

Weekly Update

20 July 2009



Market Intelligence Straight to your Business

Indicative Swap Rates

Market Levels

Commentary

Economic Calendar

LOOK AT THINGS DIFFERENTLY

 **BANK OF SCOTLAND**
TREASURY

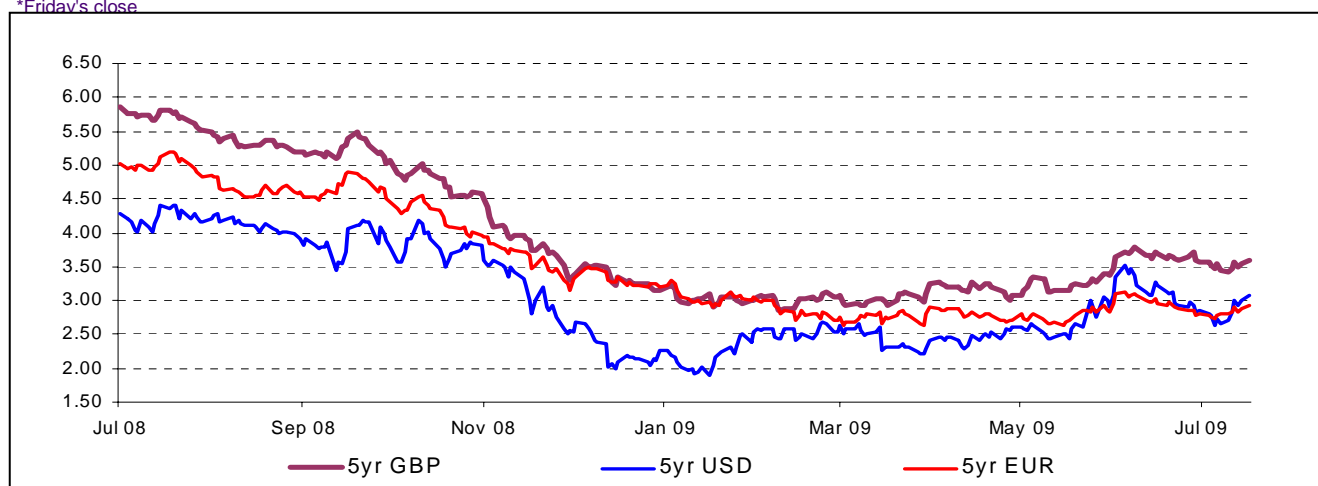
Indicative Swap Rates

	£		€		\$	
	<u>Today</u>	<u>1 week ago</u>	<u>Today</u>	<u>1 week ago</u>	<u>Today</u>	<u>1 week ago</u>
OFFICIAL RATE	0.50%	0.50%	1.00%	1.00%	0.25%	0.25%
3 MONTH LIBOR	0.96%*	1.05%	0.94%*	0.98%	0.50%*	0.51%
6 MONTH LIBOR	1.18%*	1.27%	1.20%*	1.23%	0.97%*	0.97%
12 MONTH LIBOR	1.50%*	1.57%	1.40%*	1.43%	1.49%*	1.46%
2 YEAR	2.14%	2.02%	1.80%	1.71%	1.51%	1.33%
3 YEAR	2.85%	2.70%	2.29%	2.18%	2.19%	1.92%
5 YEAR	3.59%	3.42%	2.93%	2.80%	3.08%	2.71%
7 YEAR	3.95%	3.77%	3.34%	3.20%	3.57%	3.18%
10 YEAR	4.23%	4.01%	3.71%	3.58%	3.96%	3.55%
20 YEAR	4.45%	4.24%	4.21%	4.11%	4.34%	3.94%
30 YEAR	4.29%	4.12%	4.11%	4.03%	4.41%	4.00%

