Weekly Market Comment

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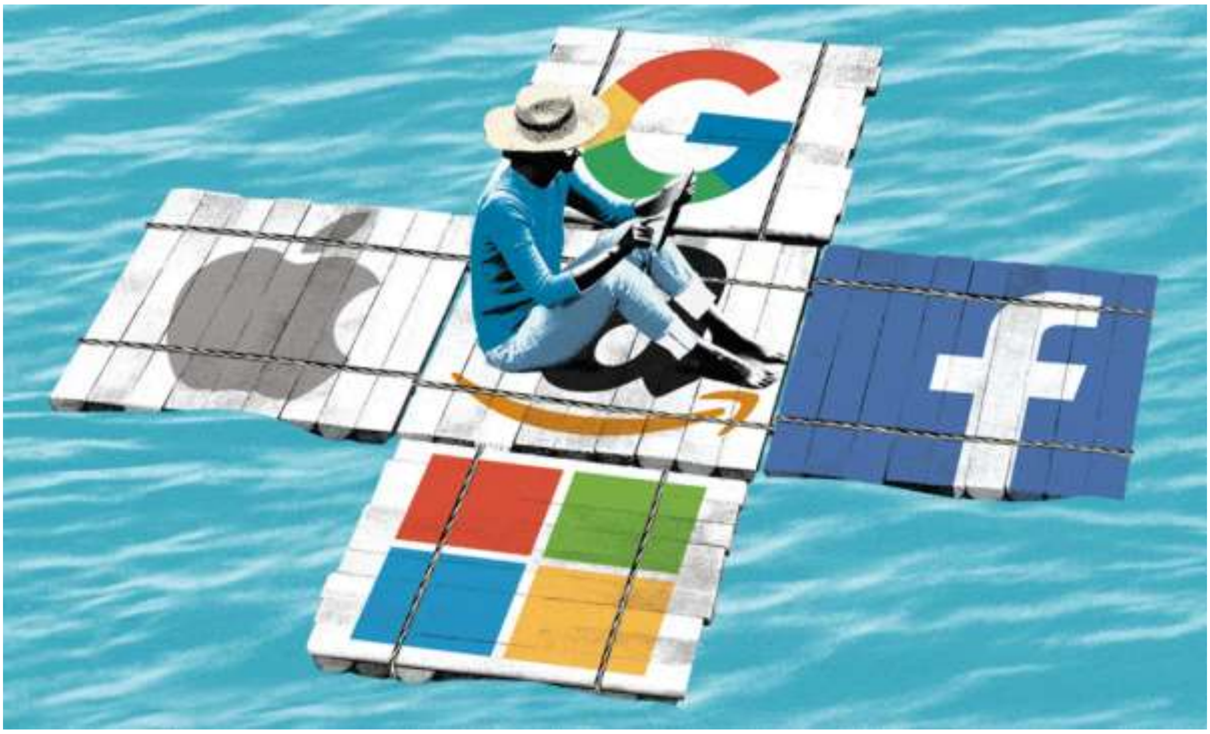


Source: New York Times, Doug Chayka, 10 May 2017

Summer thoughts about the 'longer term'

As I wrote last week, capital markets are currently not exactly quiet or boring as one might reasonably expect in the middle of summer. On the other hand, they are pretty much behaving as we had expected – choppy. Stock markets trended down slightly over the week, despite much better than expected Q2 corporate results in the US and Europe. Now that bond markets have calmed down, currency markets and US politics are blamed. The US$ weakened noticeably against the €-EURO, as president Trump's Twitter storms reach an ever-higher pitch of personal attack and insult – without achieving the slightest in terms of progressing his policy initiatives.

This environment of limited fundamental news made us turn our focus to the longer-term outlook of the next couple of years. Unsurprisingly there is plenty of debate and disagreement where this very stretched out economic cycle is heading and how long it will last. However, there are a few observations we read, hear and discuss ourselves repeatedly.

One school of thought goes as follows: Much of what is unusual about this cycle at this stage in terms of ultra-low yields, low equity risk premia as well as low growth and productivity gains are still aftereffects of the Global Financial Crisis (GFC) of nearly 10 years ago. Therefore, unless we get some geopolitical shock, conditions will gradually normalise back to what we used to see as normal.

Current economic progress may be below average, but given the low levels of inflation and accommodative financial conditions, the economy is actually running under 'goldi-locks' conditions – neither too cold, nor too hot and therefore with little risk of this to change or deteriorate. In this state, owners of capital assets and/or with professional skills and education will continue to do well.

