



Corporate Conference Call

7 September 2010

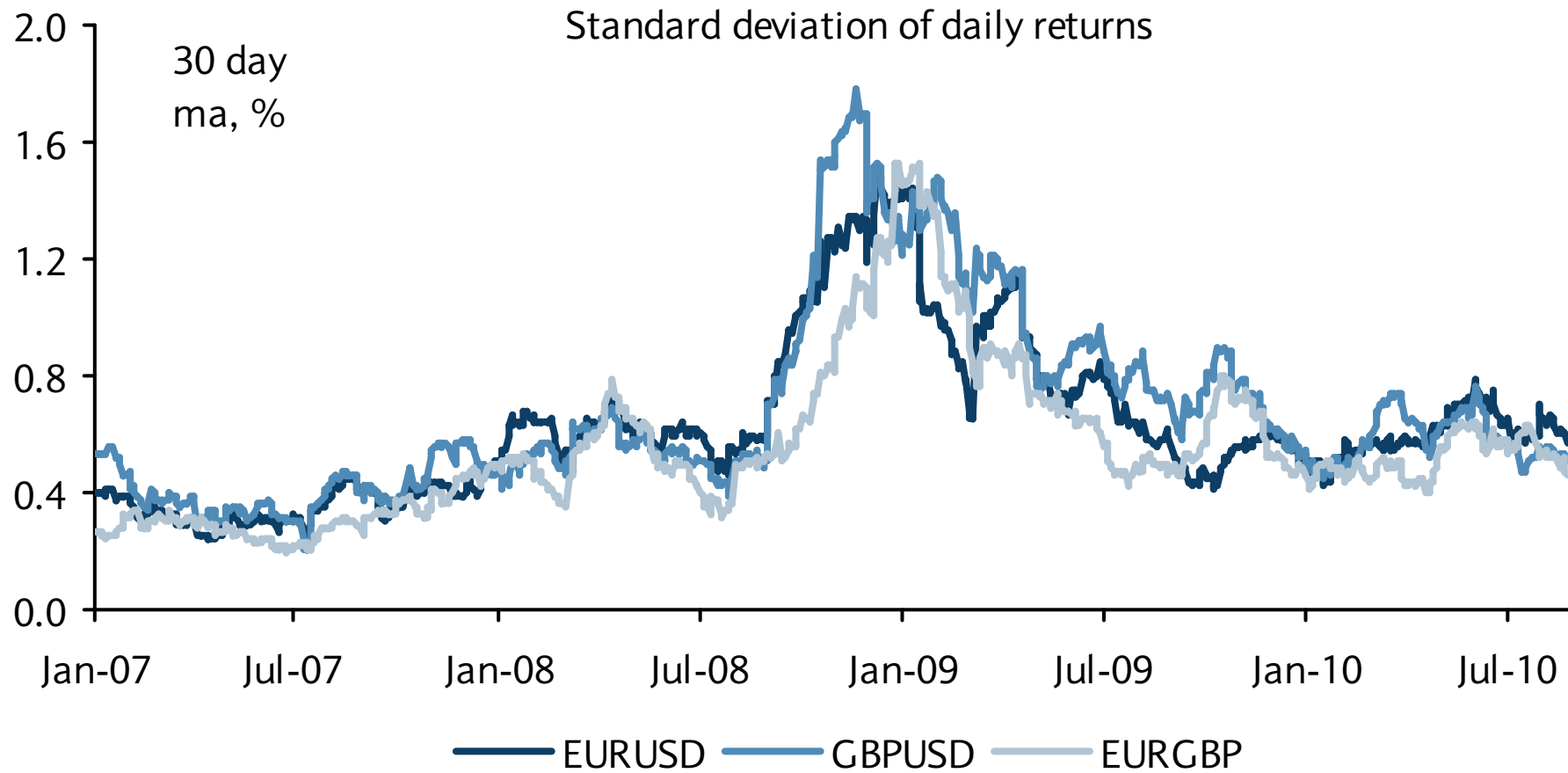
Paul Robinson

Chief Sterling Strategist

