

# Weekly Update

13 July 2009



## Market Intelligence Straight to your Business

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Indicative Swap Rates

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LOOK AT THINGS DIFFERENTLY

 **BANK OF SCOTLAND**  
TREASURY

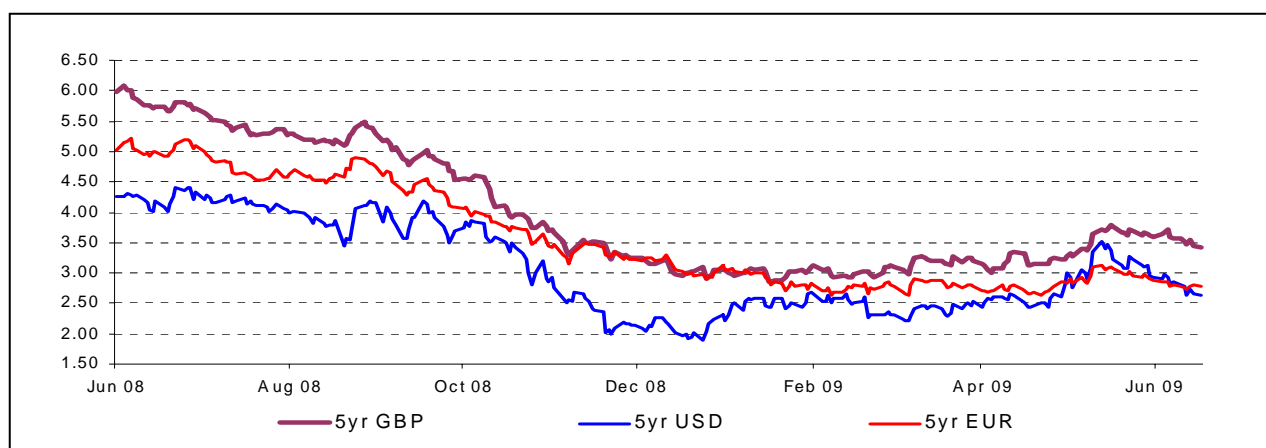
## Indicative Swap Rates

	£		€		\$	
	Today	1 week ago	Today	1 week ago	Today	1 week ago
OFFICIAL RATE	0.50%	0.50%	1.00%	1.00%	0.25%	0.25%
3 MONTH LIBOR	1.02%	1.12%	0.97%	1.04%	0.51%	0.55%
6 MONTH LIBOR	1.24%	1.36%	1.22%	1.27%	0.97%	1.03%
12 MONTH LIBOR	1.55%	1.65%	1.43%	1.45%	1.46%	1.51%
2 YEAR	2.02%	2.12%	1.69%	1.67%	1.29%	1.34%
3 YEAR	2.70%	2.82%	2.16%	2.13%	1.86%	1.95%
5 YEAR	3.43%	3.56%	2.78%	2.77%	2.63%	2.81%
7 YEAR	3.78%	3.89%	3.18%	3.19%	3.10%	3.31%
10 YEAR	4.05%	4.14%	3.55%	3.56%	3.48%	3.71%
20 YEAR	4.31%	4.38%	4.08%	4.10%	3.89%	4.11%
30 YEAR	4.17%	4.27%	4.00%	4.02%	3.98%	4.18%

Rate quotes taken from the inter-bank mid-market.

Swap rate quote conventions - UK: Semi, Actual/365 vs. 6M Libor Euro: Annually, 30/360 vs. 6M Libor US: Annually, Actual/360 vs. 3M Libor

\*Friday's close

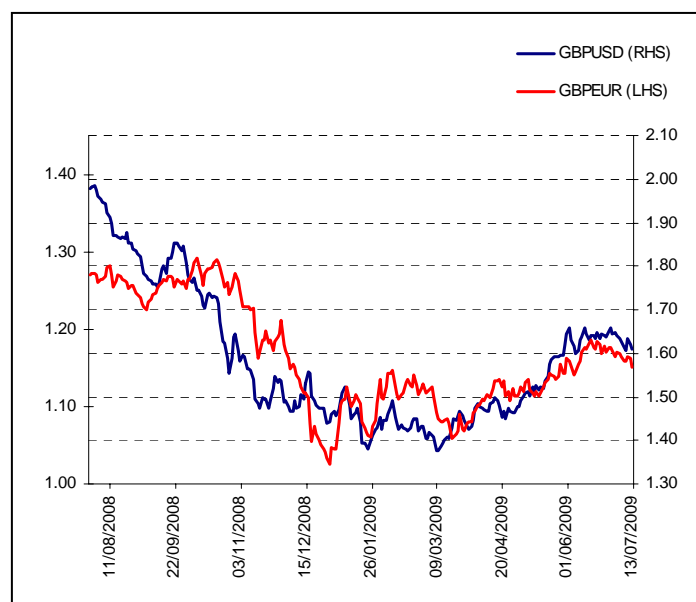


## Market Levels

	Today	1 week ago
GBP/USD	1.6103	1.6286
GBP/EUR	1.1511	1.1647
EUR/USD	1.3990	1.3984
GBP/JPY	148.60	155.31
FTSE 100	4135.3	4194.9
Euro Stoxx 50	2280.5	2343.9
*S&P 500	879.1	896.4
**Nikkei 225	9050.3	9680.9
Gold (\$/oz)	913.5	925.0
Brent Crude (\$/barrel)	59.9	63.5
Gilt Future	118.2	118.4
T-Bond	120.7	118.9
Bund	122.4	122.0

