Weekly
investment news

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EAGLE STAR

Global Overview

- A slight easing in oil prices and strong US employment data were a steadying influence on equity markets.
- In the early part of the week, crude oil prices hit a record intra-day high of $42.45 per barrel, but agreement by OPEC to raise output quotas and better US oil inventory figures caused prices to fall below $39 by Friday.
- The May employment report in the U.S. was stronger than expected and the previous month's figure was revised up as well. Over the last three months a net 950,000 jobs have been created in the US.
- The ISM survey of US manufacturing and the equivalent survey in the eurozone were both stronger than expected.
- In Europe, the ECB met on Thursday and decided to keep interest rates on hold, although it warned that high oil prices posed an inflationary risk.

Market	Index	Year to Date Return 31.12.03 to 04.06.04		1 Week Return 28.05.04 to 04.06.04	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	1.0	3.3	0.2	-0.4
US	NASDAQ	-1.2	1.1	-0.4	-0.9
Europe	FT/S&P Europe Ex. U.K.	3.2	3.2	1.2	1.2
Ireland	ISEQ	7.8	7.8	2.2	2.2
UK	FTSE 100	-0.5	5.0	0.5	0.4
Japan	Topix	7.8	6.7	-1.5	-2.6
Hong Kong	Hang Seng	-4.4	-2.6	-0.8	-1.4
Australia	S&P/ASX 200	5.1	-0.7	0.5	-2.6
Bonds	Merrill Lynch Euro over 5 year	1.3	1.3	-0.5	-0.5

Equities

USA

- Economic indicators were the main focus of the week for US markets and the news on job creation was positively received, even though it increases the likelihood of an early rate increase. The easing in oil prices was also a positive for market sentiment.
- Intel gave a mid-quarter update, which guided towards the higher end of previous forecasts and beat expectations.

Europe

- European markets had a good week, helped by strengthening economic growth and the fall in oil prices.
- On the corporate front, Fiat announced a new chairman and chief executive following the death of Umberto Agnelli. The company also recorded a 14% rise in vehicle registrations of the brand over the last year. The share price gained 8% on the week.
- In the UK, Marks and Spencer appointed a new chief executive, Stuart Rose, and rejected a proposed bid by Philip Green, on the grounds that it under-valued the company.

Ireland

- Bank of Ireland was a star performer, rising 9% on the week, as investors responded favourably to the rapid appointment of Brian Goggin as Chief Executive following the resignation of Michael Soden last weekend.
- AIB also had a good week, rising 5%, as both banks were perceived to have been oversold in previous weeks.
- Ryanair announced results on Tuesday, recording a 14% drop in net profits, its first profit fall since 1989. This figure was slightly better than forecast and the stock gained 8% on the week, the easing in oil prices also being a positive factor.

Pacific Basin

- Most Asian equity markets fell last week as the high oil price continued to exert a negative influence, especially on those countries - such as Japan and Korea - that are particularly dependent on imported oil.
- China's largest PC maker, Lenovo Group, fell 13% over the week after reporting disappointing earnings.

Eurozone Bonds

- The stronger US employment numbers were a negative for bonds as expectations of a US interest rate hike were strengthened. Eurozone bond prices were not helped by ECB comments expressing greater confidence on the growth outlook, while the ECB's new inflation forecasts predicted higher inflation than previously envisaged.

Global Outlook

- The global economy remains strong. The eurozone has lagged other regions, although recent data has been more encouraging. Chinese policymakers remain focused on reining in growth rates and lowering what they regard as excessive borrowing and investment.
- If oil prices are sustained at very high levels they could be a threat to the global economy going forward.
- The Federal Reserve is very close to moving rates from their current 1% level. It has said that any moves will be carried out in a measured fashion. The ECB is officially in a neutral stance at the moment.
- Bond markets in the US have begun to anticipate rising short rates and this has also had a negative impact on eurozone bonds. Overall, it remains a difficult environment for bonds.
- Equity markets have been buffeted by concerns over the timing and pace of US interest rate rises, as well as high oil prices, despite the strong economic growth and corporate earnings backdrop.
- Our current stance is neutral to slightly overweight equities and underweight bonds versus the manager average. The funds continue to have slightly overweight sectoral positions in cyclical areas such as general industrials and basic materials, while remaining underweight in utilities. Financials have been moved from neutral to underweight, given their sensitivity to the prospect of rising interest rates, while pharmaceuticals have been increased to overweight. As regards geographical bias, the funds are overweight Europe and underweight the Pacific region.