Weekly investment news

EAGLE STAR

5th December 2005

Global Overview

- It was a busy week on markets as euro zone interest rates rose for the first time in five years. Despite the rise, European equities outperformed due to comments from Jean-Claude Trichet, President of the ECB, where he indicated that there was no planned series of interest rate hikes.
- In the US, there was good news on the employment front with figures showing that more jobs had been created than expected. Positive US inflation figures were also released.
- Gold prices pushed through $500 an ounce for the first time in 18 years. Other metals such as platinum and copper were also buoyant. Oil prices were little changed over the week.
- On currency markets, the US dollar held at $1.17 against the euro. The Japanese yen continued to weaken against other major currencies as optimism regarding the economy has encouraged domestic investors to participate in global markets.

Market	Index	Year to Date Return 31.12.04 to 03.12.05		1 Week Return 25.11.05 to 03.12.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	4.4	20.8	-0.3	-0.2
US	NASDAQ	4.5	21.0	0.5	0.5
Europe	FT/S&P Europe Ex. U.K.	22.0	22.0	1.4	1.4
Ireland	ISEQ	13.0	13.0	1.6	1.6
UK	FTSE 100	14.8	20.3	0.1	1.3
Japan	Topix	37.8	35.5	3.5	2.7
Hong Kong	Hang Seng	6.8	23.9	0.8	0.8
Australia	S&P/ASX 200	14.1	26.3	-0.5	1.2
Bonds	Merrill Lynch Euro over 5 year Govt.	6.5	6.5	0.1	0.1

Equities

USA

- The US had a mixed week as a rally in the latter part of the week help to negate losses at the end of November. The S&P 500 index ended the week just marginally lower.
- Materials stocks outperformed on the week due to higher global metal prices.
- Wal-Mart fell 5% over the week despite a 4% increase in November sales. Investors are fearful that extensive price cutting will hurt the retailer's bottom line.
- Apple Computer jumped 4% on expectations of strong sales for the iPod nano model.

Europe

- European markets outperformed on the week, boosted by comments from the ECB (mentioned above) and broker upgrades on a number of big players.
- Henkel, the German consumer goods maker, rose 10% when it reaffirmed its strong profit margin.
- Swiss Life, jumped 10% when it was upgraded by JP Morgan. The company announced a well-received strategic plan to increase its profits.
- In the UK, P&O jumped 11% after it agreed a £3.3 billion take over from Dubai's DP World. Mining company Rio Tinto also had a good week on the back of record metal prices worldwide.

Ireland

- The Irish market was supported by positive economic data. Total employment increased by 96,500, or 5.1% with construction and services being the key drivers.
- Grafton announced the acquisition of two businesses in Ireland, Davies and Garvey's. The two deals will add 7% to Grafton's Irish merchanting business.

Pacific Basin

- The Japanese market had a strong week as the majority of sectors rose due to continued optimism regarding the Japanese economy.
- In South Korea, Samsung Electronics rose when it announced a plan to cut their LCD television prices.
- The property heavy Hong Kong market underperformed as positive economic data in the US emerged, leading to concerns over US interest rates.

Eurozone Bonds

- Eurozone bonds rose 0.1% on the week, as measured by the Merrill Lynch Eurozone Government > 5 year Index.
- Despite an increase in eurozone interest rates, Jean-Claude Trichet's comments that the ECB has no plans for a series of interest rate rises, boosted sentiment for eurozone bonds and prices rose as a result.

Global Outlook

- Global growth continues to be healthy despite high oil prices and interest rate tightening in the US and Asia. Inflation vigilance is high among the major central banks.
- For the Federal Reserve, inflation data is central to its policy of gradually raising rates. Investors expect a further 0.25% increase next week, with rates peaking at around 4.75% in 2006.
- The ECB raised rates as expected last week. It was at pains to say that there was no planned series of rates hikes ahead. Bond markets in the eurozone took some comfort from this but remain nervously on watch for data that may sway the ECB to further action. In the background is still moderate inflation and pension fund liability matching which should continue to offer support to 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, general industrials and technology, while underweight some of the more defensive areas like food and telecoms. Other sectors are broadly neutral. Geographically the funds are underweight Ireland and the UK, overweight Europe and neutral in the US, Pacific Basin and Japan.

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