



International Foreign Exchange

Key Facts:

- 75 Staff Based In Penzance, Cornwall.
- In 2010 TorFX are on course to transact in excess of €1,000,000 in foreign exchange.
- TorFX are approved and vetted by the Government's UKTI department to assist UK based SME's with their international payments and supporting them expand in the overseas market.
- Named European Currency Broker of the Year 2010 by Overseas Living Magazine voted by expats.
- Achieved 2nd Place in Sunday Times Fast Track 100 Fastest Growing companies in 2008.
- Authorised by the FSA under the Payment Service Regulations 2009 for the provision of payment services.
- Regulated by HM Revenue & Customs.
- Government approved UKTI Third Party Panel Adviser to UK SME's on international payments
- Segregated client accounts held with Barclays Bank Plc.

International Payments:

“Step by Step guide to sending funds overseas & managing exposure”

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1. Registration
2. Compliance
3. Trade
4. Contract
5. Funds in
6. Confirmation of beneficiary account
7. Payment out
8. Payment confirmation

Risk management services and Tailor made market analysis

Many companies that rely on Importing or Exporting goods will work out a minimum requirement (rate) on all currency purchases. For example, a UK client importing goods from the U.S will need to pay out a specific amount of U.S Dollars for the year and due to commitments to cash flow etc may require at least 1.55 on all currency bought. Many financial institutions offer online short and long term currency forecasts, by monitoring the market conditions and trends it can help towards understanding the volatility and the emphasis towards hedging exposure in this current climate.

Since the start of the recession in 2007, the Pound has slumped to a low of \$1.3505 against the U.S Dollar and in the summer of 2010 managed to rally back towards \$1.60, as the global economy recovery gathered momentum. The level of volatility in the market has increased exponentially and a company looking to plot their annual exposure has become increasingly difficult.

Management of currency exchange exposure by using –

Forward Contracts

Limits

Stops

FORWARD CONTRACT

You can benefit from the option of buying currency on a 'forward' contract. For an example, a UK company may know at the beginning of the year the entire amount of Euros needed to import goods from Germany for the sale of their product in the UK market. When working with a specialised currency broker the company can liaise with their currency analyst/trader to work out a minimum acceptable rate for all Euro purchases for the year. The company has the option of securing the exchange rate forward for up to 2-years with a 10% deposit payable with 48 hours of confirming the trade. The benefits of doing this are that the company will buy all of Euros throughout the year at the same exchange rate and will be able to budget other areas of their business more easily. In addition, the company will no longer be at risk to the volatile swings in the exchange rate on a yearly basis.

STOP AND LIMIT ORDERS

These tools are very important when looking to get the most out of your foreign exchange transactions, currency brokers offer over High Street Banks the option to place orders into the market very much like buying stocks and shares. By placing an instruction to buy at a limit or stop takes worry and time out the equation as your currency broker will watch the market for you and will buy or sell at you specified rate.

For example, the GBP/EUR exchange rate is trading at 1.21. The low of the year is 1.0276 and the highest level reached is 1.2370. A client buying Euros with no particular urgency may want to secure a better rate than the current 1.21 on offer. Therefore, we can insert a limit order at 1.2350 that will be in operation 24-hours a day, meaning that your order will trade automatically as soon as the market reaches the required level. Many of the big moves in the market occur during the New York or Singapore session when the office in the UK is closed. Therefore, the benefit of having an order working overnight means that the client won't miss out on a higher rate should the market rally out of office hours.

