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The Plan B or not Plan B? That is the question

Equity markets bounced strongly on Tuesday. The catalyst was a flip in the coronavirus narrative that went: "the new variant is as contagious as the very first, but much less damaging. It confers some immunity. Triple-boosted vaccines work well on it, at the same efficacy as on the other variants. Greater contagion will not overwhelm systems but will help the world live with the disease."

This viewpoint held sway for a few hours. However, on Wednesday, Boris Johnson announced Plan B. The government can't take *the risk* that a spike in COVID cases leads to a very bad health outcome for many, particularly with the National Health Service stretched because of the festive season. In the government's defence, we are still awaiting scientific conclusions of the risks caused by the Omicron variant, and arguably the outcome will have to come from real world data, meaning observing the consequences of the spreading virus. One may also argue that some of the preventative measures bring the UK more in line with measures adopted in other countries, even if this does not guarantee those measures are the right ones.

In this respect, the thinking seems to be: "we've done it before, so we can do it again". However, we can detect a difference: restrictions over the past two years have been accompanied by support for those directly damaged by the imposition. There was no such help announced this time.

When risk assessment is narrowed to one potentially bad outcome, avoidance of that outcome dominates the policy. The complexity of risk in other areas is underplayed. The City of London is a good example of the changes in behaviour. Professor Jesse Matheson, a University of Sheffield economist, has been working on the big shifts in social geography wrought by working from home.

He leads a study conducted before last week's announcement and shortly to be published. With commuters spending an extra day working from home instead of in the office: "City centres stand to lose £3 billion in 2022. This decrease will be concentrated in a few very dense centres; for example, the City of London will experience a spending decrease of 31.6%, and central Birmingham will experience a decrease of 8%. Some of this spending will be realised in the residential areas where these workers live, but some may be lost altogether."

For bars, pubs and restaurants, it's been a reasonable start to the festive season, with footfall down 30% from 2019 levels, according to a couple of City of London bars informally polled last week. Evenings are better than lunch. Some of that is a long trend. Younger workers appear to be starting their 'commute' around 4pm rather than 7am, and they're not going to the office. That might help the bars hold up, less so daytime coffeeshops.

However, the longer the health risks posed by city life persist, the more apparent will become a crucial variable in economic activity: rents. Landlords have huge vacancy rates now and there's almost no opportunist prepared to bet on a return of the office worker. Unfortunately, because landlords are always reluctant to lose the revenue and are not happy to agree lower ongoing rents for current tenants, the market won't clear quickly, with downside risks lingering. At the onset of the COVID crisis, we, (along with many others), mulled over the structural shifts the virus may accelerate. Relaunching IT investment, (which has already occurred in many economies) was one of them, but now we are accustomed to altering working practices and therefore cityscapes. Indeed, we can observe a current pattern of the 9-5 office becoming less relevant

Transition phases tend to create winners and losers. Currently, the losers appear to be getting little support. However, it will be crucial that the transitional process is managed by public authorities, not just by an ad-hoc reaction to (by nature) random virus mutations.

Further afield, China had altogether different concerns last week. As the country still runs a zero-COVID policy, Omicron has had very little impact. Consequently, attention is fixed on the domestic economy and the woes of its property sector. More news of the winding down of floundering property giant Evergrande was counterbalanced by authorities signalling supporting for the rest of the economy. Needless to say, this backing is incredibly important to stem contagion into other sectors, even if it is likely that more fiscal support will be needed.

Evergrande missed a US dollar-denominated interest payment, while the shares of smaller rival Kaisa Group Holdings were suspended after it failed to meet its deadline for a USD loan repayment. At the same time, the media reported Evergrande restructuring plans were taking shape. Offshore debt and bonds are all set to be included in the restructuring, although questions persist over the treatment of domestic liabilities. It remains to be seen whether domestic bondholders receive their payments, and what will happen for many thousands of people who put down payments on yet-to-be-deposit creditors. On the face of it, the restructuring of a company in default sounds like bad news. However, markets have had low expectations for a good outcome for Evergrande for a long time – at some point, the unavoidable - a restructuring process – had to occur. It could be, however, that the pain is borne more by overseas bond investors. For the wider market, most investors will be content if there is no further contagion to healthy companies in the sector, or to the economy as a whole.

