

Pound set for fresh falls in week ahead

► **FOREIGN EXCHANGE**
By KATIE HOPE

A FRESH wave of selling will see the pound fall to a 23-year low against the dollar this week, analysts have warned.

The beleaguered pound, which last week plunged over 9 per cent against the dollar and hit another record low against the euro, has been hit by growing fears over the government's finances and a relentless stream of grim economic data.

Last Friday's declaration that the UK was officially in recession with economic output for the past three months its weakest since the second quarter of 1980, when Britain was in the middle of a steep downturn, saw the pound hit £1.3504 against the dollar. This is the lowest since 1985 when

the authorities were forced to intervene to prevent sterling hitting dollar parity.

Analysts blame uncertainty over the fiscal cost of the government's banking bailout package for the negative sentiment against the pound, with growing concern over how it will fund its deficit – particularly if more banks are nationalised.

Ex-Monetary Policy Committee member Willem Buiter estimates that the government's balance sheet is now equal to 440 per cent of gross domestic product, and warns these liabilities could imperil the fiscal soundness of the UK.

Citigroup economist Michael Saunders has now downgraded his forecast for UK GDP to shrink this year by 3.3 per cent to 2.5 per cent – the sharpest fall for over 60 years.

ANALYST VIEWS: WHERE WILL THE POUND GO FROM HERE?

INTERVIEWS BY KATIE HOPE

MARK SULLIVAN | CURRENCIES DIRECT

“ I think it could hit 125p against the dollar. There is a lot of panic at the moment and it's very easy to push the pound lower as no-one is coming into to buy it at these levels. The government policy on the banking bailout is unclear. There is simply no confidence in the UK. It's a mess. ”



STEPHAN GALLO | SCHNEIDER FX

“ There is room for further downside and it could bottom out as low as the mid-120s. It is breaking through previous lows with incredible ease. Against the euro parity is absolutely certain. The strong pound was a symbol of the over-leveraged UK and has become the whipping boy for the market. ”



JONATHAN QUIN | WORLD FIRST

“ In a month it will be 144p against the dollar. The pound needs to be weaker because of the current and forecast state of our economy. It also should be weaker because the chancellor's borrowings will increase money supply. When you hike supply of almost any good, the price/value usually falls. ”



NEWS | IN BRIEF

Gazprom in Kuwait joint venture

Kuwaiti investment firm Noor Financial Investment will enter into a pair of joint ventures with Russian oil and gas firm Gazprom, it emerged yesterday. Noor and Gazprom's Geofizika subsidiary will team up to form one venture in Russia and another in Kuwait, providing oil and gas production, repair and maintenance services. Gazprom will own a majority stake in the Russian firm, while Noor will hold 51 per cent of the Kuwait venture.

Ross to return to Big Yellow

The entrepreneur David Ross is set to be invited to return to the Board of the Big Yellow self-storage company despite being embroiled in a share scandal pledging his shares as a security against personal loans. The Financial Services Authority (FSA) has since admitted that disclosure requirements were unclear, meaning he could escape punishment. Following the Ross case the FSA set Friday as a deadline for companies to disclose share dealings, 40 firms came forward.

RICS launches advisor service

The Royal Institution of Chartered Surveyors today launched expert advisors to streamline the work of planning inspectors. The new service aims to provide independent examination on major casework and local development plans. The service will also be managed by RICS dispute resolution services which will establish a pool of expert advisers.

RoadChef to be served up by Israeli owner

► **LEISURE**

ROADCHEF, one of Britain's biggest motorway services groups, could be sold by its Israeli owner after it reportedly hired NM Rothschild to find an outside investor for the business.

An information memorandum has already been distributed to potential buyers and expressions of interest in RoadChef are expected to be tabled this week. RoadChef has 27 motorway service stations.

Top City firms may face Madoff action

► **FUND MANAGEMENT**

NICOLA Horlick's Bramdean Asset Management, HSBC, UBS and Barclays may face legal action over Madoff losses, with 10 high net worth investors claiming they were given bad advice.

The investors are thought to have approached law firm Edwin Coe hoping to sue for the full value of losses they incurred in the scandal, which comes to £87m.

Bernard Madoff is said to have admitted running a "Ponzi" scheme that could cost investors \$50bn.

Edwin Coe was unavailable for comment.

Elsewhere, Hollywood great Zsa Zsa Gabor is said to have lost at least \$7m as a result of the scandal.

Gabor, 91 years old, is said by her lawyer Chris Fields to be taking the damage to her nest egg badly.

Henderson ahead in race to buy stricken New Star

► **FUND MANAGEMENT**

HENDERSON Global Investors has been granted exclusive negotiating rights to try to buy embattled New Star Asset Management, it emerged over the weekend.

The firm is locked in talks with New Star over a possible bid, it is thought.

Other groups known to have tabled bids, including Schroders, which put in a £100m bid, Aberdeen and Neptune, will have to wait in line while Henderson concludes its negotiations and a transaction is agreed or ruled out.

New Star, founded by iconic City figure John Duffield just eight years

ago, saw its shares fall 99 per cent after its high debt position, at £240m, and fund outflows sparked market fears.

The fund manager was forced into a debt-for-equity swap with its creditors, HBOS, Lloyds TSB, HSBC, RBS and National Australia Bank, that saw them take control of most of the equity.

They are now looking to offload the group, and industry experts believe they will be keen to confirm a sale as soon as possible.

While no details on the scale of the deal are forthcoming, a source at New Star Asset Management said a deal is expected before the end of the month.



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