Weekly

investment news

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EAGLE STAR

Global Overview

- It was a tough week for the world's equity markets, which were keeping an eye on inflation figures, interest rate expectations and earnings' announcements.
- Weeks of uncertainty were brought to an end with the news that Angela Merkel, leader of the Christian Democrats, would become Germany's new Chancellor, under a deal with the Social Democrats.
- Headline US consumer prices shot up 1.2% in September, the biggest monthly gain in 25 years, but the core measure, excluding food and energy costs, only rose 0.1%, below estimates of 0.2%.
- The release of minutes from the last meeting of the Federal Reserve showed that the central bank believed further rate rises were necessary to counter a growing inflationary threat.
- The oil price was more or less unchanged on the week, while new peaks were hit in gold, platinum and copper prices.
- On currency markets the dollar had a stronger week against the euro, finishing just below $1.21 to the euro.

Market	Index	Year to Date Return 31.12.04 to 14.10.05		1 Week Return 07.10.05 to 14.10.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-2.1	9.8	-0.8	-0.5
US	NASDAQ	-5.1	6.5	-1.2	-1.0
Europe	FT/S&P Europe Ex. U.K.	15.6	15.6	-1.2	-1.2
Ireland	ISEQ	7.2	7.2	-2.6	-2.6
UK	FTSE 100	9.6	13.5	-1.6	-0.9
Japan	Topix	21.6	22.7	1.9	2.1
Hong Kong	Hang Seng	1.8	14.4	-2.4	-2.2
Australia	S&P/ASX 200	8.8	17.4	-0.8	-0.9
Bonds	Merrill Lynch Euro over 5 year Govt.	6.9	6.9	-0.8	-0.8

Equities

USA

- The US markets fell with the technology sector heading the decline. Semiconductor stocks were badly hit with Xilinx falling 16% on Monday following the announcement of a quarterly revenue decline. Intel held up well but Advanced Micro Devices lost over 10% on the week, despite having announced above-forecast quarterly results.
- Apple, makers of the iPod music player, reported fourth quarter revenues below expectations and fell nearly 5% on Wednesday. However, it recovered to finish the week up nearly 5%.
- Auto parts maker Delphi, leading supplier to GM, filed for bankruptcy protection, leading to a sharp fall in the GM price. As a former subsidiary of GM, GM may have to assume up to $11 billion in pension obligations for Delphi's union members. GM stock fell nearly 6% on the week.

Europe

- European stocks did not escape the general malaise with the energy sector under-performing on fears of slowing demand. Neste Oil, the Finnish refiner, was the worst performer, falling 11% on the week.
- Mining stocks had a good start to the week but fell sharply later on as speculators cashed in on strong gains in recent weeks.
- In the UK, telecoms equipment maker Marconi rose 9% on Monday on rumours that Swedish rival Ericsson was in talks to buy it.

Ireland

- In Ireland, drinks and snack foods manufacturer C&C reported a 10.3% rise in interim profits, helped particularly by rising sales of its Magners cider brand in the UK.
- In the long-running Jurys Doyle Hotel saga, the Doyle and Beatty families finally officially launched their €18.90 per share bid for the company through the families' acquisition vehicle JDH Acquisitions. Reports suggest that they now have control of over 50% of the stock.

Pacific Basin

- Japanese equities had a good week, helped by strong performance from the banks. Mitsubishi UFJ, the world's biggest bank by assets, leapt over 8% on Tuesday, while Mizuho, the second-largest banking group, was up over 6%.
- Elsewhere the story was not so good. Adverse news on the technology sector in the US and the Far East, where LG Philips LCD reported a 22% drop in net income for the third quarter, led to falls on many indices, while Australia hit a six-week low on weakness in mining stocks.

Eurozone Bonds

- Eurozone bonds fell 0.8% on the week, as measured by the Merrill Lynch Eurozone Government > 5 year Index.
- Hawkish comments on interest rates from central bankers on both sides of the Atlantic, together with increasing worries on inflation, sent bond prices downwards. The eurozone market was also surprised by the size of a €6 billion 30-year bond issue from Italy.

Global Outlook

- Policymakers remain focused on the growth and inflation effects of high oil prices and how economies are responding to the impacts of higher interest rates in countries like the US and UK.
- For the Federal Reserve, inflation data are central to its policy of gradually raising rates. Investors now expect a further 0.5% increase in rates to 4.25% between now and year end.
- The ECB seems concerned about second-round effects of oil prices on overall inflation but, at the same time, it says these effects are mild and that rates are currently appropriate. Eurozone bonds remain expensive historically but still remain supported by relatively sluggish growth, well-behaved inflation and pension fund liability matching.
- Global equity markets have performed strongly so far this year despite some recent slippage. Equities remain supported by a strong earnings' background and favourable valuations relative to bonds and cash. Higher US interest rates and oil prices may constrain the upside from current levels.
- Currently, the funds are close to neutral in bonds and equities versus the manager average. Sectorwise, the funds are overweight financials while other sector stances are quite small; a previous slight overweight in resources and basics has been cut back with resources now a slight underweight. Geographically the funds remain overweight in Europe and the Pacific Basin, neutral in Japan and underweight the UK and, to a greater extent, the US.