In that respect, it's comforting that Chinese USD high yield bond spreads fell back over the last week, rather than rewidening beyond previous levels. Importantly, there is a political acknowledgement that support may have to be forthcoming. The People's Bank of China lowered its reserves requirements for banks, freeing up an estimated CNY 1.2 trillion (USD 188 billion) of cash which is now available for loans. The tone of the Politburo has also turned more accommodative for economic support next year. Quite often, once an 'orderly' restructuring process starts, the low point in markets has been reached, even if economic consequences persist.

In the US, the Federal Open Markets Committee meets this Wednesday, 15 December. Virtually everyone (including us) assumes bond purchases will be tapered more rapidly than the schedule announced in November. The end date for new purchases will most likely be in March. This then brings the expectation for short-term interest rates to then be raised. Steven Blitz of TS Lombard tells us that the market may well expect a rise from 0% to 1% by the end of 2022 (currently the expectation is for a rise to 0.5%).

The US Treasury will be the major borrower in the coming months, having put its schedule on hold as it waited for the cessation of 'debt ceiling' arguments from both sides of the US Senate. On Thursday, the Senate voted to allow Congress to raise the debt ceiling with a simple majority vote, ensuring government employees will not face being laid off over the holidays.

There's been much talk about what level of Fed rates is the right equilibrium rate for the US economy. Currently the market thinks it is about 2%, but a number of commentators have warned that it could (or should) be higher. We think they could be missing something. The inflation-linked bond market gives us a view of where real short-term rates will be in the long-term. For over a year, the real short-term rate has

been priced between -0.1% and +0.5%, and at 0% for the past three months. During all the talk of tapering, it has hardly moved.

The Fed's goal is to achieve full employment with stable inflation. It has stopped believing it knows precisely what either level is, but it now thinks it undershot both measures in the past. During this time, investors who took absolutely no risk still made money. We think the Fed now believes that those investors should probably not lose out, but neither should they benefit. A 0% real rate over the long-term would do that. This means the terminal nominal rate will be wherever the inflation rate settles. Therefore, in about five years' time, we should expect short rates to be between 2% and 2.5%. They may not get there much earlier.