The fly in the ointment is the high levels of debt that come with this status quo and the discontentment of those without capital assets or established professional careers. The debt can become a worrisome burden if yields ever return to historic levels, but inflation stays low - and there is a risk that the discontent young, asset poor old and general workforce exercise their democratic rights to change the rules of the game to the detriment of the status quo.

Mildly redistributive policies and political appeasement is seen as the most effective way to address the latter, whereas the risk of the debt burdens can either be contained through continued financial repression (low rates) or temporarily elevated levels of inflation.

The other school of thought proclaims that there are more fundamental forces at play than last tremors from the GFC. They put forward that the combination of globalisation, helped by a new technological revolution and a demographic overweight in the G7 nations of elderly, asset rich professionals who still call the shots, has led to an unsustainable misbalance amongst western societies.

Globalisation on the one hand and monopolistic structures bred by the latest technology revolution on the other have diminished the negotiating position of labour, resulting in their under proportional participation in living standard improvements. The interests of the elderly leading class and baby boomer generation to hold on to the value of their aggregated lifetime assets is preventing gradual change and improvements for the young and labour, as may be achieved through re-distributive policies and restrictions on purchasing power abuses of the new (tech) monopolies.

The end outcome of this scenario would be the gradual demise of the global economic leadership of the G7 nations as they descend into society splitting political disarray or ever worsening recessionary periods. New economic leaders would emerge from amongst the developing world, who are not (yet) saddled with similar issues.

Somewhat complex concepts to get one's head around but perhaps in their simplified format as presented here, useful to understand why there is so much talk about uncharted territory ahead and why it is so difficult for politicians to take decisive action.

Our own position is that as so often this is unlikely to be a case of 'either – or'. Elements of both sides probably just about capture what is going on and what may lie ahead.

To complement and expand on the above, we have therefore this week included articles which look at the various aspects discussed, starting with the IMF's analysis and forecast of the global economic development for the coming 2 years. This is followed by an assessment of UK consumer credit levels/burdens and then what the reality of the ongoing corporate results announcements for Q2 2017 tells us. The last article turns to the relationship between China and India which has recently shown some similarities with the hegemonic tensions between Great Britain and Germany before WW1.

Thank you for your interest and happy summer reading!

The IMF: A top-down view of the economic world

This week saw the release of the International Monetary Fund's (IMF) latest set of economic data and forecasts for the global economy. While there are plenty of other economic publications worthy of analysis and debate, few provide the opportunity that the IMF report does to take a 'bird's eye view' of global economic developments (and growth).

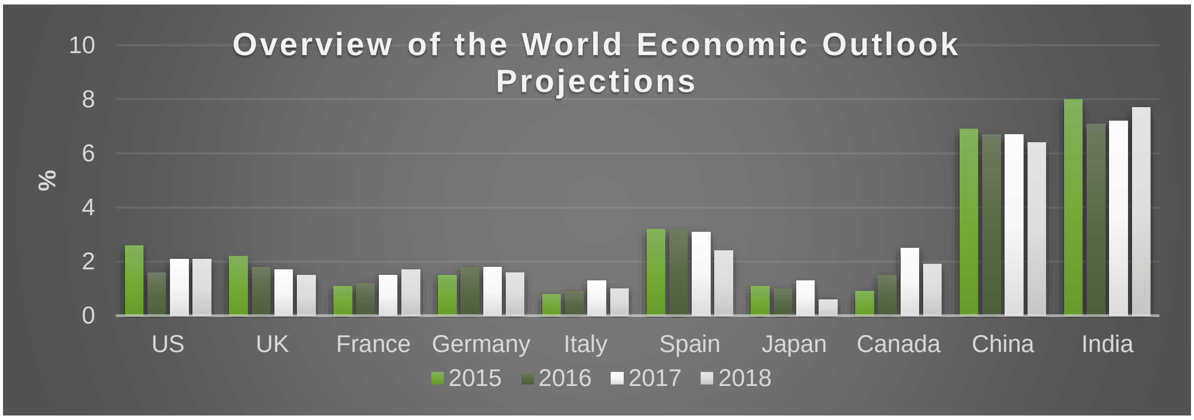
Moreover, it is also an opportunity to understand whether the IMF's overall view is broadly consistent with our - and other analysts' - understanding of the current state of affairs and economic developments across the world.

Firstly, it should be noted that the IMF's outlook is broadly positive. The pick-up in global growth anticipated in the IMF's April report (*World Economic Outlook*) remains on track, with global output projected to grow by 3.5% in 2017 and 3.6% in 2018. Given the constant concerns by so many that the next global recession may be just around the corner, global growth coming in above 3% for this year and next year is certainly a reassuring thought.

