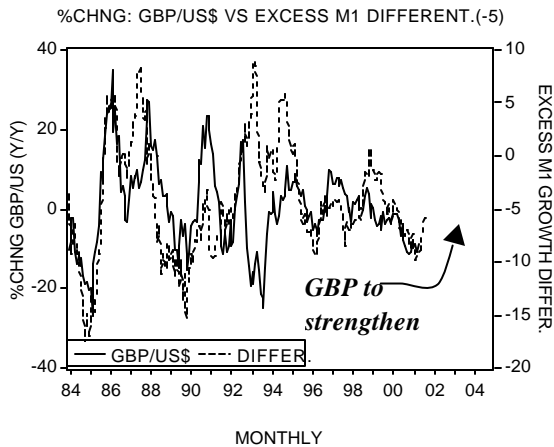
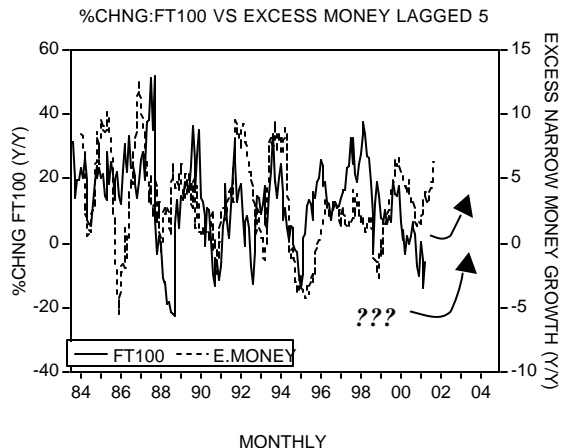


Prospects for the British pound

After reaching **1.49US\$** by the end of December 2000 the GBP had settled at **1.43US\$** by the end of April. A slight rebound in the excess money growth differential between the US and the UK points to a slight strengthening ahead in the GBP against the US\$ (see chart).

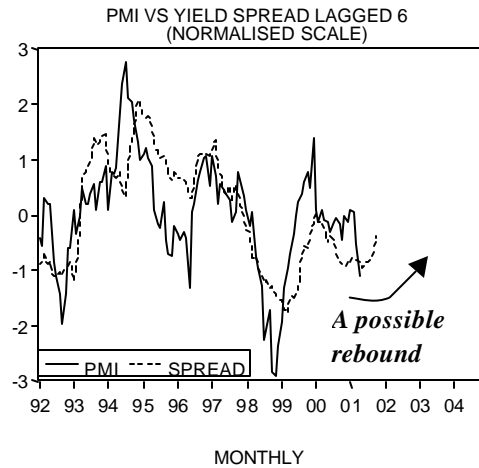


In the meantime, the yearly rate of growth of narrowly defined money in comparison to nominal economic activity jumped to **6.3%** in March from **4.8%** in the previous month. A strong increase in this measure of liquidity bodes well for the FT100, all other things being equal (see chart).

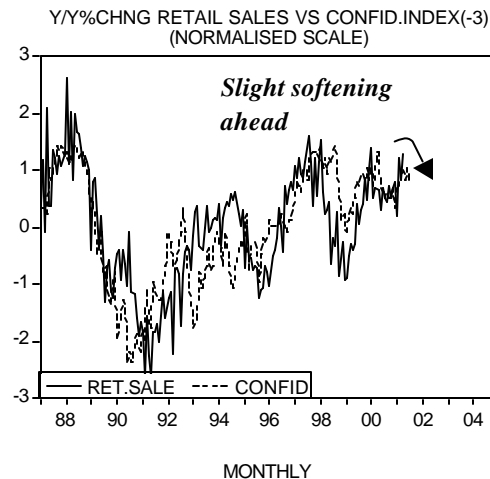


The yield spread between the 10-year government bond (Gilt) and the 3-month T-bill rose to **-0.16%** at the end of April from **-0.56%** at the end of March. This narrowing

in the spread points to a possible revival in manufacturing activity (see chart).



Year-on-year retail sales jumped to **5.9%** in April from **4.9%** in March. The lagged consumer confidence index however, raises the possibility that the momentum of retail sales growth will weaken in the next few months (see chart).



Financial News

- Australia budget surplus fcast **A\$1.5bln** in ½.
- W.German April IFO index at **92.5** vs **93.9** Mar.
- UK leading index fell **0.3%** in April.
- Fed added **\$905mln** of permanent reserves.

Thought for today

Nothing will ever be attempted if all possible objections must be first overcome.

Samuel Johnson