Outlook 2022

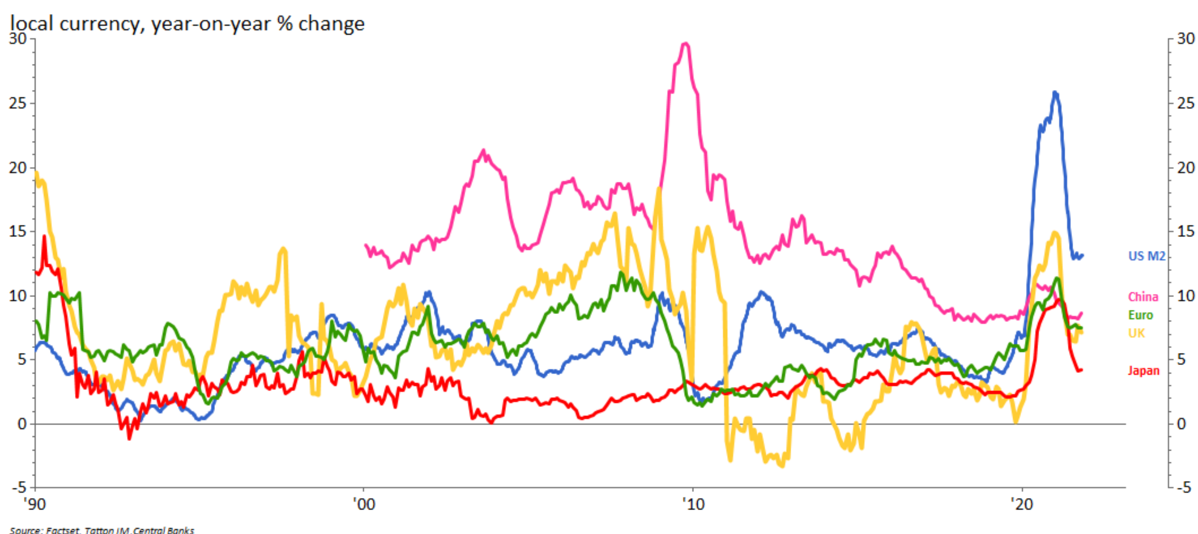
Overview

In broad terms, we expect normalisation to be a key theme of 2022. For all the disappointments of this year's stop-start global recovery, no one can doubt that business and consumer sentiment – as well as general ease of living – improved substantially from the depths of the pandemic. The bottom line is that, barring any further catastrophes, improvement should continue next year. We expect spending at the individual and corporate level to grow as movement of goods and people gets closer to pre-pandemic levels. Monetary policy is set to tighten along with the cyclical recovery, as the world's central bankers have already suggested.

Normalisation and recovery do not mean smooth sailing, however. The last few months have seen extreme supply shortages across the world, geopolitical tensions and, most recently, the emergence of a new, more infectious COVID variant. We discuss these in more depth below, but note they are all symptoms of a drawn-out recovery. These will take some time to filter through – and we expect supply constraints and Omicron-like scares to continue in the earlier parts of 2022.

For capital markets, teething problems could bite. Impressive returns over the last 21 months pushed up equity valuations substantially. Recovery growth has brought them down in the last quarter, and growth is

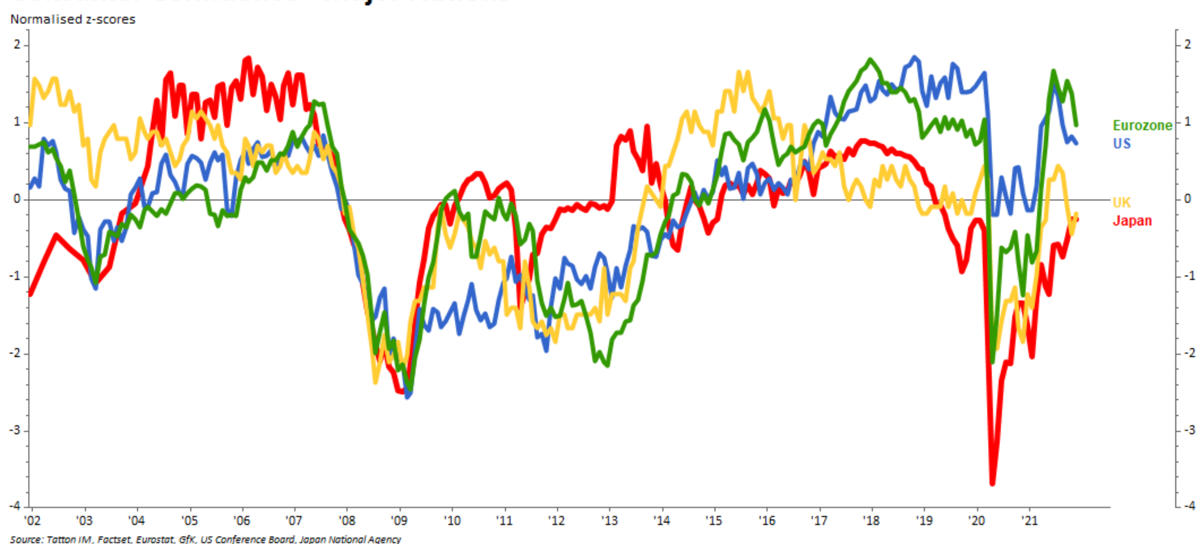
Major Currency Monetary Growth



expected to make good on those valuations eventually. Still, optimism is 'priced in' for many assets. Bad news could therefore shake market confidence, and with emergency policy support set to wind down, that could create volatility in the coming months.

Ultimately, we are still waiting for the self-sustained portion of the recovery – when central policy support gets replaced by business and consumer confidence, and the economy can run on its own steam. Once that happens, it should restart the cyclical rotation in markets – pushing investors away from the COVID superstars (such as big tech) and into those assets and regions most attuned to global growth.