Specifically, the IMF revised up growth for Japan and the EZ, where positive activity surprises in late 2016 and early 2017 suggest there is solid momentum building. This is consistent with our own recent analysis of Germany, France and Spain (see previous articles on each of these countries).

Similarly, China's growth projections have also been revised up by the IMF, reflecting a strong first quarter in 2017, and expectations of continued fiscal support. Having said that, there is a lot to keep under control in China, and much rests on the Chinese authorities getting it right, in a timely and transparent manner (see discussion below).

IMF's view of the World



Source: Tatton analysis, IMF data (2015/16 are estimates or actual, 2017/18 are projections)

Perhaps unsurprisingly, both the UK and the US have been marked down by the IMF. In terms of the UK, the growth forecast has been revised down for 2017 as a result of weaker-than-expected activity in the first quarter. With long-term inflation potentially easing, consumer spending reducing and exports taking another back-step, the UK is finely balanced, with arguably greater downside than upside. Indeed, a number of other economists are more pessimistic about the UK outlook; some suggest that, due to Brexit uncertainty, the UK might experience a technical recession over the next 12-18 months.

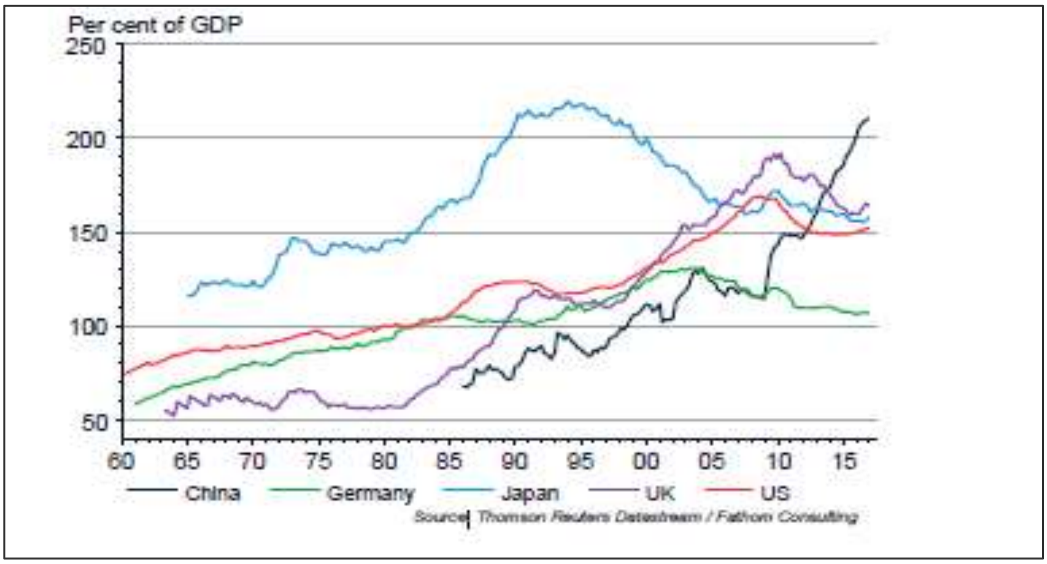
As for the US, it seems that President's Trump's much vaunted fiscal and de-regulatory stimulus has failed to gain any traction. As a consequence, the IMF and others are sceptical about any enhanced short-term prospects for the country. According to the IMF, the major factor behind the growth revision, especially for 2018, is the assumption that fiscal policy will be less expansionary than previously assumed, given the uncertainty about the timing and nature of US fiscal policy changes. As we know, market expectations of fiscal stimulus have also receded.

It is interesting to note that the IMF's revised estimates are largely attributable to the macroeconomic implications of changes in policy assumptions for the world's two largest economies, the US and China. While stronger activity in India, Canada, and in both developed and emerging markets (which is forecast to accelerate in 2017, to 2% and 4.6%) has helped the global picture, all eyes are effectively on the US and China.

A key concern for the Chinese economy is the (growing) level of debt. This is not dissimilar, however, to the situation in many other countries and developed economies. In a number of countries, loose monetary policy has – as intended - led to an the expansion of credit. However, as and when growth recedes and/or central bank policy tightens, it becomes harder for households and businesses to service and/or deleverage (pay their debt). This tends to lead to amplified falls in demand compared to lower leveraged economies, which then of course impacts the severity of the next economic cycle.

In the case of China, the level of debt supporting high levels of public investment (which drives up GDP) is not only difficult to turn off without significant downside risk, but also increasingly difficult to sustain without real underlying economic momentum. The graph below illustrates the approximate levels of debt to GDP. As you can see, the rate and level of growth in Chinese debt (dark line) is significant in both absolute and relative terms.

