Weekly
investment news

Issued on 7th February 2005

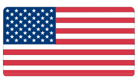
EAGLE STAR

Global Overview

- Equity markets enjoyed their first week of decisive growth since the start of the year, as investors were relieved by the Fed's actions and outlook. Lower oil prices also helped sentiment.
- As anticipated, the Federal Reserve raised US interest rates by a further 0.25% on Wednesday, bringing US rates to 2.5%, and reiterated that future increases would continue to be at a 'measured pace'.
- Later in the week, Fed chairman, Alan Greenspan, moved to allay concerns about the large US current account and fiscal deficits, stating that market forces and greater fiscal discipline in the US should allow a reduction in these imbalances.
- The dollar rose on Mr. Greenspan's comments and the euro ended the week at just under 1.29 against the dollar from 1.3030 the previous week.
- US economic data was mixed, with a lower unemployment rate countered by more modest new job creation. The University of Michigan index of consumer confidence also weakened slightly.
- Eurozone economic data indicated an improvement German and Italian manufacturing output but continuing high unemployment. This, together with a fall in Eurozone inflation, encouraged the ECB to leave interest rates on hold at its monthly meeting.

Market	Index	Year to Date Return 31.12.04 to 04.02.05		1 Week Return 28.01.05 to 04.02.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-0.7	4.4	2.7	3.9
US	NASDAQ	-4.1	0.9	2.5	3.7
Europe	FT/S&P Europe Ex. U.K.	3.1	3.1	2.5	2.5
Ireland	ISEQ	6.5	6.5	2.2	2.2
UK	FTSE 100	2.6	5.9	2.3	3.0
Japan	Topix	-0.4	3.4	0.4	1.2
Hong Kong	Hang Seng	-4.5	0.1	-0.5	0.7
Australia	S&P/ASX 200	2.8	6.4	1.5	2.4
Bonds	Merrill Lynch Euro over 5 year Govt.	2.6	2.6	0.8	0.8

Equities



USA

- The S&P 500 index had its best week of the year, helped by positive earnings numbers and more news of merger and acquisitions activity.
- Q4 results from Google, the internet search engine which came to the market last year, beat expectations by a wide margin with sales topping $1 billion for the first time. Google's share price rose 7% on the week. By contrast, results from Amazon.com, the largest internet retailer, undershot expectations, causing the share price to fall 15% on the week.
- In the telecoms sector, SBC Communications announced a $16bn takeover of AT&T.
- Energy stocks outperformed despite a 1.5% decline in the oil price, due to better than expected earnings from the likes of Exxon Mobil and Valero.

Europe

- In the financial sector, Deutsche Bank announced better than expected results and cost savings of €1.1bn., which helped the share price gain 6.6% on the week. BNP Paribas results were slightly below consensus but it pleased the market with a proposed 38% dividend increase.
- French construction group, Vinci, reported sales ahead of analysts' estimates.
- In the technology sector, Alcatel reported disappointing Q4 figures and the shares fell 15%.
- Merger speculation boosted UK drinks group, Allied Domecq, on reports that it might be a takeover target of France's Pernod Ricard, which owns Irish Distillers.

Ireland

- Ryanair provided the highlight of the week, announcing third quarter results on Monday which greatly exceeded analysts' expectations. Net profit in the quarter was €35m with a 13% increase in passenger volumes, lower unit costs per passenger (largely on lower fuel costs) and a 2.3% increase in total revenue per passenger. The company raised its full year net profit guidance to €246m. The Ryanair share price was up 13% on the week and is up 27% since the start of the year.

Pacific Basin

- Asian equities had a good week with cyclical sectors such as semiconductors and mining leading the way.
- Steelmakers across the region were strong as companies negotiated large price increases to supply customers such as automakers.
- Mining companies also gained as Rio Tinto reported strong earnings.
- Japanese banks fell over the week on speculation that they may have to increase their bad-loan provisions.

Eurozone Bonds

- Bond markets globally made modest gains in response to lower than anticipated US jobs growth. Lower inflation data and the continued unchanged stance of ECB interest rate policy also helped Eurozone bond prices. The Merrill Lynch over 5 year euro government bond index rose 0.8% 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 to 2.5% last week and repeated that more rate increases are likely at a 'measured pace'. If jobs' growth remains modest – like last month's – and inflation contained, then this policy will persist for the months ahead.
- 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. Continued low ECB rates and well-behaved inflation could continue to underpin eurozone bonds in 2005.
- Equities have improved recently following a sluggish start to the year. While technology sector earnings' announcements have disappointed somewhat, other sectors have been slightly better than expectations. 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 pharmaceuticals. In geographical terms, the funds continue to be neutral the UK and Japan, underweight the US, while overweight Europe and the Pacific Basin.