

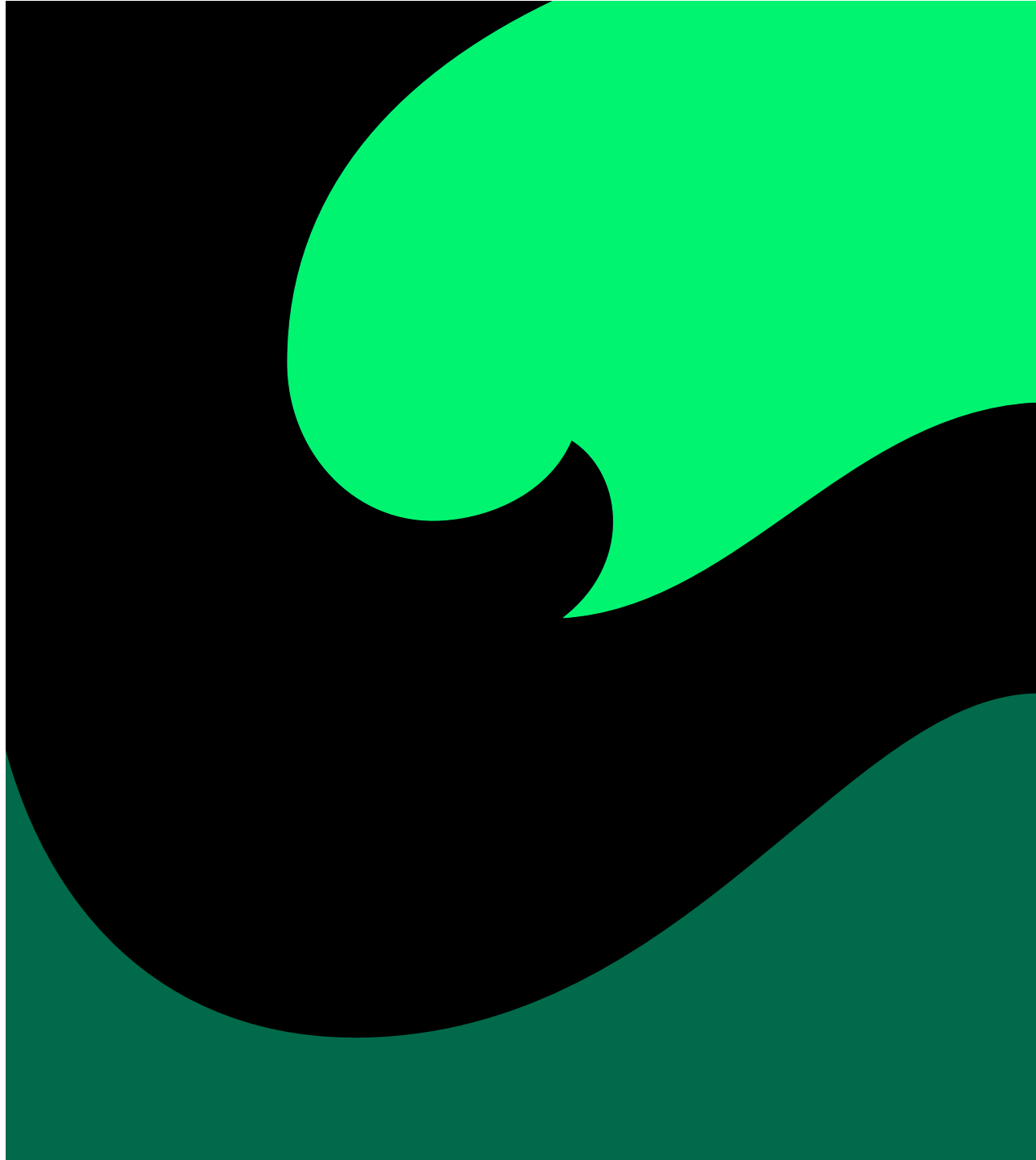
LLOYDS

Debt, Duration and Decisions: Market Themes into 2027

Paul Kharbanda – Head of Mid Market Sales,
Financial Markets
Lloyds Banking Group

