

## The Credit Crunch and the impact on currency markets

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Stratton Street Capital LLP  
30 Charles II Street  
London  
SW1Y 4AE  
Authorised and regulated by the FSA

Contact  
Andrew Clark +44 (0)207 766 0820 Andrew  
Seaman +44 (0)207 766 0816  
Mark Johns +44 (0)207 766 0818  
Andrew Main +44 (0)207 766 0801

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## Impact of credit crunch

Low real interest rates across the globe since 2001 have caused significant distortions in currency values.

The credit crunch is a result of financial institutions being under capitalised.

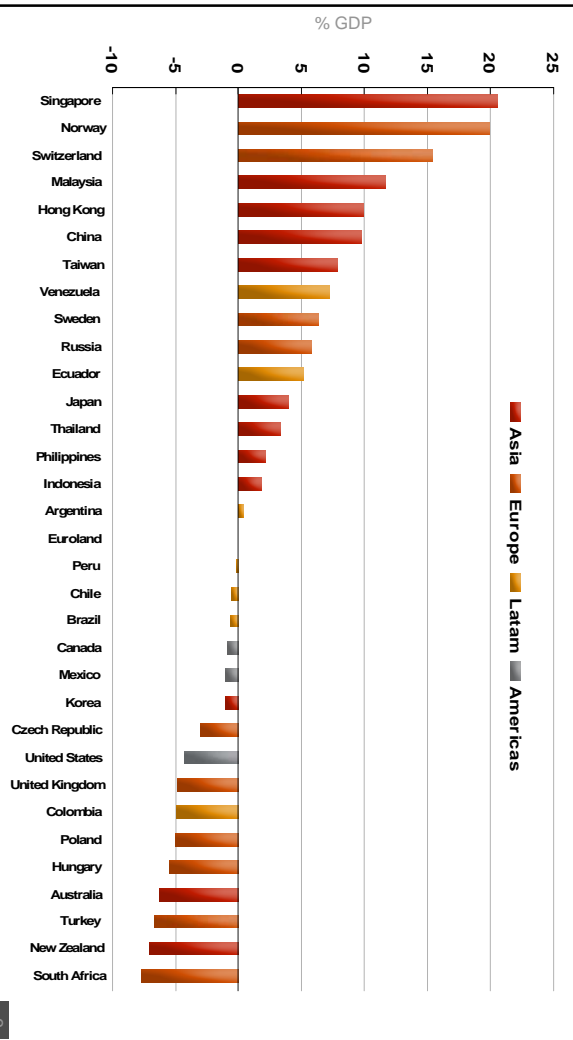
The ongoing deleveraging will result in big changes in currency valuations.

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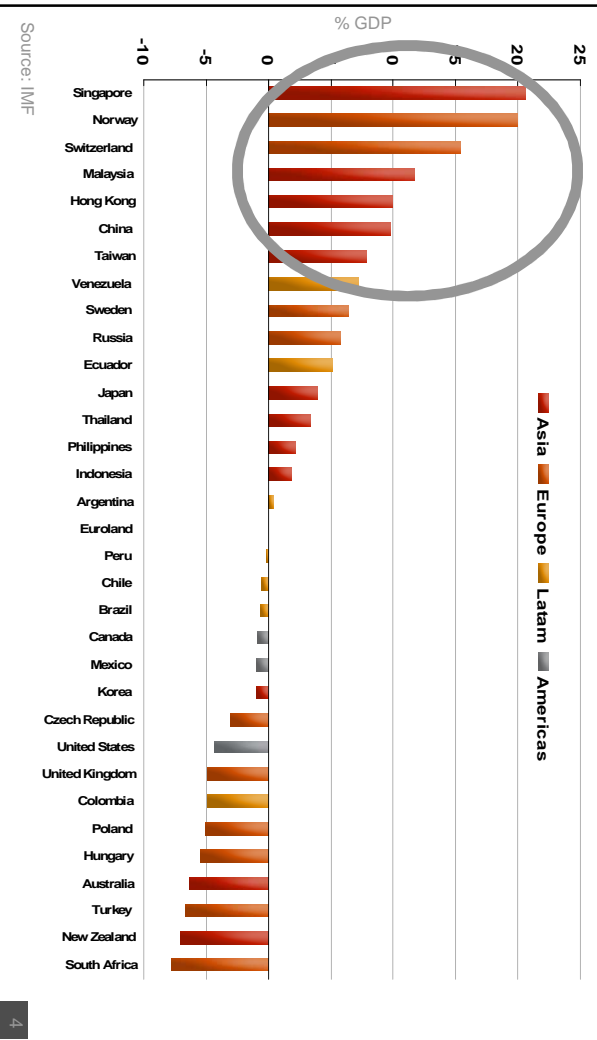


