Weekly
investment news

Issued on 4th April 2005

EAGLE STAR

Global Overview

- In a shortened week on most markets due to the Easter holidays, all eyes were focused on Friday's US employment report.
- When finally released, the figures showed a significantly weaker level of jobs growth than had been predicted, with 110,000 new jobs created. Expectations had been for double that figure. Investors put a positive spin on the numbers, suggesting that they would calm the Fed's worries about rising inflation and keep interest rate rises in check.
- The later, and premature, release of the ISM Non-Manufacturing survey, together with the Manufacturing survey, reversed sentiment somewhat as they showed an economy in robust health.
- The oil price gained over 4% on the week to a new high of over $57 per barrel, amid concerns that OPEC will not be able to increase supply to meet the demands of the market.
- The dollar added a further 0.5% against the euro on the week with the premature release of the ISM Non-Manufacturing survey. This showed the service sector to be in rude health, with a reading of 63.1, against an expected 59.0.

Market	Index	Year to Date Return 31.12.04 to 01.04.05		1 Week Return 25.03.05 to 01.04.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-3.2	1.7	0.1	0.6
US	NASDAQ	-8.8	-4.1	-0.3	0.1
Europe	FT/S&P Europe Ex. U.K.	4.5	4.5	0.2	0.2
Ireland	ISEQ	-2.7	-2.7	-1.7	-1.7
UK	FTSE 100	2.1	5.2	-0.2	0.8
Japan	Topix	3.2	3.4	-0.6	-1.3
Hong Kong	Hang Seng	-5.2	-0.7	-0.8	-0.3
Australia	S&P/ASX 200	2.2	5.6	0.0	0.3
Bonds	Merrill Lynch Euro over 5 year Govt.	1.9	1.9	1.0	1.0

Equities

USA

- The US market was affected by a combination of quarter-end activity and anticipation of Friday's key economic data. In the end, the market closed relatively unchanged on the week.
- MCI's acceptance of a takeover bid from Verizon, at the expense of rival Qwest, prompted a flurry of activity as Qwest twice revised its bid.
- In the technology sector, Hewlett Packard's announcement that Mark Hurd would become the new CEO, joining from NCR, sent HP's stock up 10%.

Europe

- European markets were flat on what was a shortened week, due to the Easter Monday bank holiday. In common with other markets, much of the focus was on Friday's economic numbers from the US.
- Dutch bank, ABN, fell over 4% on the week, as it announced a bid for Banca Antonveneta, Italy's ninth largest bank by assets. Shares in the Italian bank rose over 6% on the announcement and over 8% on the week.

Europe

- German tyre manufacturer, Continental, was one of Europe's best performers on the week, adding nearly 9%. It announced that 2005 sales and operating profits would hit record levels.
- Rumours of a possible bid for mobile operator, O2, saw trade in that stock more than double late in the week. This was fuelled by reports from more than one investment house suggesting that O2 was a likely takeover target.

Ireland

- Troubled pharmaceutical company, Elan's share price tumbled again on Thursday following an announcement that a third patient who had taken Tysabri had developed a fatal neurological disease. The stock shed half its value.
- Anglo Irish Bank was down 5% on the week amid uncertainty about the likely impact of new accounting changes on the group's earnings from its next financial year onwards. Other Irish financial groups have already given the market guidance on this.

Pacific Basin

- Asian equities posted modest declines last week. Disappointing economic reports from countries across the region, including the widely watched Tankan in Japan, contributed to the fall.
- Also weighing on markets was the continued rise in the price of oil.

Eurozone Bonds

- Eurozone bonds enjoyed a strong week, rising 1%, despite the possible inflationary consequences of still higher oil prices. A slowdown in money supply growth, closely watched by the ECB to judge potential inflation, was a positive factor for bonds.
- The release of weak economic data from France and Germany, together with good news for US bonds in the form of inflation data that met expectations, gave a further boost to eurozone bonds later in the week.

Global Outlook

- Activity in the global economy remains reasonably strong, although the forward indicators suggest some slowdown over coming months. The effects of the continued high level of oil prices seem limited to date, but policymakers remain vigilant.
- We have said for some time that inflation data will remain central to the Fed's policy actions over coming months. The Fed has heightened its inflation concerns somewhat, leading markets to now anticipate short rates at 4% by end year, from 2.75% currently.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. Recently it seems to be worrying again about rising property prices, generous financial liquidity conditions and the level of government borrowings. On balance however, it is still likely that low ECB rates and well-behaved eurozone inflation can remain supportive of eurozone bonds.
- Equity market returns have been quite varied so far this year. The US market remains sluggish, continuing to lag better-performing European and Asian markets. Within most markets the technology sector has been an under-performer for a number of months. For 2005, global profit growth is expected to be around 10%, providing an underpinning to equity markets.
- Currently, the funds are neutral bonds and neutral to slightly overweight equities versus the manager average. Sector-wise the funds have taken profits on overweight positions in resources and basic materials but remain overweight in financials and general industrials; some defensive sectors have been added to. In geographical terms, the funds continue to be neutral the UK and Japan, underweight the US, while overweight Europe and the Pacific Basin.

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