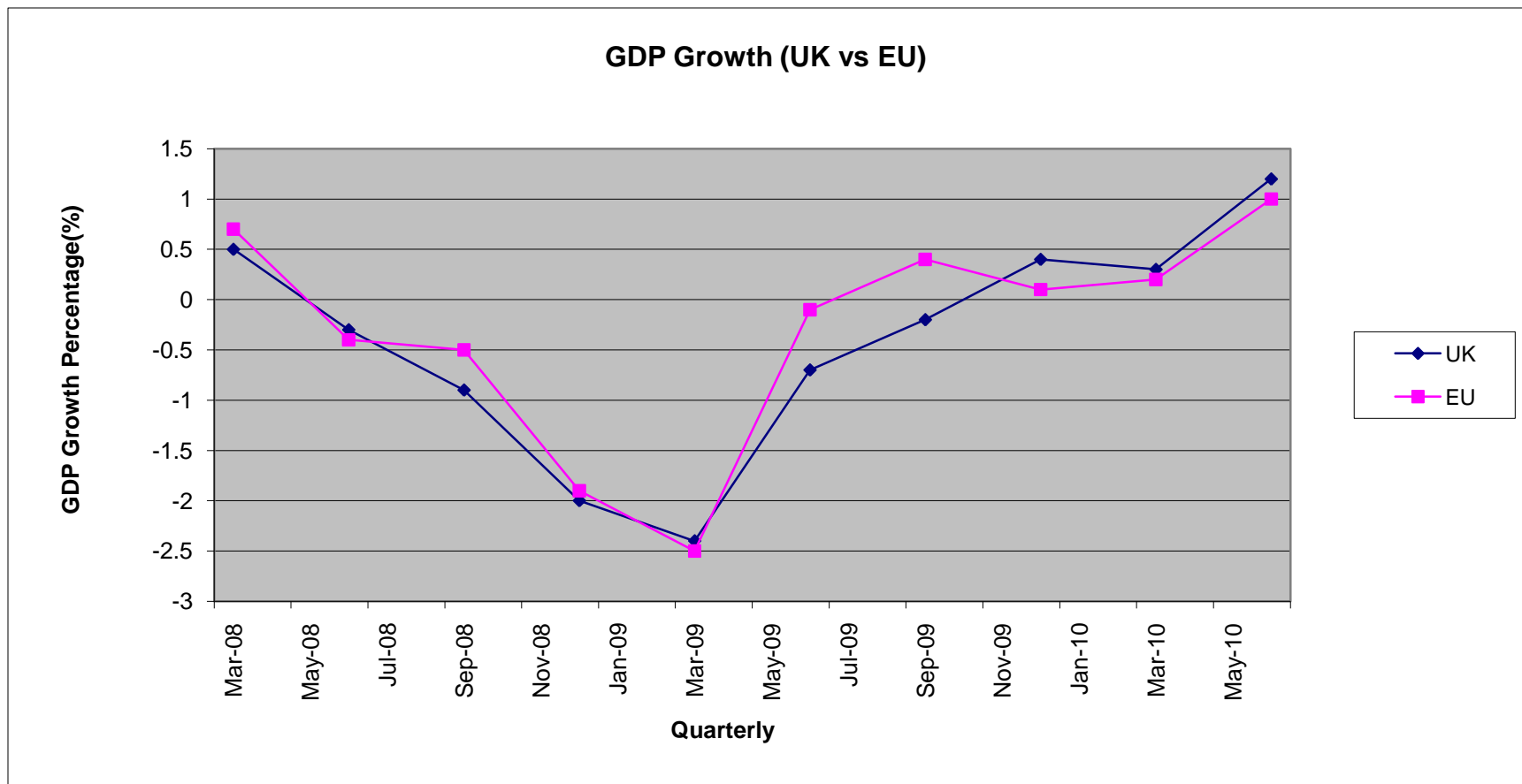
STOP AND LIMIT ORDERS

At the other end of the spectrum, the same client that would like a higher rate than 1.21 may consider that the Pound could weaken against the Euro. Therefore, you can place an stop into the market which operates under the current rate of 1.21 and acts as a worst case scenario. If the Pound starts to decline against the Euro, the client could have a 'stop' order in place at 1.20, meaning that should the rate break lower, this would guarantee a minimum of 1.20 on the downside, thusly minimizing the company's exposure.