Percentage of debt to GDP (private non-financial sector)



Source: Fathom, July 2017

While the IMF's and other forecasters' projections are generally positive in the near term, the medium-term picture is less certain. The IMF's longer-term growth forecasts for advanced economies start to tail-off toward the end of 2018 – from 2% down to 1.9%, and the IMF's list of potential risks to growth appears exhaustive. These range from ongoing geo-political concerns to increased protectionism (a statement directed toward the new administration in the US, perhaps?).

There isn't a definitive list of potential downside risks but, in our view, China's level of indebtedness – given its critical role in global trade and growth – could be a major constraint. So too could be the direction of US economic policy, not just because of fiscal and regulatory matters, but because of the speed with which the US Fed chooses to "normalise" monetary policy. As inflation remains subdued in the US (and elsewhere), tightening monetary policy now may be premature, and may well affect global liquidity to an extent where it could hamper growth in emerging economies (through appreciation of the US$).

Clearly, beyond the US, other regions and countries may also be in different (monetary and policy) cycles, and measures would have to be designed to meet these different economic requirements. Nonetheless, and despite the positive near-term growth projections, the recovery in many regions still appears fragile and susceptible to headwinds and risks. We believe macroeconomic policy should continue to be broadly accommodative until there is a sustained uplift in core inflation, and economic growth is effectively self-sufficient (and no longer reliant on central bank and/or government policy).

Thus far, central banks have promised as much. Unfortunately, as we learned through the Taper Tantrum of 2013, capital markets do not always believe them and create their own tightening of financial conditions, through bond and equity market selloffs. June's mini-tantrum was a subtle but decisive reminder of this potential dynamic. Since then financial conditions have eased and market volatility has reduced ever further, which suggests that this time around markets and central bankers appear to be more in tune about the necessity to prevent excessive credit growth by gradually tightening monetary conditions.

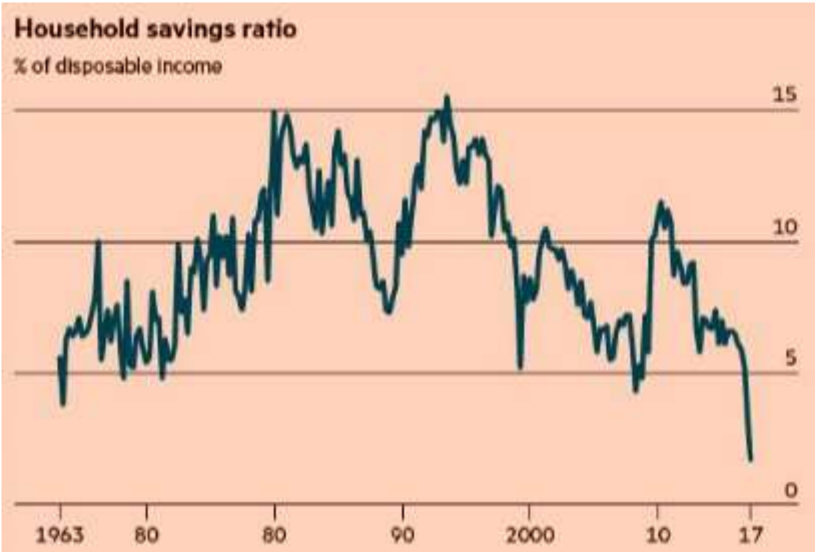
UK consumer credit growth – danger or opportunity?

It was mixed signals out of the UK this week, with two pieces of news offering different takes on the economy. On Monday, the Bank of England's (BoE) Alex Brazier gave an alarm-bell speech in which he warned that the easy credit conditions offered by UK banks risks endangering "everyone else in the economy". Mr Brazier, a member of the BoE's Financial Policy Committee (MPC), decried that lenders "may be dicing with the spiral of complacency," where "lending standards can go from responsible to reckless very quickly."

Meanwhile, the latest surveys from the Confederation of British Industry (CBI) found that, in reversal to the first quarter of the year, consumer demand is looking much more healthy, after retail sales shot higher this month. According to the CBI, the warm weather led consumers to defy expectations, with clothing sales leading the charge.

On the BoE's message, overly easy credit is understandably a bit of a traumatic topic for most people in finance, conjuring up memories of the reckless practices seen in the build-up to the US' subprime mortgage crisis back in 2007. We want to say right off the bat that these comparisons are inappropriate – things are no way near that level of danger. But, given the news, we think a health-check on the UK consumer is in order.