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

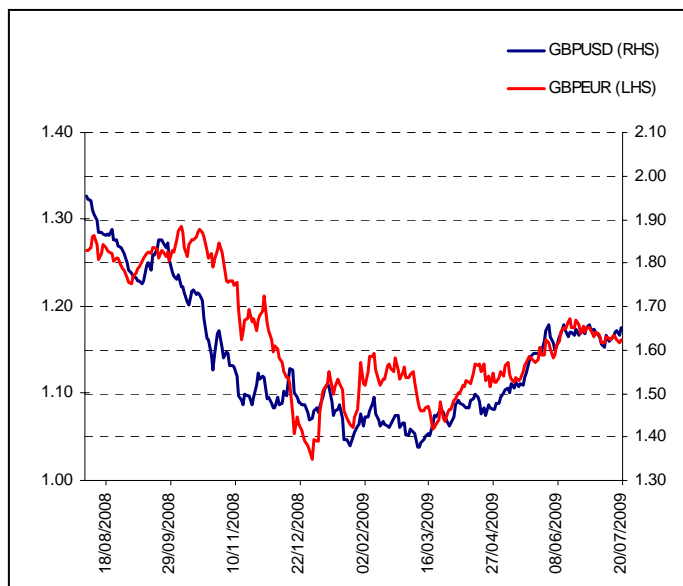


Market Levels

	<u>Today</u>	<u>1 week ago</u>
GBP/USD	1.6515	1.6227
GBP/EUR	1.1612	1.1610
EUR/USD	1.4222	1.3978
GBP/JPY	156.33	150.87
FTSE 100	4461.4	4202.1
Euro Stoxx 50	2510.1	2345.2
*S&P 500	940.4	879.1
**Nikkei 225	9395.3	9287.3
Gold (\$/oz)	953.4	920.3
Brent Crude (\$/barrel)	65.7	60.0
Gilt Future	116.5	118.4
T-Bond	116.3	120.7
Bund	120.5	122.3

* Friday's closing rate

** Monday's closing rate



Commentary

Economics & Interest Rates:

Economic data take on an added importance at potential turning points as markets look for confirmation or denial of the emerging trend. In the UK this week, money supply, provisional Q2 GDP and retail sales data are due, along with the latest MPC minutes and an update on the dire state of the public finances.

Markets are likely to be hanging on every word of Fed Chairman Ben Bernanke when he delivers his semi-annual monetary policy report to the House panel on Tuesday. We expect him to provide further details on the potential 'exit strategies' the Fed may employ once policy tightening is eventually required.

Key surveys, including the 'flash' PMIs and German IFO, provide the main highlights in the euro zone this week. Although we expect these to show modest improvements in July, the readings will remain consistent with weakening activity, albeit at a slower pace.

With attention increasingly focused on the efficacy of quantitative easing, and whether central banks have done enough or not, the UK money supply data and Bank of England Trends in Lending report this morning will attract particular attention. However, we believe it is still too early to hope for any meaningful turnaround in lending, with formidable issues facing both the supply and demand for new credit.

This afternoon, we forecast another solid rise in the index of US leading economic indicators in June, raising confidence that the economy may emerge from recession later this year.

Key Economic Releases This Week

Date	Time	Cntry	Release/Event	Period	Forecast	Consensus	Previous
21-Jul	15.00	US	Fed Chairman Bernanke speaks	-	-	-	-
22-Jul	09.30	UK	Minutes of 10 July MPC Meeting	-	-	-	-
23-Jul	09.30	UK	Retail Sales	Jun	0.3 (2.1)	0.3 (2.1)	-0.6 (-1.6)
23-Jul	15.00	US	Existing Home Sales	Jun	4.8m	4.83m	4.77m
24-Jul	09.00	GER	IFO Survey – Business Climate	Jul	86.5	86.5	85.9
24-Jul	09.00	GER	IFO Survey – Expectations	Jul	n/a	9.1	89.5
24-Jul	09.00	EUR	PMI Manufacturing	aJul	43.7	45.2	44.7
24-Jul	09.00	EUR	PMI Services	aJul	45.5	45.2	44.7
24-Jul	09.30	UK	GDP	aQ2	-0.4 (-5.2)	-0.3 (-5.2)	-2.4 (-4.9)

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

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