Weekly
investment news

EAGLE STAR

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Global Overview

- Most equity markets declined last week due to concerns over higher commodity prices, particularly an increase in the oil price of over 4% to a new record high. The oil price rose despite the fact that OPEC announced that it was going to increase production.
- Negative corporate news from General Motors in the U.S. also affected sentiment. GM issued a big profits warning due to declining U.S. sales and lower production.
- With regard to economic data, U.S. retail sales for February were weaker than expected. The current account deficit widened by a further $22billion. However, there was good news on the jobs front, with continuing unemployment claims falling almost 50,000. New housing starts were also above expectations.
- In the UK, Thursday's budget statement had little market impact. Stamp duty reform was seen as a boost to the house building sector while an acceleration in oil tax payments had negligible negative impact in the context of rising oil prices.

Market	Index	Year to Date Return 31.12.04 to 18.03.05		1 Week Return 11.03.05 to 18.03.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-1.8	-0.1	-0.9	0.2
US	NASDAQ	-7.7	-6.0	-1.7	-0.6
Europe	FT/S&P Europe Ex. U.K.	3.9	3.9	-0.6	-0.6
Ireland	ISEQ	-1.6	-1.6	0.2	0.2
UK	FTSE 100	2.3	4.4	-1.2	-0.4
Japan	Topix	4.7	4.3	0.3	0.6
Hong Kong	Hang Seng	-2.8	-1.4	-0.5	0.7
Australia	S&P/ASX 200	4.9	8.4	1.1	2.3
Bonds	Merrill Lynch Euro over 5 year Govt.	0.9	0.9	0.6	0.6

Equities

USA

- General Motors shocked the market on Wednesday with an announcement that it is revising its earnings guidance to reflect lower North American sales and production volumes, a tougher pricing environment and a more car based sales mix. The stock fell almost 17% on the week.
- The news had a negative impact on other auto makers and suppliers like steel companies. Unsurprisingly, autos underperformed on the week and energy stocks outperformed thanks to the higher oil price.
- AIG, the biggest US insurer, saw the resignation of its chief executive following an investigation by the SEC, causing the stock to lose 8% on the week.
- Toys R Us announced an agreement to be acquired by a consortium of private equity investors and a property company---the stock was up nearly 10% on the week.

Europe

- HBOS, the UK's largest mortgage and savings provider, announced that it has acquired the network of 54 retail shops owned by the ESB in Ireland and will turn them into retail bank branches. The deal is worth €120m. HBOS was formed by the merger of Halifax Bank and Bank of Scotland in 2001.

Europe

- UK supermarket group Wm. Morrisson issued a profit warning and fell over 9% on the week.
- Auto stocks had a bad week following the GM news. Tyre maker Michelin was one of the worst performers, falling 7% on the week following a cautious trading outlook due to higher raw materials prices.

Ireland

- The HBOS announcement had a negative impact on Irish financial stocks, particularly Irish Life and Permanent which was down 1.7% on the week. Bank of Ireland was off almost 2%, while AIB held up better with a rise of 1% following last week's announcement of a new chief executive, Eugene Sheehy.
- Kingspan was boosted by an announcement that it has agreed to acquire Century Homes for €91m, subject to Competition Authority approval. The stock rose 9.5%.
- Independent news and Media issued 2004 results which were in line with expectations. Profits were up 33% and sales up 14%.

Pacific Basin

- Asian equity indices struggled to advance last week as the oil price rose yet again. Though energy stocks climbed in response to another record high in the commodity's price, declines in other sectors such as exporters offset these gains.
- Japanese auto shares were impacted by the shock profit warning from General Motors although the overall market registered a modest gain.
- Keppel Corp, which is Singapore based and involved in oil services, rose 9% over the week as it announced more new orders to build oil rigs.

Eurozone Bonds

- US treasury prices rose as the General Motors results triggered a flight to quality out of corporate bonds. GM is one of the biggest corporate bond issuers in the world.
- The move helped Eurozone bond prices recover from their losses of the previous week, despite fears that higher oil prices would threaten eurozone inflation. The Merrill Lynch over 5 year government bond index rose 0.6%.
- The UK government announced an issuance of £53.5bn in debt in the coming year, of which £18.5bn will be long date bonds, including 50 year maturities.

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 will remain vigilant during 2005.
- Investors expect further 'measured pace' interest rate increases from the Fed with a 0.25% increase to 2.75% anticipated this week. Inflation data will remain central to the Fed's policy actions over coming months.
- 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 and generous financial liquidity conditions. Overall, it is still likely that low ECB rates and well-behaved eurozone inflation can remain supportive of eurozone bonds, notwithstanding the type of profit-taking correction witnessed over the past few weeks.
- 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 slightly overweight equities versus the manager average. Sector-wise the funds remain overweight basic industries, resources and financials, while underweight some of the more defensive sectors. In geographical terms, the funds continue to be neutral the UK and Japan, underweight the US, while overweight Europe and the Pacific Basin.