Weekly

investment news

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EAGLE STAR

Global Overview

- Equity markets moved lower last week due to some disappointing second quarter earnings results, higher oil prices and some weaker economic data from the US.
- There were disappointing results from technology heavyweight Intel and the NASDAQ index fell over 3% on the week.
- Oil prices remained at high levels due to concerns over inventory levels and geopolitical tensions in the Middle East. Further attacks on Iraqi pipelines pushed prices to over $41 per barrel by the end of the week.
- In currency markets, the US dollar fell to a four-month low against the euro ending the week at $1.24. Economic data from the US was weaker and investors expect interest rates to rise at a moderate pace and this had a negative impact on the US dollar.
- Retail sales and industrial production data from the US was weaker than anticipated. Consumer and producer inflation also registered lower than expected numbers. The University of Michigan consumer confidence index improved on the previous month but was weaker than predicted.
- Bonds were positive on the week supported by weaker economic data and continued expectations of measured rises in interest rates.

Market	Index	Year to Date Return 31.12.03 to 16.07.04		1 Week Return 09.07.04 to 16.07.04	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-1.0	0.0	-1.0	-1.4
US	NASDAQ	-6.0	-5.1	-3.3	-3.6
Europe	FT/S&P Europe Ex. U.K.	1.2	1.2	-1.7	-1.7
Ireland	ISEQ	9.9	9.9	-0.7	-0.7
UK	FTSE 100	-3.1	2.6	-1.2	-0.9
Japan	Topix	10.3	10.1	0.4	-0.6
Hong Kong	Hang Seng	-4.1	-3.6	-1.2	-1.6
Australia	S&P/ASX 200	7.0	5.1	-0.9	0.0
Bonds	Merrill Lynch Euro over 5 year	3.4	3.4	0.4	0.4

Equities

USA

- US markets declined last week due to disappointing earnings from Intel. The company said that it was experiencing a build-up in its inventory levels resulting in lower margins. There were also weaker than expected results from Citigroup.
- There were positive results from IBM and Dell. IBM reported a 17% climb in profits while Dell boosted its second quarter earnings forecast. There were also good results from Apple Computers and McDonalds.
- However, markets were restrained by higher oil prices, which moved to over $41 dollars per barrel.

Europe

- The big news in Europe last week was from Nokia, the world's largest manufacturer of mobile phone handsets. The Finnish company issued its third profit warning reinforcing concerns about declining profit margins and loss of market share to competitors such as SonyEricsson and Samsung. The share price dropped 16% on the week.
- Electrolux , the household appliances maker, also issued a weak earnings report and warned that trading conditions are likely to be difficult for the remainder of 2004.
- In the UK, Philip Green withdrew his bid for Marks Spencer citing lack of co-operation from Marks & Spencer. The shares traded off 5%.

Ireland

- Greencore fell 6% on announcement of the EU sugar reform plans.
- Elan bucked the trend of global pharmaceuticals remaining flat on the week as the market anticipated some newsflow from the upcoming Alzheimer's conference in the US.

Pacific Basin

- Samsung Electronics, the world's second largest semiconductor manufacturer, announced strong second quarter profits as demand for chips, flat screens and mobile phones soared. However, some analysts believe that the short-term cycle for some of Samsung's products may be nearing its peak.
- Japan outperformed the other regions on the back of an announcement of a large banking merger.

Eurozone Bonds

- Bonds held up well last week as weak economic data from the US led to continued expectations of modest rises in interest rates.
- Eurozone bonds were also helped by weakness in equity markets due to some disappointing second quarter earnings reports. However, there was continued concern that inflation was likely to remain above the ECB target of 2% for some time as the oil price moved back to $41 per barrel last week.

Global Outlook

- Activity levels in the global economy remain high. The eurozone has continued to be a laggard because of weak consumption in Germany. Japan is the fastest-growing G7 economy according to first quarter data. The much-watched Chinese economy is slowing from a period of torrid growth.
- The Fed has commenced its well-flagged tightening cycle, beginning with a 0.25% increase to 1.25%. Rates will be raised further at a 'measured pace' according to Fed statements. Price pressures will be closely watched by both eurozone and US central banks in coming months, although the ECB's official stance is that it has no bias as to the next change in rates.
- Bond markets have taken some comfort from the Fed's 'measured pace' rhetoric. In addition, global growth indicators are now anticipating a slight loss of momentum in the pace of economic expansion.
- Strong profits and earnings' revisions have validated last year's strong price gains; this year's overall performance for global equities has been more muted. Nevertheless, underlying profit strength and lower valuations than last year offer support to equity markets-although the current US Q2 earnings season will give investors a clearer picture.
- Our current stance is overweight equities versus the manager average and marginally underweight in bonds. The funds continue to have overweight sectoral positions in cyclical areas such as general industrials and basic materials, while remaining relatively neutral in other sectors. As regards geographical bias, the funds are overweight Europe and underweight the UK and the US while the Pacific region has been increased from underweight to neutral.