



Global Overview

Markets remain volatile

Equity markets finished the week in negative territory, after a sell-off following weaker-than-forecast earnings results and US consumer confidence falling to its lowest level since 1982.

Interest rates

The ECB and Bank of England (BoE) held interest rate meetings last week. In response to the slowing housing market, the BoE cut rates by 0.25%, to 5%, while the ECB held rates constant at 4% once again.

US consumer confidence

A key survey of US consumer confidence from the University of Michigan showed that consumer confidence fell to a 26-year low last month. This follows mounting job losses, high home foreclosures and rising oil prices.

Oil price

The price of oil rose strongly last week after US data showed large declines in oil and gasoline stocks. It finished the week over 3% higher, at \$110 per barrel, after hitting an all-time high of \$112 on Wednesday.

Index	Year to Date Return 31.12.07 to 11.04.08		1 Week Return 04.04.08 to 11.04.08		
	Local Currency %	Euro %	Local Currency %	Euro %	
US	S&P 500	-9.2	-16.2	-2.7	-3.3
US	NASDAQ	-13.7	-20.3	-3.4	-4.0
Europe	FT/S&P Europe Ex. U.K.	-13.9	-13.9	-2.6	-2.6
Ireland	ISEQ	-12.1	-12.1	-4.0	-4.0
UK	FTSE 100	-8.7	-16.3	-0.9	-2.6
Japan	Topix	-13.4	-11.5	-0.8	-0.4
Hong Kong	Hang Seng	-11.3	-18.0	1.7	1.1
Australia	S&P/ASX 200	-14.2	-16.1	-3.2	-3.1
Bonds	Merrill Lynch Euro over 5 year Govt.	3.0	3.0	0.4	0.4

Global Equities



United States

Overview

As consumer confidence fell to a 26-year low and some Q1 earnings missed estimates, US equity markets finished the week in the red.

GE – The announcement of Q1 earnings results which failed to meet analysts' expectations, caused the conglomerate's share price to fall by over 14% on the week. GE also issued a profit warning stating that it would miss its full-year forecasts.

UPS – Another bellwether of the US economy, UPS, announced that earnings forecasts were unlikely to be met as rising energy costs impact on profits. Its share price lost almost 5% over the week.

Wal-Mart – Despite announcing improved sales and earnings forecasts, the retail giant's share price remained unchanged over the week as fears of a recession in the US grew.



Europe

Overview

European markets ended the week in the red after weak earnings results in the US painted a gloomy picture for global stocks.

Oil stocks – Oil stocks rose over the week after the price per barrel hit \$112. Statoil Hydro benefited most, rising over 4%, while Portuguese company Galp Energia rose by 2%.

Postal sector – European postal stocks lost value after UPS cut its earnings forecast citing higher fuel costs and worsening economic conditions. This resulted in Deutsche Post and TNT falling by almost 2% and 3% respectively.

Carrefour – Despite re-iterating its target to increase sales by between 6% and 8% this year, the French retailer fell by over 7% after its chief executive said that retailers were facing their “most significant challenge in a generation” as input costs continue higher.



Ireland

Overview

The Irish market finished the week 4% lower as financial stocks fell heavily following GE's poor results due to the credit turmoil.

IFG – The financial services group posted strong results for 2007 despite the impact of the sharp rise in the euro versus sterling. Management gave a positive outlook and believe the strategy in place will help them “attain the ambitious targets” they set themselves.



Asia Pacific

Overview

Most Asian markets finished the week in positive territory, as they closed prior to the European and US sell-off caused by GE's poor earnings figures.

Hong Kong – After rising over 1.6% last week, the Hang Seng finished the week at a two-month high.

Bonds

Despite no clear signs that the ECB might cut rates in the near future, eurozone bonds gained strongly towards the end of the week due to their safe-haven status, as equity markets retreated on concerns for the US economy. 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 or when a recession is actually declared. 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 close to 1.75% at the end of the year. This would involve a further reduction in rates of just over 0.5%. 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 overall earnings' outlook and the health of the banking sector, 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 slightly overweight in bonds and close to neutral in 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 the Pacific Basin and are more neutral in 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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