Following the Brexit vote, consumers – relieved that the sky had not fallen down – reduced their savings rate and took on more debt to fund spending for the second half of the year, with household savings ratios falling to a record low of 3.3% in Q4 2016. This worked out very well for the economy as a whole. The consumer demand it generated propelled GDP growth way past the gloomy pre-referendum expectations to record the second fastest growth rate in the G7. Now, personal debt has grown 10% year-on-year, compared with just a 1.5% rise in household incomes. Mortgage lending, however, hasn't risen as quickly, and overall lending has risen in line with the economy for the past two years. Household debt now stands at 135% of household income.



Source: Thompson Reuters, ONS, Financial Times

Last month, there were fears that an increase in credit used on car purchases meant that the credit market was contingent on the used car industry. In moderation, consumer credit is vital to an economy, getting things moving and conducive to growth. The issue with the rise in household debt-relative-to-income is that, if incomes begin to fall, households aggressively cut back on spending to avoid default. But this is precisely the situation that the country potentially faces at the moment, with a prolonged stagnation in earnings thought to be ahead of us. Real wages (adjusted for inflation) are currently expected to be lower in 2021 than they were in 2007.

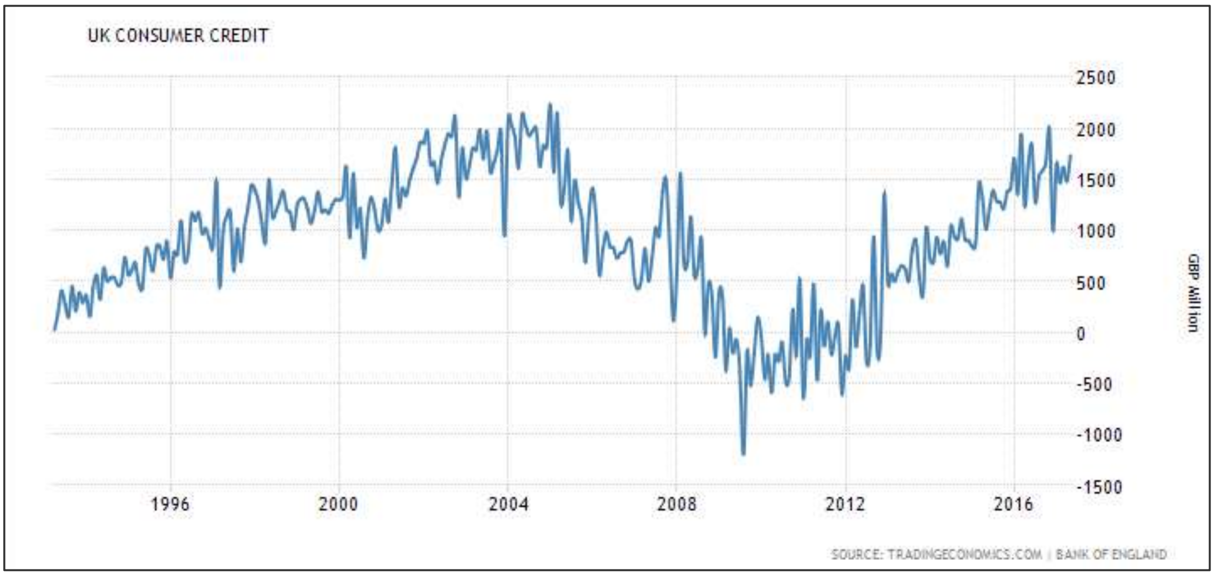
Strangely enough, both Brazier's warning and the boost in retail sales comes as credit growth has actually started to slow. Earlier this month, the BoE themselves reported that the availability of consumer credit had tightened in the second quarter of the year, as retail banks cut back on the supply of unsecured lending. And, just this Wednesday, it was reported that mortgage approvals fell slightly from May to June, while annual credit card borrowing stayed flat at 5.5%. Overall, consumer credit growth was 1.9% year-on-year last month, down from 2.1% the month before.

Despite this slowing, it's clear that credit growth has helped the economy, as seen in the retail figures. The fear from the BoE's perspective is that, if real wages do fall as is currently expected, we'll be left in a situation of overextended credit, and defaults will become more frequent. But this just highlights the mystery in the first place. Why is it that consumer credit was until recently increasing when wage growth turned negative?

Job security may provide an explanation. As reported a few weeks ago, unemployment in the UK fell to its lowest since 1975 in May. The unemployment rate has been well below the 5% mark for over a year now, pointing to a labour market that's tighter than it has been for a long time. A tightening labour market should normally lead to upward pressure on wages but, for a number of reasons, this simply hasn't happened. However, it is possible that consumers have taken the tightness in the labour market as a boost to their own job security. This would explain the willingness to take on more debt, as they would be confident of future earnings.

