Weekly

investment news

EAGLE STAR

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Global Overview

- Equity markets produced mixed returns last week, with the US and certain markets in the Pacific region providing positive returns, while European markets fell.
- The better relative performance of US stocks was driven by a series of positive earnings' releases for Quarter 1. By Friday, of 214 companies which had reported, 67% had announced positive earnings surprises, with only 17% disappointing.
- On the economic news front, there was mixed news on US inflation. The core Producer Price Index, released on Tuesday, rose just 0.1% month on month, taking the year on year rate down from 2.8% to 2.6%.
- However, core Consumer Price Index numbers, released on Wednesday, rose 0.4% in March, twice the expected rate and the largest month on month gain since August 2002.
- After falling to an eight week low on Monday, the oil price rebounded over the rest of the week to finish up nearly 10% at $55 per barrel.

Market	Index	Year to Date Return 31.12.04 to 22.04.05		1 Week Return 15.04.05 to 22.04.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US S & P 500		-4.9	-1.3	0.8	-0.2
US NASDAQ		-11.2	-7.8	1.3	0.2
Europe	FT/S&P Europe Ex. U.K.	2.5	2.5	-1.1	-1.1
Ireland	ISEQ	-3.6	-3.6	-1.8	-1.8
UK FTSE 100		0.7	4.5	-0.9	-0.8
Japan	Topix	-1.6	-1.2	-1.7	-1.1
Hong Kong	Hang Seng	-3.8	-0.4	0.4	-0.6
Australia	S&P/ASX 200	-0.4	3.2	0.5	1.0
Bonds	Merrill Lynch Euro over 5 year Govt.	3.0	3.0	0.4	0.4

Equities

USA

- Equity investors switched their attention from slowing consumer demand and fears of rising inflation (and therefore interest rates) to positive news on the corporate earnings front.
- The list of blue chip companies producing good quarter 1 numbers included Coca Cola, Pfizer, Caterpillar and J.P. Morgan.
- The NASDAQ out-performed on the week as heavyweight stocks like Intel (+4.9% on the week) and Yahoo (+7.6% on the week) produced numbers which surpassed expectations. Other technology stocks to present good numbers were Texas Instruments and Motorola (+7.4% on the week).
- There were some disappointing numbers, among them MBNA, Target and Costco. Unsurprisingly, retail stocks under-performed on the week.

Europe

- European markets lagged despite some excellent corporate results and one high profile merger/acquisition.
- On the negative side of the ledger, numbers from Philips disappointed the market on Monday, the stock falling 3%. Fiat fell to an all-time low of €4.39 on Wednesday as its headquarters was raided as part of an investigation into suspicious practices.

Europe (continued)

- Strong positive numbers came from three heavyweights during the week. Nokia added 9.1% as it said that the global handset market is growing faster than anticipated. SAP, the world's biggest maker of business software, rose 3.7% on Thursday when it released numbers. Ericsson reported a 26% rise in sales in western Europe, sending the stock up 6.5% on the week.
- In the UK, the board of drinks company, Allied Domecq recommended a £7.4 billion takeover bid from Pernod Ricard. The takeover would join the world's second and third biggest drinks companies to create a serious rival for market leader, Diageo.

Ireland

- The Irish equity market fell nearly 2% on the week, affected by profit-taking and the generally weaker European investment markets.
- The C&C share price was down 4% on the week. Allied Domecq and C&C have marketing and distribution agreements for their respective brands.
- Paddy Power announced that Patrick Kennedy, current CFO of Greencore, will be joining the company as its next chief executive.

Pacific Basin

- Japanese equities fell on the week, having suffered their worst one day fall for nearly a year on Monday.
- Other Asian markets also started the week poorly but improved. Australia benefited from a rebound in resource stocks, while Hong Kong rose on news that the Chinese economy had grown 9.5% in the year to the end of March. This was above expectations.

Eurozone Bonds

- Eurozone bonds added 0.4% during the week, starting the week strongly as equity markets fell and German business confidence figures fell more sharply than expected.
- The strong than expected CPI numbers in the US on Wednesday caused bonds to fall, but they recovered somewhat by the close.

Global Outlook

- Activity in the global economy remains reasonably strong, although the recent data in most economies have disappointed expectations. Policymakers remain vigilant regarding the effects of high oil prices on growth and inflation.
- We have said for some time that inflation data will remain central to the Fed's policy actions over coming months. The Fed had heightened its inflation concerns somewhat, driving short rate expectations to 4% by end year, from 2.75% currently. In the past two weeks these expectations have eased back to 3.75%.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. Recently it has voiced concerns over 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; many of the major indices fell into negative territory over the past few days. The US market remains the most sluggish, of the large markets. Within most markets the technology sector has been an under-performer for a number of months. For 2005, global profit growth is still expected to be around 10%, although investors are now attaching less certainty to that prediction.
- Currently, the funds are neutral to slightly overweight bonds and neutral to slightly underweight equities versus the manager average, having recently lowered exposures to the US, Europe and Pacific Basin. Sector-wise the funds' exposure to cyclical sectors such as basic industries and resources has been reduced while some defensive sectors have been increased. In geographical terms, the funds continue to be neutral the UK and Japan and close to neutral in the Pacific Basin, underweight the US, while overweight Europe.