

The Politics of Currency



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Agenda

- Introduction
- Donald Rumsfeld
- Known Knowns
- Known Unknowns
- Unknown Unknowns
- Forecasts
- Questions

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Donald Rumsfeld

"There are known knowns. These are things we know that we know.

There are known unknowns. That is to say, there are things that we know we don't know.

But there are also unknown unknowns. There are things we don't know we don't know."

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Known Knowns Percentage moves over last 12 months

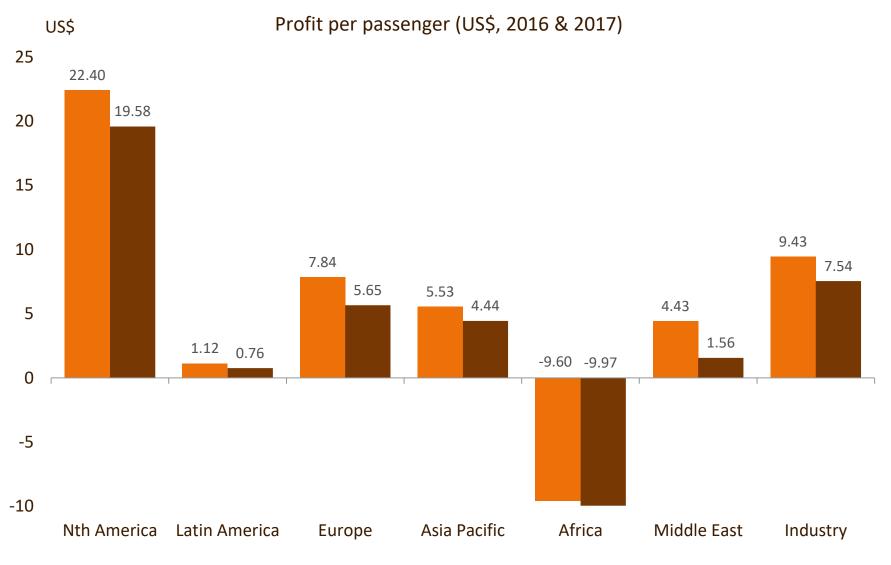
Source taken from Bloomberg

Major Currencies

- GBP/USD 13%
- GBP/EUR 10.5%
- GBP/CNH <u>9.5%</u>
- EUR/USD 15%

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Per passenger profit shows wide regional variation



Source: IATA www.iata.org/economics

Volatility Vs Profit

How FX Moves Affect Bottom Line

FX Move							
Profit Margin	2%	5%	10%	20%			
20%	-10%	-25%	-50%	-100%			
10%	-20%	-50%	-100%	-200%			



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Known Knowns - UK Economy

- Trade balance: -£14.2 billion
- CPI YoY: +2.9%
- GDP (QoQ): +0.3%
- BoE Withdraw stimulus "in the coming months"

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Known Knowns – Eurozone Economy

- Trade balance: +Euro 23.2 billion
- CPI YoY: +1.5%

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- GDP (QoQ): +0.6%
- ECB QE Programme-Tapering?

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Known Knowns – US Economy

- Trade balance: -US\$ 42.3 billion
- CPI YoY: +1.9%
- GDP (QoQ): +0.55%
- Fed In rate hike cycle- Four hikes over next fifteen months

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Known Unknowns - UK

- Brexit Transition period, how long, conditions?
 - How much will Brexit bill be?
 - When will the new trade treaty talks start?- BoE before Christmas
 - Hard Brexit Now 33% probability
 - Effect on UK economy

Known Unknowns - EU

Catalonia – Illegal referendum V heavy handed response?

- German election- Will Jamaica rule ? •
- Macron- How far can he go? •

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Italian election – When? - 5 Star • movement?

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Known Unknowns - US

Healthcare reform-Tax reform-Infrastructure spending?

