had been selling some of its US bonds increased investors' worries. Steelmakers ended the week strongly following the Nissan announcement that it would be suspending production at some plants due to a shortage of steel.

Eurozone Bonds

- Euro currency strength continued to support eurozone bond prices, which were further boosted by news of a fall in German business confidence.
- The Ifo business climate index fell to 94.1 in November from 95.3 in October due to higher oil prices and concerns at the impact on exports of a strong euro. There was also a fall in manufacturers' confidence in Italy, another large eurozone economy where exports have been a key driver of economic growth.
- The Merrill Lynch over 5 year eurozone bond index gained 0.8% on the week, bringing the year-to- date rise in the index to just under 10%.

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. Although oil has fallen 10% from the recent peak, it remains at levels that are negative for the global economy.
- The Fed has raised rates from 1% to 2% this year and has promised more increases at a "measured pace". Employment growth has been weaker than previous expansions, leading the Fed to be cautious. More US jobs' data will be released this week, while markets still expect a further Fed hike next week. The ECB's meeting this week will be carefully watched to see how policymakers are balancing the sluggishness of the economy, high oil prices and a rising euro.
- Equity gains this year have been more modest as profits' momentum seems to have peaked. In addition, the surge in oil prices has been a strong negative. Further strength in US jobs' numbers, plus a fall in oil prices, should continue to see equities out-perform bonds. Year-end factors could also be positive for equity markets.
- 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. Lower eurozone growth prospects and potential for further dollar weakness act as support for eurozone bonds versus their US equivalents.
- Our current stance is overweight equities and bonds versus the manager average. Sector-wise the funds are overweight basic industries and financials, while underweight some of the more defensive sectors, such as consumer staples. Resources and general industrials are neutral from prior overweight positions. In geographical terms, the funds continue to be overweight in Europe, neutral in the UK and Japan and underweight in the US. The Pacific region is now slightly overweight from a prior neutral position.

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