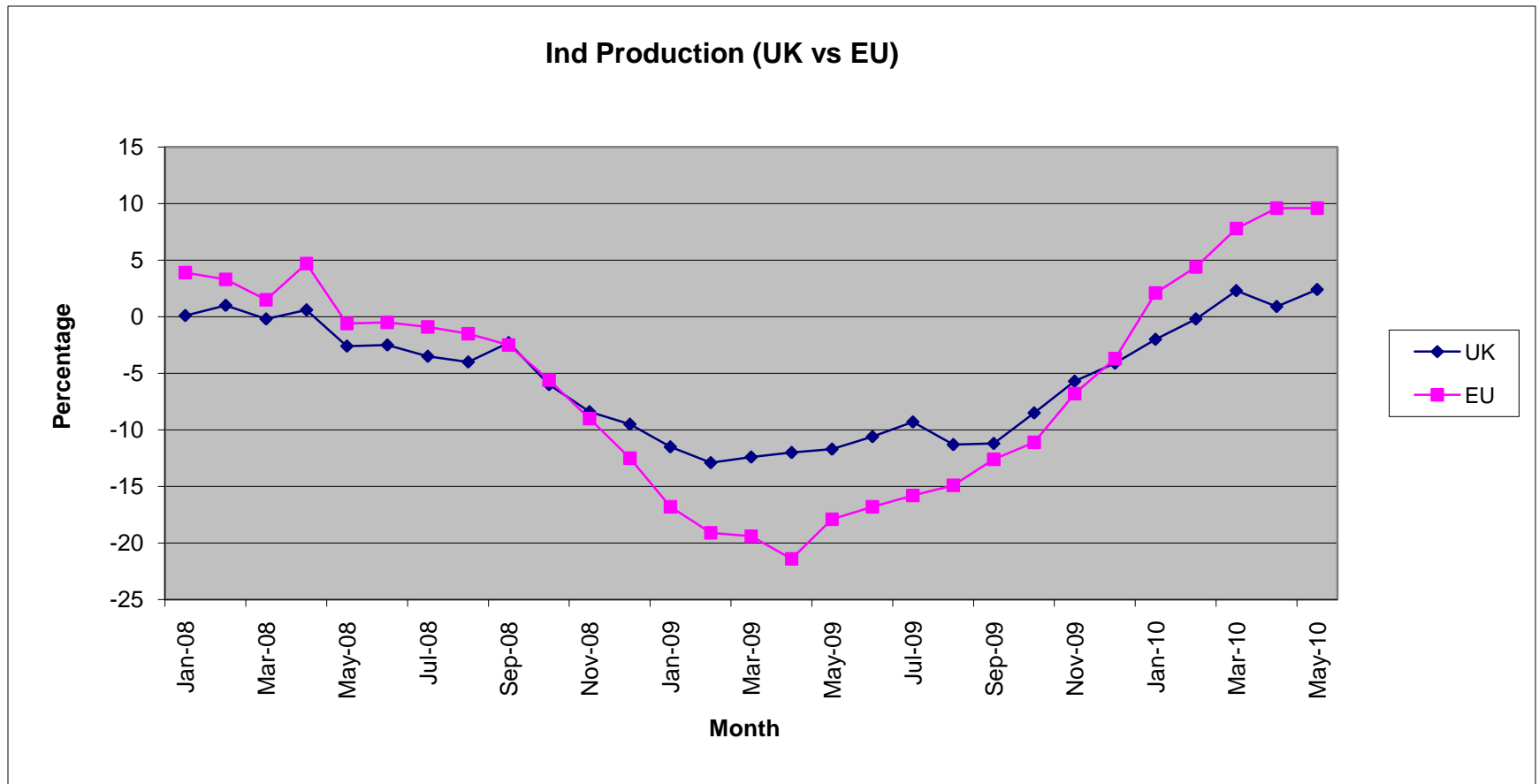
Economic Outlook 2010 / 2011:

“A picture speaks a thousand words.”