This should benefit equities and commodities, with the latter also helped by the acceleration towards green infrastructure. It is a negative for bond values, which are likely to be weighed down by the withdrawal of monetary support. A resurgence of damaging COVID infections and further restrictions would clearly be bad for any growth prospects. Strangely though, some have suggested that Omicron could turn out to be good news. If the early (and uncertain) reports that the strain is more contagious but less severe turn out to be true, it could mark a natural end to the pandemic. For our central case, the cycle will continue next year, but we remain selective in where we think will benefit.



Below, we give a brief wrap-up of 2021, before outlining our expectations through a regional and sectoral breakdown.

2021 Wrap-up

This year saw the fastest global vaccination programme in history, record growth figures and the highest inflation numbers in decades. At the same time, the global economic recovery spluttered and stalled at key moments, growth was uneven across the world, and new coronavirus outbreaks kept us in the COVID scare spiral. Pandemic woes continued to dissipate in capital markets and the global economy, but the transition ultimately proved more painful than anticipated. Supply chain problems were keenly felt in the second half of the year, while the surging Omicron variant reminded us that things can quickly take a bad turn.

A year ago, we warned equity markets might struggle to replicate their 2020 performance – even if growth proved strong. But we also thought that the median GDP forecast was too cautious (putting 2021's global GDP below 2019's) and that sustained monetary support gave markets space to capitalise on positive surprises. As it turned out, global output reached 2019's level (on an annualised basis) by mid-year, while equity markets climbed higher. In dollar terms, the S&P 500 is now worth double what it was at its lowest point in March 2020.

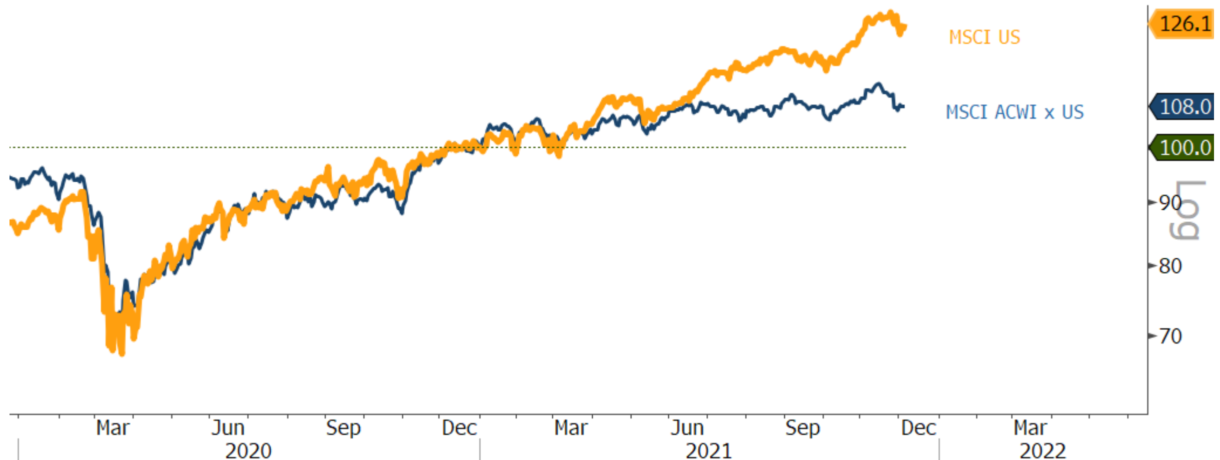
The first quarter was a classic cyclical rally in equities, combined with rise in government bond yields (or conversely, a fall in bond prices). Q2 was better for bonds – after investors became convinced that monetary stimulus would not be taken away – but cyclical stocks and wider equity markets still benefitted. Returning confidence allowed consumers to release the impressive savings built up during the months of emergency fiscal support.

