Butterfield

MONEY MARKET AND CURRENCY REPORT
Wednesday 13th January 2010

CENTRAL BANK RATES	
UK	0.50
USA	0.25
EURO	1.00
JAPAN	0.10

GLOBAL STOCK INDICES		
	31 Dec	13 Jan
London	5,412	5,485
New York	10,428	10,627
Japan	10,546	10,735
Hong Kong	21,873	21,748
Singapore	2,897	2,888
Germany	5,957	5,958

FOREIGN EXCHANGE RATES		
	31 Dec	13 Jan
£/$	1.6120	1.6230
£/EUR	1.1185	1.1195
£/JPY	148.85	148.30
£/CHF	1.6625	1.6545
$/EUR	1.4410	1.4495
$/JPY	92.35	91.40
$/CHF	1.0315	1.0195

STERLING

- The Bank of England, at the close of the first Monetary Policy Committee meeting of the year last Thursday, announced that interest rates were remaining unchanged at 0.50 percent and that its quantitative easing programme was being maintained at GBP 200 billion. This outcome had been widely anticipated in the financial markets as it is forecast that any changes to the asset purchase facility will not be revealed until February at the earliest. This is when the next Inflation Report is released, giving new growth and inflation forecasts, and the scheduled asset purchases is due for completion.

- Both the Nationwide Building Society and the Halifax have reported that house prices rose again in December, being up by 0.4 percent and 1.0 percent respectively over the month. On an annual basis the price increases were 6.0 percent and 5.6 percent. However the two institutions remained cautious about the prospects for the housing market in 2010, suggesting that prices may stagnate throughout the year.

- The British Retail Consortium has stated that shop price inflation hit a thirteen-month high in December, rising by 2.2 percent and by 3.7 percent on the year. These were up from 0.2 percent and 2.8 percent during the previous month.

- The Office for National Statistics has reported that factory gate inflation rose by 3.5 percent from a year ago in December, the fastest rate in nearly a year. Input prices were also up on the month, rising by 6.9 percent which is the highest since November 2008.

CURRENCY OVERVIEW

- The global purchasing managers' index, as reported by JP Morgan and supply management organisations, grew at its fastest pace in nearly four years in December as new order growth accelerated at a rate not seen in more than five and a half years. This has given a clear indication that the global manufacturing sector starts the New Year on a positive footing and, encouragingly, the employment component of the index returned to positive territory for the first time since March 2008.

- The US labour market report for December has revealed that the rate of unemployment remained unchanged at 10.0 percent despite the number of non-farm payrolls falling by 85,000 over the month. This data was a disappointment to the markets, as an improvement in employment conditions had been anticipated, and for the whole of 2009 a total of 4.2 million jobs were lost. Other economic data releases have indicated that job creation is in the pipeline and it is forecast that the US recovery should pick up speed over the coming months.

MARKET SNAPSHOTS

- Britain's services sector grew again in December and new orders registered the strongest growth since September 2007, which bodes well for the coming months and supports the view that the UK economy exited recession in the fourth quarter of 2009.

- Unemployment in the euro-zone rose to 10.0 percent in November which is the highest level since August 1998.

- Retail sales in the euro-zone fell sharply in November, being down by 1.2 percent, after recording a small gain in the previous month. On an annual basis sales dropped by 4.0 percent.

- A revised data release has confirmed that gross domestic product in the euro-zone expanded by 0.4 percent in the third quarter of 2009 after five quarters of economic contraction. On an annual basis there was a slight upward revision from the original negative 4.1 percent to 4.0 percent.

- The Chairman of the Swiss National Bank has confirmed this week that the Central Bank will continue to take steps to prevent any excessive rise in the value of the Swiss franc on the foreign exchange markets.

- The British Retail Consortium has reported that retail sales on a like for like basis rose in December by 4.2 percent, up from 1.8 percent recorded in November.

The rate tables in this report are intended to provide an overview of the opening mid-prices in the London money market on the day of publication. Firm dealing quotations are available upon request.