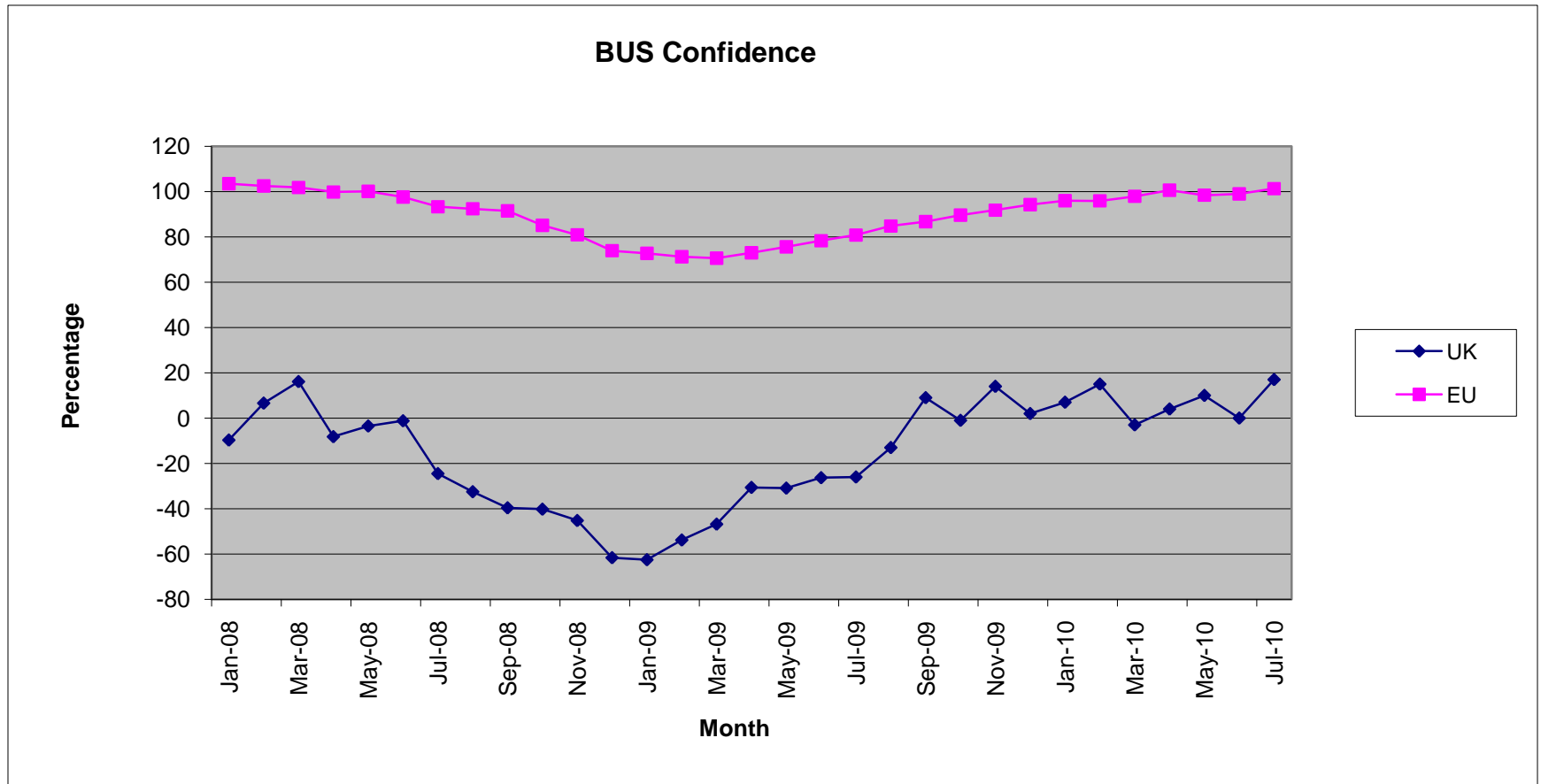
GDP Growth



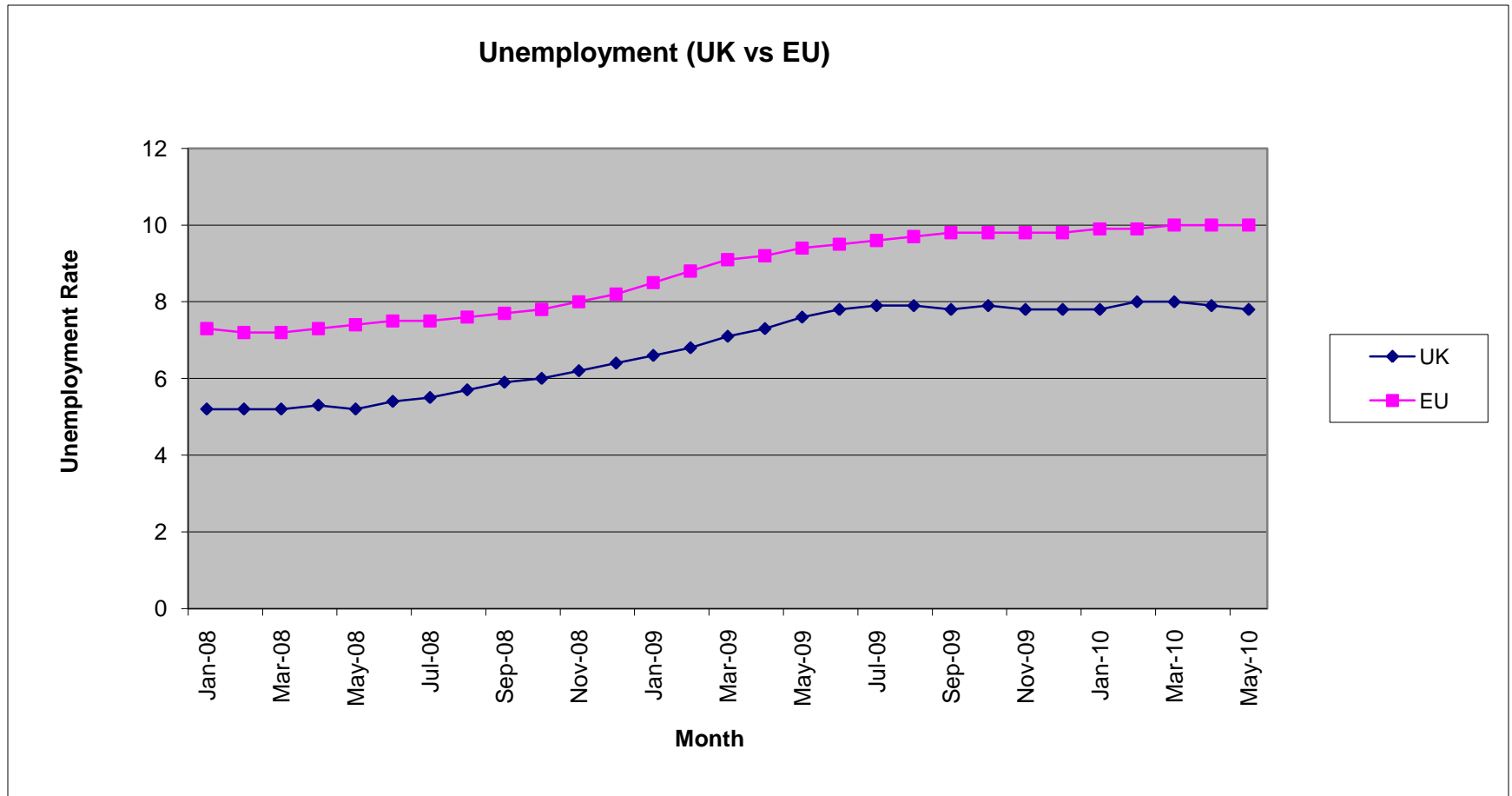
Industrial Production



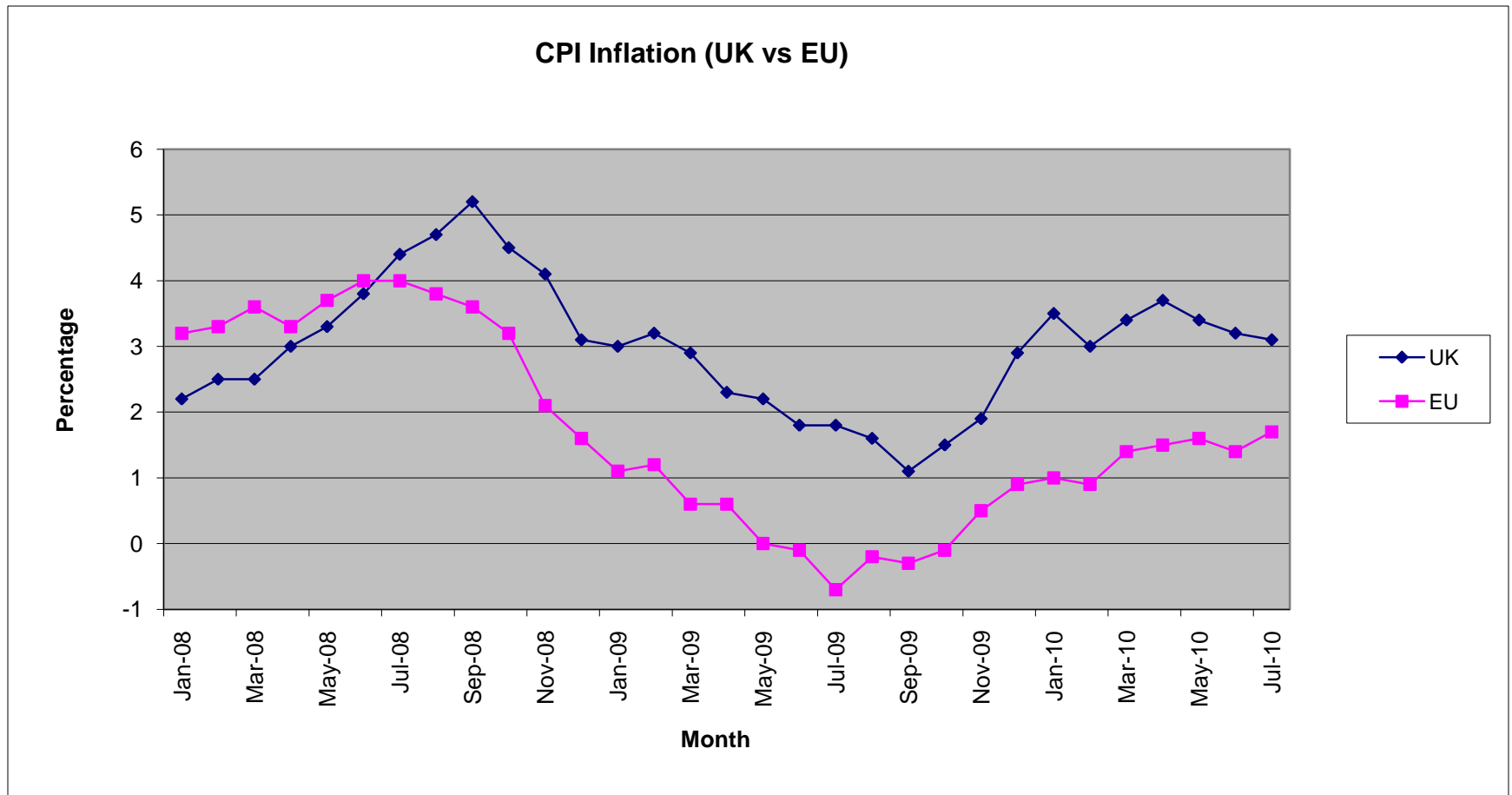
Business Confidence



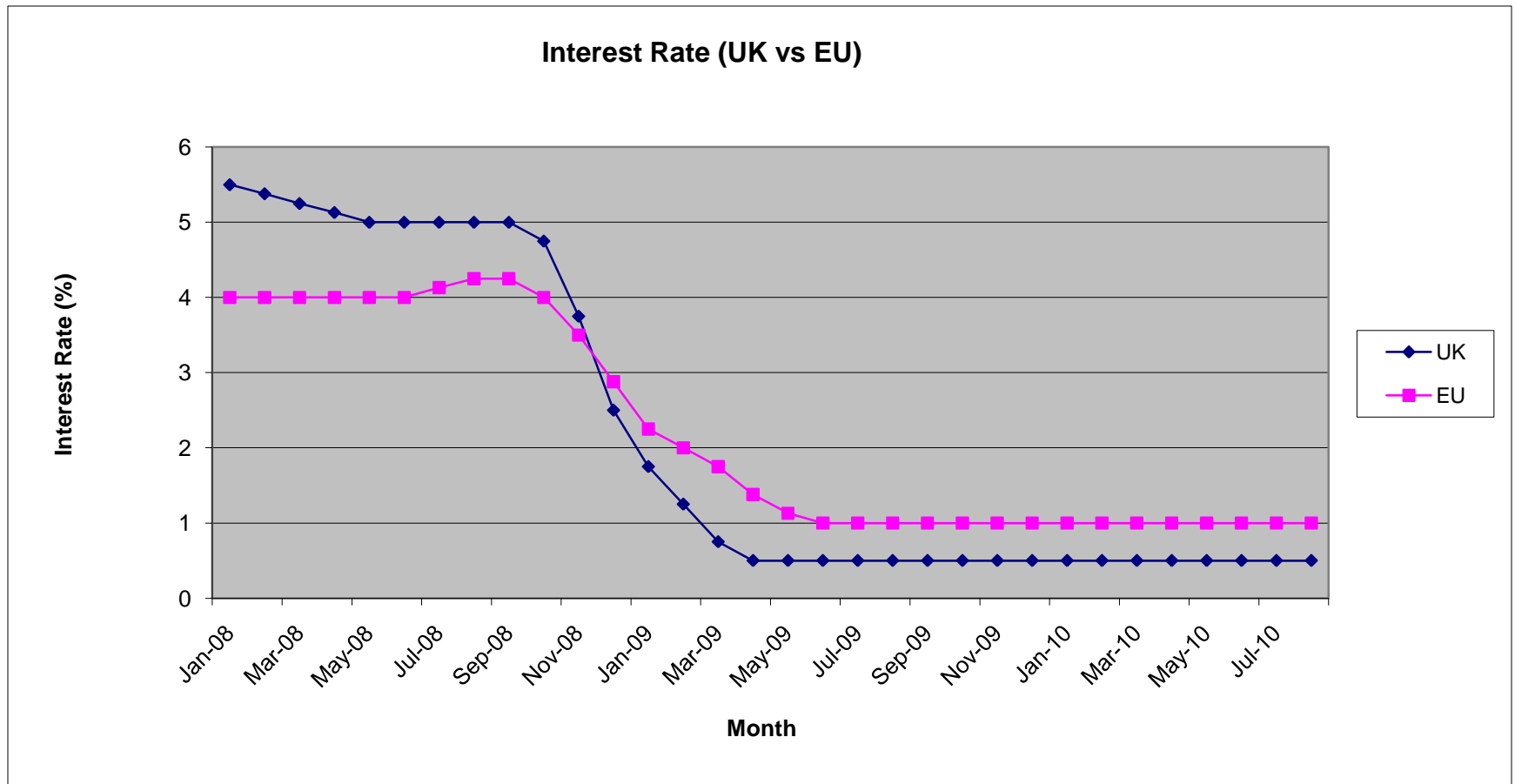
Unemployment



Inflation



Interest Rates



Observations

- Key economic indicators in the UK and EU have followed a very similar track from the onset of the recession, with most now indicating strong recovery.
- As inflation rebounded from the lows, interest rates have so far remained static at record lows.
- Business confidence in both the EU and UK have recovered to pre-recession levels as businesses have shed jobs and inventories, and confidence over future demand increases...





- So why the long face...?

Money for Nothing

Stimulating the recovery required unprecedented monetary easing including quantitative easing to increase the supply of credit and prevent a banking collapse. Low interest rates and QE will at some point need to be withdrawn in order to;

