



Global Overview

Markets rally

Equity markets worldwide enjoyed a broad-based rally as investors began to believe that the worst of the credit crisis is over. Confidence in the banking sector, which has been hardest hit, increased slightly over the week.

US jobless data

Non-farm payrolls for March showed a decrease of 80,000 in the numbers employed. This number was worse than expected and reinforced the belief that the Fed will cut rates further.

US manufacturing data

A key survey of US manufacturing activity was slightly stronger than forecast last month. Nonetheless, the figure of 48.6, where anything below 50 indicates contraction, still showed a weak current picture for the sector.

Oil price

Oil had a volatile week. Despite prices falling early in the week, oil rallied following the weak US employment data which caused the dollar to weaken. It finished the week slightly higher, at just over \$106 per barrel.

Index		Year to Date Return 31.12.07 to 04.04.08		1 Week Return 28.03.08 to 04.04.08	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	-6.7	-13.4	4.2	4.6
US	NASDAQ	-10.6	-17.0	4.9	5.3
Europe	FT/S&P Europe Ex. U.K.	-11.7	-11.7	3.8	3.8
Ireland	ISEQ	-8.4	-8.4	3.2	3.2
UK	FTSE 100	-7.9	-14.0	4.5	5.0
Japan	Topix	-12.7	-11.2	3.6	1.4
Hong Kong	Hang Seng	-12.8	-18.9	4.2	4.5
Australia	S&P/ASX 200	-11.4	-13.4	5.0	6.2
Bonds	Merrill Lynch Euro over 5 year Govt.	2.6	2.6	0.4	0.4

Global Equities



United States

Overview

Despite weak employment data, US equity markets gained over the week as financial stocks rallied.

Lehman Brothers – After some tough weeks for investment banks, Lehman Brothers gained strongly after it raised capital of over \$4bn through the sale of new convertible preferred shares. Its share price finished the week 16% higher.

Retail sector – Despite concerns that job losses may cause a more serious economic downturn, retail stocks rebounded after heavy falls over the past month. JC Penny and Dillards both rose, finishing the week over 7% & 31% higher respectively.

Banking sector earnings – Banking stocks gained last week, despite the continued downgrading by brokers of banks' future earnings figures. This follows the credit crunch which has impacted on the earnings potential of banks.



Europe

Overview

On the back of gains in America and increased confidence in the banking sector, European equity markets gained strongly over the week, with a strong focus on financials.

UBS – After revealing another \$19bn in writedowns, which was lower than expected, the Swiss bank announced it would raise capital of over €9bn through a rights issue. Its share price rose over 15% on the week.

Air France-KLM – Following the collapse of talks regarding the possible take-over of Alitalia, the airline's share price rose by almost 8%.



Ireland

Overview

The Irish market finished the week over 3% higher as financial stocks, amongst other sectors, experienced gains.

AGI Therapeutics – AGI's full year results for 2007, which met expectations, confirmed considerable losses for the year due to its increased spending of €13.2m on research and development. Its share price lost just over 2% on the week.



Asia Pacific

Overview

Asian stocks gained strongly last week as optimism grew that the worst of the credit crisis is over. Sydney led the way, rising 5%, as commodity stocks rallied.

India – India's inflation rate rose at its fastest rate in more than three years, resulting in speculation that the central bank may increase interest rates over the coming month. The Bombay market fell by 6%.

Bonds

Eurozone bonds rose last week as investors cautiously re-entered the market following two weeks of sharp falls. Meanwhile, traders forecast that the ECB would hold rates constant at its meeting this week, despite poor inflation data recently. The Merrill Lynch >5 year government bond index rose 0.4% on the week.

Global Outlook

- The central case for 2008 is for further moderation in global economic growth. Some of the US data has already been 'recession-like' and investors will continue to focus on growth risks, regardless of whether a recession is actually declared or not. Asian (ex-Japan) economies are likely to perform reasonably well, although a slower global economy will impact.
- Following the recent 0.75% cut in short rates, investors now see US rates bottoming out at just under 2% at the end of the year. This would involve a further reduction in rates of just over 0.25%. While the ECB has changed its tone, a rate cut is definitely not yet on its agenda and its rhetoric remains quite hawkish.
- High food and energy prices continue to be a worry for policy-makers and provide a somewhat tricky environment for bond investors. Although bonds do not provide a lot of value at the moment, they will continue to get safe-haven support during equity market falls.
- Lower interest rates offer valuation support to global equities, but this factor remains secondary to more pressing concerns about the health of the banking sector and the overall earnings' outlook, although some of the worries about the banking system have been eased by measures taken by central banks and policymakers. Further volatility is likely.
- The US dollar remains the primary focus of currency markets. While the US dollar now has valuation support versus European currencies, it might continue to struggle until clear signs of a cut in eurozone interest rates emerge. The slow pace of Chinese currency appreciation is likely to persist.
- At the moment, the funds are neutral in bonds and equities versus the manager average, with sector positions reasonably balanced also. Geographically, the funds have an underweight position in Ireland and Japan, are overweight in the US and are more neutral in the Pacific Basin, Europe and the UK.

This outlook does not constitute an offer and should not be taken as a recommendation from Eagle Star. Advice should always be sought from an appropriately qualified professional.

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