The second half was a different story. Optimism waned after another wave of COVID cases and worldwide supply shortages. US company profits remained strong in Q3 though, leading to yet more outperformance by American stocks. Just like earlier in the pandemic, the big winners were the Silicon Valley tech giants. US stock indices subsequently did extremely well, though the performance was much worse for equal-weighted baskets (with less exposure to big tech).

Supply shortages were a huge part of the problem. Fragile supply chains and a host of one-off issues meant factories struggled for materials. Issues were compounded by a shortage of workers – as we vividly saw during the UK's fuel crisis. High savings and healthy pension pots led many workers to hold off for better jobs or retire altogether, in what has been called "the great resignation". Labour participation therefore remained subdued, despite falling unemployment.

All of this pushed global inflation to its highest level in decades. But for the most part, central bankers were determined to keep monetary policy loose. Policymakers calling inflation "transitory" was itself a reason why high inflation expectations became entrenched in the latter months of the year. A year ago, we were worried central bankers might make a policy mistake by tapering asset purchases or raising interest rates too soon. Now, those fears have reversed: markets are concerned policymakers will allow inflation to become destabilising. The US Federal Reserve (Fed), among others, has acknowledge that fear and moved forward its tapering timetable.

Regions



US

The US has led the way in both economic growth and stock market returns throughout the COVID recovery, although if the global growth story continues as we expect it to, this outperformance will naturally have to moderate. US asset prices have gained such a lead on their global peers it is hard not to see them as comparatively expensive. A rise in real (inflation-adjusted) interest rates would likely make this disparity more apparent for markets – causing a rotation into emerging markets or Europe.

None of this makes us negative on the US. The road to recovery is still full of perils that could send investors back to the world's largest economy – particularly if central bank liquidity dries up. In any case, US companies have enough exposure to global growth that many will benefit from a cyclical rotation. Should the recovery goes ahead as planned, the outperformance of companies like the US tech giants will likely come down. Both economic output and stock market returns would, therefore, be more balanced.

Policy is still crucial to the outlook. The extraordinary support seen through the pandemic will have to wind down eventually, but the good news is that much of the fiscal stimulus agreed in the last two years is still to come. President Biden's $1 trillion infrastructure package will not begin until later in 2022, while the yet-to-be-agreed $1.7 trillion 'Build Back Better' programme will not gain full traction until 2023. However, the child tax credit extension is a big positive and should offset some fears of a fiscal cliff-edge. The US mid-term elections next year increase the chance of political spats – which could prompt further budget crises or government shutdowns. And, climate change initiatives could stoke fears of another energy crisis, should supply constraints persist. Altogether though, continued fiscal support should help keep confidence high as savings fall – lowering the chances of a downturn.

More important for investors will be the actions of the Fed. Chair of the Fed, Jay Powell, sounded decidedly more hawkish in his December press conference, and suggested bond purchases may have to be tapered more quickly than announced in November. We should expect not only a quicker taper, but that the Fed

will raise rates once it is no longer buying new bonds. This is likely to happen within the first half of 2022. The Fed still has flexibility on the rates side, as it has (rather unsuccessfully) attempted to disconnect the tapering decision from rate increases.

This is far from a sudden decision (the Fed has been telegraphing as much for months) and is unlikely to constitute a policy mistake. The danger is that markets misinterpret the removal of emergency support as a sign of future hawkishness. Powell tried to address this recently, when he spoke of retiring the word "transitory" due to the misunderstanding it creates. Although the Fed may well raise rates in the coming months, it is unlikely to allow real short-term rates to turn positive next year, or soon after. Judging from bond markets, the perception is that the Fed now sees 0% real rates as the natural base. As such, while US bond yields should rise with the cycle, they are unlikely to go too high unless ultra-high inflation expectations become embedded.

UK

At first glance, there is a decent investment case for UK assets. Equity valuations are lower than elsewhere, sterling weakness increases the attractiveness of British exports, fiscal spending is on the way and the government has room to deliver more. But ultimately, long-term problems weigh on investor sentiment and it is hard to see past them.

