DynexCorp

Dynamic Currency Debt Management

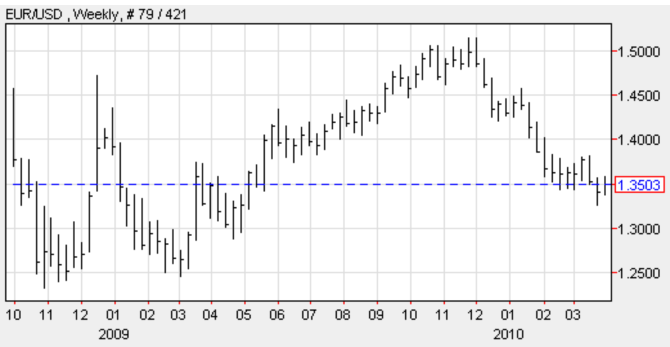
1st Quarter 2010 Report 5 April 2010

Ugly duckling EUR looking for a playmate

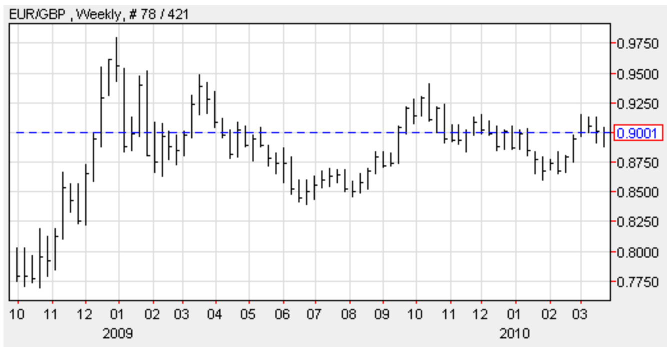
Three months into 2010, little has changed that hasn't been noted las time. We quote from the latest Currency Bulletin issues, a publication associated with DynexCorp Dynamic Currency Debt Management: "For now, we're watching a world emerging from a credit cataclysm which has left some parts chronically enfeebled and others convalescent or fit. The world is divided into two: on one side the part of the world – America, Britain, and Euroland – which is reeling from the impact of the credit crash on the speculative excesses of their financial systems, including Japan, because it never fully recovered from its depression of the 1990s. Opposing these are the parts of the world which happened not to have suffered from, or have purged, the excesses of their financial systems. The others are broadly the 'developing world' – Asia, BRICS, etc – where the economies sailed through an upset imposed from outside.

In the case of the developed world, where the data have improved, 'recovery' may be the wrong word, because it carries the implication that they are getting back to where they were before, when recovery meant a return to the prospect of growth as 'normal'. Smart people have proposed the idea of a 'new normal' for this lot. Let's use another word – '*rebound*' – for the current pick-up for this lot. Opinion is divided here whether the rebound means 'recovery as normal' or simply 'bounce' implying the possibility of a relapse sometime, back to *lower* levels of economic activity – and maybe lower market prices."

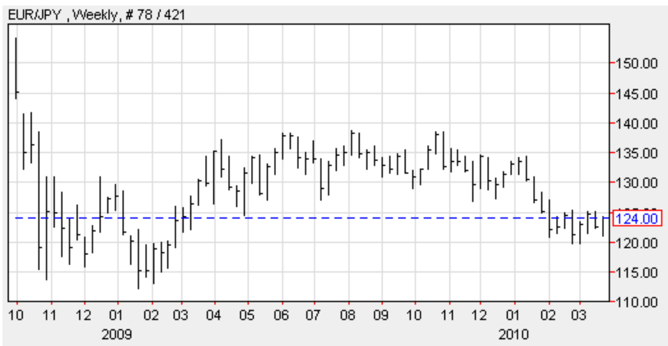
USD: 0%



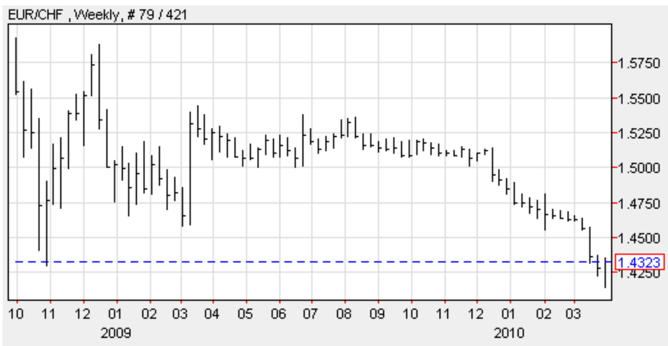
GBP: 0%



JPY: 0%



CHF: 0%



Current EUR-based loan portfolio

0% USD → current rate: 1.3500

0% GBP → current rate: 0.9000

0% JPY → current rate: 124.00

0% CHF → current rate: 1.4325

100% in EUR

Borrowing can become an advan-tageous business if loan balances can be reduced through a) interest rate reduction and/or b) dynamic switch-ing to weaker currencies. Interest rates for different currencies vary greatly. Switching loan balances into low interest rate currencies can reduce the interest burden. Switching loan balances into currencies that fall against the original loan currency can also reduce the loan burden. DynexCorp uses a combination of both to achieve benefits for the borrower.

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