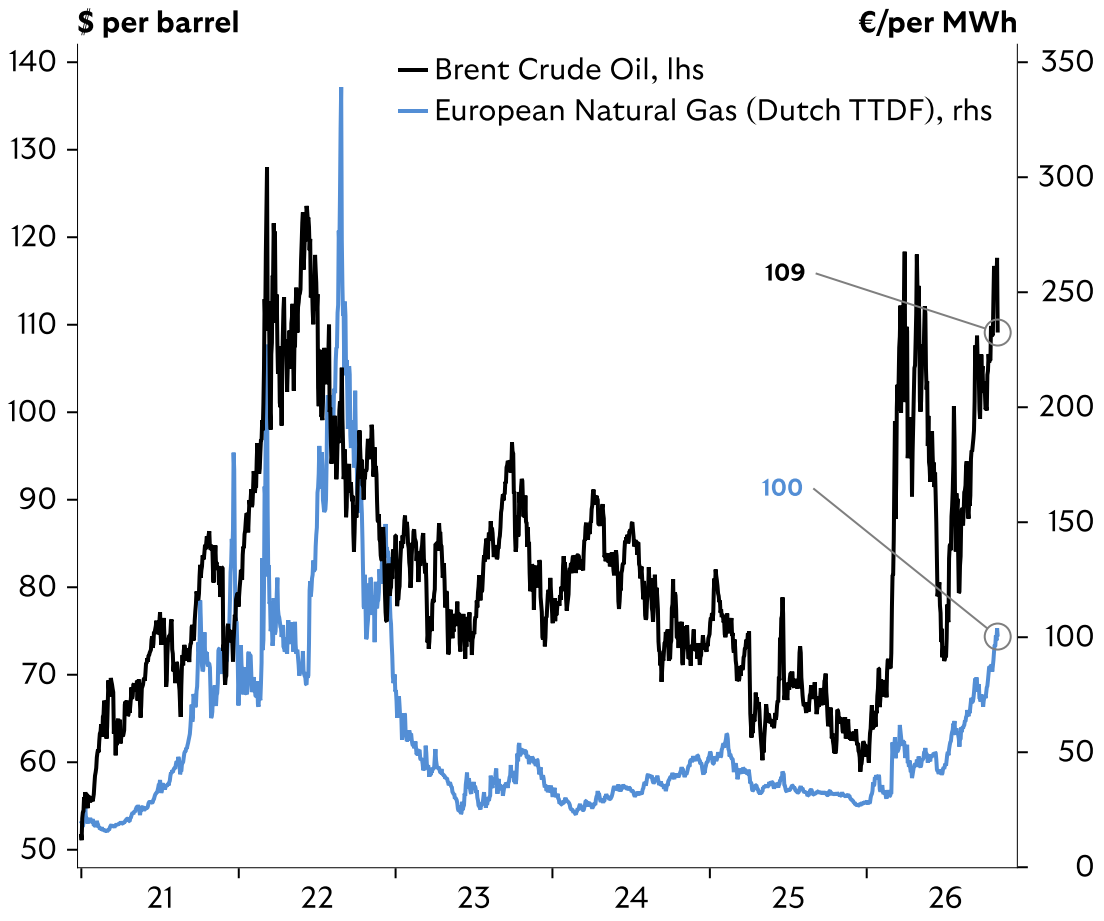
Surrey Chamber of Commerce – 5th November 2026

Global Economy



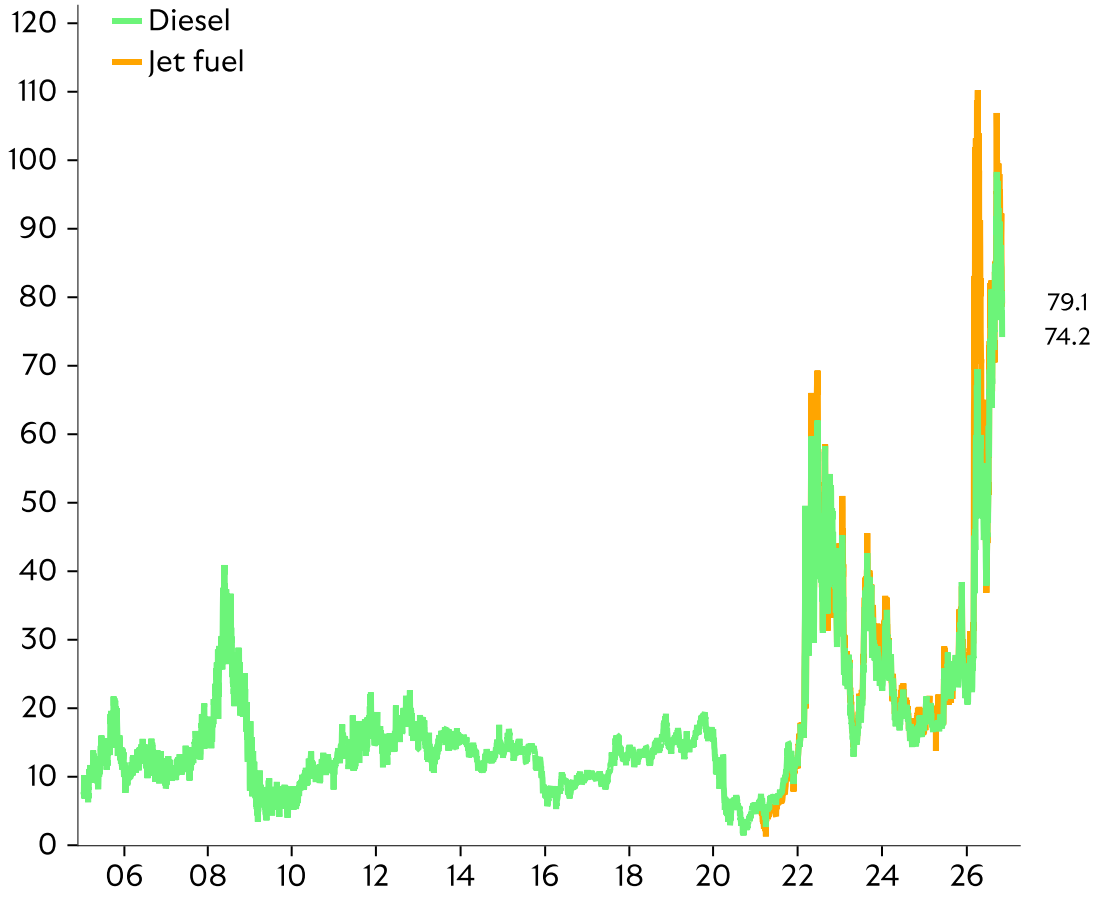
Iran conflict & energy prices remain dominant global market driver

