



Arlingclose Ltd:  
Independent treasury management services

# Review of the Week

24<sup>th</sup> - 28<sup>th</sup> February 2020

# Economic Commentary

The main story this week is certainly COVID-19 “The Coronavirus”. As cases have spread around the world, now on every continent, an increasing number of analysts are forecasting doom and gloom. The resulting falls in equity markets and significant fall in government bond yields reflect the consensus opinion that the outbreak will have a considerable impact on global growth and trade. Already industries are seeing shortened working weeks, supply chain disruption and potentially have an inflationary effect on input prices. Once the outbreak is under control and in the past, we may see a rebalancing and diversification of world trade and production as China can no longer be relied on as *the World’s factory*. If China sneezes, the rest of the world stumbles may well turn into a political tagline from President Trump during his election campaign.

The reality is indeed bad, however let’s take stock of the current situation. The virus is highly contagious but much less deadly than previous coronavirus outbreaks such as SARS or MERS. All but essential travel to China and hotspots of affected areas, including Northern Italy, has been restricted. More than 7,000 people have been tested for the virus in the UK, and of the 15 diagnosed, 8 have been released from hospital. Subsequently, a number of schools have been closed after persons who have recently travelled to Northern Italy have returned.

The effect on underlying interest rates globally is downbeat. In the US, consensus is currently to maintain rates where they are, however if a persistent fall in equities continues, the Federal Reserve may be more inclined to cut rates. In the UK data has been relatively strong, despite recent FTSE 100 falls, with a tight labour market, strong PMIs and medium-low inflation, combined with an improvement in political uncertainty from the strong Conservative majority, leads to the level projection from Arlingclose’s Interest Rate Forecast.

Data from the US has been a bit of a mixed bag, with GDP Annualised QoQ data slightly lower than anticipated at 2.1% (expected 2.2%), however still a strong level of growth, however mortgage applications have increased (1.5%), but initial jobless claims has increased more than expected (219k actual vs 211k expected).

# Market Rates Review

## Money Market Interest Rates/Yields: 27/02/2020

	Current Bid Rate/Yield	Low Bid 2019- 20	High Bid 2019- 20	Ave Bid 2019- 20
<b>Money Markets Rates</b>				
7-day	0.755	0.700	0.875	0.765
1 month	0.700	0.640	0.780	0.740
3 month	0.765	0.630	0.895	0.797
6 month	0.735	0.690	0.965	0.854
9 month	0.815	0.750	1.080	0.955
12 month	0.835	0.825	1.195	1.031
2 year	0.950	0.150	1.450	1.133
<b>SWAP Rates</b>				
5 Year	0.587	0.536	1.248	0.835
10 Year	0.641	0.545	1.421	0.940
15 Year	0.705	0.570	1.520	1.023
20 Year	0.729	0.577	1.559	1.057
25 Year	0.727	0.576	1.565	1.063
<b>Gilts</b>				
1 year	0.499	0.386	0.798	0.619
5 year	0.338	0.216	0.944	0.546
10 Year	0.459	0.403	1.234	0.748
20 Year	0.840	0.805	1.671	1.185
30 Year	0.933	0.911	1.740	1.286
<b>T-Bills</b>				
1 month	0.657			
3 months	0.653			
6 months	0.637			
<b>Base Rate</b>				
	0.750			

## Benchmark Rates and Yields

Benchmark Share Index & Banking Shares			
	Last price	Weekly Change	YoY Change
FTSE 100 Index	6,868.28	-7.64%	-3.36%
Barclays	155.44	-14.27%	-6.87%
HSBC	535.00	-4.41%	-13.23%
Lloyds	50.64	-10.45%	-19.47%
RBS	186.10	-10.40%	-22.50%

