Weekly investment news

13th February 2006

EAGLE STAR

Global Overview

- Equity markets traded in a range last week despite a sharp fall in oil prices and the release of generally positive quarterly earnings reports.
- Oil prices ended the week 5% lower due to data from the US which showed an unexpectedly large increase in US petroleum inventories.
- In the US, the trade deficit widened to $65.7 billion in December bringing the total for 2005 to $725.8 billion.
- Commodity markets paused for breath last week with copper, lead and zinc all ending the week lower. There was also profit taking in evidence on gold markets following a strong run.
- On currency markets, the yen made strong gains against other currencies as the Bank of Japan indicated that will soon begin to increase interest rates from the current zero percent level.

Market	Index	Year to Date Return 31.12.05 to 10.02.06		1 Week Return 03.02.06 to 10.02.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	1.5	0.8	0.2	1.0
US	NASDAQ	2.6	1.8	0.0	0.7
Europe	FT/S&P Europe Ex. U.K.	4.3	4.3	0.6	0.6
Ireland	ISEQ	3.2	3.2	-0.8	-0.8
UK	FTSE 100	2.6	3.4	0.1	0.0
Japan	Topix	0.6	0.3	-2.8	-0.7
Hong Kong	Hang Seng	3.7	2.9	0.0	0.7
Australia	S&P/ASX 200	2.3	2.1	-0.3	-1.1
Bonds	Merrill Lynch Euro over 5 year Govt.	-1.1	-1.1	0.3	0.3

Equities

USA

- In the US, energy stocks followed oil prices down with ExxonMobil and Chevron recording negative returns on the week. Metal producers also had a difficult week on the back of weaker prices with US Steel down 4%.
- On a positive note, Oracle, the world's biggest maker of networking equipment , delivered positive guidance to the market and rose 4% on the week.
- Pfizer, the pharmaceutical giant, announced it is considering the sale of its consumer products division. Investors see this as a positive move as it allows the company to concentrate more on pharmaceutical development.

Europe

- Mergers and acquisitions activity in the telecoms and banking sector helped European markets to gain marginally last week.
- Portugal Telecom rose 17% following a share offering from Sonae, the Portuguese conglomerate.
- Telefonica gained 4% on the week on rumours that it is expected to bid for full control of Vivo, the Brazilian mobile telecoms business.
- In the UK, there was speculation about Lloyds TSB linking up with Banco Bilbao Vizcaya and Citibank is rumoured to be interested in Royal Bank of Scotland.

Ireland

- The Irish market experienced weakness with banking stocks down on the week.
- Ryanair was flat on the week despite releasing a solid set of earnings results.

Pacific Basin

- The Japanese market experienced a volatile week due to speculation that interest rates may be about to rise from zero for the first time in over 5 years. Economic news from Japan continues to be upbeat.
- The Australian markets slipped marginally due to weakness on commodity markets.

Eurozone Bonds

- Bond markets rose again last week helped by an unexpected decline in German manufacturing orders and weaker German export data.
- The Merrill Lynch over 5 year government bond index rose by 0.3%.

Global Outlook

- Global growth continues to be healthy despite high oil prices and higher global interest rates. Consensus expectations are that global GDP will expand by 3.5% in 2006, similar to last year's rates.
- Following the most recent US rate increase to 4.5% investors currently expect rates to peak close to 5%. The strength of activity and inflation data over the next few months will be key in this regard.
- Investors expect the ECB to use a more positive view on the economy to justify a further rate hike in March, with rates rising to around 3% by year end. Moderate inflation and pension fund liability matching which should continue to offer some support to longer-dated bonds.
- Equity markets remain supported by a strong earnings' background and favourable valuations relative to bonds and cash; high oil prices and tighter liquidity conditions from higher interest rates should constrain the upside to markets.
- Currently, the funds are slightly underweight in bonds and slightly overweight equities versus the manager average. Sectorwise, the funds are overweight general industrials and financials while underweight some of the defensive areas like telecoms. Other sectors are broadly neutral. Geographically the funds are underweight Ireland, the UK and North America; Europe, Japan and the Pacific Basin remain overweight.

EAGLE STAR HOUSE FRASCATI ROAD BLACKROCK CO DUBLIN IRELAND TELEPHONE 01 283 1301 FAX 01 283 1578 WEBSITE www.eaglestarlife.ie