Brexit Britain is in a weak position on financial services (the economy's old ace card), job creation and labour supply – the latter highlighted by the scramble for hauliers earlier this year. These problems are not insurmountable, but policymakers repeatedly prove unable to work around them. The government did well to plug the income gap through the worst of the pandemic, and over the past two years has promised some exciting fiscal support and investment. Unfortunately, the Conservatives' ingrained desire for fiscal constraint has prevented the government from fiscal expansion comparable to the US or even Europe. This was highlighted in recent tax and spend plans, which promised additional funding but confirmed a heavier tax burden next Spring – even as living costs spiral.

Oddly, this hesitance is matched by the Bank of England (BoE). Despite providing a huge amount of monetary support over the last two years, policymakers still seem reluctant to commit to the level of stimulus their counterparts abroad have. Worse still, the BoE recently proved itself unreliable in communications, when it reversed a rate hike decision at the last minute.

We suspect policymakers are worried about sterling becoming too weak and destabilising the economy. This is a fair concern, but protecting against it could be costly in terms of lost growth. Should the dollar weaken next year, this could ease the BoE's fears and unshackle policy somewhat. If so, it could help the UK finally take advantage of its chronically low asset valuations.

EU

The Eurozone is well-placed to take advantage of cyclical growth next year. Global growth is always a good thing for the export-heavy economy, and with lower asset valuations than the US, European equities stand to gain. Omicron scares have dampened sentiment and tightened restrictions, but it is too early to say whether these will have a long and detrimental impact.

Domestically, fiscal policy is likely to be supportive of growth. The Next Generation EU (NGEU) stimulus package allocates €750 billion to be spent between 2021 and 2023, meaning EU nations are set to receive

substantial support (5% of total EU GDP) in the next two years. Half of the spending will be grants, rather than loans as in the past. More importantly, it will not be funded from tax rises in the near or medium-term, meaning that it will not constitute a tightening of fiscal policy next year. According to the European Central Bank, the NGEU could add 1.5% to real Eurozone GDP over the medium-term.

This would be a quicker expansion of fiscal policy than in the US and could mean stronger real growth for next year. Europe has faced less inflation pressure than elsewhere (particularly Western Europe), but wages are running hot in some of the peripheral nations. The ECB has not followed other central banks in signalling tighter monetary policy (in terms of rising interest rates; the quantity of security buying is set to diminish, too) – but that could change next year if inflation pressures continue.

The caveat to this positivity, as usual, is politics. Throughout the pandemic we have seen how political obstinance can get in the way of productive fiscal policy on the continent. More recently, national interests and political differences have collided with the interests of the wider bloc – as in the case of Poland and Hungary. It would be no surprise if the same happened next year, but for the moment we see no sign of this becoming a significant problem.

China

China is another economy with decent growth prospects, subdued valuations and sensitivity to global growth that could do well in 2022. However, the last few years have significantly increased the perception of risk in the world's second-largest economy – prompted by international confrontations and a series of significant interventions. The Communist Party has cancelled initial public offerings, tightened restrictions, and made entire sectors legally unprofitable in 2021. Some western commentators have gone as far as saying that these actions have made the country "uninvestable". All of this is without mentioning the Evergrande crisis, which has been hyped as potentially becoming China's Lehman moment.

We think these labels are a little sensational. China's leadership has certainly switched its priorities from a purely growth-driven model, to one that incorporates more centralised direction – and this is a key risk that needs to be recognised for any Chinese asset. But President Xi's centralisation of leadership and economic restructuring do not amount to a war on profit. Far from it – the Chinese government has worked extensively to ensure its private sector is profitable and sustainable. GDP growth and attracting foreign capital are clearly not the priorities they once were, but they are still important goals, nonetheless. Similarly, with Evergrande, which the Party has allowed to fail but will certainly not allow to destabilise the wider economy.

Interestingly, China's fiscal attitude has been at odds with the rest of the world, and unlike its own previous behaviour. The 2008-9 and 2015-16 crises saw enormous boosts to spending. This year, both international and domestic commentators have been thoroughly surprised by the downright frugality of the Chinese authorities. This discipline has covered central and local government expenditure, central bank monetary policy and, most importantly, corporate regulation and oversight.