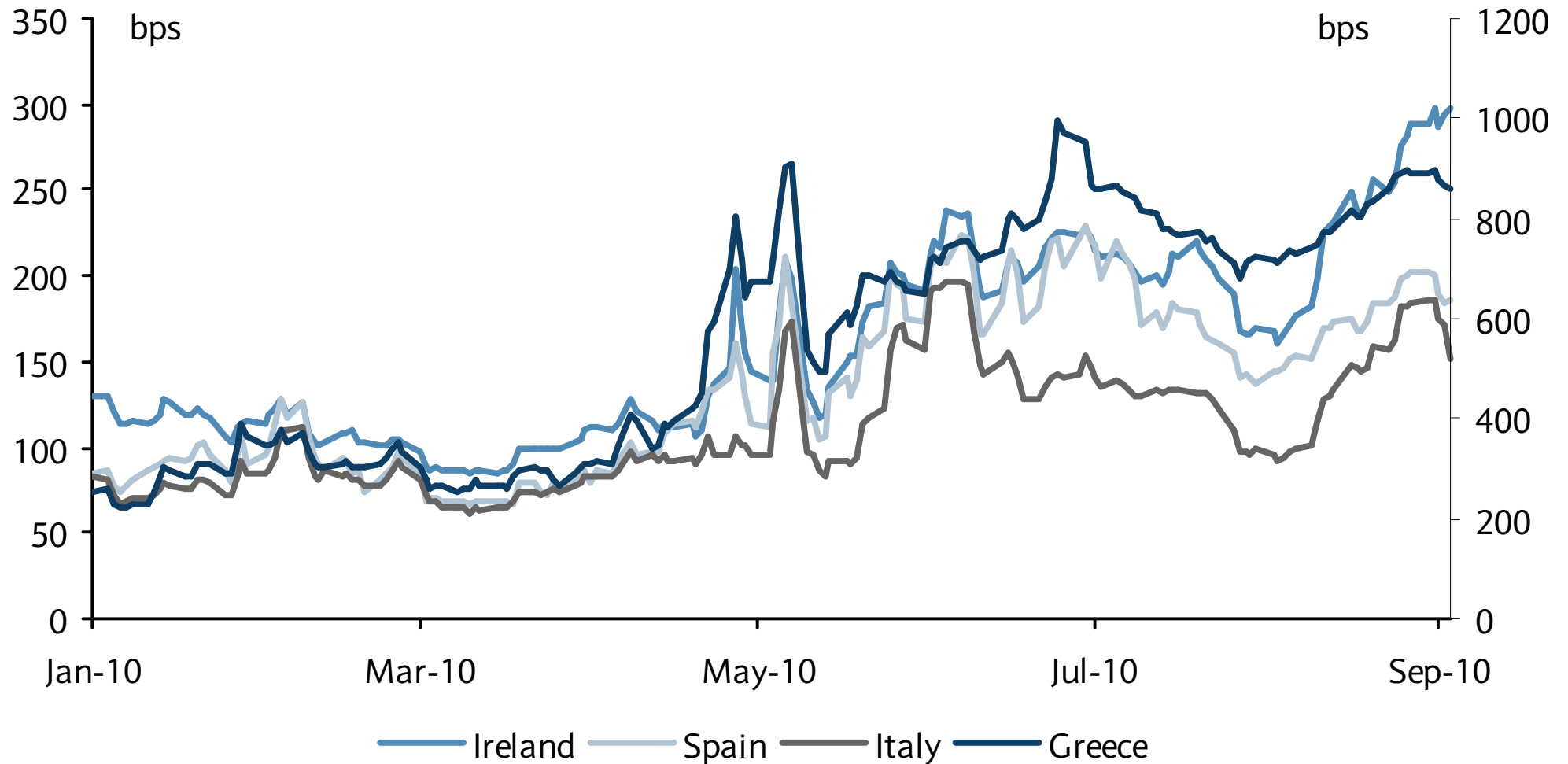
Plan

- Quiet summer markets
- But some signs of increasing nervousness in markets
- Why?
- What does it mean for the UK and GBP?