Crude oil & Natural gas prices, front month future



Source: Macrobond, Lloyds Bank Market Insights

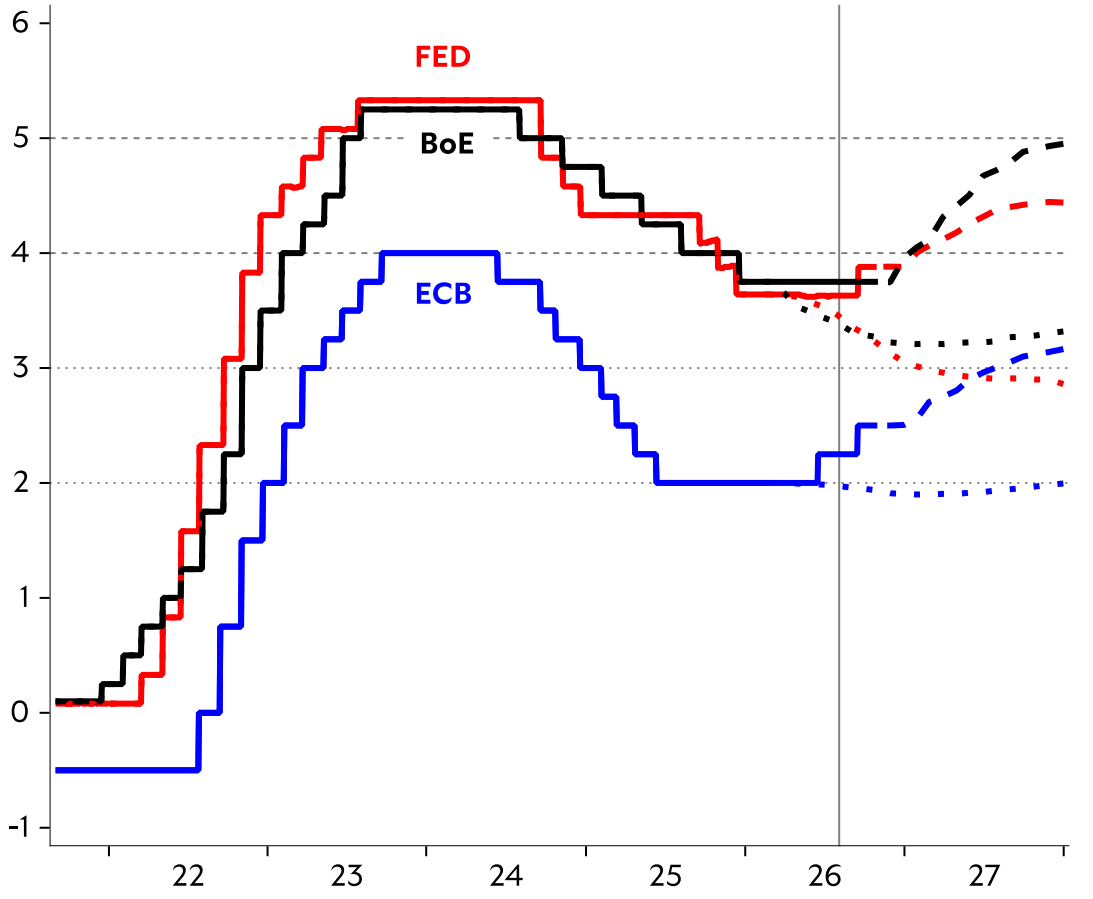
Brent Crude Oil Crack Spread, Month 1, $/bbl