If this confidence is the driving factor behind credit growth, however, it will only last as long as people are upbeat about their future job prospects. Optimism can only last so long and, while it does make sense that individuals would borrow more in a tighter labour market, the expectation needs to be backed up by reality if that level is to be sustained. On this front, the news that wages rose slightly above expectations in May provides a bit of hope – though this has to be tempered with the reminder that real wage growth was still negative.

As mentioned above, we're already seeing consumer credit growth slowing, as the recent plunge in car sales has shown. If wage increases don't come soon, then we should expect to see more of this trend. And, while a fall in credit demand might help ease some worries about easy lending, it's worth bearing in mind that credit-fuelled spending has been one of the major pillars holding up the UK economy since the Financial Crisis. That being said, we're inclined to be slightly less doom-and-gloom about consumer credit than Mr Brazier appears to be. Comments from such high-ranking officials understandably rattle the public, but we should remember that such warnings can often be amped up to scare the intended targets – in this case the banks.



All in all, much depends on whether wage growth will be as bad as expected in the months and years to come. At the moment, it is slightly surprising and disappointing that the UK economy is experiencing a deceleration while our European neighbours see the opposite. After all, the low value Sterling should help UK exports. Sure, the Brexit uncertainty is holding back business investment but, given there was not much of that in recent years anyway, it can't really be blamed for slowing the country down now. Perhaps consumer and employee confidence is right, and the Eurozone growth will find its way to the UK over the rest of the year. Unfortunately though, if this does not happen, then we can most probably not bank on the trusty UK consumer to bail out the domestic economy once again. With saving rates running at their lowest, wages not growing in real terms and credit balances hitting ceilings as well, there just isn't any further funding headroom.

This should explain why UK business has recently been more vocal towards the UK government to seek a soft Brexit which preserves the free trade status quo – and the ability to tap into overseas demand. Interestingly this is no different to business lobbying in Germany and France, where businesses likewise lobby their governments to keeping trade with the UK open.

Q2 earnings: Reassuring, but concentrated among fewer, ever bigger firms

With over 25% of the companies listed on the US S&P500 index having reported Q2 earnings, the season is turning out to be better than first thought, particularly among technology firms.

Earnings in Q2 have a tough act to follow. We witnessed double-digit year-on-year (yoy) earnings growth across the world in Q1, the strongest quarter since Q3 2011. Expectations going into Q2 were therefore somewhat lowered, but, against that lowered set of expectations, Q2 has so far proved to be a positive surprise.

79% of the companies that have reported so far have beaten earnings expectations, which is encouraging, as it is above the 70% 1-year average beat rate. 73% of firms posted better than forecast sales, which is better than the 56% 1-year average. If this rate of sales growth holds, then it would represent the highest surprise deviation versus analysts' predictions since FactSet began tracking the data in Q3 2008 (the previous record is 72% in Q2 2011).

Overall, the blended Earnings Per Share (EPS ~ profits) growth rate has risen to +8.2%, which is almost 25% better than the +6.6% that had been expected at the beginning of this reporting season. On sales, the blended growth rate is +4.7%, -0.2 percentage points worse than the +4.9% expected at the end of the quarter, but this largely reflects the drag of negative revisions in the energy sector from volatile oil prices.

Digging further into the numbers, sector wise, earnings growth is being driven by basic materials (+22.7%), technology (+16%) and utilities (+11%). In terms of revenue, the best sectors are oil & gas (+27.6%), utilities (+15.8%) and technology (+11.5%).

Over the past few months, we have written that there was a higher than usual focus on progress in corporate profits. This was because elevated US equity valuations would only be sustainable if corporate earnings kept pace. So far, this appears broadly to be the case and therefore much of downside risk that came with potentially overvalued (relative to earnings) equities has dissipated.

As discussed in the last two editions and the article above, capital market focus has now moved back to the bond markets. The question now is how a general rise in interest rates and wider bond yields from historically ultra-low level may affect markets and the economy. This is particularly pertinent with regards to capital flows, currency exchange rates and the impact of higher yields on equity valuation dynamics.

However, there is another aspect arising from these earnings results which we feel is worth some attention. That is the increasing size and importance of just a handful of large technology firms. Amazon, Microsoft, Apple, Google (Alphabet) and Facebook have become an exclusive club of firms with larger than $500 billion market capitalisation. Some market commentators like investment bank Goldman Sachs even refer to them as “Super Stars”, for their ability to influence most of our lives and having generated enormous shareholder value.

