



The Politics of Currency



Agenda

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

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.”

Known Knowns

Percentage moves over last 12 months

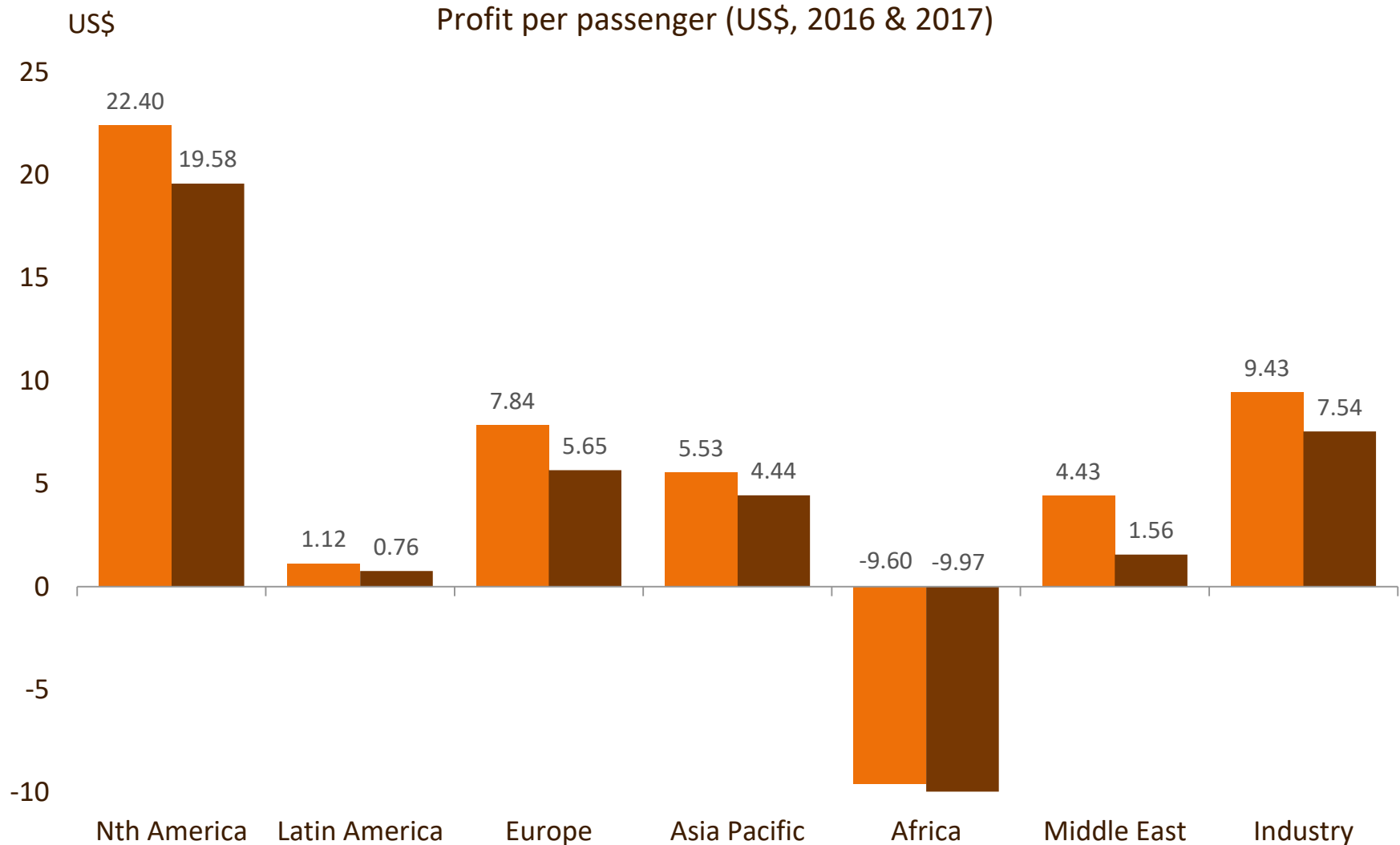
Source taken from Bloomberg

Major Currencies

- GBP/USD 13%
- GBP/EUR 10.5%
- GBP/CNH 9.5%
- EUR/USD 15%



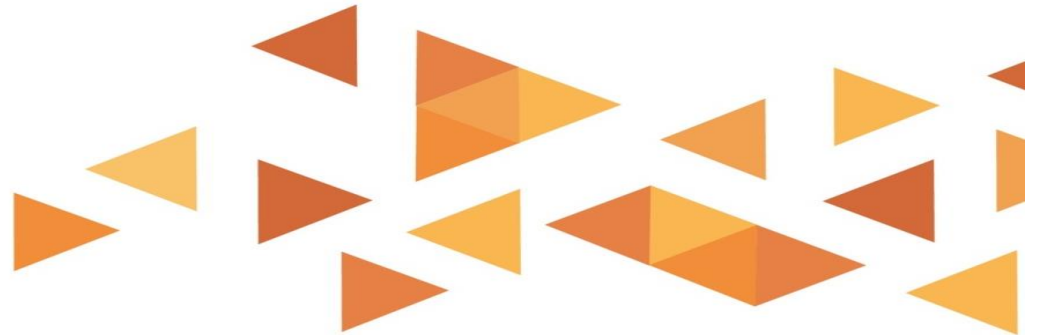
Per passenger profit shows wide regional variation



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%



Known Knowns - UK Economy

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



Known Knowns – Eurozone Economy

- Trade balance: +Euro 23.2 billion
- CPI YoY: +1.5%
- GDP (QoQ): +0.6%
- ECB QE Programme-Tapering?