Source: Macrobond, Bloomberg, Lloyds Bank Market Insights

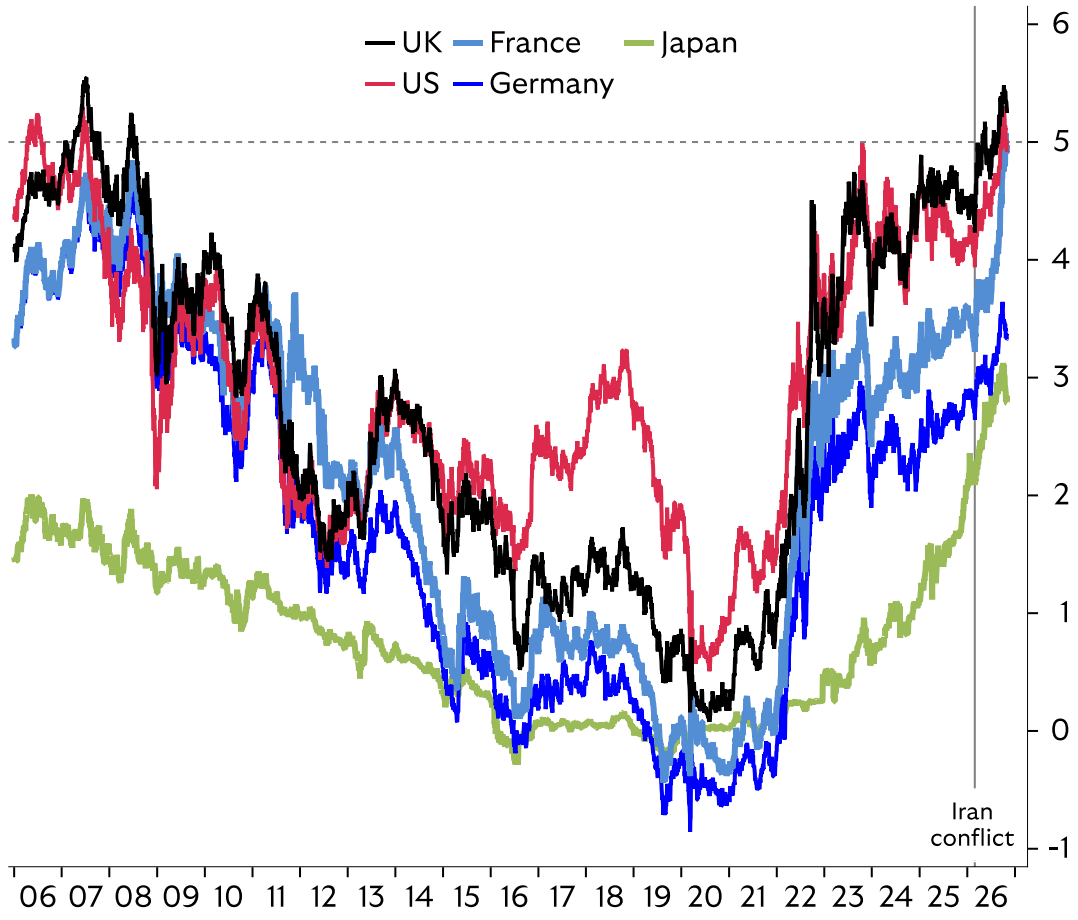
Rate expectations surge & bond yields scale multi-decade highs

Key Global Policy Interest Rate Expectations, %



Source: Macrobond, Bloomberg, Lloyds Bank Market Insights

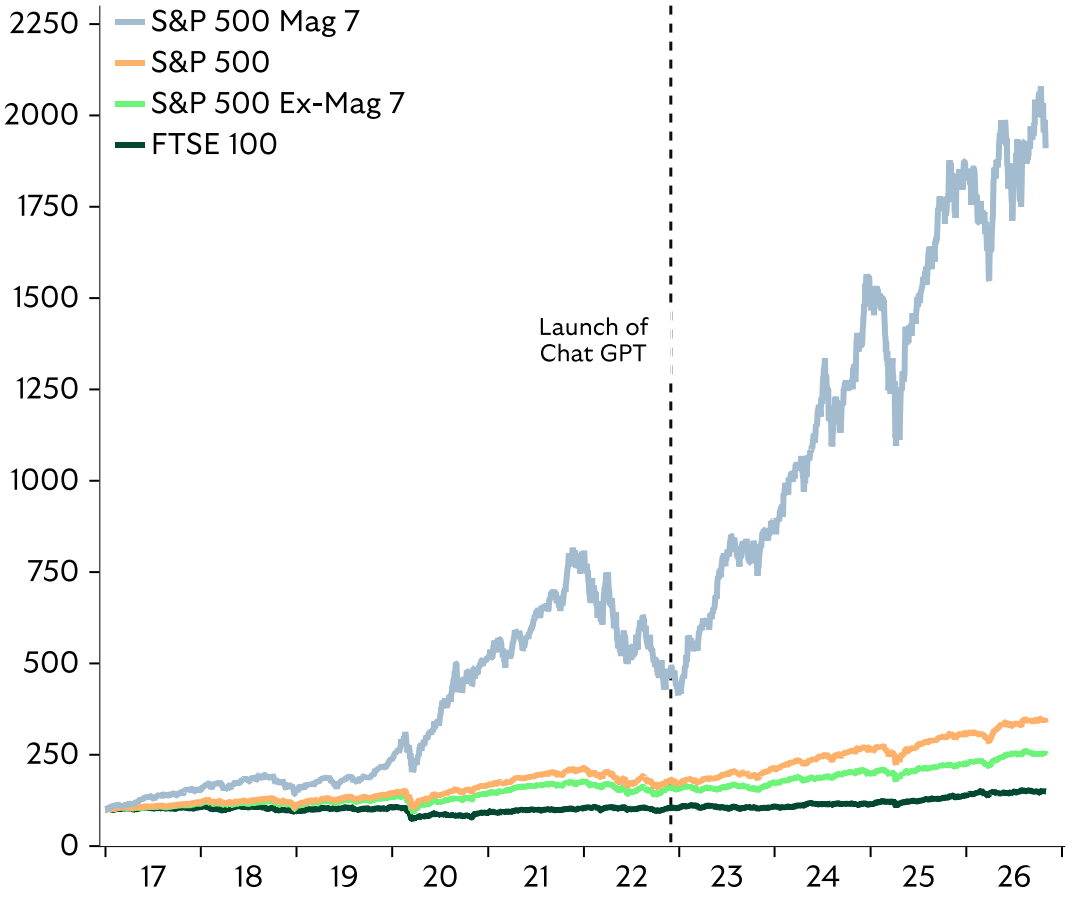
10Y Government bond yields, %



Source: Macrobond, Bloomberg, Lloyds Bank Market Insights

AI underpins global equities sentiment during ‘in between times’