\* Friday's closing rate

\*\* Monday's closing rate



## Commentary

### Economics & Interest Rates:

It is a quiet start to the week, but the calendar becomes busy from Tuesday. The main theme underpinning the data releases this week is that inflationary pressures remain benign, as unemployment continues to rise, weighing on domestic demand. Moreover, a turnaround in the wider economy is unlikely to be sustained, as long as activity in the housing sector remains weak. Business surveys this week are expected to show a more measured assessment of economic prospects, while the US Fed FOMC minutes and testimony from new BoE MPC member Posen may help the markets better understand where the respective central banks stand on the possibility of further quantitative easing.

UK CPI on Tuesday and US CPI on Wednesday are expected to show further declines in annual rates. Although oil prices rose in May and much of June, the increases were not as sharp as those exhibited in the spring and summer of 2008. Base effects apart, underlying inflation trends remain benign. Although annual UK CPI has been relatively stubborn, remaining above the 2% target, we nevertheless expect it to fall to 1.9% in June. We see US CPI rising 0.5% in June on the month, but this would still push the annual rate down to -1.7% from -1.3%. Annual US core CPI is seen falling to 1.7% from 1.8%. Euro zone annual CPI is also due and is expected to reaffirm the earlier flash estimate of -0.1%, while Canadian annual CPI is expected to fall into negative territory.

Claimant count unemployment in the UK on Wednesday is forecast to rise 45,000 in June, compared with the 39,000

increase in May, with the broader ILO unemployment rate forecast to have risen from 7.2% to 7.5%. Given the recent declines of industrial production, retail sales and house prices, the UK may be little more than midway through the employment downturn. In the US, initial jobless claims are forecast to rise to 575,000 from 565,000 and will continue to be a drag on consumption.

US retail sales on Tuesday may show a second consecutive monthly rise in June, with a forecast of 0.3%. However, the underlying trend remains weak, as rising unemployment offsets the impact of the government's fiscal stimulus. In the UK, the British Retail Consortium will release its June retail sales monitor. 'Official' DCLG UK house prices are expected to show a fall of -12.6% in the year to May, compared with -13.0% in April, while the more forward-looking RICS survey may point to another improvement, albeit from weak levels. US housing starts and permits are expected to remain near cyclical lows, while markets will be looking to see if last month's unexpected fall in the NAHB homebuilders' confidence index will be reversed.

The key business confidence surveys due this week include the Empire manufacturing and Philadelphia Fed surveys in the US and the ZEW survey in Germany. These surveys have generally pointed to improvements in business sentiment in recent months, but the question remains whether companies have been too optimistic regarding economic prospects. Small rises in the Empire and ZEW surveys are forecast, but the strength and longevity of any economic recovery is far from assured.

## Key Economic Releases This Week

Date	Time	Cntry	Release/Event	Period	Forecast	Consensus	Previous
14-Jul	09.30	UK	CPI	Jun	0.3 (1.9)	0.3 (1.8)	0.6 (2.2)
14-Jul	10.00	GER	ZEW – Economic Sentiment	Jun	45.5	48.0	44.8
14-Jul	13.30	US	Advance Retail Sales	Jun	0.3	0.4	0.5
14-Jul	13.30	US	Retail Sales ex-autos	Jun	0.4	0.5	0.5
15-Jul	09.30	UK	Change in Unemployment	Jun	45.0k	43.0k	39.3k
15-Jul	09.30	UK	Claimant Count Rate	Jun	4.9	5.0	4.8
15-Jul	13.30	US	CPI	Jun	0.5 (-1.7)	0.6 (-1.6)	0.1 (-1.3)
15-Jul	13.30	US	Core CPI	Jun	0.1 (1.7)	0.1 (1.7)	0.1 (1.8)
15-Jul	19.00	US	Minutes of 24 Jun FOMC Meeting	-	-	-	-

*Annual rates shown in brackets. Consensus figures taken from Bloomberg poll*

## Contact Details

London (020) 7574 8692 Securitisation (020) 7574 8263  
 Glasgow (0141) 221 4936 Corporate Bonds (020) 7574 8357  
 info@bostreasury.com