## Current Account Balances



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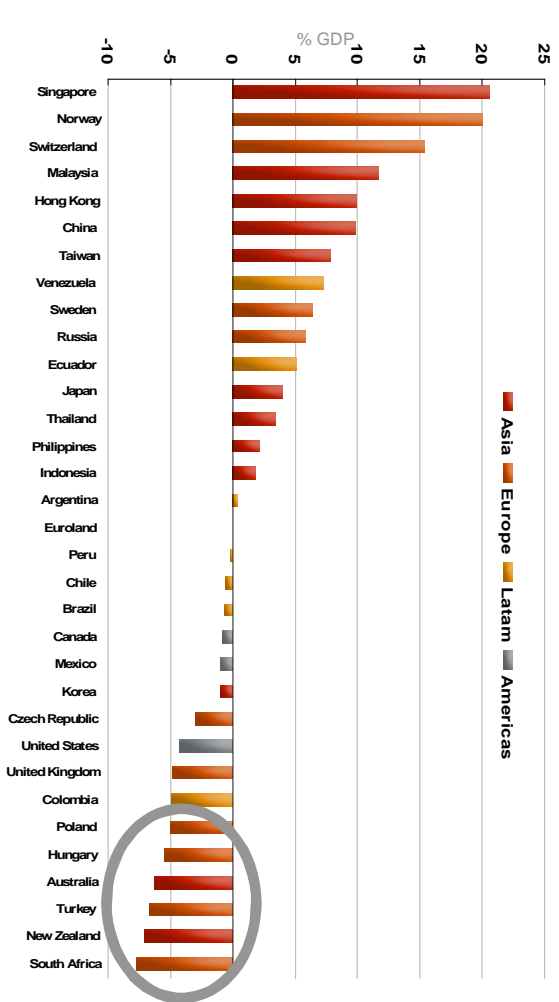
## Current Account Balances



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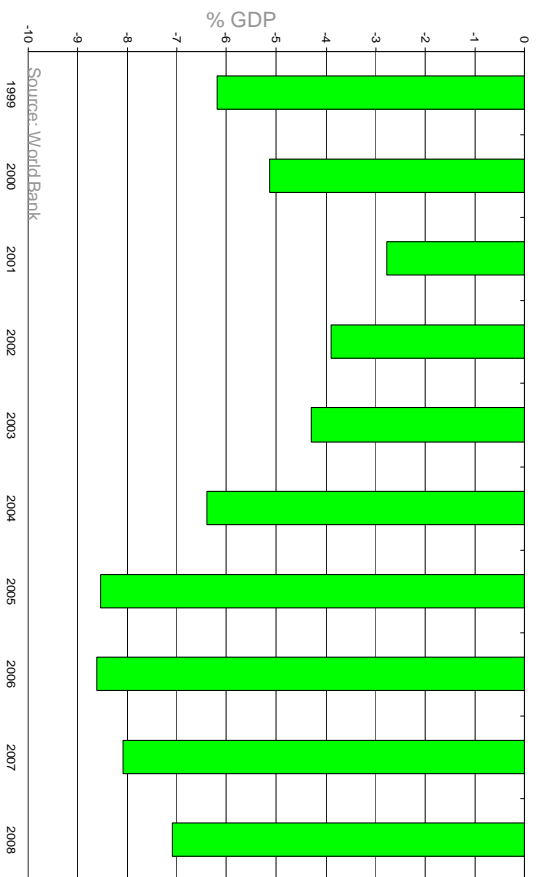