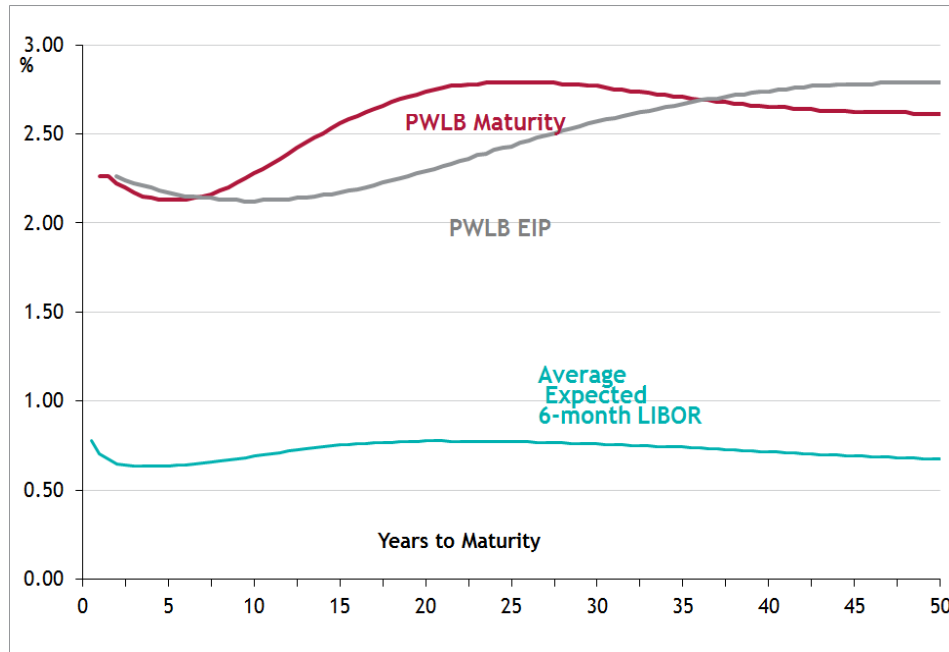
Benchmark Share Indices			
	Last price	Weekly Change	YoY Change
FTSE 100 Index	6,868.28	-7.64%	-3.36%
S&P 500 Index	3,116.39	-7.61%	11.60%
DAX 30 Index	12,452.35	-8.87%	8.40%
Nikkei 225 Index	21,948.23	-6.52%	1.82%
CAC 40 Index	5,524.14	-8.88%	5.72%

Benchmark Gilt Yields			
	Last price	Weekly Change	YoY Change
1 yr Gilt	0.50	-0.20	-0.39
5 yr Gilt	0.34	-0.26	-0.66
10 yr Gilt	0.46	-0.20	-0.64
20 yr Gilt	0.84	-0.12	-0.51
30 yr Gilt	0.93	-0.11	-0.48

Benchmark Sovereign Bond Yields			
	Last price	Weekly Change	YoY Change
10 yr Gilt	0.46	-0.20	-0.64
10 yr Germany	-0.54	0.20	-4.64
10 yr France	-0.24	0.10	-1.44
10 yr Japan	-0.11	1.52	2.58
10 yr US	1.28	-0.16	-0.52

# PWLB Rates Review

## PWLB Interest Rates/Yields



The tables opposite operate a colour coding for easy interpretation when rates reach one of the levels described :

- Green when a rate is at the financial year low,
- Amber when between the financial year low and the year average
- Clear when between the average and year high
- Red when at the financial year high.

All figures shown are PWLB standard rates; please deduct 0.2 for the certainty rate and 0.4 for the project rate.

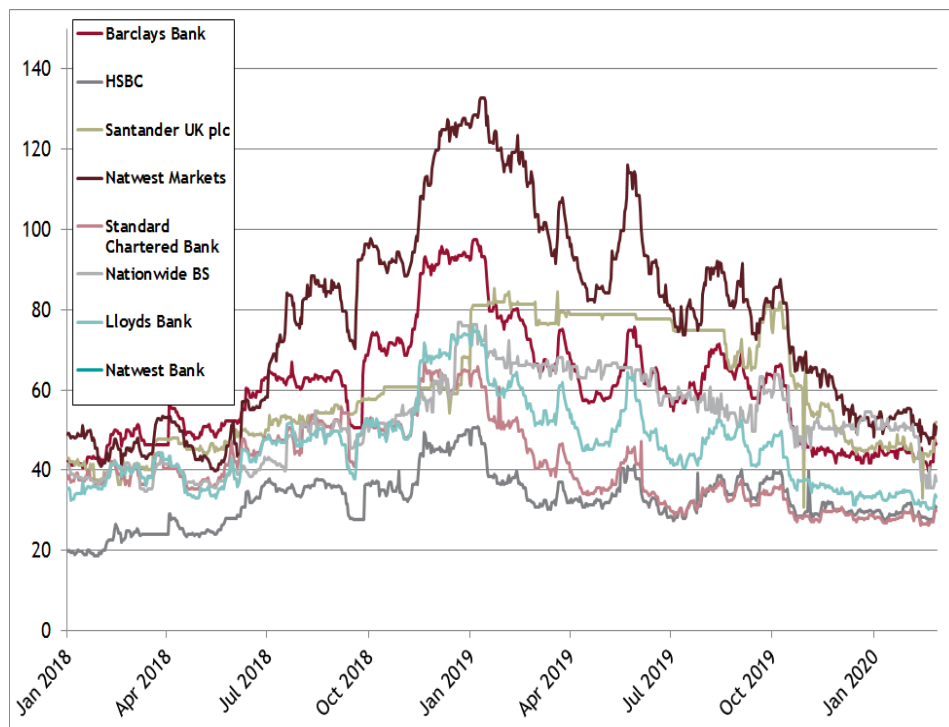
PWLB BORROWING (MATURITY)				
Maturity	27 February 2020	MINIMUM 2019-20	MAXIMUM 2019-20	AVERAGE 2019-20
1 YR	2.46	1.37	2.67	1.97
4.5 - 5 YR	2.33	1.20	2.63	1.93
6.5 - 7 YR	2.35	1.21	2.70	1.99
9.5 - 10 YR	2.48	1.33	2.87	2.16
14.5 - 15 YR	2.76	1.63	3.18	2.47
29.5 - 30 YR	2.97	1.92	3.39	2.70
49.5 - 50 YR	2.81	1.77	3.25	2.57