Volatility in FX markets has remained stable



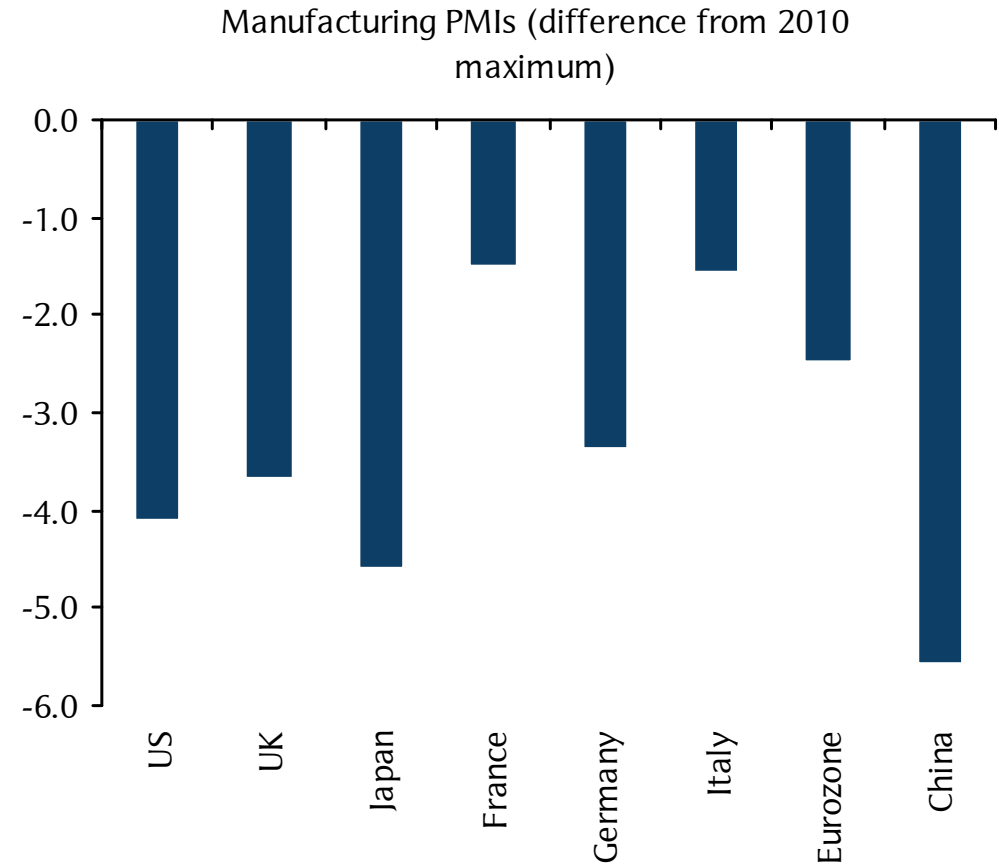
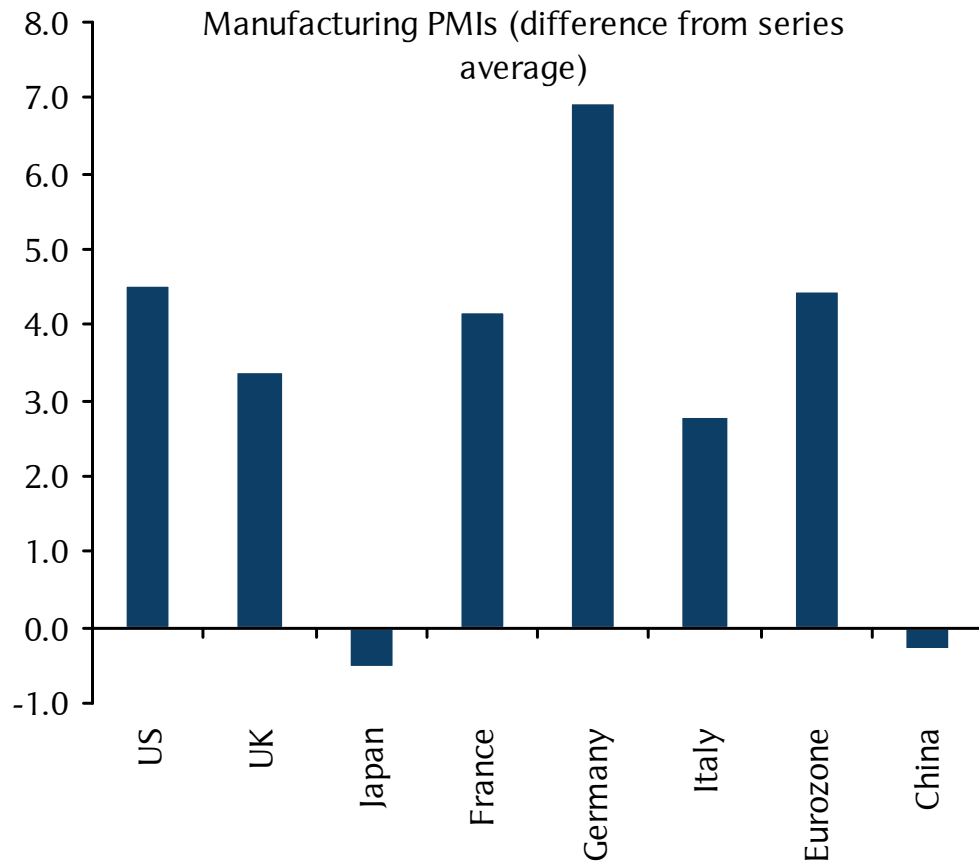
Peripheral euro area CDS spreads are close to their previous peaks