## Current Account Balances



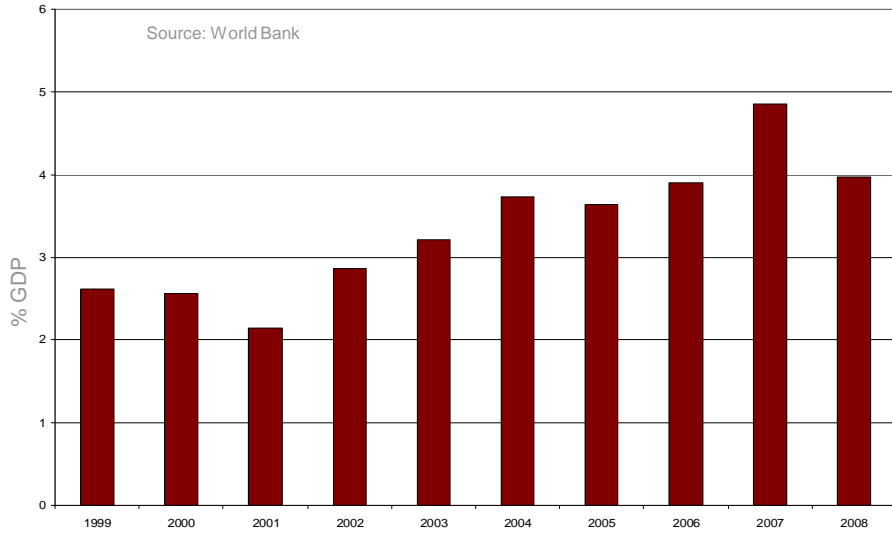
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## New Zealand current account



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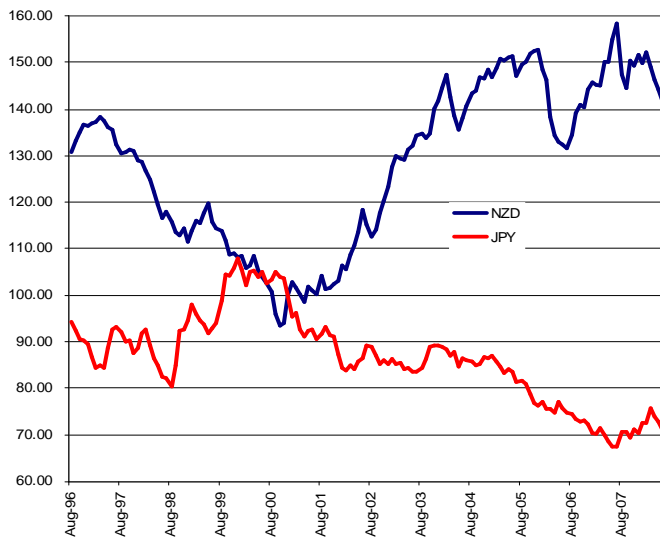
## Japan current account



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## New Zealand dollar and Yen

