

Global Overview

Volatility returns

Poor US economic data on Friday erased gains on equity markets and most finished the week in negative territory.

Interest rates

The European Central Bank and Bank of England held interest rates steady last week. This was fully in-line with market expectations.

US economic data

There was fresh concern for the US economy on Friday after employment data released showed that the number employed fell by 4,000. It was widely expected to have shown a rise of 110,000. This caused a sell off on equity markets worldwide and increased expectations that the Fed would begin cutting US interest rates when they meet on 18th September.

Oil price

Tensions in the Middle East and a sharp drop in the supply of US crude oil contributed to the price of oil rising last week. Oil finished the week at almost \$77 per-barrel.

Market	Index	Year to Date Return 31.12.06 to 07.09.07		1 Week Return 31.08.07 to 07.09.07	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	2.5	-1.9	-1.4	-2.4
US	NASDAQ	6.2	1.7	-1.2	-2.2
Europe	FT/S&P Europe Ex. U.K.	1.3	1.3	-2.9	-2.9
Ireland	ISEQ	-13.0	-13.0	-2.5	-2.5
UK	FTSE 100	-0.5	-1.2	-1.8	-2.2
Japan	Topix	-7.4	-6.9	-3.2	-2.1
Hong Kong	Hang Seng	20.1	14.9	0.0	-0.9
Australia	S&P/ASX 200	10.7	11.2	0.5	0.8
Bonds	Merrill Lynch Euro over 5 year Govt.	0.5	0.5	1.0	1.0

Global Equities



United States

Overview

US equity markets dropped sharply at the end of last week following much weaker-than-expected employment data.

Key Movers

Retail sector – Same-store sales in US retailers, such as Wal-Mart, Target and Macy's rose in August pushing their share prices higher. However, Gap's share price fell by over 3% after its sales dropped.

Apple – Following cuts in the price of the iPhone, the technology giant's share price fell by nearly 5%.



Europe

Overview

European markets dropped last week on concerns of a slowdown in the US economy due to weak employment data and conditions in the credit markets remaining very unsettled.

Financial sector – Rumours circulating that Commerzbank's mortgage business, EssenHyp, has been affected by exposure to the US sub-prime market caused its share price to drop by over 5%. Shares of Italian bank, Capitalia and French giant, Société Générale also fell after poor results and rumours of a profit warning respectively.

Peugeot – The French carmakers share price fell sharply last week, on concerns that it is exposed to the slowdown in the US economy through its large stake in Nissan. Peugeot finished the week 11% lower.



Ireland

Overview

The Irish market fell in line with most of Europe last week on concerns for the US economy. It was a very busy week on the earnings front in the Irish market, with all company results ahead of market expectations.

Anglo Irish Bank – A trading statement signalled that the bank will beat forecast earnings for the full year by 5%, with earnings-per-share growth of close to 40%.

Kerry Group – Following positive first half results and expectations of higher-than-expected full year figures, Kerry's share price rose by almost 7%.

Paddy Power – The betting company reported an excellent set of interim results, 10% above estimates. This was due to favourable sports results, improvement of its UK retail division and continued strong performance from online gaming. The stock rose 8% over the week.

Kingspan – Kingspan delivered another set of strong results, 5% ahead of estimates, and increased its capital investment projections demonstrating its confidence in the sustainable growth achievable in its insulation business over the next number of years.



Asia Pacific

Overview

Investors in Asia traded cautiously as they wait to see the stance the Fed takes on interest rates on 18th September.

China – There were record highs reached by many Chinese equities last week and this helped the Shanghai market finish the week just short of double the size it started the year at.

Bonds

Concerns regarding the slowdown in the US economy and how it will affect markets worldwide increased the demand for bonds and helped them rise sharply. The Merrill Lynch >5 year government bond index ended the week up 1.0%.

Global Outlook

- Global growth has been strong year to date, although it has moderated from 2006's robust levels. The major central banks had been focused on cyclical inflation pressures, but have clearly become concerned about dislocation in parts of the credit markets and how that might impact on real economic activity.
- The Fed kept rates at 5.25% at its last scheduled meeting, but did add liquidity to try to unseize the money markets. Public commentary from the Fed suggests a reluctance to ease its main interest rate; nonetheless the markets expect a 0.25% cut next week and a further 0.5% by year end.
- While markets have lowered eurozone interest rate expectations slightly, as a result of the turmoil in credit markets, ECB rhetoric has remained relatively hawkish – a stance repeated at last weeks press conference. Investors nevertheless expect hardly any further tightening this year and are likely to continue to regard bonds as a safe haven, given the credit turmoil.
- Credit markets are dominating investor sentiment at the moment. While recent Fed and ECB moves to add liquidity to the money markets have helped calm the situation, equity markets will remain nervous until financing conditions return closer to normality.
- At the moment, the funds are neutral in bonds and closer to neutral in equities. Sector positions are overweight industrials and technology and underweight financials. In terms of geographical exposures, the funds are underweight Ireland and Japan, overweight Europe and the Pacific Basin and closer to neutral in other areas.

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