



Bond Technical Strategy - Weekly

21st August 2008

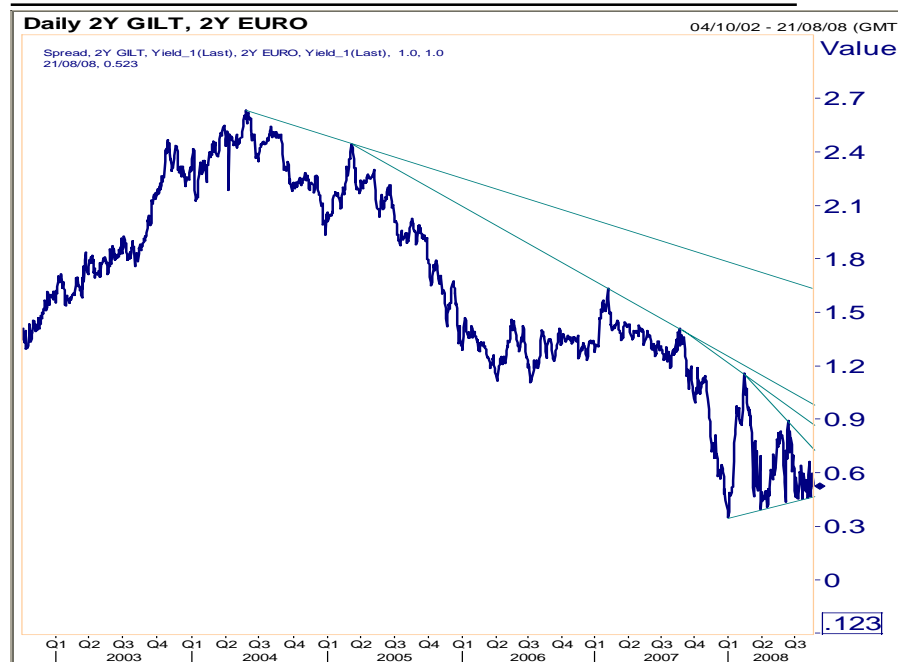
Tension keeps bonds underpinned

Market overview

Having seen the expected bullish trends in core and peripheral bonds unfold over the past few weeks due to the technical set-ups in the commodity markets (and directly in the bond charts), a consolidation phase from here is not unwarranted. Soft and hard commodities are due a rebound and may even resume the long term upward trends. Whilst this may see bonds ease from current levels, the longer term implications at this stage remain bullish. This is because the market is likely to move focus over to the potential for a major correction in equities, especially as we approach the cyclically sensitive September/October period.

Although the past few weeks have seen thin volume and exacerbated trends, the equity markets have gradually edged lower. The potential for acceleration should keep the bond correction shallow, although being the main factor underpinning the market, the reverse situation would have a magnified correction despite this not being the preferred view.

UK/Euro 2 year yield spread



A key descending triangle formation implies a move to parity over the coming months. This suggests the next break-out in euro sterling could be to the upside, ejecting the currency pair from the range which has dominated for the past few months. A break of -0.45% is the trigger.

Paul Rodriguez, Senior Technical Analyst

Client support

Economic Research Team
Trevor Williams
 0207 158 1748
 trevor.williams@lloydstsb.co.uk
Nichola James
 0207 158 1741
 nichola.james@lloydstsb.co.uk
Jeavon Lolay
 0207 158 1742
 jeavon.lolay@lloydstsb.co.uk
Kenneth Broux
 0207 158 1750
 kenneth.broux@lloydstsb.co.uk
Hann-Ju Ho
 0207 158 1745
 hann-ju.ho@lloydstsb.co.uk
Rabia Bhopal
 0207 158 1747
 rabia.bhopal@lloydstsb.co.uk
Paul Rodriguez
 0207 158 1744
 Paul.Rodriguez@lloydstsb.co.uk
Distribution
 Sarah Pedder, 0207 158 1746
Information Manager
 Hugh Geen, 0207 158 1740

Economic Research,
 Corporate Markets,
 10 Gresham Street,
 London EC2V 7AE,

Switchboard:
 0207 050 - 6045

Contents:	Page
Overview	1
US 6 month yield, US yield spread, US 2yr notes	2
US 10 yr notes, gilts, short sterling	3
euro bund, euro schatz	4

