Weekly investment news

EAGLE STAR

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Global Overview

Difficult week for equities
The downward trend on equity markets continued last week as the banking turmoil remained to the forefront. In the US, the Fed reduced its economic growth forecast for 2008

Economic data
In the US, the minutes for the last Fed meeting revealed that the decision to cut interest rates by 0.25%, was a "close call''. The report also provided a downbeat outlook for the economy, with lower economic growth, along with higher unemployment, forecast for 2008. This increased investor's expectations that there would be further rate cuts in the coming months.

Currencies
The dollar fell to a record low against major currencies last week. As a result, the euro rose to over $1.49, as weak economic and housing data caused concern amongst investors and increased their expectations of further rate cuts. Profit-taking took the €/$ rate back to 1.48 by week's end.

Oil price
The oil price hit an all-time-high of just over $99 per-barrel early last week, due to concerns over stockpiles ahead of the peak winter period. Data released subsequently, showing higher OPEC shipments over the coming months, helped the price to retreat slightly. Over the week, oil prices rose by 3%, to finish at just over $98 per-barrel.

Market	Index	Year to Date Return 31.12.06 to 23.11.07		1 Week Return 16.11.07 to 23.11.07	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	1.6	-9.7	-1.2	-2.4
US	NASDAQ	7.5	-4.4	-1.5	-2.7
Europe	FT/S&P Europe Ex. U.K.	0.9	0.9	-1.3	-1.3
Ireland	ISEQ	-29.6	-29.6	-5.0	-5.0
UK	FTSE 100	0.7	-5.8	-0.5	-1.2
Japan	Topix	-14.5	-16.4	-2.3	-1.2
Hong Kong	Hang Seng	32.9	18.2	-3.9	-4.9
Australia	S&P/ASX 200	11.7	10.3	-2.0	-4.9
Bonds	Merrill Lynch Euro over 5 year Govt.	1.7	1.7	0.3	0.3

Global Equities

United States

Overview
In a shortened trading week due to Thanksgiving, US equity markets fell due to concerns regarding the extent of the US economic slowdown, after the Fed cut the economic growth forecast for 2008.

Mortgage lenders – Mortgage lenders suffered badly over the week as worries persisted about the high level of writedowns of mortgage-related securities. Government-sponsored enterprises, Freddie Mac and Fannie Mae, fell 35% and 21% respectively, while Countrywide Financial was down 20%.

Retail Stocks – It was a poor week for retail stocks as lower sales and earnings caused some leading names to fall. Office Depot, Lowe's and Gap all declined, 9%, 11% and 6% respectively.

Europe

Overview

European equities fell for the fourth successive week as investors weighed up the impact of the credit concerns on the wider economy.

Deutsche Postbank – On the back of comments from Commerzbank's chairman that they may be interested in acquiring Postbank, Germany's leading retail bank, the latter's share price rose by almost 12%. However, this news was not taken well by Commerzbank investors, resulting in its share price falling by 7%.

Pharmaceutical sector – Following persistent under-performance, Citigroup stockbrokers upgraded their outlook for the pharmaceutical sector to neutral weight. On the back of this, Swiss pair Novartis and Roche rose 5% and 8% respectively, while French giant Sanofi-Aventis rose over 4%.

Utilities sector – In the UK, the utilities sector received a boost with bid approaches for both Kelda Group and Biffa, from private equity firms, at substantial premiums to their regulatory asset base.

Ireland

Overview

The Irish market fell further as financial stocks remained under pressure due to the worldwide credit market concerns. The ISEQ lost a further 5% last week, which leaves it almost 30% lower since the start of the year.

C&C – Having recently announced a cost-cutting programme which will result in 150 job losses at C&C, its share price fell further following the news that its main British competitor, Scottish & Newcastle, is planning to expand capacity. The troubled drinks giant finished the week 4% lower

Bank of Ireland – The banking sector continued to fall last week, with all the main banks losing value. Bank of Ireland lost 2.6%, while Irish Life & Permanent finished almost 16% lower.

Asia Pacific

Overview

Asian markets continued their poor run and fell further last week. Concern over the effect of the banking crisis on the wider market and the extent of the US economic slowdown caused unease amongst investors.

Hong Kong – A sharp fall in banking stocks caused the Hang Seng index to fall heavily over the week, with HSBC hitting an 18-month low

China – Chinese shares performed poorly as fears grew that the economic slowdown in the US will hurt demand for export-led sectors.

Bonds

Bond prices rose as investors took advantage of the safe-haven status of bonds due to the current volatility surrounding equities. The Merrill Lynch >5 year government bond index rose 0.3% on the week.

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 cut rates by 0.25%, as expected. Despite Fed worries about higher inflation, spurred by energy and commodity prices, investors still remain confident of further rate cuts over the coming months.
- Following the ECB's recent meeting, investors still 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 have given up some of their recent gains with financial stocks in particular being hit heavily over concerns regarding exposure to US housing. Investors are also worried about the reliability of earnings' forecasts over the next 12 months. While US rate cuts have helped sentiment somewhat, nervousness and volatility look set to persist for the time being, before confidence returns.
- At the moment, the funds are slightly overweight in bonds and close to neutral in equities. Sector positions are pretty balanced at the moment. In terms of geographical exposures, the funds are underweight Ireland and Japan, overweight the Pacific Basin and closer to neutral in other areas.

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