- A) Combat inflation
- B) Allow central banks to unwind QE and reduce their balance sheets (holdings of government bonds)



A Rock and Hard Place



In the UK the coalition government have embarked on an “austerity” program (i.e. radical cost cutting!) that will inevitably dent the recovery. This is necessary to maintain credibility in Sterling and ensure that we can sell new debt to the markets at reasonable rates (i.e. Avoid a Greece / Spain sovereign debt meltdown).

What Goes Up Must Come Down

- Stock markets have entered a corrective phase in 2010 and investor confidence is fragile. The housing market is soft. It has become increasingly difficult for investors to identify assets that will perform.
- Demand for gold remains robust.
- “Safe Haven” currencies, the US dollar and the Yen are in demand.



Today's Currency Themes



- Sterling, Euro and US Dollar yields are at record lows with no near term expectations of rate hikes. **For all intents these currencies offer investors no return on cash deposits.**
- Economic statistics also give no clear differentiation. All of these economies are experiencing the start of a double dip.
- Attitudes to risk are therefore the primary differentiator. A simplified view is that when risk aversion increases investors are buying the US dollar and selling everything else in equal measure!

Currency Themes 2010/2011

- In effect, this has made most currency pairs relatively directionless over recent weeks. The markets see the US dollar on one side, everything else on the other.
- Usually we see the high yielding currencies like Aussie dollar, Kiwi and Rand weaken during times of risk aversion. So far this hasn't happened. These economies are actually doing relatively well and investors can earn a decent yield (AUD: 4.5% NZD: 3.0% ZAR: 6.5%).