This has led to distinctly slow growth and poor equity performance, especially from China's large tech companies. The tightness impacted other Asian economies and led to serious underperformance by Chinese stocks through the year. Lately, the authorities have relented, though, and there are signs this will continue into next year. If so, China's 2022 outlook, especially in terms of surprises, has the potential to be better than 2021.

Emerging Markets

If the cyclical growth story goes according to plan, emerging markets (EMs) should benefit. But EMs unfortunately do not have the same room for manoeuvre as developed nations. Global vaccine inequality makes developing countries susceptible to COVID outbreaks, while tighter financing conditions (compared to developed nations) make it harder for governments to address the economic fallout. For most EMs, much remains outside of their control: a strong US dollar will hurt their prospects, while a weaker dollar and strong global growth sentiment will help their recovery prospects.

The factors that are in governments' control have concerned investors lately. Geopolitical tensions persist as ever, but flare-ups have caused capital flight – as in Turkey. Fear is contagious when it comes to EM investors, and if more Turkey-like problems surface it could well put a dampener on EM sentiment altogether.

Otherwise, it will mostly be a waiting game for EMs. The ingredients for a strong year are there, but optimism and capital are unlikely to flow until the Fed's tightening cycle is appropriately priced in. The good news for EM assets is that there is plenty of upside to be found, if and when that day comes.

Asset Classes

Bonds

With the recovery underway, and central banks starting to reel in support, there is not much upside for bond prices (the inverse of yields). Rising yields and tighter monetary conditions could also have a knock-on effect on other assets – causing bouts of volatility where liquidity is low.

In stark contrast to a year ago, investors are now worried central banks may be keeping conditions easy for too long. This is reflected in inflation expectations, which are rising according to survey data. This could force central banks into quicker action, but we note that other important inflation signs – inflation-linked borrowing – are not yet flashing. Positive real growth would allow central bankers to raise rates faster. Paradoxically, this could mean that good economic data might spark short-term liquidity crunches in the months ahead.

Even if policy tightens faster than expected, we suspect that the ceiling for near-term rate rises is historically low. Our research indicates that real yields, together with credit spreads, are more important than nominals in equity valuations. These are currently at historically negative levels, and central bankers will want them to (only) gradually increase as the world normalises. But they are unlikely to let them rise above the 0% level during the next year, with the focus being also on the speed of adjustment, and not just the absolute reading of real interest rates.

Equities

Equities will benefit from a cyclical upswing, but not equally and not necessarily in a straight line. US mega-tech companies, including online sellers, have fared extremely well during the pandemic – partly because they are suited for the lockdown world and partly because of the pre-existing trend toward online business. How much consumer behaviour has changed permanently, and how much will return to pre-pandemic ways, is uncertain? In any case, the big tech winners are unlikely to fare as well through the next stage of the cycle as they have done.

Of course, this is dependent on the global recovery continuing as planned. Persistent supply chain problems – and new COVID variants – stand in the way of that, but the ingredients are all there for a cyclical rotation in 2022.

Rising real yields will put downward pressure on equity valuations. At the same time, central bankers will only allow real yields to rise if growth – and hence, profits – are strong. Ideally, this should mean there is enough risk appetite around to support stock markets even if the benchmark 'risk-free' rate changes. The flipside to this is that markets could get choppy in the months ahead if liquidity drops and we see bouts of bad news. We do not expect patches of volatility to be destabilising, but they could make things difficult in the short-term.

Commodities

Much like equities, we expect commodities to be supported on the whole, but with some dispersion. Supply constraints have pushed up raw materials prices throughout the year. This was true for oil too, but recently we have seen these pressures subside. If supply constraints continue to ease into next year, oil and other materials will be less well supported. This could be good news for other sectors, and economic growth at large.

However, the commodities needed for the green transition – such as steel and other precious metals – could well see strong demand as governments push forward with infrastructure plans. We expect this to be a structural pressure under those commodities. When and how it comes through is another story, though, and we cannot make firm predictions about when price pressure will come.

