

## Global Overview

### Markets gain

Equity markets recorded strong gains last week, with some hitting new highs, after good employment data raised confidence in the outlook for the US economy.

### Economic Data

There was good news in the US after the employment data for September showed a better-than-expected rise of over 110,000 jobs. This comes after the unexpected weakness in the August figures which had caused concern. This data reduced expectations that the Fed will need to reduce interest rates further in the near future.

### Interest rates

Interest rates were left unchanged when both the ECB and Bank of England met last week. Following the ECB's meeting, the consensus amongst investors was that comments from the ECB's president, Jean-Claude Trichet, were less hawkish than they had been previously. The ECB will await further economic data before determining if rates need to rise again.

### Currencies

Weak eurozone purchasing managers data and stronger-than-expected jobs data in the US caused the euro to fall slightly against the dollar. The €/£ rate at the end of the week was 1.41, 0.7% lower on the week.

Market	Index	Year to Date Return 31.12.06 to 05.10.07		1 Week Return 28.09.07 to 05.10.07	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	9.8	2.5	2.0	2.7
US	NASDAQ	15.1	7.4	2.9	3.6
Europe	FT/S&P Europe Ex. U.K.	7.9	7.9	2.1	2.1
Ireland	ISEQ	-9.9	-9.9	7.5	7.5
UK	FTSE 100	6.0	3.2	2.0	2.8
Japan	Topix	-1.4	-6.4	2.5	1.3
Hong Kong	Hang Seng	39.4	30.4	2.5	3.4
Australia	S&P/ASX 200	16.5	23.7	0.6	2.6
Bonds	Merrill Lynch Euro over 5 year Govt.	-0.5	-0.5	0.2	0.2

## Global Equities



### United States

#### Overview

US equity markets rose strongly last week after good employment data caused confidence in the outlook for the US economy to grow.

#### Key Movers

**Retail stocks** – Consumer discretionary and retail stocks rose sharply on the back of the positive US jobs data and outlook for the economy. Circuit City, Home Depot and Wal-Mart were the main gainers.

**Financial stocks** – Ahead of their third-quarter results, both Merrill Lynch and Citigroup issued warnings last week as they expect lower profits for the quarter due to credit market conditions. Despite this, both companies share prices rose after the warnings, with Merrill Lynch up over 7% and Citigroup rising almost 4% over the week.

**Technology stocks** – Technology stocks continued their strong year last week. Research in Motion's share price rose by over 15% for the week after announcing earnings that were double the same period last year. Google also continued a good run and rose a further 5% last week, reaching a new record high.



## Europe

### Overview

European equity markets gained strongly last week after the ECB held interest rates level and appeared less hawkish.

**ABN Amro** – The on-going tussle for the Dutch bank may be resolved in the near future as Barclays Bank withdrew its offer, leaving a consortium led by Royal Bank of Scotland in prime position to complete the purchase. The share prices of Royal Bank of Scotland along with other backers, Fortis and Banco Santander rose by 8.5%, 10% and just over 2% respectively, while ABN Amro was up 2%.

**Nokia** – Shares in the Finnish mobile phone manufacturer fell last week after it bought electronic mapping company Navteq for \$8.1bn.

**Volkswagen** – The German carmaker's share price rose by almost 6% on speculation it may be included in the DJ EuroSTOXX 50 index.



## Ireland

### Overview

The Irish market outperformed most European markets last week, helped mainly by the banking sector. The rally in the market was broad based from oversold levels from the September sell-off.

**Financial stocks** – Following the credit concern over the past few months, financial stocks continued their recovery last week. Allied Irish Banks, Bank of Ireland and Anglo Irish Bank all rose strongly, recording just over 8%, 7% and 5% respectively.



## Asia Pacific

### Overview

Most of the Asia-Pacific markets remained near their all-time highs despite some profit-taking late last week. Positive employment data in the US helped markets in the region.

**Australia** – Rising commodity prices helped the Australian market to rise further last week. This was led by strong rises in copper, lead and nickel.

## Bonds

US bonds fell over the week in response to stronger-than-expected employment data in the US, while eurozone bonds were relatively flat after the ECB held rates constant while awaiting further economic data from the region. The Merrill Lynch >5 year government bond index ended the week up 0.2%.

## 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.
- At its last meeting, the Fed surprised the markets with a 0.5% cut in its key interest rate. Investors continue to expect a cut of 0.25% by year end, as the Fed puts more emphasis on the risks to the economic outlook, rather than concern over inflation.
- Following last week's ECB meeting, investors expect eurozone rates to remain on hold for some time, judging that US rate cuts and a stronger euro exchange rate will be sufficient to offset the still hawkish stance of many ECB members. Bonds continue to be a hostage to sentiment in equity and corporate credit markets.
- Equity markets were rightly buoyed by the Fed's larger-than-forecast rate cut and are much calmer than before. Investors are grappling with the earnings implication of the credit dislocation and they also want to see further normality return to the money and credit markets. Nonetheless, the perception that the Fed will "cut as needed" has been a boost to market sentiment.
- At the moment, the funds are slightly overweight in bonds and neutral in equities. Sector positions are overweight industrials and underweight some of the consumer-related areas. In terms of geographical exposures, the funds are underweight Ireland and Japan, overweight the Pacific Basin and closer to neutral in other areas.

This outlook does not constitute an offer and should not be taken as a recommendation from Eagle Star.  
Advice should always be sought from an appropriately qualified professional.

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