- If the stock market correction turns into a panic these currencies will fall, but right now the mood is characterised by investor apathy toward the UK and Euro Zone, but no sense of panic since the sovereign debt stories largely abated in Q2.



Currency Themes 2010/2011



- In this “apathetic” scenario there is little to differentiate Sterling from the Euro, making it likely that we will continue to see a ranging or gently trending market rather than the high volatility we experienced through 2007 – 2009.
- Austerity measures in the UK will be easier to implement and assess than in multi state Europe. That could lend Sterling more credibility and tip the scales in favour of continued gradual appreciation against the Euro.
- The world economy is reliant on the US economy. In contrast to our austerity approach the US is maintaining spending.

Currency Themes 2010/2011

- Monetary tightening is still some way off but this will become a key theme in early 2011 as markets start to price in rate hikes. Who first? The ECB has the more hawkish credentials and may move first.
- Until then we see Sterling / Euro trading between 1.15 and 1.30, and have a positive bias in favour of stronger Sterling.



Sterling / Euro Technical Outlook

- Sterling is in a rising channel and has been making higher highs and higher lows for over a year. In the absence of unforeseen data this trend is likely to continue. A break above the upper channel line (currently 1.2500) would signal an accelerating trend. A break below 1.1740 would open the way back to the channel bottom at 1.13.



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Questions & Answers