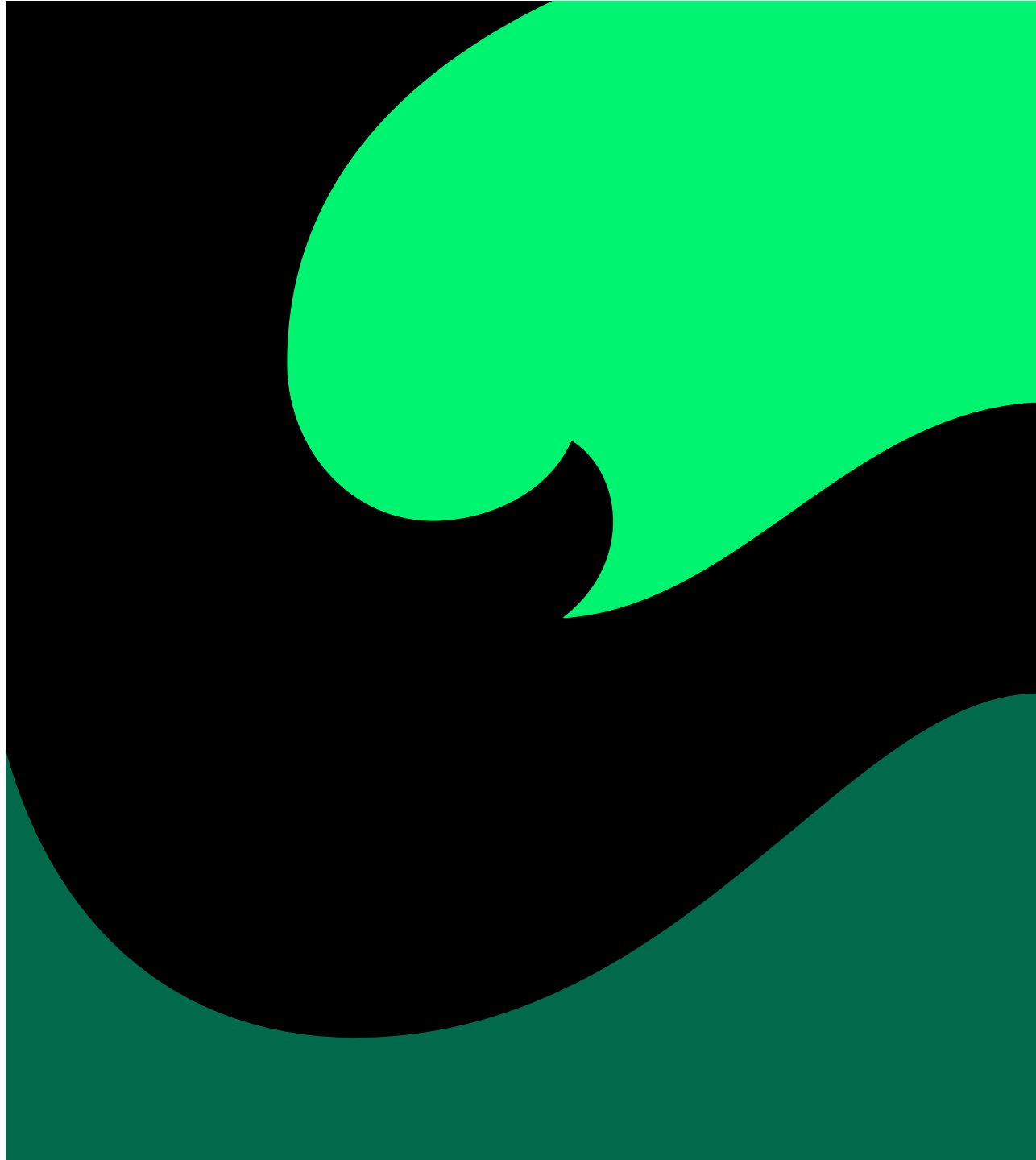
Equity index performance, 01/01/2017=100



