Weekly investment news

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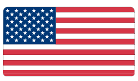
EAGLE STAR

Global Overview

- Equity markets advanced last week on the back of positive earnings reports. In the US, of the 363 companies in the S&P 500 which have reported, 65% have beaten expectations, 16% reported in-line and 19% below expectations.
- In the Pacific Basin, the Australian and New Zealand markets closed at record peaks. A rally in commodity stocks supported big commodity exporters Latin America and Canada.
- There was some slightly better news on the US trade deficit last week which narrowed to $56.4 billion in December from $59.3 billion the previous month although this reduction was in line with expectations. Much of the reduction was due to a fall in oil prices. Initial jobless claims data were also lower than expected.
- The US dollar hit a three-month high against the euro and a two-month peak against the yen last week. It retreated slightly as the week progressed.
- Oil prices rose when the International Energy Agency raised its oil demand forecast and said non- Opec oil production would grow more slowly than previously anticipated.

Market	Index	Year to Date Return 31.12.04 to 11.02.05		1 Week Return 04.02.05 to 11.02.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-0.6	4.8	0.2	0.3
US	NASDAQ	-4.5	0.6	-0.5	-0.3
Europe	FT/S&P Europe Ex. U.K.	4.5	4.5	1.4	1.4
Ireland	ISEQ	8.6	8.6	2.0	2.0
UK	FTSE 100	4.8	7.6	2.1	1.6
Japan	Topix	1.0	3.2	1.3	-0.2
Hong Kong	Hang Seng	-2.7	2.2	1.9	2.1
Australia	S&P/ASX 200	3.1	9.0	0.3	2.4
Bonds	Merrill Lynch Euro over 5 year Govt.	2.9	2.9	0.3	0.3

Equities



USA

- Most American equity markets advanced last week on the back of positive earnings reports from the likes of AIG and Aetna. AIG rose 8% on the week while Aetna was up 3% after it reported profits up 21%.
- Energy stocks outperformed due to the rally in oil prices; insurance stocks outperformed on the back of progress on tort reform and AIG's results.
- Dell, the computer maker, fell 4% when it released a disappointing outlook to analysts. Hewlett Packard stock rose following the decision to relieve chief executive Carly Fiorina of her duties.

Europe

- In the auto sector, Renault, the French carmaker reported a 72% rise in full year operating profits. The share price rose 8%.
- There were upbeat results from a number of banks including Societe Generale of France and UBS of Switzerland. However, Germany's Depfa Bank was weaker following downgrades by Merrill Lynch and Deutsche Bank.
- In London, the FTSE 100 consolidated its rise above the 5000 level last week. ICI rose 14% after better than expected results. There were also results from Barclays and Glaxo.

Ireland

- Eircom provided the highlight of the week, announcing third quarter results on Tuesday which were broadly in line with expectations. The stock bounced 8% on the week following optimistic comments and upgrades from brokers.
- Anglo Irish Bank put in a strong performance on the week rising 6% while Ryanair fell back 4% on profit taking.

Pacific Basin

- Asian equities rose last week. Many markets were shut for some of the week in celebration of the Chinese New Year.
- Thai stocks rallied after premier Thaksin Shinawatra won a resounding second election victory – he is expected to increase investment spending and implement reform measures during his second term.
- Australian banks posted strong gains after Commonwealth Bank of Australia reported surprisingly good earnings growth.
- Japanese brokerage stocks also rose after news of a tie-up between Sumitomo Mitsui Financial and Daiwa Securities.

Eurozone Bonds

- In Europe, yields on 10 and 30 year government bonds reached record lows while yields on US 30 year bonds were at their lowest since June 2003. Increased demand from pension funds and insurance companies due to asset liability matching continues to underpin the long end of bond markets. The Fed chairman, Alan Greenspan, is due to testify to Congress next week and investors will be watching closely for any change in the bank's current "measured pace" stance. The Merrill Lynch over 5 year euro government bond index rose 0.3% 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 has raised rates to 2.5% 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.
- A more detailed explanation of the Fed's views will be provided in Congressional testimonies during the week and these will be closely scrutinised by market participants.
- 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 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.