



23rd April 2007

Global Overview

Global equity markets gain

World equity markets posted gains last week. European & US markets rose due to merger & acquisition activity and encouraging corporate results.

Economic Data

Fears last week that China's economy was over heating as economic growth was, a higher-than-expected 11.1%, for the first quarter of 2007 led to a temporary correction in Chinese and global markets. Interest rate hikes may be considered in order to slow the expansion.

Commodities

Commodity prices rose again due to lingering concerns about supplies of copper and nickel. The copper price was up more than 3% due to a potential strike by Indonesian workers, while nickel was up over 5%. The price of platinum rose by 3% after the announcement that two companies are going to launch exchange traded funds for platinum.

Oil price

The oil price rose to \$63 towards the end of last week due to fears that violence during the presidential elections in Nigeria could lead to disruptions in supply. Nigeria is the world's eighth largest crude oil exporter.

Currency

Sterling climbed to its highest rate against the dollar since September 1992 when it went above £/\$ 2.00. A figure of 3.1% was behind the move. The monetary policy committee have to write a letter to Gordon Brown when inflation is more than 1% above its 2% target rate.

| Market | Index | Year to Date Return | | 1 Week Return | |
|-----------|--------------------------------------|----------------------|------|----------------------|------|
| | | 31.12.06 to 20.04.07 | | 13.04.07 to 20.04.07 | |
| | | Local Currency | Euro | Local Currency | Euro |
| | | % | % | % | % |
| US | S&P 500 | 4.7 | 1.5 | 2.2 | 1.5 |
| US | NASDAQ | 4.6 | 1.4 | 1.4 | 0.7 |
| Europe | FT/S&P Europe Ex. U.K. | 7.9 | 7.9 | 2.0 | 2.0 |
| Ireland | ISEQ | 3.1 | 3.1 | 1.1 | 1.1 |
| UK | FTSE 100 | 4.3 | 3.5 | 0.4 | 0.7 |
| Japan | Topix | 1.7 | -1.1 | 0.3 | 0.1 |
| Hong Kong | Hang Seng | 3.0 | -0.6 | 1.1 | 0.5 |
| Australia | S&P/ASX 200 | 9.5 | 12.7 | 1.2 | 1.0 |
| Bonds | Merrill Lynch Euro over 5 year Govt. | -1.0 | -1.0 | 0.4 | 0.4 |

Global Equities



United States

Overview

Most leading indices in the US have now recouped all their losses since the market correction in late February.

Key Movers

Technology sector – Google's share price rose by over 3% to \$482 following a better than expected rise in profits on the back of strong search engine revenues. However, concern over lower than expected profits and sales at Yahoo caused its share price to drop by almost 13% despite the introduction of its new online advertising system.

Financial sector – Financial stocks rose last week, led by student loan group Sallie Mae. A \$25bn buy-out has been agreed with a JC Flowers led consortium. Sallie Mae's price was up almost 15% to \$54 last week. Buy out speculation continued at another possible takeover target, Countrywide Financial, whose share price rose by 11% over the week.



Europe

Overview

European markets rallied to fresh six-and-a-half year highs last week due to M&A activity and strong corporate results.

Société Générale – There was speculation that the Italian bank, UniCredito, are in talks about a possible merger with Société Générale, which was subsequently denied. The French banking giant's share price rose by almost 16% over the week.

Nokia – The world's biggest mobile phone maker's share price was up over 3% following better than expected first quarter earnings.

Barclays Bank – Britain's third largest bank agreed to buy ABN Amro Holding NV for €67bn in the world's largest ever financial takeover. Barclays Bank's share price gained almost 1% over the week.



Ireland

FBD Holdings - The insurance company's share price rose by over 6% last week after it announced that it intended distributing €177m to shareholders. This would equate to €5 per share.

Allied Irish Banks - AIB's share price rose by almost 5% over the week despite the recent profit warning from AIB's US associate M&T. M&T's quarter 1 earnings were in line with the reduced expectations and the company maintained full year guidance with the stock rallying 7% over the week.



Asia Pacific

Overview - Despite the volatility caused by stronger than expected economic growth figures in China, Asian stocks gained last week. Fears of overheating and possible interest rate rises sparked profit-taking in Singapore. Australia rose by over 1% last week, supported by rising commodity prices, while Hong Kong was also up by just over 1%.

Bonds

Fixed interest markets were steady over the week with some modest investor interest. Eurozone bonds rose from oversold levels with the Merrill Lynch >5 year bond index rising by 0.4%.

Global Outlook

- Forecasters continue to expect some moderation in growth in 2007, from the robust levels of 2006. The major central banks will likely remain focused on the cyclical inflation pressures stemming from strong growth.
- At its last meeting the Fed held rates at 5.25% for the sixth consecutive meeting with the minutes dropping any reference to additional increases. Investors have scaled back the expectations of rate cuts by year end – now only anticipating 0.25% – but the Fed remains firmly on hold for now, waiting to see how inflation and economic growth develop over the next while. While calm has been restored to the equity markets – and concerns over the sub-prime mortgage market have waned – the Fed will remain vigilant in assessing the impact of the housing slowdown on the broader economy and the health of the financial system.
- The ECB kept rates at 3.75% at its last meeting but strongly hinted at an increase in June. While rates are closer to a neutral level, ECB comments remain hawkish, with upbeat commentary on the economy and little, if any, adverse comment on the high level of the euro exchange rate. While bonds have been over-shadowed by these factors plus the return of calm to equity markets, they have nevertheless reached levels where they may gain support in the short term.
- As long as global risk appetite remains at high levels, equity markets will remain reasonably supported by a strong earnings' background, continued merger and acquisition activity and favourable valuations relative to bonds. As recent experience shows, it is likely that tighter liquidity conditions from higher interest rates will be a concern during the year and periods of volatility are likely.
- Currently, the funds are close to neutral in bonds and slightly overweight equities. Sectorwise, the funds are overweight industrials, while other positions continue to be pretty balanced. Geographically, the funds are overweight in Europe and the Pacific Basin, underweight Ireland and the US and more neutral in other regions.

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