- US equity markets Up, Up and Away
- Mueller investigation into Russian interference in US election
- North Korea
- China post 19th Congress

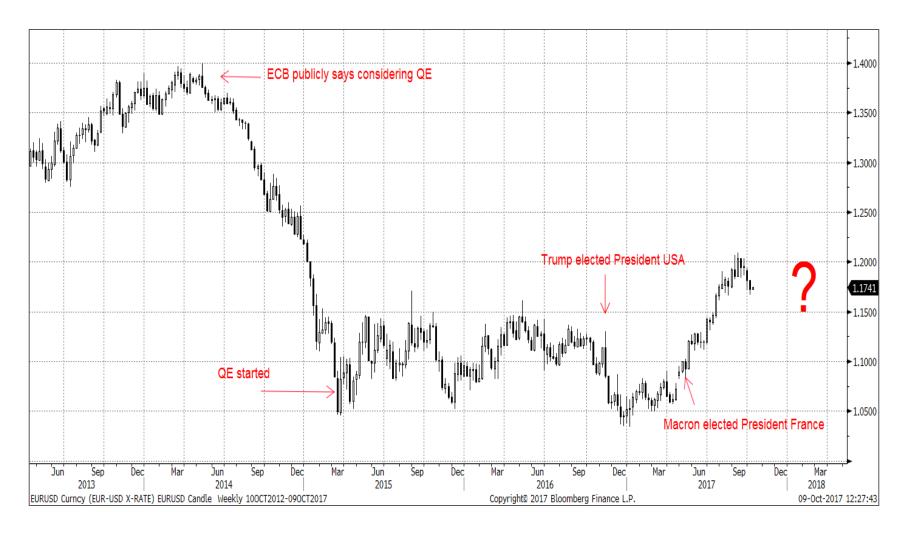
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GBPUSD Chart



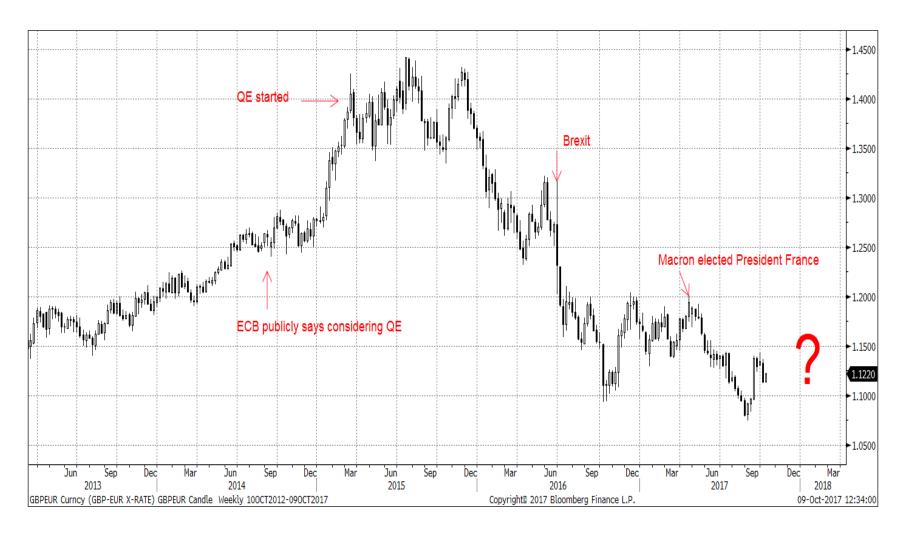
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EURUSD Chart



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GBPEUR Chart



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Forecasts from Bloomberg

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Region G10		• Cur	rency Br	itish Po	und		•	
GBPUSD			Q4 17	Q1 18	Q2 18	Q3 18	2018	
Spot	1.31	Median		1.32	1.31	1.31	1.32	1.33
Q3 17	Actual	Mean		1.32	1.32	1.32	1.33	1.34
	1.34	High		1.40	1.42	1.46	1.48	1.53
Q3 17	Forecast	Low		1.20	1.16	1.18	1.18	1.20
96) Legend 97) Chart								
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Region G1	0 USD) Chart Median		rency <mark>Eu</mark>	iro			
Region G1 O EUR	0 USD	Median		rency Eu Q4 17	ro Q1 18	Q2 18	Q3 18	2018
Region G1 O EUR Spot	0 USD 1.17	Median Mean		rency <mark>Eu</mark> Q4 17 1.18	ro Q1 18 1.19	Q2 18 1.20	Q3 18 1.20	2018 1.22

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Forecasts from Bloomberg

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Region Custom		▼ Cui	rrency <mark>G</mark>	BPEUR			•	
GBF	PEUR 🤇)		Q4 17	Q1 18	Q2 18	Q3 18	2018
Spot	1.1	1 Median		1.12	1.11	1.11	1.11	1.11
Q3 17	Actua	l Mean		1.12	1.11	1.11	1.11	1.11
	1.1	3 High		1.19	1.22	1.22	1.22	1.23
Q3 17	Forecas	t Low		1.02	.98	1.01	1.01	1.00

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