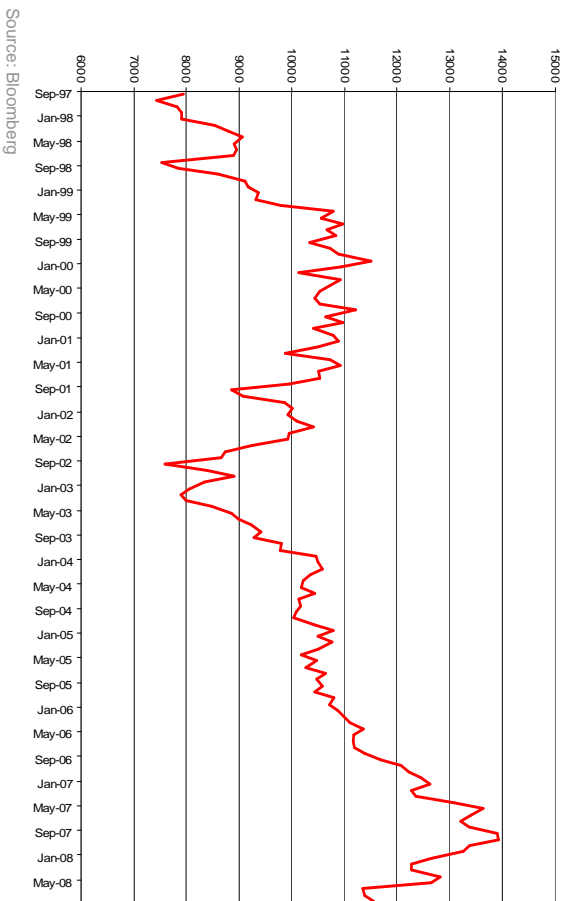
Real effective exchange rates



Source: Bloomberg

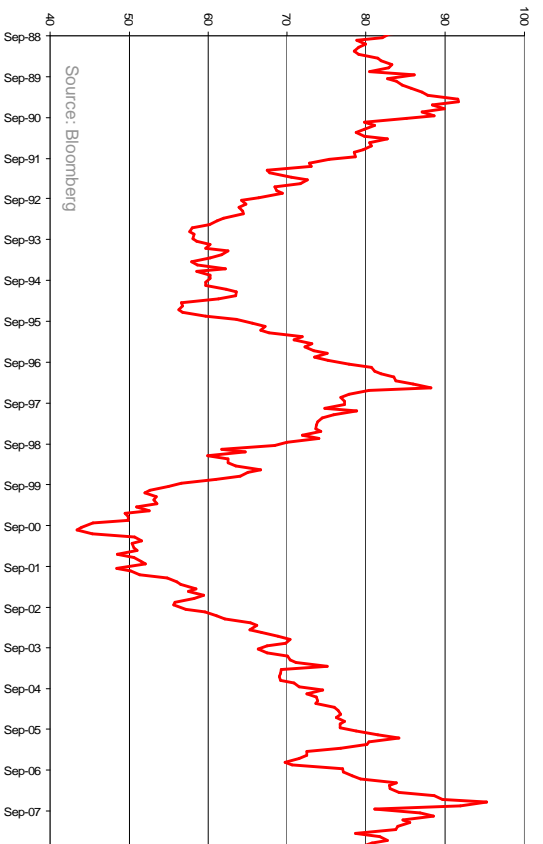
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## Dow Jones peaked in October 2007



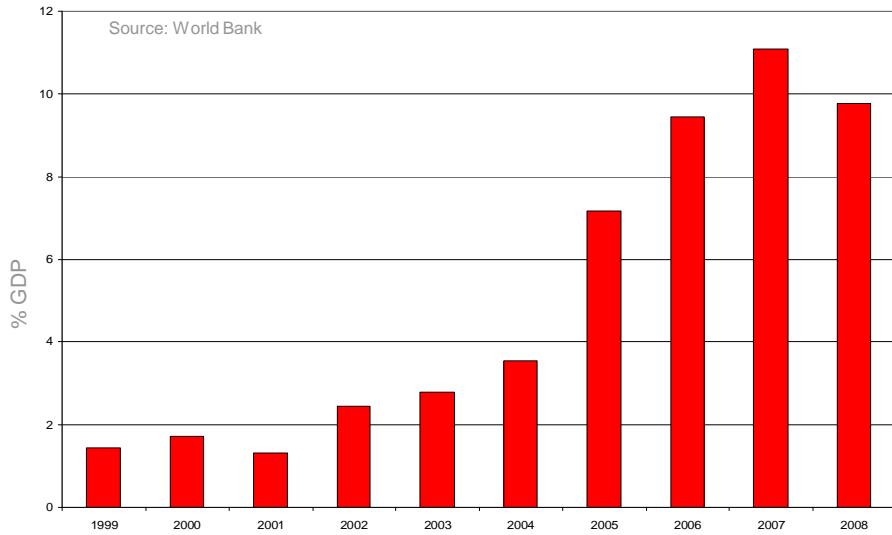
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## New Zealand dollar versus Yen