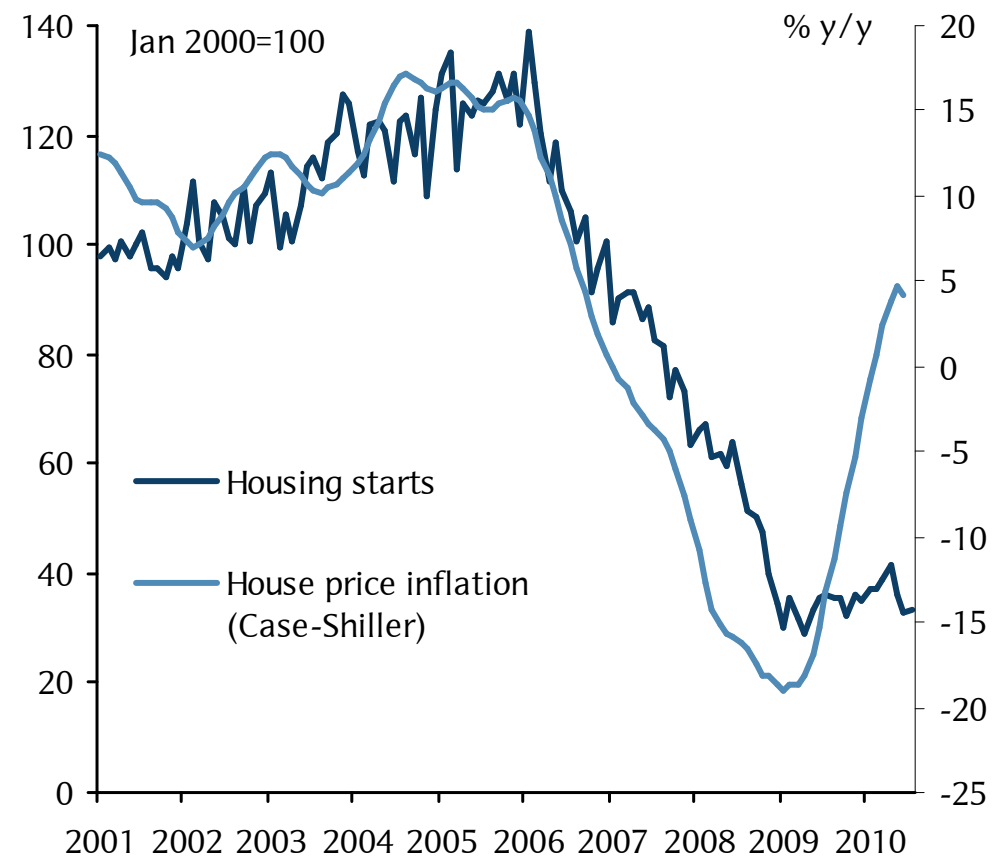
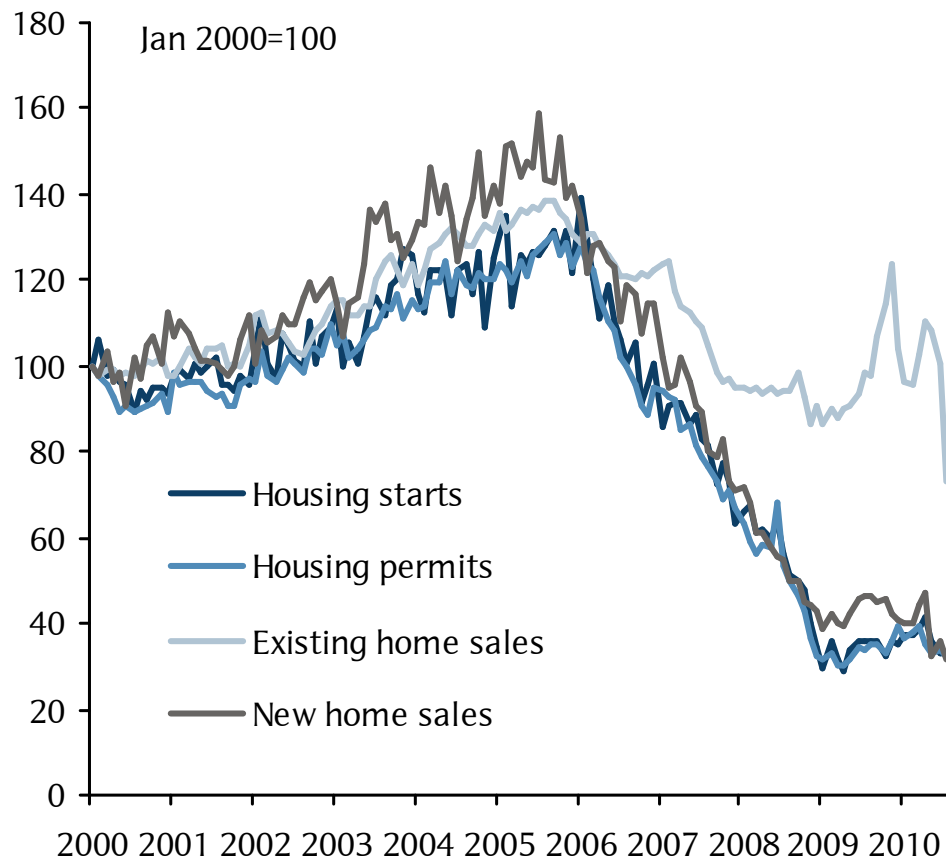
Key concerns

- Strength of the US recovery
- Strength of the Chinese economy
- Peripheral euro area economies
 - ▶ Both in absolute terms
 - ▶ And relative to economies such as Germany that are in better shape

