Weekly investment news

3rd April 2006

EAGLE STAR

Global Overview

US interest rates rise
The US Federal Reserve implemented an interest rate rise to 4.75% on Tuesday. They also gave indications that further rises are to come. US and European equity markets stumbled over the week as a result.

Bond yields rise
The impact of rising rates and stronger than expected US inflation data caused bond prices to weaken.

Strong German business confidence
In Germany, the Ifo institute's index of German business confidence reached a 15-year high. Interest rates in Europe are expected to rise to over 3% by year end due to improved Eurozone economic data.

Renewed strength in metal markets
Silver reached 22 year highs as investors snapped up the metal in anticipation of an expected US listing of a silver backed exchange traded fund. Gold reached a 25 year peak of $589 during the week, while platinum, copper and zinc all reached record levels.

Oil prices hit $67 per barrel
Oil prices briefly touched the $67 per barrel mark on the back of a sharp fall in US inventories during the week. The price moderated to $66 by week end.

Market	Index	Year to Date Return 31.12.05 to 31.03.06		1 Week Return 24.03.06 to 31.03.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	3.7	1.1	-0.6	-1.5
US	NASDAQ	6.1	3.4	1.2	0.3
Europe	FT/S&P Europe Ex. U.K.	9.3	9.3	-0.3	-0.3
Ireland	ISEQ	9.5	9.5	0.3	0.3
UK	FTSE 100	6.2	4.7	-1.2	-2.2
Japan	Topix	4.8	2.5	2.3	1.4
Hong Kong	Hang Seng	6.2	3.5	0.6	-0.3
Australia	S&P/ASX 200	7.7	2.5	1.8	1.7
Bonds	Merrill Lynch Euro over 5 year Govt.	-3.3	-3.3	-1.1	-1.1

Equities

USA

Overview

The impact of rising interest rates and inflation took their toll on US markets this week with interest rate sensitive stocks suffering the biggest losses.

Key Movers

General Motors – The stock fell 8% on the week when Standard & Poor's said that it may downgrade the company's credit rating further.

Google – Google stock joined the S&P 500 on Friday and the shares jumped 7% as index managers added the stock to their portfolios.

Technology Stocks – It was a good week for technology stocks with the Nasdaq rising 1.2%. Wireless technology companies did particularly well due to upbeat guidance from Nokia for the mobile phone industry.

Europe

Overview

European stocks were subdued last week due to concerns regarding rising interest rates.

Key Movers

AP Moller- Maersk – The Danish shipping company was the biggest loser for the week with a decline of 10% due to disappointing 2005 profits and a downbeat outlook for 2006.

Bayer – The German pharmaceutical giant fell 7%. The company is currently raising funds to help purchase its peer, Schering.

Broker upgrades – A number of stocks including Sodexho, the contract caterer, and EDF, the French electricity giant, were boosted by broker upgrades.

Ireland

Key Movers

Economic movers – Economic data on the Irish economy continued to be upbeat with housing data remaining stronger than expected.

Elan – The pharmaceutical group regained 4% of the losses from the previous week as the first patients enrolled in its safety extension study for Tysabri.

Bank of Ireland – The bank delivered an upbeat trading statement to the market.

Asia Pacific

Australian market rises due to strength in resources

The Sydney market had a good week on the back of record highs in commodities markets which helped the mining sector in particular.

Japan delivers excellent returns

The Japanese market had a good week buoyed by upbeat performances in export stocks. The market rose over 2% on the week.

Bonds

Eurozone bonds decline

Dramatic movements in interest rate expectations over the past few months have taken their toll on bonds this year and last week was no exception. Eurozone bond prices fell over 1% as interest rates in the US rose and expectations of a rise at this week's meeting of the ECB intensified.

Global Outlook

- Growth expectations continue to nudge higher with global GDP now expected to expand by 3.7% in 2006, slightly above last year's figure of 3.6%.
- After last weeks 15th consecutive Fed hike to 4.75%, investors expect rates to peak between 5% and 5.25%. The strength of economic activity and inflation data over the next few months will be key in this regard.
- Following the most recent ECB rate hike to 2.5%, investors expect rates to pass the 3% mark by year end. Moderate inflation and pension fund liability matching should continue to offer some support to longer-dated bonds.
- Equity markets remain reasonably supported by a strong earnings' background and favourable valuations relative to bonds; high oil prices and tighter liquidity conditions from higher interest rates should constrain the upside to markets. The gradual ending of super-easy money policies in Japan could also be an important factor for various asset classes over the coming months.
- Currently, the funds are close to neutral in bonds and slightly overweight in equities versus the manager average. Sectorwise, the funds are overweight industrials and financials while underweight some of the defensive areas, like telecoms. Geographically the funds are underweight Ireland and North America and neutral in the UK. Europe and the Pacific Basin remain overweight while the Japanese overweight has been added to at the expense of the US.

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