Source: Macrobond, Bloomberg, Lloyds Bank Market Insights

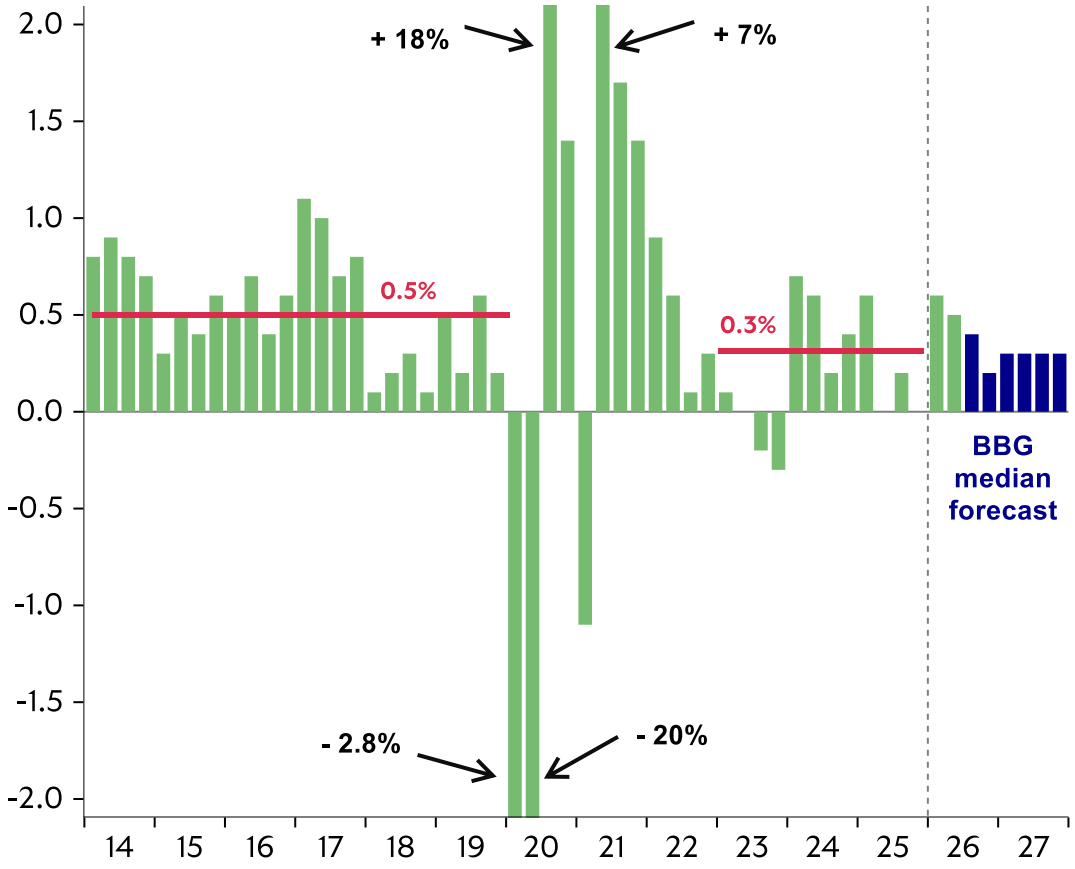


UK Economy



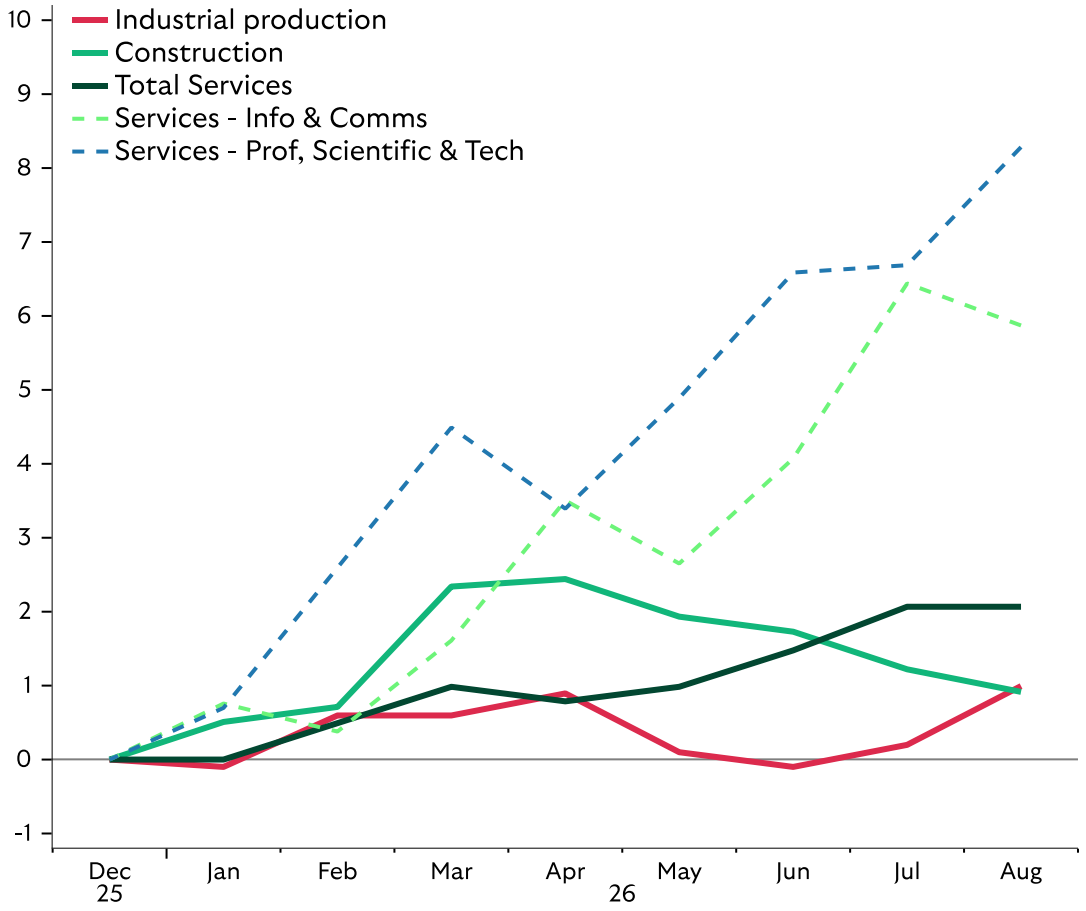
Growth momentum retained into H2, buoyed by services sector