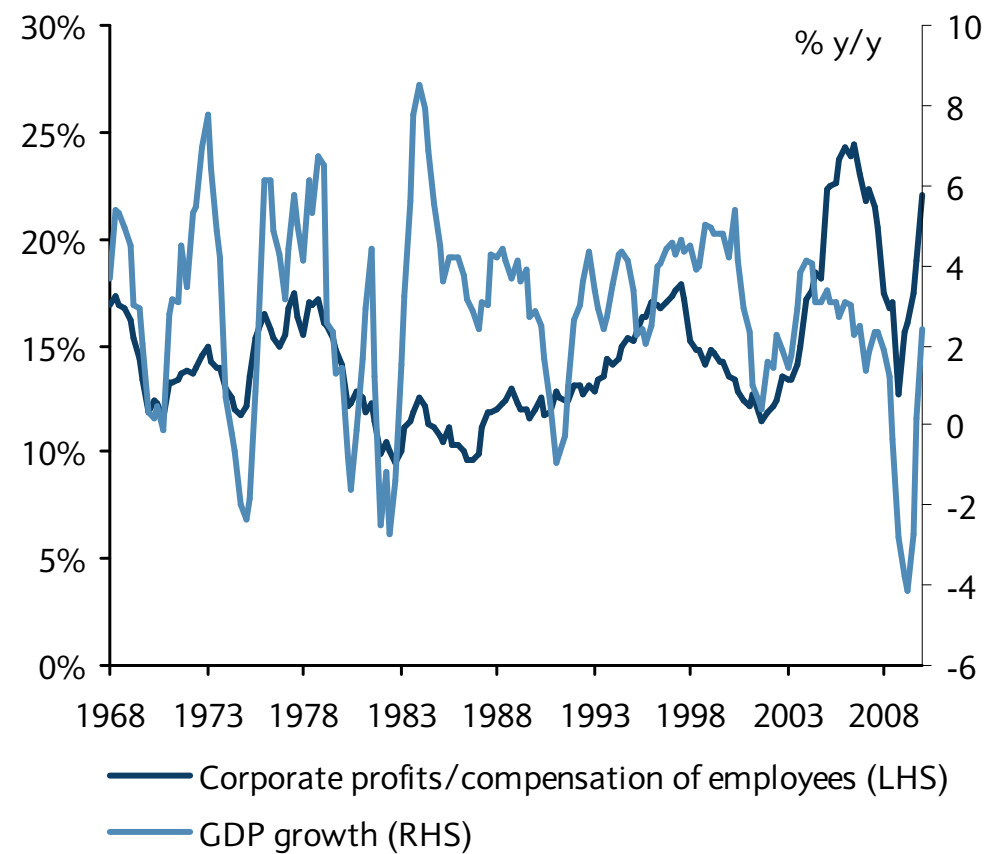
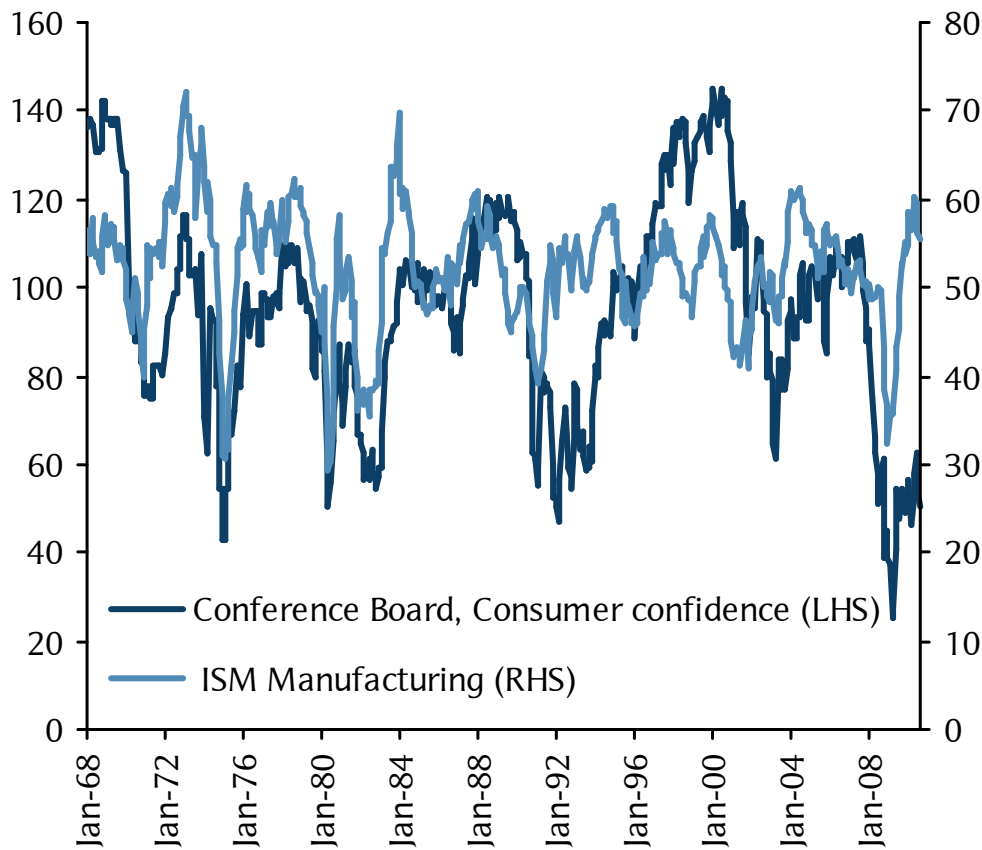
Is the glass half full, half empty or just less full than it used to be?