Property

The pandemic has been supportive for some sections of the property market, but not others. Work from home orders bolstered demand for houses, particularly in suburban areas, while demand for urban apartments fell. This trend is unlikely to reverse overnight, but we could see a steady move back in the other direction throughout next year.

Demand for new housebuilding has been strong, however, and this is likely to continue. Not only are cyclical forces supportive for housebuilders, but there is a great deal of green construction needed, even for existing housing stock. At the same time, the sector has been hit by ubiquitous global supply constraints, resulting in severe undersupply. These things take time to clear through, but we suspect we will see more of this transition in 2022.

Global Equity Markets

Market	Fri 15:49	% 1 Week*	1 W	Technical Short	Technical Medium
FTSE 100	7017	-0.5	-35	↘	↗
FTSE 250	22926	-2.9	-683	↘	↗
FTSE AS	4023	-1.0	-39	↘	↗
FTSE Small	7410	-1.7	-127	↘	↗
CAC	6505	-2.0	-133	↘	↗
DAX	15136	-2.6	-396	↘	↗
Dow	33920	-2.5	-878	↘	↗
S&P 500	4293	-3.6	-162	↘	↗
Nasdaq	14397	-4.3	-650	↘	↗
Nikkei	28771	-4.9	-1478	↗	↗
MSCI World	3007	-3.1	-97	↘	↗
CSI 300	4866	+0.3	+13	↘	→
MSCI EM	1253	-0.9	-12	↘	→

Top 5 Gainers

Company	%
Royal Dutch Shell	+7.4
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Rolls-Royce	+7.2
Glencore	+6.1
BP	+5.4

Top 5 Decliners

Company	%
Renishaw	-12.6
AVEVA	-10.4
Admiral	-8.6
Halma	-7.8
Spirax-Sarco	-7.7

Currencies

Pair	last	%1W
USD/GBP	1.354	-1.0
GBP/EUR	0.857	+0.1
USD/EUR	1.16	-1.0
JPY/USD	110.95	-0.2
CNY/USD	6.44	+0.2
Bitcoin/$	47,131	+8.0

Commodities

Cmdty	last	%1W
Oil	78.08	-0.0
Gold	1758.7	+0.5
Silver	22.47	+0.2
Copper	416.9	-2.8
Aluminium	2858.5	-3.1
Soft Cmdties	228.7	+1.3

Global Equity Market - Valuations

Market	Div YLD %	LTM PE	NTM PE	10Y AVG
FTSE 100	4.1	15.3	12.3	14.2
FTSE 250	2.4	15.5	24.0	16.0
FTSE AS	3.8	15.2	13.3	14.4
FTSE Small x Inv_Tsts	2.0	12.9	18.8	15.5
CAC	2.3	20.8	15.6	15.0
DAX	2.2	15.2	14.9	13.5
Dow	1.8	19.0	18.4	16.5
S&P 500	1.4	24.3	21.3	17.6
Nasdaq	0.7	29.4	31.8	23.0
Nikkei	1.5	15.4	17.2	17.7
MSCI World	1.7	21.2	19.4	16.6
CSI 300	1.9	16.0	15.1	12.5
MSCI EM	2.4	13.8	13.2	12.6

Fixed Income

Govt bond	%Yield	1 W CH
UK 10-Yr	1.00	+0.08
UK 15-Yr	1.23	+0.10
US 10-Yr	1.48	+0.03
French 10-Yr	0.12	+0.01
German 10-Yr	-0.23	-0.00
Japanese 10-Yr	0.06	+0.00

UK Mortgage Rates

Mortgage Rates	Sep	Aug
Base Rate Tracker	1.50	1.50
2-yr Fixed Rate	1.23	1.28
3-yr Fixed Rate	1.41	1.48
5-yr Fixed Rate	1.40	1.45
10-yr Fixed Rate	2.59	2.59
Standard Variable	3.61	3.61

* The *% 1 week* relates to the weekly index closing, rather than our Friday p.m. snapshot values

** LTM = last 12 months' (trailing) earnings;
***NTM = Next 12 months estimated (forward) earnings

Please note:

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