Weekly investment news

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EAGLE STAR

Global Overview

- The threat of international terrorism re-emerged last week following the tragic events in Madrid on Thursday.
- Weaker economic data had already led to profit taking on equity markets earlier in the week. This was compounded later in the week as risk adverse investors moved out of equities following the terrorist attacks.
- Investors rotated into defensive stocks such as consumer staples, which rose at the expense of cyclical and technology stocks.
- Bond markets rose due to their safe haven status and weaker global economic data.
- The US Federal Reserve will meet on Tuesday and it is expected that it will leave interest rates on hold. However, investors will be anxious to see if there are any changes in the tone of the accompanying statement.

Market	Index	Year to Date Return 31/12/2003 to 15/03/2004		1 Week Return 08/03/2004 to 15/03/2004	
		Local Currency	Euro	Local Currency	Euro
US	S & P 500	0.8	3.7	-3.1	-1.7
US	NASDAQ	-0.9	2.0	-3.1	-1.6
Europe	FT/S&P Europe Ex. UK	3.4	3.4	-3.5	-3.5
Ireland	ISEQ	3.5	3.5	-2.2	-2.2
UK	FTSE 100	-0.2	3.6	-1.8	-2.6
Japan	Topix	6.1	5.9	-2.1	0.2
Hong Kong	Hang Seng	2.8	5.4	-3.9	-2.5
Australia	S&P/ASX 200	3.1	3.4	-0.2	-2.5
Bonds	Merrill Lynch Euro over 5 year	3.8	3.8	0.8	0.8

Equities

USA

- Economic data was weaker than expected in the US leading to profit taking early in the week.
- The University of Michigan consumer confidence index for March fell again this month coming in at 94.1 as opposed to the expected reading of 94.5.
- Retail sales excluding autos were also weaker for the month of February. The US trade deficit widened further coming in at $43.1 billion in January.
- Basic materials underperformed while energy stocks outperformed as oil broke through $37 per barrel at one stage.
- General Electric contributed to the downturn in sentiment following a $3.8 billion equity offering.

Europe

- The terrorist attacks in Spain had the largest impact on European markets, which fell 3.5% on the week.
- Technology stocks were the worst performers as investors engaged in profit taking following a strong run by the sector.
- Deutsche Bank's chief executive, Josef Ackermann said that a takeover bid for the bank was "highly unlikely". Deutsche Bank has been the subject of persistent rumours regarding a takeover bid.
- In other takeover news, Novartis , the Swiss healthcare company, said it was considering a bid for Aventis, the Franco-German pharmaceuticals group. Aventis is resisting a hostile bid from France's Sanofi- Synthelabo.

Ireland

- The ISEQ index ended the week in negative territory with financial and construction companies leading the downward trend.

UK

- The UK market had its biggest one day fall since May 2003 on Thursday. However, it bounced back well on Friday helping it to outperform other world markets on a local currency basis.
- Royal & Sun Alliance reported a sharp drop in annual profits and a further increase in reserves. The share price fell 12.7% on the week.

Pacific Basin

- Japanese banks moved higher as expectations of a more lasting economic recovery in the country increased.
- Korea was the region's worst performing market as political uncertainty rose because of the impeachment of the president over alleged election-law violations.
- Australia outperformed other markets due to its defensive bias.

Latin America

- Argentina agreed to make a $3.1 billion payment to the International Monetary Fund. If Argentina had failed to make the payment it would have been the biggest single default in the IMF's history.

Eurozone Bonds

- Bond markets continued to rise last week supported by the weaker global economic numbers and their safe-haven status following the terrorist attacks.
- The US Federal Reserve meets tomorrow and is unlikely to push up interest rates until it is sure that US employment is firmly on an upturn. An upbeat statement by Federal Reserve Chairman regarding the outlook for jobs on Thursday did not negatively impact prices because of the terrorist attack on Spain.
- Eurozone bond prices were further supported by the possibility that the ECB may cut interest rates again over the coming months
- The Merrill Lynch over 5 year eurozone bond index rose 0.8% on the week.

Currencies

- On currency markets, the fundamentals continue to support a weaker dollar. The overall trade deficit has yet to contract, employment data needs to be more robust and it seems as if terrorists are now starting to target the political process.

Global Outlook

- The global economy, led by the US, continues to display good momentum despite recent economic data.
- The Fed is using low inflation as justification for maintaining US interest rates at their current ultra-low levels, although investors are highly sensitive to remarks/data that could alter the status quo.
- The ECB had also been keen to persist with unchanged rates. Recent data and persistent euro strength against the dollar could soften this stance however.
- In the medium term bonds should remain less favoured than equities; however in the short term bonds are being supported by a low inflationary background and low short rates.
- The economic picture remains broadly positive for equity markets, although valuations are once more an issue in certain markets and sectors. Historically, equity markets have continued to be supported even in the initial stages of tighter monetary policy.
- Our current stance is overweight equities and bonds versus the manager average. The funds continue to be overweight Asian equities due to more attractive valuations and better economic growth potential and are slightly overweight Japan. The funds have moved from overweight to closer to neutral in European equities. The UK exposure has been moved from underweight to neutral. The funds continue to have overweight sectoral positions in financials, general industrials and basic industries.