Weekly
investment news

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EAGLE STAR

Global Overview

- Equity markets bounced last week following positive comments from the US Federal Reserve and better economic numbers from the US.
- The Federal Reserve increased interest rates, by 0.25%, to 3% on Tuesday. An increase in interest rates normally has a negative impact on investor sentiment; however, the accompanying statement said that inflation remained contained and that they would continue to increase borrowing costs at a "measured" pace.
- In Europe, the European Central Bank left interest rates on hold at 2%, as expected.
- The other big news of the week was the downgrading by Standard & Poor's of General Motors and Ford debt to junk status. The move had been widely anticipated although it occurred sooner than expected.
- There were better employment data from the US on Friday. Non-farm payrolls rose by 274,000 in April, almost 100,000 more than predicted.
- On currency markets, the US dollar strengthened marginally against the euro and the yen, partly on the back of better US employment data. There was also continued speculation that China will revalue its currency.
- On commodity markets, oil prices moved back towards $52 per barrel as the market brushed aside data showing high US inventories and continued to focus on fundamental supply/demand concerns.

Market	Index	Year to Date Return 31.12.04 to 06.05.05		1 Week Return 29.04.05 to 06.05.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-3.4	2.1	1.3	1.8
US	NASDAQ	-9.6	-4.5	2.4	2.9
Europe	FT/S&P Europe Ex. U.K.	3.2	3.2	2.5	2.5
Ireland	ISEQ	-2.4	-2.4	3.7	3.7
UK	FTSE 100	2.2	6.6	2.4	2.0
Japan	Topix	0.1	3.4	1.8	2.4
Hong Kong	Hang Seng	-1.4	3.9	0.9	1.5
Australia	S&P/ASX 200	-1.7	2.9	0.0	-0.3
Bonds	Merrill Lynch Euro over 5 year Govt.	3.3	3.3	-0.3	-0.3

Equities

USA

- Equity markets in the US bounced last week as employment data in the US improved.
- There was negative news from a number of big corporate names, most notably the downgrade to junk status of General Motors and Ford debt ratings.
- IBM, the computer giant, announced that it would make 13,000 job cuts worldwide.

Europe

- European markets made strong gains last week with IT and mining sectors putting in the best performance. Cap Gemini reported better than expected first quarter sales while Infineon rose 10%.
- Nokia was strong on the commencement of its share buy-back programme.

Europe (continued)

- Adidas–Salomon rose when it announced that it has sold Salomon to Amer Sports for €485 million.
- The UK market moved ahead to end the week in positive territory. Unilever, the consumer products company, delivered better than expected first quarter results.

Ireland

- The Irish equity market out-performed on the week, rising 3.7%. The rise was driven by Anglo Irish Bank which published annual results showing a 31% increase in profits.
- CRH also has some good news. In its AGM statement the company said it is securing better prices for its products in the US market and is has had a good start to the year. Fyffes also had a positive trading statement.

Pacific Basin

- Asian equities rose last week after the Federal Reserve in the US raised interest rates again but eased some market worries by reiterating that it would continue to increase rates at a "measured" pace.
- Japanese auto companies gained after recording strong sales in the US market, notable in a week in which S&P downgraded the debt ratings of General Motors and Ford, whose sales continue to be lacklustre.
- Taiwanese stocks advanced amid optimism that improved relations with China would boost trade links between the two countries. It followed the visit of a Taiwanese opposition politician to China.

Eurozone Bonds

- Eurozone bonds declined 0.3% during the week as equity markets bounced following positive economic data from the US. However, the expected decision of the ECB to keep interest rates on hold continues to support the market.
- The US treasury announced the possible reintroduction of 30-year government bonds.

Global Outlook

- The global economy has continued to slow from last year's robust pace, with much of the recent data in most economies disappointing expectations. Policymakers remain vigilant regarding the effects of high oil prices on growth and inflation.
- We have said for some time that inflation data will remain central to the Fed's policy actions over coming months. Although US rate expectations have eased back in recent weeks, markets still expect the Fed to raise its rates by a further 0.75% to 3.75% by year end.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. It had voiced concerns over rising property prices, generous financial liquidity conditions and the level of government borrowings, although recent weak data has tempered these concerns somewhat. It is still likely that low ECB rates and well-behaved inflation can remain supportive of eurozone bonds, although recent gains leave Eurozone bonds slightly stretched.
- Equity market returns have been quite varied so far this year; some of the major indices have recently slipped into negative territory. The US market remains the most sluggish of the large markets and technology has been the weaker sector. For 2005, global profit growth is still expected to be around 10%, although investors are now attaching less certainty to that prediction.
- Currently, the funds are close to neutral in bonds and neutral to slightly underweight equities versus the manager average. Sector-wise the funds' exposure to cyclical sectors such as basic industries and resources has been reduced while some defensive sectors have been increased. In geographical terms, the funds continue to be neutral the UK and Japan and close to neutral in the Pacific Basin, underweight the US, while overweight Europe.

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