This is not without historical precedent when we think of the economic dominance of rail road and heavy industries during the industrial revolution, as well as car manufacturers, machine builders, oil and telecoms companies during the 20th century. Each time the advancement created enormously large companies as economies of scale allowed for the most efficient production and operating structures. This inevitably led to the formation of oligopolies (competition amongst only a few) or even local monopolies.

When there are fewer competitors in any market, there is a high probability that the efficiency of the respective market declines, as the surviving few are able to make life easier for themselves and there are increasingly high barriers to entry. What’s more, their purchasing power can dictate prices and remuneration elsewhere for their advantage. This means that there is not only a declining general supply welfare from less efficient markets, but also deteriorating welfare on the demand side, where the behemoths dictate conditions in their favour for larger and larger parts of the economy.

This is the reason why competition watchdog institutions and anti-trust legislation exist. This is also the reason why, for example, the European Commission’s competition supervision has recently fined Microsoft, Apple and Google so harshly.

There is also a debate going on, whether the latest technological advancements through the ‘internet of things’ and the new super star companies it has created are responsible for the slow wage growth and lack of productivity-improving investments in the more traditional areas of the global economy. There are indicators that this may be the case, at least in parts, and once again it would not surprise us, if we think how previous engineering revolutions have fundamentally changed the way we work and how different professions decreased and increased in their proportion of the overall job markets.

Just as then, such cataclysms create frictions in society which can be painful and produce unexpected consequences. It may well be that many of the remarkable changes in the world of politics and international relations that we have recently observed originate from these shifts in values through changes in production and consumption patterns. Let us hope then that, as we have experienced in previous generations, mankind is not only capable of creating astonishing technological advancement, but generally also dealing satisfactorily with the consequences they have had for the way we work and society as a whole – over the medium to longer term.

Is India building a wall with China?

India has recently been identified by various research institutions as one of the most interesting of the developing countries, as its goes through as transformation process under the leadership of Narendra Modi. Reform has been the driving force of his time is office, with infrastructural development across the states one of the main focuses for the prime minister. This week, India’s Nifty50 (the country’s top fifty companies by market capitalisation) crossed the 10,000 level for the first time in its 21-year history, a reflection of the ‘Modi effect’. Reliance Industries, the largest of the fifty stocks, led the market over the 10,000-point mark, as the firm reported it continued to benefit from infrastructural reform in telecommunications. Strong evidence the government is delivering for a demographic that is extremely hungry for change and new opportunities.

Earlier this year, there were fears that the lead up to the 2019 Indian ministerial election could potentially destabilise the progress of Modi’s government. However, these fears were dampened this week as Modi consolidated his political hold over India with the leading opposition figure, Nitish Kumar, unexpectedly forging an alliance with Modi’s ruling Bharatiya Janata Party (BJP). As the only figure to potentially form an opposition to Modi, it has provided further confidence that India will continue to reform with the potential to emerge as another global economic powerhouse like China in years ahead.

This view was shared by the International Monetary Fund (IMF), whose growth projections announced on Thursday, showed the country’s GDP would reach 7.2% in 2018 and 7.7% in 2019, nearly double the average global growth rate projected and even around 1% ahead of neighbouring China.

For many, the growth of India and its influence on the Global Economy is likely to be positive in the years ahead. A young demographic and workforce – approaching the size of the Chinese but cheaper and growing trade – mean the country is a mirror of a younger China. This view is clearly shared by the Chinese, and is a potential worry for the Chinese at the same time. This ‘younger China’ may be seen as an unwelcome competitor for China, taking trade and future growth from the country.

Those who follow current affairs will be aware of the recent rise in tensions between China and India, with the latest ‘high-stakes, high-altitude border row’ taking place on the Himalayan Plateau Bhutan. This is a strategically key territory for India, known as the “chickens neck”, connecting India’s tea producing north eastern provinces to the rest of the country. For China, the territory provides military coverage for the region but also encroaches on this key trade route, a threat not taken lightly by India.

The Chinese-Indian mistrust dates to 1962, when a war was fought in neighbouring Arunachal Pradesh and a resolution for the area was put in place. This latest Chinese road building goes against the resolution and has triggered a standoff with uncertain consequences. The difference between the present row and 1962 is the power of the leaders and the economic position of the countries. Both Xi Jingping or Narendra Modi are likely to face a nationalist backlash if they take a step back and in both cases they now have greater military mite at use.

