Weekly
investment news

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EAGLE STAR

Global Overview

- It was another good week for most equity markets with many hitting new three or four year highs. Bonds also enjoyed a good week with interest rate expectations in the eurozone falling.
- Minutes from the last meeting of the Federal Reserve were interpreted to mean that the Federal Open Market Committee is closing in on the end of the current cycle of interest rate rises. More are expected, but the feeling is that the cycle may be complete in the first half of next year.
- In the eurozone, there was an unexpectedly weak reading on German business confidence from the Ifo institute. This, combined with comments from ECB President Trichet that the ECB is not embarking on a series of rate rises, lowered interest rate expectations. This helped both bonds and equities to make advances.
- Oil prices continued to decline. The benchmark US crude price has now fallen about 17% from a high of just over $70 per barrel t the end of August. Other commodity prices remain high. Gold, zinc, aluminium and copper are all at, or close to, peaks.
- It was a relatively quiet week for the € / $ exchange rate, the euro weakening marginally.

Market	Index	Year to Date Return 31.12.04 to 25.11.05		1 Week Return 18.11.05 to 25.11.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	4.7	21.1	1.6	1.9
US	NASDAQ	4.0	20.4	1.6	1.9
Europe	FT/S&P Europe Ex. U.K.	20.6	20.6	1.0	1.0
Ireland	ISEQ	11.2	11.2	1.3	1.3
UK	FTSE 100	14.7	18.7	0.5	0.6
Japan	Topix	33.1	31.9	-0.1	-0.2
Hong Kong	Hang Seng	6.0	22.9	1.3	1.6
Australia	S&P/ASX 200	14.8	24.8	-0.5	0.2
Bonds	Merrill Lynch Euro over 5 year Govt.	6.4	6.4	1.3	1.3

Equities

USA

- In a shortened week, due to the Thanksgiving holiday, US stock markets were buoyant with most indices hitting their highest levels in four and a half years.
- Intel rose 6% on the week after it announced a joint partnership with Micron Technology to manufacture Nand flash memory chips, used in digital cameras and portable music players.
- Google rose over 7%, adding to last week's rise when the shares broke through the $400 mark. Apple also added over 7%, as demand for iPods continued to soar.
- GM shares fell a further 5% in the week that it announced a huge cost-cutting plan, which will see the company lay off 30,000 workers and close plants in the US and Canada.

Europe

- European stocks hit new highs, helped by strong corporate results and gains in the oil and utilities sectors.
- In the oil sector, Austria's OMV added nearly 9% having more than tripled its third quarter profits. This was attributed to high oil prices, healthy margins and a recent acquisition. Neste Oil of Finland was also up 9%.

- British tobacco group BAT shed nearly 4% over the week amid rumours (denied) of a profit warning. The stock has risen 40% in 2005.
- GlaxoSmithKline fell 4% on Monday following a potentially damaging ruling from the US that threatened sales of its top-selling asthma drug, Advair.

Ireland

- Eircom fell 16% after the Swiss government said it would veto Swisscom's planned acquisition of the company.
- Anglo Irish Bank rose nearly 6% on Wednesday after announcing a 36% increase in pre-tax profits in David Drumm's first full year in charge. Lending of almost 10 billion and a pipeline of a further 6 billion led to a sharp rise in net interest income and underpinned profits.

Pacific Basin

- The Japanese and Australian markets were flat on the week following recent strong performance. The domestic side of the Japanese market was weak, though the banking sector is still up 40% on the year, with the real estate sector up 50%.
- The Hong Kong market's gains came on Wednesday with a surge in property stocks. The property sub-index was up 3.1%, its largest one-day gain for 18 months.

Eurozone Bonds

- Eurozone bonds rose 1.3% on the week, as measured by the Merrill Lynch Eurozone Government > 5 year Index.
- Eurozone bond yields fell sharply (prices rising) on growing expectations that the ECB would not raise rates aggressively. The weak Ifo survey in Germany, together with Jean-Claude Trichet's comments that the ECB has no plans for a series of interest rate rises, boosted sentiment for eurozone bonds.

Global Outlook

- Global growth continues to be healthy despite high oil prices and interest rate tightening in the US. Inflation vigilance is high among the major central banks.
- For the Federal Reserve, inflation data are central to its policy of gradually raising rates. That continued in the last few weeks with the rise to 4%. Investors expect a further 0.25% increase in December, with rates peaking at 4.75% in 2006.
- The ECB essentially pre-announced a December rate hike two weeks ago. Their meeting this Thursday is expected to raise rates by 0.25% - after two and a half years of no change – and give some guidance as to the path of future rate moves. Bond prices will remain under pressure in this environment, notwithstanding moderate inflation and pension fund liability matching which continue to support longer-dated bonds.
- Equity markets remain supported by a strong earnings' background and favourable valuations relative to bonds and cash; high oil prices and tighter liquidity conditions from higher interest rates should constrain the upside to markets.
- Currently, the funds are close to neutral in bonds and slightly overweight in equities versus the manager average. Sectorwise, the funds are overweight financials and technology, while underweight some of the more defensive areas like food and telecoms. Other sectors are broadly neutral. Geographically the funds remain underweight Ireland and the UK, overweight the Pacific Basin and neutral in the US, Europe and Japan.