

## Global Overview

### Equity market rally

Stock markets around the world posted upbeat returns last week as expectations of US interest rate cuts dominated investor sentiment.

### Economic data

In the US, there was poor data on the housing market and dismal consumer confidence data although US inflation remains in check. However, eurozone inflation data jumped to 3% while consumer confidence hit a 20 month low. In the UK, the Governor of the Bank of England warned that the UK economy is still under threat from high inflation.

### Currencies

The dollar rose by 1.5% against the major currencies, with the €/£ rate falling from 1.4830 to 1.4700 despite expectations of US interest rates cuts. The €/£ rate rose to 1.47 on the week. The Japanese yen fell sharply as increasing risk appetite fuelled demand for carry trades, in which low yielding currencies are sold to fund the purchase of higher yielding assets.

### Oil price

Oil prices declined by \$9 a barrel last week on rumours that Opec is to increase production, along with fears of lower economic growth in the US. Prices finished the week at \$88 per barrel.

Market	Index	Year to Date Return 31.12.06 to 30.11.07		1 Week Return 23.11.07 to 30.11.07	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	4.4	-6.3	2.8	3.7
US	NASDAQ	10.2	-1.2	2.5	3.4
Europe	FT/S&P Europe Ex. U.K.	0.0	0.0	3.4	3.4
Ireland	ISEQ	-23.4	-23.4	8.8	8.8
UK	FTSE 100	3.4	-2.4	2.7	3.5
Japan	Topix	-8.9	-12.2	6.6	5.0
Hong Kong	Hang Seng	43.5	28.6	7.9	8.7
Australia	S&P/ASX 200	15.2	15.8	3.2	5.0
Bonds	Merrill Lynch Euro over 5 year Govt.	1.0	1.0	-0.8	-0.8

## Global Equities



### United States

#### Overview

Wall Street finished a dismal November on a positive note with markets rallying strongly. Defensive sectors such as consumer staples and utilities underperformed.

#### Key Movers

**Mortgage lenders** – Countrywide Financial rose by 16% due to broker upgrade while Freddie Mac and Fannie Mae also had a good week. However, all three stocks are down over 30% for the month of November.

**Citigroup** – The beleaguered US bank secured a \$7.5 billion capital injection from the Abu Dhabi Investment Authority.



## Europe

### Overview

European investors also focused on the prospect for potential US interest rate cuts pushing European markets up despite higher than expected inflation data.

**Financial Stocks** – Banking stocks which have been so badly hit by credit market worries rebounded somewhat with UBS rising 15% and Credit Suisse up 8%.

**Renewable energy stocks** – Solar energy stocks had a good week with Norway's Renewable Energy Corporation up almost 12% on the week.

**UK mining stocks** – Merger speculation underpinned the UK mining sector with Anglo American up 4% on talks of bid interest from Xstrata which rose over 3%.



## Ireland

### Overview

The Irish market finally made some solid ground last week rising almost 9% to bring the year to date performance to -23%.

**Financial stocks** – Anglo Irish Bank staged a sharp rebound last week on its results announcement where it predicted earnings per share growth of 15% for 2008. The stock was up 27% over the week. Bank of Ireland was up nearly 12% on the week while AIB rose 11%.



## Asia Pacific

### Overview

The strong performance of US stocks and expectations of lower interest rates underpinned most Asian markets last week.

**Japan** – The Japanese market rose almost 7% on talk that the Chinese government's investment arm was planning to buy Japanese stocks.

**Hong Kong** – The Hong Kong market was the standout performer rising 8% on the back of expectations of lower interest rates in the US.

## Bonds

Eurozone bond prices fell due to higher inflation data which showed a rise in eurozone inflation to 3% underlining expectations that interest rates will remain on hold. The Merrill Lynch >5 year government bond index was down 0.8% on the week.

## Global Outlook

- Global growth has been strong during 2007, although it has moderated from last year'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. Fed worries about higher inflation - spurred by energy and commodity prices - seem to have moderated slightly, encouraging investors to expect at least a 0.25% rate cut this month and further reductions in 2008.
- 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.
- In recent weeks, equity markets have been quite weak, 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.

This outlook does not constitute an offer and should not be taken as a recommendation from Eagle Star.  
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