Weekly investmentnews

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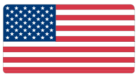
EAGLE STAR

Global Overview

- Equity markets advanced last week despite high oil prices and uncertainty over the pace of US interest rate rises.
- Oil prices rose 9% to $57 per barrel due to continued worries over supply/ demand inconsistencies for both refined and crude products. Energy stocks in all regions rebounded as a result.
- Positive consumer confidence numbers from the US provided support for equities and mitigated the impact of the rising oil price. The University of Michigan's consumer sentiment index increased to 94.8 from 86.9 in May. There was also some positive inflation data with the consumer and producer price indices rising by less than expected in May. However, U.S. retail sales were weaker than expected in May
- News that the US current account deficit increased yet again had little impact on sentiment. The deficit is now at a record $195.1 billion
- On currency markets, the euro has declined sharply against the dollar partly due to deepening political and economic worries in the eurozone. However, there was some respite last week when the US dollar weakened slightly against the euro to $1.22.

Market	Index	Year to Date Return 31.12.04 to 17.06.05		1 Week Return 10.06.05 to 17.06.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	0.4	11.2	1.6	0.6
US	NASDAQ	-3.9	6.4	1.3	0.3
Europe	FT/S&P Europe Ex. U.K.	8.6	8.6	0.9	0.9
Ireland	ISEQ	3.9	3.9	1.6	1.6
UK	FTSE 100	5.5	11.3	0.9	0.8
Japan	Topix	0.7	5.0	2.0	0.8
Hong Kong	Hang Seng	-2.2	8.2	-0.2	-1.1
Australia	S&P/ASX 200	6.5	17.1	2.1	3.2
Bonds	Merrill Lynch Euro over 5 year Govt.	5.5	5.5	-1.2	-1.2

Equities



USA

- Equity markets in the US rose on the week. Oil stocks soared on signs producers will struggle to meet growing demand during the second half of the year leading to rising oil prices.
- On the corporate front, Best Buy, the electronics retailer reported earnings that were well above expectations.
- Construction stocks also performed well while consumer staples underperformed.
- Commodity exporting countries like Brazil and Mexico were among the best performing markets.

Europe

- European stocks continued their excellent run and there was a good deal of corporate activity.

Europe

- Pernod Ricard succeeded in its £7.5 billion bid for Allied Domecq after Constelllation Brands, the US drinks group,said it would not pursue Allied. The Allied share price fell 2% on the news while the Pernod share price rose 3%.
- Unicredito and HVB both rose 8% due to expected synergies between the two companies following a €19 billion takeover deal.
- As in the US, energy stocks outperformed on the back of rising oil prices. Steel and mining stocks also outperformed. Consumer staples and pharmaceutical stocks underperformed.

Ireland

- AIB released a trading statement showing better than forecast interim earnings.
- Waterford Wedgewood announced pretax losses approaching €150 million for 2004.
- Elan rose on the back of news that it is researching treatments for Parkinson's Disease.

Pacific Basin

- Stocks were firm on hopes that earnings will remain strong after upbeat Chinese economic reports.
- The Australian market has a particularly good week due to its high concentration of commodity type stocks.

Eurozone Bonds

- Eurozone bonds declined on the week due to profit taking and comments from Jean- Claude Trichet, the European Central Bank President, indicating that the ECB is not preparing for an interest rate cut.
- Markets were also affected by large issuance of for government bonds in Germany, Italy and Spain.

Global Outlook

- The global economy has continued to slow from last year's robust pace, with many of the recent data 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. Fed guidance is that rates will continue to rise at a measured pace, with markets anticipating rates to rise 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 continues to soften its rhetoric with questions of a rate cut being less stridently dismissed. Long term eurozone interest rates are at 60 year lows after the recent strong performance from eurozone bond markets. Bonds are therefore slightly stretched at the moment but remain supported by low inflation and low short rates.
- Local currency equity market returns have been quite varied so far this year, with the European markets stronger than most. The US market remains the most sluggish of the large markets, although dollar strength has compensated for this. For 2005, global profit growth is still expected to be around 10%.
- Currently, the funds are close to neutral in bonds and slightly overweight equities versus the manager average. Sector-wise the funds have shifted to a more neutral bias. 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.