To add fuel to the fire, this week Sri Lanka sold a majority stake in its remote Hambantota port to a Chinese state company, a port which is unviable for large scale freight traffic. India were quick to question Chinese interest, based on its lack of use by the Chinese cargo ships. They were especially concerned at its location, overlooking the world’s busiest shipping lanes of the Arabian Sea where more than two thirds of India's petroleum imports pass through. Some suggest it’s a future military base for China.

These two events are not a coincidental and link back to China’s ‘One Belt, One Road’ (OBOR) infrastructure project launched in 2013. Xi Jingping’s project was marketed as highly beneficial for global trade and economic growth for China. The most significant of the “silk roads” is the China-Pakistan Economic corridor (CPEC). This link between China and Pakistan reduces the alternative sea route by 10,000km and is forecast to add 17% to Pakistan’s GDP by 2020. Pakistan has called

CPEC a “Game-Changer” but, in the process, has further soured relations with India as the road cuts through a mixed North Indian state of Kashmir.

There is no doubt that India, Japan, the US and Europe are watching Chinese moves closely, with emphasis on the word closely. The “Chinese Pearls”, as they have been labelled, do provide China with strategic military positions across Asia and links to the middle east. Yet there is no doubt the CPEC could drive change with the Middle East and support the country’s growth. However, the small “pearls” such as the Sri Lankan port and northern tea plantation regions, are far less relevant for global trade and can be seen as more relevant to China’s hegemonic interest through strategically significant locations.

For many countries in Asia, the Chinese military mite has overridden any ability to stop these territorial moves but for India these locations are too close for comfort, and it may be the first to stand up to China, with serious consequences if it does. Even if no military events occur, the “Indian Wall” is likely to remain in place with high geopolitical tensions and pride at stake.

In the long run, the importance of good relations between China and India will be required from a trade perspective. China has a growing middle class with greater propensity to consume and India can reap the rewards. In the short term, there is no doubt the “Indian Wall” has quite understandably been put in place with the potential for short term uncertainty and limitations to trade with China due to a military standoff.

PERSONAL FINANCE COMPASS

Global Equity Markets

MARKET	CLOSE	% 1 WEEK	1 W	TECHNICAL
FTSE 100	7351.7	-1.4	-101.2	↘
FTSE 250	19708.5	-0.2	-42.7	↘
FTSE AS	4034.0	-1.1	-45.6	↘
FTSE Small	5670.7	0.1	3.1	↘
CAC	5115.7	0.0	-2.0	↘
DAX	12144.8	-0.8	-95.3	↘
Dow	21785.0	0.9	204.9	↘
S&P 500	2466.8	-0.2	-5.7	↘
Nasdaq	5896.0	-0.4	-25.5	↘
Nikkei	19959.8	-0.7	-139.9	↘

Top 5 Gainers / Top 5 Losers

COMPANY	%	COMPANY	%
ANGLO AMERICAN	12.8	ASTRAZENECA	-13.0
DIAGEO	6.8	PROVIDENT FINANC	-12.1
GLENCORE	5.7	BRITISH AMERICAN T	-9.9
BURBERRY GROUP	4.6	INTU PROPERTIES	-6.8
RIO TINTO	4.4	RECKITT BENCKISER	-6.5

Sovereign Default Risk

DEVELOPED	CDS	DEVELOPING	CDS
UK	16.7	Brazil	214.7
US	19.3	Russia	161.2
France	17.7	China	63.0
Germany	12.8	South Korea	54.9
Japan	49.0	South Africa	183.5

Currencies / Commodities

PRICE	LAST	%1W	CMDTY	LAST	%1W
USD/GBP	1.31	0.98	OIL	52.4	9.1
USD/EUR	1.18	0.78	GOLD	1270.1	1.2
JPY/USD	110.75	0.34	SILVER	16.7	1.4
GBP/EUR	0.90	0.20	COPPER	287.4	5.5
JPY/GBP	6.74	0.44	ALUMIN	1938.0	1.1

Fixed Income

GOVT BOND	%YIELD	% 1W	1 W
UK 10-Yr	1.2	3.6	0.04
US 10-Yr	2.3	2.6	0.06
French 10-Yr	0.8	8.0	0.06
German 10-Yr	0.5	7.9	0.04
Japanese 10-Yr	0.1	13.4	0.01

UK Mortgage Rates

MORTGAGE BENCHMARK RATES	RATE %
Base Rate Tracker	2.3
2-yr Fixed Rate	1.5
3-yr Fixed Rate	1.7
5-yr Fixed Rate	2.0
Standard Variable	4.2
Nationwide Base Rate	2.25
Halifax Standard Variable	3.74

For any questions, as always, please ask!

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Lothar Mentel