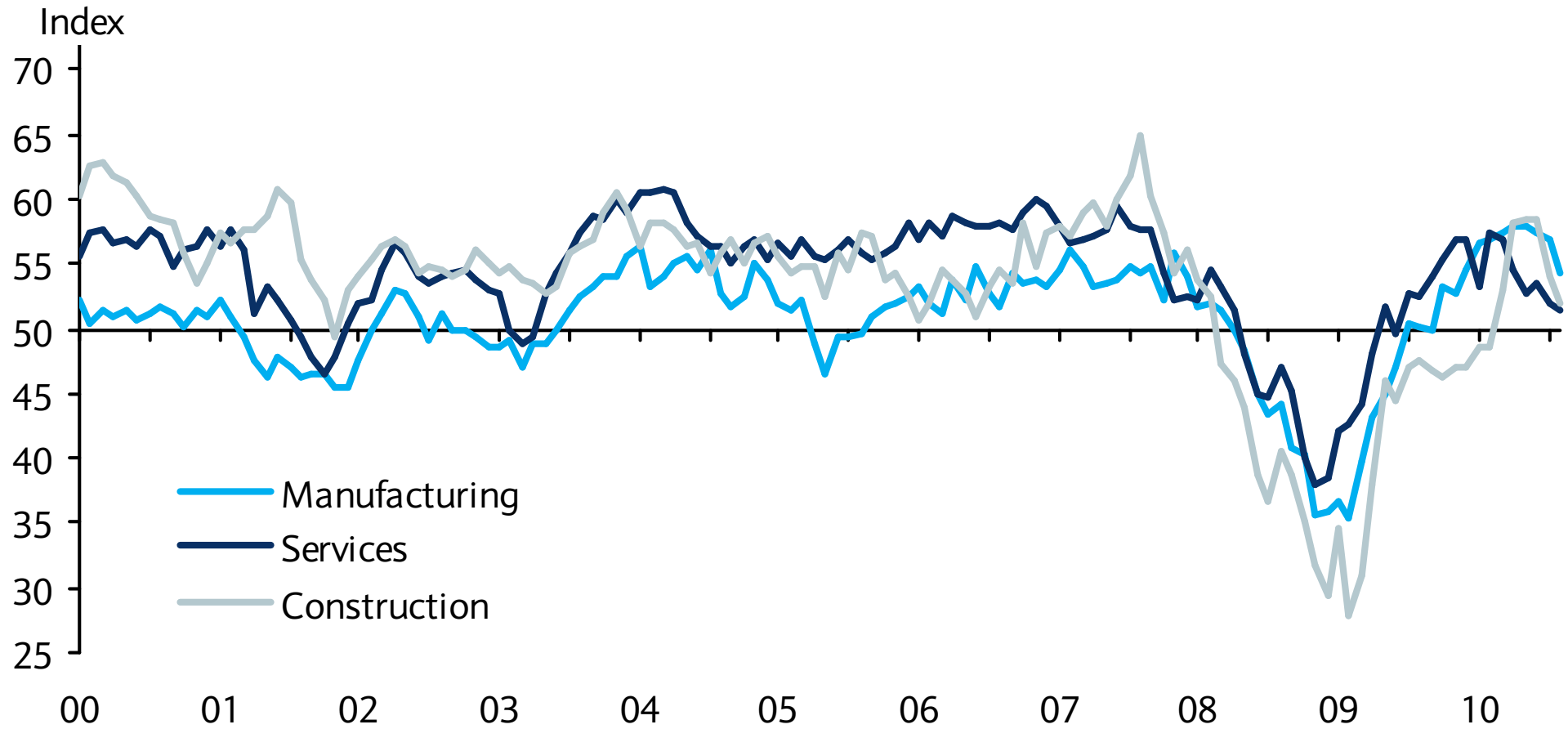
US house prices have been increasing – but for how much longer if activity does not pick up?