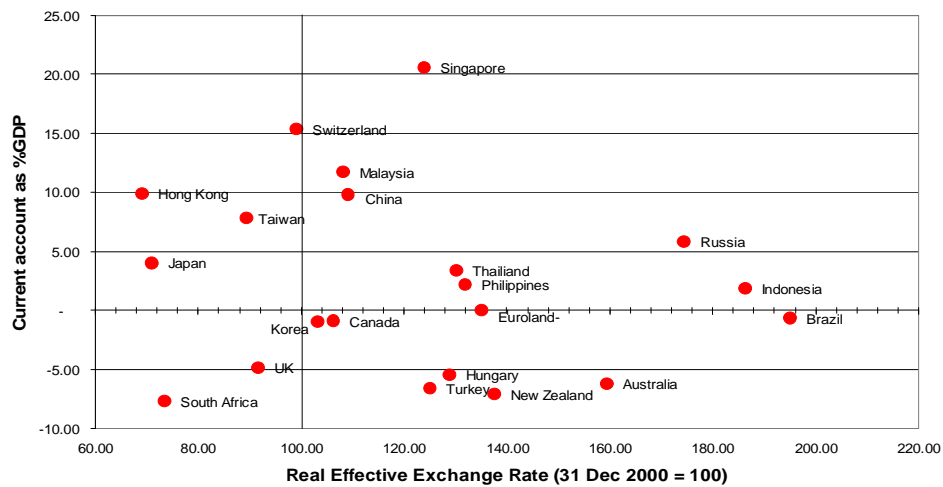
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## China current account



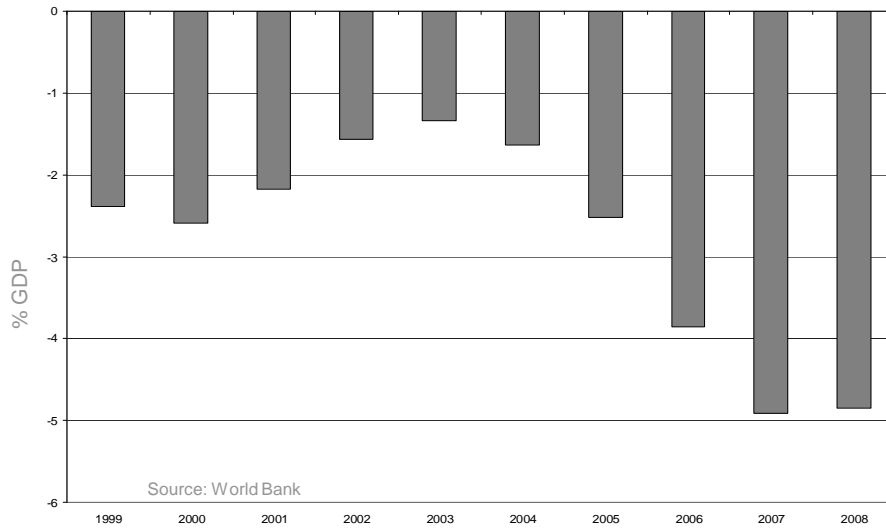
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## Current account and FX levels



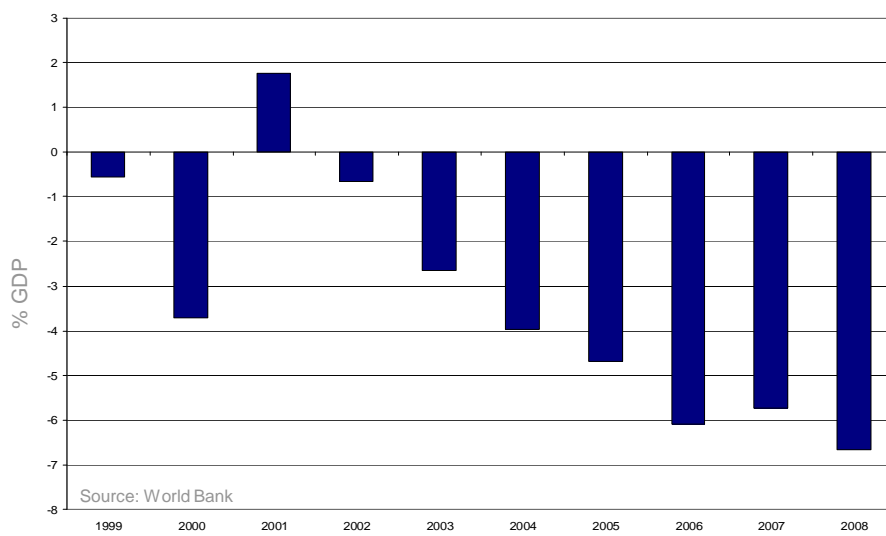
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## UK current account



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## Turkey current account



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## Some countries are better placed than others

Investors need to differentiate

The good : China, Japan, Singapore

The bad: UK, Australia, New Zealand

The ugly : Turkey

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