UK GDP, Qtr/Qtr, %



Source: Macrobond, BBG (16/10/26), Lloyds Bank Market Insights

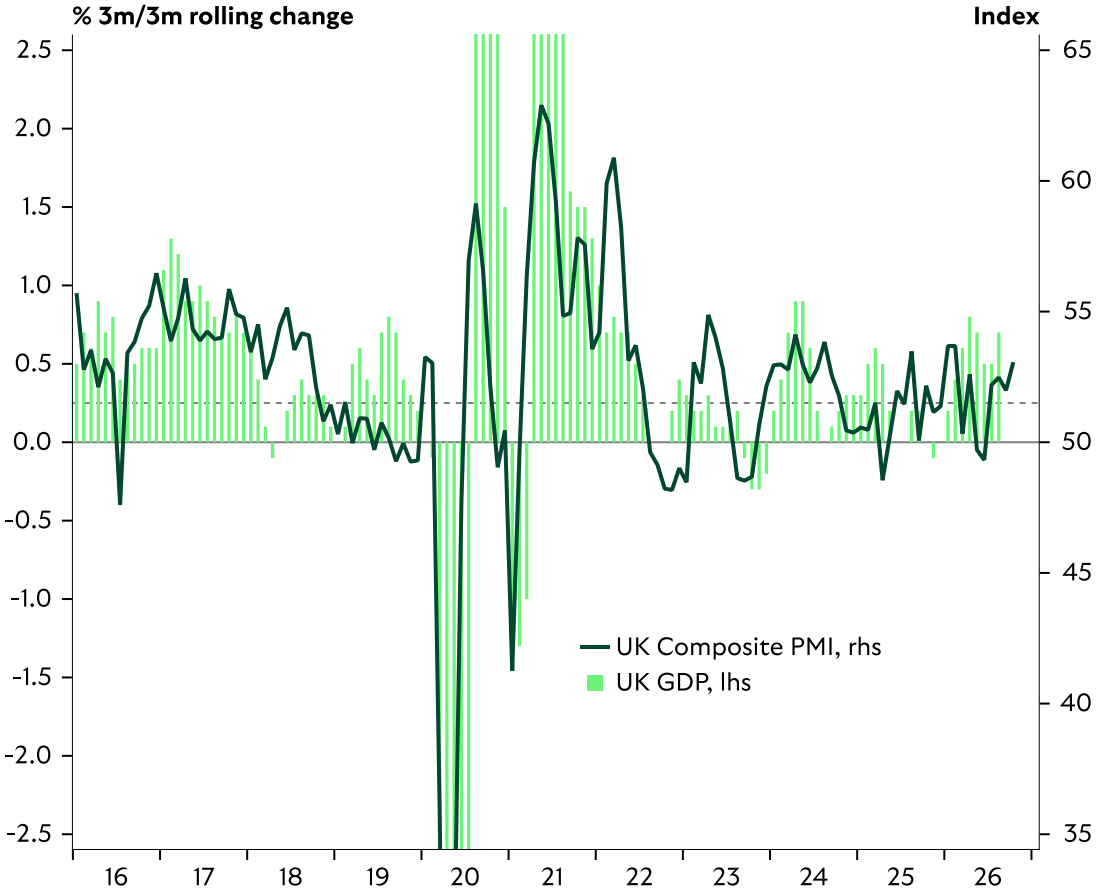
GVA, % change since end 2025



Source: ONS, Macrobond, Lloyds Bank Market Insights

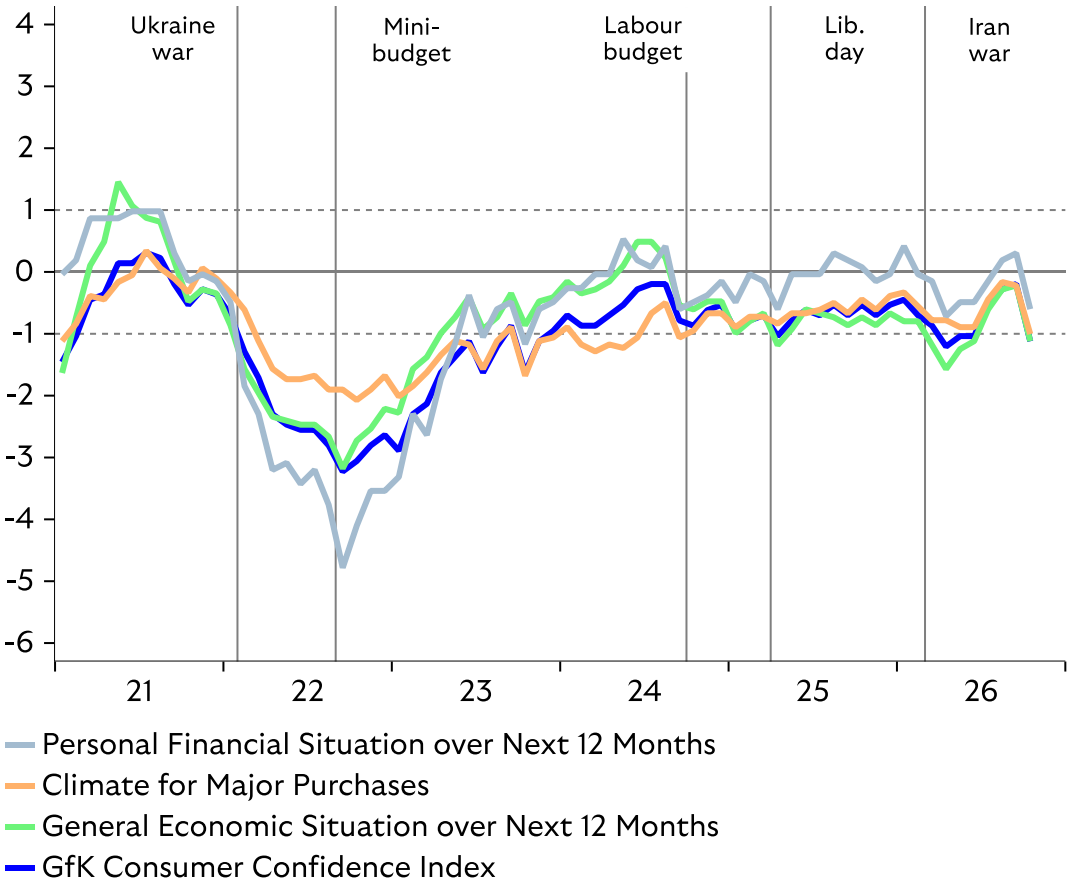
Business conditions stay firm but consumer confidence turns down