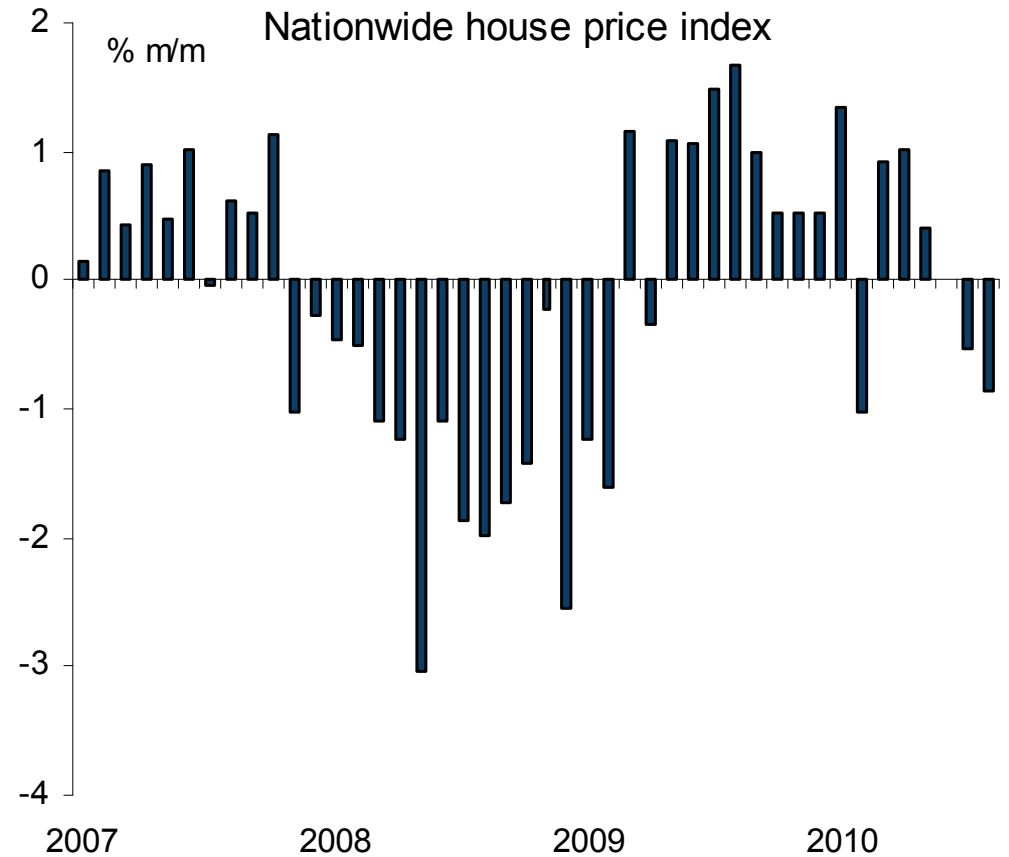
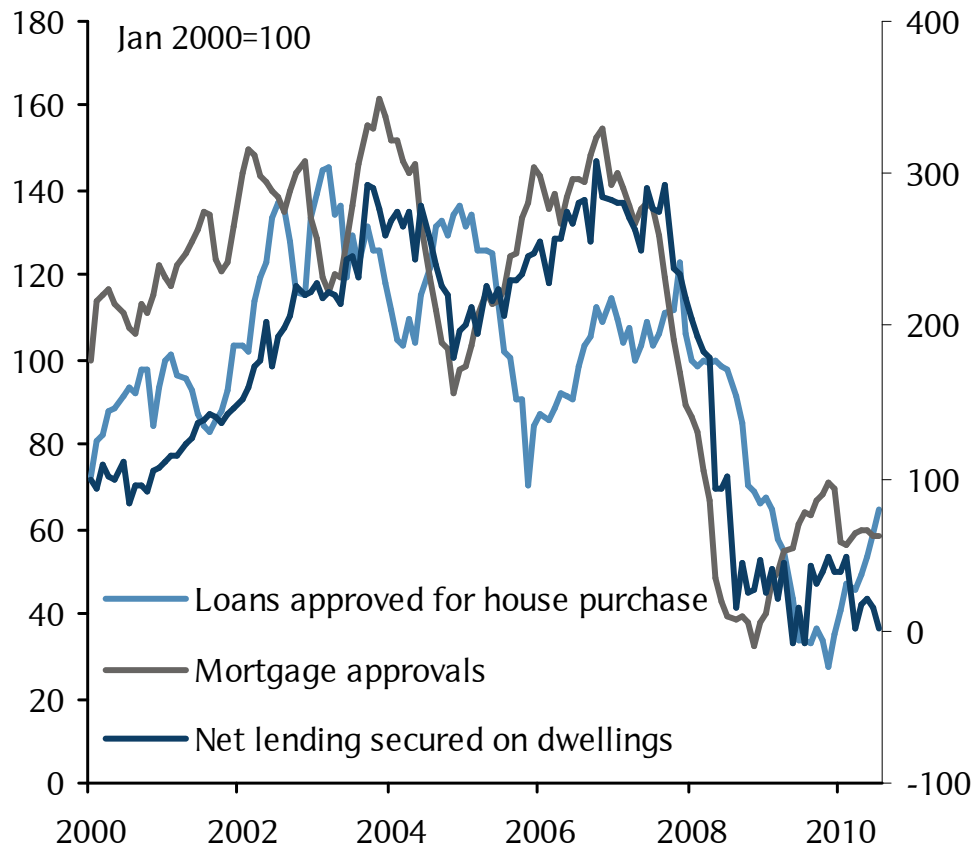
US businesses appear more confident than US households



