Weekly investment news

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EAGLE STAR

Global Overview

- Equity markets were mixed last week as investors focussed on corporate news as the first quarter earnings announcement season got under way.
- US economic data continued to be robust with the ISM non-manufacturing survey of purchasing managers coming in stronger than expected at 65.8. A figure above 50 indicates expansion. Employment data was also strong with data released showing lower initial jobless claims.
- Nokia set the tone early in the week when it warned of a 2% fall in first quarter sales. However, better results from other companies provided support as the week drew to a close.
- Geopolitical concerns re-emerged as the situation in Iraq deteriorated helping energy stocks to perform strongly in all markets.

Market	Index	Year to Date Return 31/12/2003 to 09/04/2004		1 Week Return 02/04/2004 to 09/04/2004	
		Local Currency	Euro	Local Currency	Euro
US	S & P 500	2.5	6.5	-0.2	0.0
US	NASDAQ	2.5	6.5	-0.2	0.0
Europe	FT/S&P Europe Ex. UK	5.5	5.5	0.1	0.1
Ireland	ISEQ	9.1	9.1	0.8	0.8
UK	FTSE 100	0.3	7.1	0.5	0.8
Japan	Topix	14.1	19.7	0.6	-1.1
Hong Kong	Hang Seng	2.7	6.3	1.4	1.5
Australia	S&P/ASX 200	4.6	10.3	0.4	1.2
Bonds	Merrill Lynch Euro over 5 year	2.8	2.8	0.3	0.3

Equities

USA

- Despite strong economic data on jobs and manufacturing, the US market fell marginally on the week. Mixed corporate results and renewed concerns about the situation in Iraq held markets back.
- General Electric posted an 8% rise in profits and management were positive on the outlook for the company. Yahoo released good first quarter results while Dell posted strong sales guidance.
- Alcoa, the world's largest aluminium company failed to meet analyst expectations despite more than doubling its first quarter earnings.
- Energy stocks performed well following a larger than expected drop in US oil inventories and speculation that the situation in Iraq could disrupt oil supplies.

Europe

- European markets made little ground last week as markets closed early for the Easter weekend.
- Nokia, the Finnish mobile phone maker provided the big news of the week when it warned that earnings for the first quarter would be at the lower end of expectations. The stock fell 19.2% on the week. In contrast, in the previous week Ericsson provided reassurance to the market about operating margins.
- Positive broker reviews as well as continued take-over speculation helped the European financial sector to record modest gains on the week

Ireland

- The ISEQ was supported by gains in some of the larger stocks such as CRH, Ryanair and Bank of Ireland.

UK

- The Bank of England met on Thursday and left interest rates unchanged at 4%.
- Weaker than expected manufacturing data released early in the weak led to concerns regarding the strength of the UK economy.
- Oil giant, BP, which is the UK's largest company, rose 4.1% on the week due to the high price of crude oil and the company's planned share buyback programme.

Pacific Basin

- Positive US economic data underpinned the Hang Seng Index.
- Stocks in Japan rose modestly amid continued foreign buying of the market.

Latin America

- Brazilian stocks fell as investors reacted to stronger than expected Brazilian inflation data.

Eurozone Bonds

- Bond markets were supported on the week by subdued equity markets and investor nervousness due to increased security fears in Iraq.
- In Germany, industrial production fell 0.7%, the first decline since September 2003.

Currencies

- The dollar was slightly stronger against the euro, supported by expectations that US rates would rise sooner than previously thought. It closed at just under $1.21.

Global Outlook

- The global economy, led by the US, continues to be strong. Recent data from the US and Japan has been very supportive; data from the eurozone has been more mixed.
- The Fed had been using low inflation and weak jobs growth as justification for maintaining US interest rates at their current ultra-low levels. April's employment data questions that perception.
- Comments from ECB officials in the last few weeks have confused investors as to whether eurozone interest rates will be cut further or not.
- Eurozone bonds should continue to be pressurised by weak US bonds. However, the lingering possibility of an additional ECB rate cut may lead to eurozone bonds outperforming.
- 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 underweight 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 overweight Japan and Europe, on economic and valuation grounds respectively. The UK is underweight due to the defensive nature of the market. The funds continue to have overweight sectoral positions in financials, industrials and basic materials while remaining underweight in utilities and consumer staples.