PWLB PREMATURE REPAYMENT (MATURITY)				
Maturity	27 February 2020	MINIMUM 2019-20	MAXIMUM 2019-20	AVERAGE 2019-20
1 YR	0.34	0.25	0.66	0.47
4.5 - 5 YR	0.20	0.07	0.79	0.39
6.5 - 7 YR	0.22	0.08	0.91	0.44
9.5 - 10 YR	0.33	0.18	1.11	0.60
14.5 - 15 YR	0.61	0.48	1.42	0.92
29.5 - 30 YR	0.84	0.79	1.63	1.18
49.5 - 50 YR	0.69	0.64	1.49	1.05

PWLB BORROWING (EIP)				
Maturity	27 February 2020	MINIMUM 2019-20	MAXIMUM 2019-20	AVERAGE 2019-20
1 YR				
4.5 - 5 YR	2.37	1.27	2.62	1.93
6.5 - 7 YR	2.34	1.23	2.62	1.92
9.5 - 10 YR	2.32	1.19	2.64	1.93
14.5 - 15 YR	2.37	1.23	2.74	2.03
29.5 - 30 YR	2.77	1.64	3.19	2.48
49.5 - 50 YR	2.99	1.93	3.42	2.73

# Credit Review

## CDS Movements



Credit Default Swaps Chart			
Credit Default Swaps (5 year)			
	Last price	Weekly Change	YoY Change
ANZ Banking Group	28.13	+8%	-42%
Barclays Bank	44.24	+12%	-34%
CBA	28.13	+8%	-45%
DZ Bank AG	68.67	+10%	+9%
European Investment Bank	23.84	+3%	-24%
Goldman Sachs Group	62.24	+34%	-27%
HSBC Bank	30.85	+11%	-4%
Landesbank Baden- Wuerttemberg	47.84	+0%	+19%
Landesbank Hessen-Thueringen	45.77	+0%	-4%
Lloyds Bank	33.47	+11%	-39%
NAB	29.13	+8%	-43%
Nationwide BS	37.26	+5%	-43%
Natwest Bank	29.04	+8%	-28%
Natwest Markets	54.88	+18%	-48%
Nordea Bank	22.16	+13%	-48%
Rabobank	22.07	+13%	-48%
Santander UK plc	52.08	+20%	-36%
Standard Chartered Bank	30.08	+14%	-32%

\*CDS prices are shown as a tool to manage credit risk rather than indicative of buying prices

# Data Review

Date	Country	Indicator/Event	Period	Expected	Previous	Actual
26/02/2020	US	MBA Mortgage Applications	Feb	--	-6.4%	1.5%
27/02/2020	EC	Consumer Confidence	Feb	--	-6.6	-6.6
27/02/2020	US	GDP Annualized QoQ	Q4	2.2%	2.1%	2.1%
27/02/2020	US	Personal Consumption	Q4	1.8%	1.8%	1.7%
27/02/2020	US	GDP Price Index	Q4	1.4%	1.4%	1.3%
27/02/2020	US	Core PCE QoQ	Q4	--	1.3%	1.2%
27/02/2020	US	Durable Goods Orders	Jan	-1.5%	2.4%	-0.2%
27/02/2020	US	Durables Ex Transportation	Jan	0.2%	-0.1%	0.9%
27/02/2020	US	Initial Jobless Claims	Feb	211k	210k	219k
28/02/2020	UK	GfK Consumer Confidence	Feb	-8	-9	Due Friday
28/02/2020	US	U. of Mich. Sentiment	Feb	100.6	100.9	Due Friday
28/02/2020	UK	Nationwide House PX MoM	Feb	0.4%	0.5%	Due Friday
28/02/2020	UK	Nationwide House Px NSA YoY	Feb	2.3%	1.9%	Due Friday

# Credit Updates

There were no credit updates this week.