Technical Strategy - US 10yr notes, gilts, Short sterling

US 10yr note futures

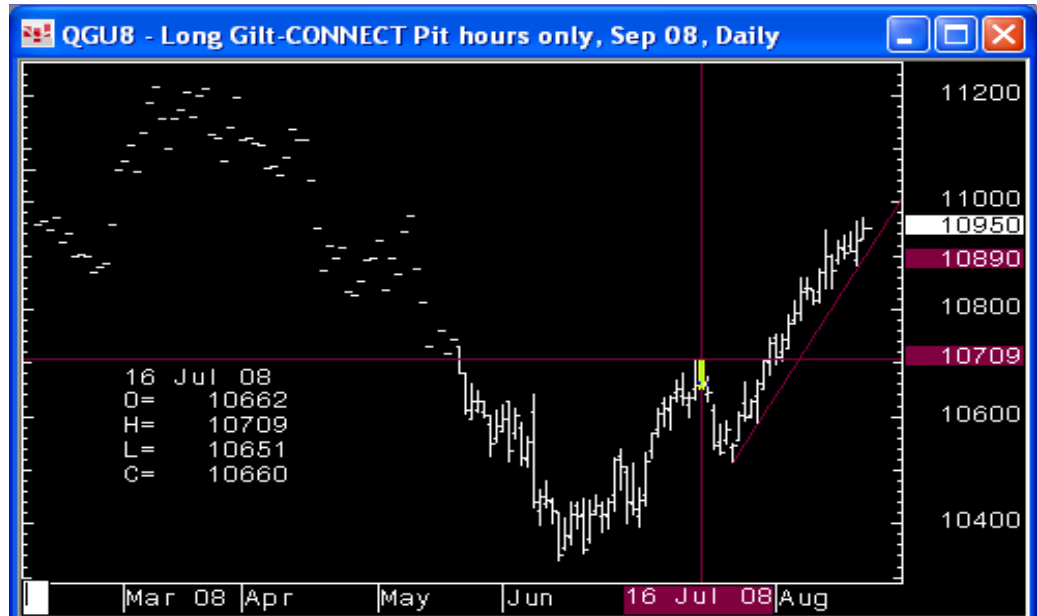
Targets at 116.02 have been hit. Move stops up to 115.30 support looking for 118.00 as the next objective.



Source: CQG, Inc. © 2008 All rights reserved worldwide. www.cqg.com 08/21/2008

UK gilt futures

110.00 objectives are close. Given the trend a consolidation phase is not unwarranted. Move stops up to 108.88.



Source: CQG, Inc. © 2008 All rights reserved worldwide. www.cqg.com 08/21/2008

December short sterling

Having hit the 94.50 target, this was expected to range trade and for the moment this remains the bias. Break-out parameters are at 94.19 and 94.32