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



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?
- Italian election – When? - 5 Star movement ?

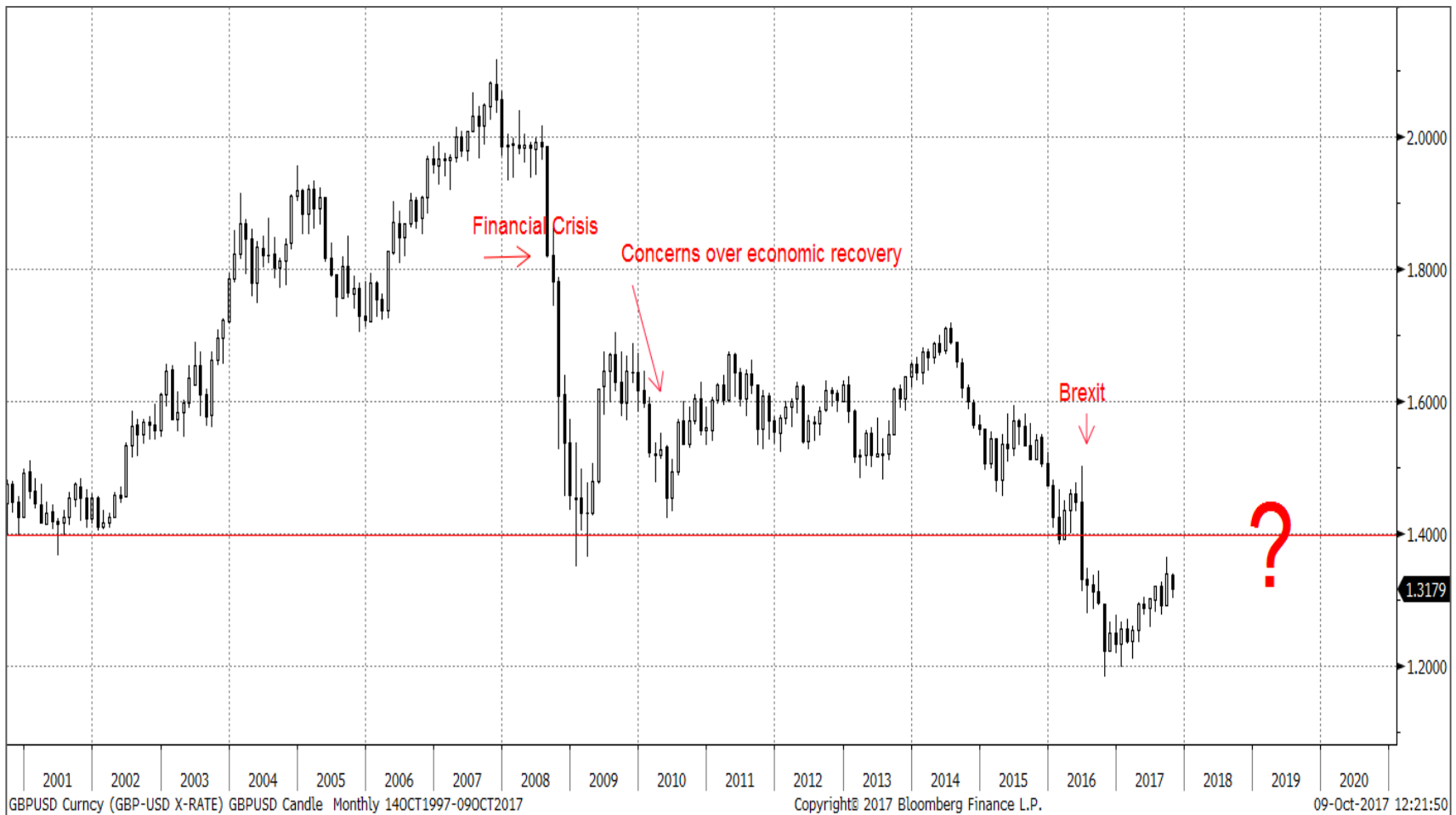
Known Unknowns - US

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



GBPUSD Chart



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EURUSD Chart







GBPEUR Chart





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Forecasts from Bloomberg

96) Legend		97) Chart		98) Histogram		99) Export ▾		Page 1/7 FX	
Region G10		Currency British Pound							
	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		98) Histogram		99) Export ▾		Page 1/8 FX	
Region G10		Currency Euro							
	EURUSD			Q4 17	Q1 18	Q2 18	Q3 18	2018	
Spot	1.17	Median		1.18	1.19	1.20	1.20	1.22	
Q3 17	Actual	Mean		1.18	1.18	1.19	1.20	1.21	
	1.18	High		1.26	1.28	1.30	1.33	1.35	
Q3 17	Forecast	Low		1.07	1.06	1.05	1.05	1.04	

Forecasts from Bloomberg

96) Legend		97) Chart		98) Histogram		99) Export ▾		Page 1/6 FX	
Region Custom		Currency GBPEUR							
	GBPEUR			Q4 17	Q1 18	Q2 18	Q3 18	2018	
Spot	1.11	Median		1.12	1.11	1.11	1.11	1.11	
Q3 17	Actual	Mean		1.12	1.11	1.11	1.11	1.11	
	1.13	High		1.19	1.22	1.22	1.22	1.23	
Q3 17	Forecast	Low		1.02	.98	1.01	1.01	1.00	

Questions?