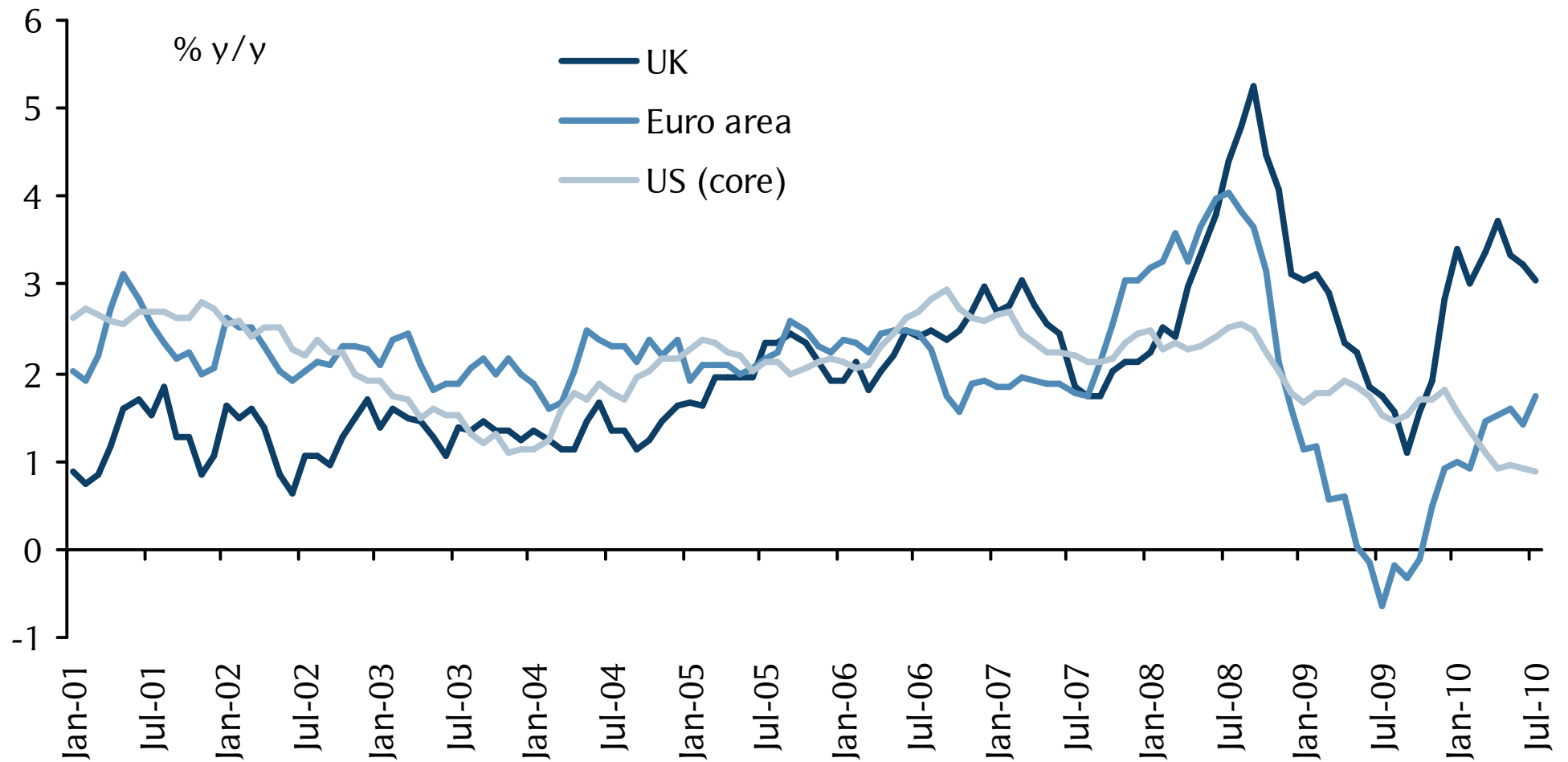
Recent UK data suggests business confidence is coming under some pressure



The UK housing market resembles the US in many ways



UK inflation remains significantly above the US or euro area



	Forecasts				
	Spot	1 Month	3 Month	6 Month	1 Year
GBP/USD	1.54	1.57	1.58	1.67	1.67
GBP/EUR	1.20	1.23	1.27	1.28	1.28
EUR/GBP	0.84	0.81	0.79	0.78	0.78
GBP/JPY	130	130	138	148	153
GBP/CAD	1.59	1.65	1.68	1.80	1.83
GBP/CHF	1.56	1.68	1.77	1.82	1.86
GBP/SEK	11.1	11.7	11.8	11.9	11.8
GBP/NOK	9.4	9.9	10.0	10.1	10.0
GBP/AUD	1.68	1.74	1.80	1.98	2.03
GBP/NZD	2.13	2.18	2.26	2.42	2.49

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