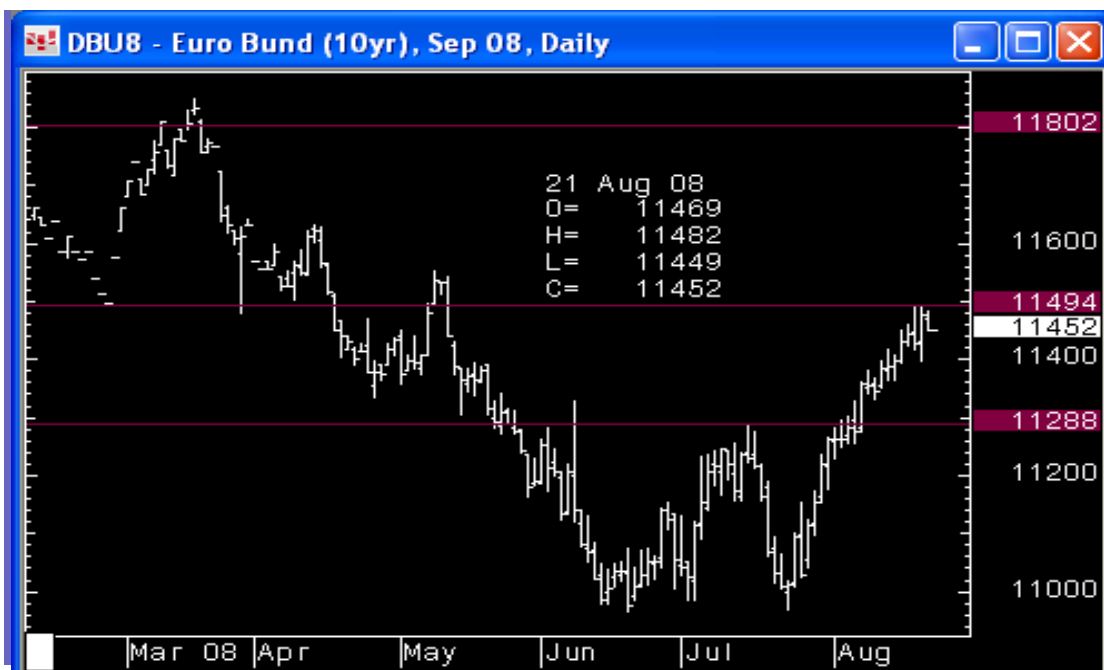


Source: CQG, Inc. © 2008 All rights reserved worldwide. www.cqg.com 08/21/2008

Technical Strategy - euro bund, euro schatz

Euro bund future

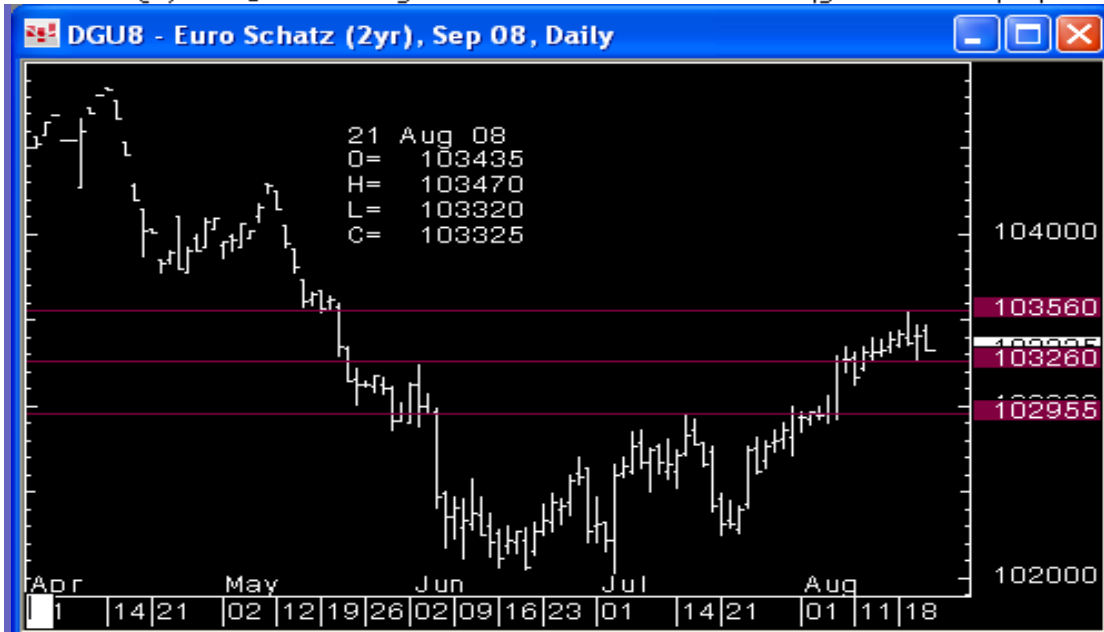
Targets at 115.00 have come close. Look for a retest of 114.00 before a recovery through 115.00
Move stops to 113.85



Source: CQG, Inc. © 2008 All rights reserved worldwide. www.cqg.com 08/21/2008

Euro schatz

Targets at 103.50 have been hit. Key support at 103.26 looks set to be retested. Move stops up to 103.19.



Source: CQG, Inc. © 2008 All rights reserved worldwide. www.cqg.com 08/21/2008

Disclaimer

Any documentation, reports, correspondence or other material or information in whatever form be it electronic, textual or otherwise is based on sources believed to be reliable, however neither the Bank nor its directors, officers or employees warrant accuracy, completeness or otherwise, or accept responsibility for any error, omission or other inaccuracy, or for any consequences arising from any reliance upon such information. The facts and data contained are not, and should under no circumstances be treated as an offer or solicitation to offer, to buy or sell any product, nor are they intended to be a substitute for commercial judgement or professional or legal advice, and you should not act in reliance upon any of the facts and data contained, without first obtaining professional advice relevant to your circumstances. Expressions of opinion may be subject to change without notice. Although warrants and/or derivative instruments can be utilized for the management of investment risk, some of these products are unsuitable for many investors. The facts and data contained are therefore not intended for the use of private customers (as defined by the FSA Handbook) of Lloyds TSB Bank plc. Lloyds TSB Bank plc is authorized and regulated by the Financial Services Authority and is a signatory to the Banking Codes, and represents only the Scottish Widows and Lloyds TSB Marketing Group for life assurance, pension and investment business.