Weekly
investment news

EAGLE STAR

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Global Overview

- Equity markets were flat last week against a background of mixed economic and corporate news and a 6.5% rise in the oil price.
- US economic indicators revealed better than expected news on industrial production and producer prices. On the negative side, the trade deficit hit an all-time high of $60bn. whereas investors had anticipated a marginal reduction. Lower than expected retail sales ex autos also hit a negative note.
- On currency markets, the dollar fell early in the week in response to the poor trade numbers but recovered on Thursday after a member of the Federal Reserve hinted that the pace of interest rate rises could be accelerated.
- In Europe, there were signs of improving economic performance with German and French economic growth picking up in Q4 2004. The ECB left interest rates unchanged at 2% at its monthly meeting, taking a benign view on the inflation outlook.
- The week marked the start of the fourth quarter earnings reporting season with a number of leading US companies announcing results. Some came in above expectations, notably Intel and Apple, while giants like Alcoa, General Motors and chip-maker Advanced Micro Devices came in below forecasts and this unsettled nerves somewhat.

Market	Index	Year to Date Return 31.12.04 to 14.01.05		1 Week Return 07.01.05 to 14.01.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-2.3	1.2	-0.1	-0.6
US	NASDAQ	-4.0	-0.7	0.0	-0.5
Europe	FT/S&P Europe Ex. U.K.	0.4	0.4	-0.6	-0.6
Ireland	ISEQ	3.7	3.7	0.9	0.9
UK	FTSE 100	0.1	1.1	-0.7	-1.1
Japan	Topix	-0.3	3.6	0.0	2.4
Hong Kong	Hang Seng	-5.2	-2.1	-0.6	-1.1
Australia	S&P/ASX 200	0.3	0.6	0.0	-0.1
Bonds	Merrill Lynch Euro over 5 year Govt.	1.4	1.4	0.6	0.6

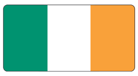
Equities

USA

- The earnings-reporting season started with Alcoa, the world's largest aluminium producer, reporting a fall in profits due to rising energy costs and a weaker dollar.
- Among technology stocks, chip-maker Intel's results were slightly better than expected but this was counter-balanced by profit warnings from Advanced Micro Devices. However, Apple reported a big jump in Q4 profits helped by sales of its iPod.
- General Motors in the auto sector lowered its guidance on 2005 earnings.

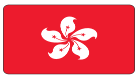
Europe

- Mining stocks were among the best performers on European markets as analysts upgraded their earnings forecasts on the basis of strong global economic growth and strength in metals prices.
- Construction and building materials stocks also performed well, boosted by an approach to UK group Aggregate Industries by Swiss Group, Holcim. Aggregate's share price was up 33% on the week.
- Insurance stocks under-performed, hit by some profit-taking following a strong run in the previous quarter, and by some analyst downgrades.



Ireland

- Kingspan, the builders merchants group, issued a positive trading statement that drove the stock up 5% on the week.
- In the same sector, Grafton, whose takeover of Heiton Group was approved last week by the Competition Authority, released a strong trading update indicating that 2004 profits will be in line with market expectations. The stock also rose 5% on the week.



Pacific Basin

- Asian equity indices finished last week little changed. There was, however, some notable corporate news as Standard Chartered purchased Korea First Bank for $3.3 billion and Fosters Group bought an 18.8% stake in rival Australian winemaker Southcorp in a prelude to a full bid for the company.
- China reported strong export and import growth for December, reflecting the continued strength of its economy and in Tokyo office vacancy rates fell to their lowest in 18 months.

Eurozone Bonds

- Eurozone bond prices were helped by further euro strength against the dollar in the early part of the week and strengthened further in the latter part of the week following the ECB decision to leave interest rates on hold. The Merrill Lynch over 5 year bond index was up 0.6% on the week.

Global Outlook

- Activity in the global economy remains reasonably strong, although the forward indicators suggest some slowdown over coming months. The effects of last year's one-third rise in oil prices seem limited to date, but policymakers will remain vigilant during 2005.
- The Federal Reserve raised rates from the emergency 1% level last year, ending the period at 2.25%. For 2005 it has promised further 'measured pace' increases, which have largely been anticipated by interest rate markets.
- In the eurozone, the ECB has kept rates flat at 2% for a prolonged spell now, notwithstanding currency strength and subdued to weaker economic data. Investors and the ECB still anticipate an upward bias to rates during the year notwithstanding the latest ECB comments, which have been less hawkish than before. Eurozone bonds performed very strongly in 2004, but the general investor consensus is much more cautious this year. Nonetheless, continued low rates and well-behaved inflation could continue to underpin bonds in 2005.
- Surveys of equity investors suggest that they have already moderated their expectations for growth in 2005, although they remain broadly positive on the overall outlook for equity markets. A strong fourth quarter means that total returns for last year were quite healthy. Corporate profit growth globally for 2005 is expected to be in the order of 10% and this is likely to underpin equity markets.
- Currently, the funds are overweight bonds and equities versus the manager average. Sector-wise the funds are overweight basic industries, resources and financials, while underweight some of the more defensive sectors, such as healthcare. In geographical terms, the funds continue to be neutral the UK and Japan, underweight the US, while overweight the Pacific Basin and Europe.