GDP Growth & PMI Output Index



Source: S&P Global, ONS, Macrobond, Lloyds Bank Market Insights

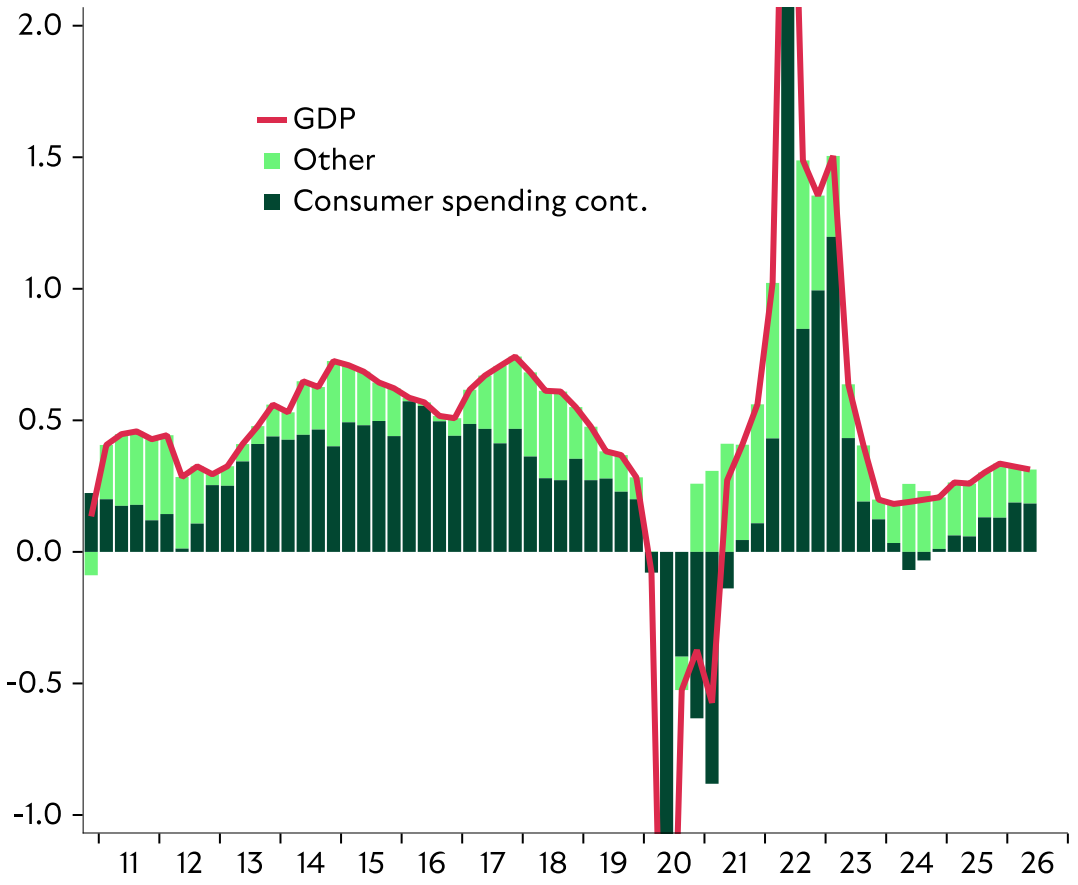
Survey responses, standardised z-score (LT average = 0)



Source: S&P Global, GfK, Macrobond, Lloyds Bank Market Insights

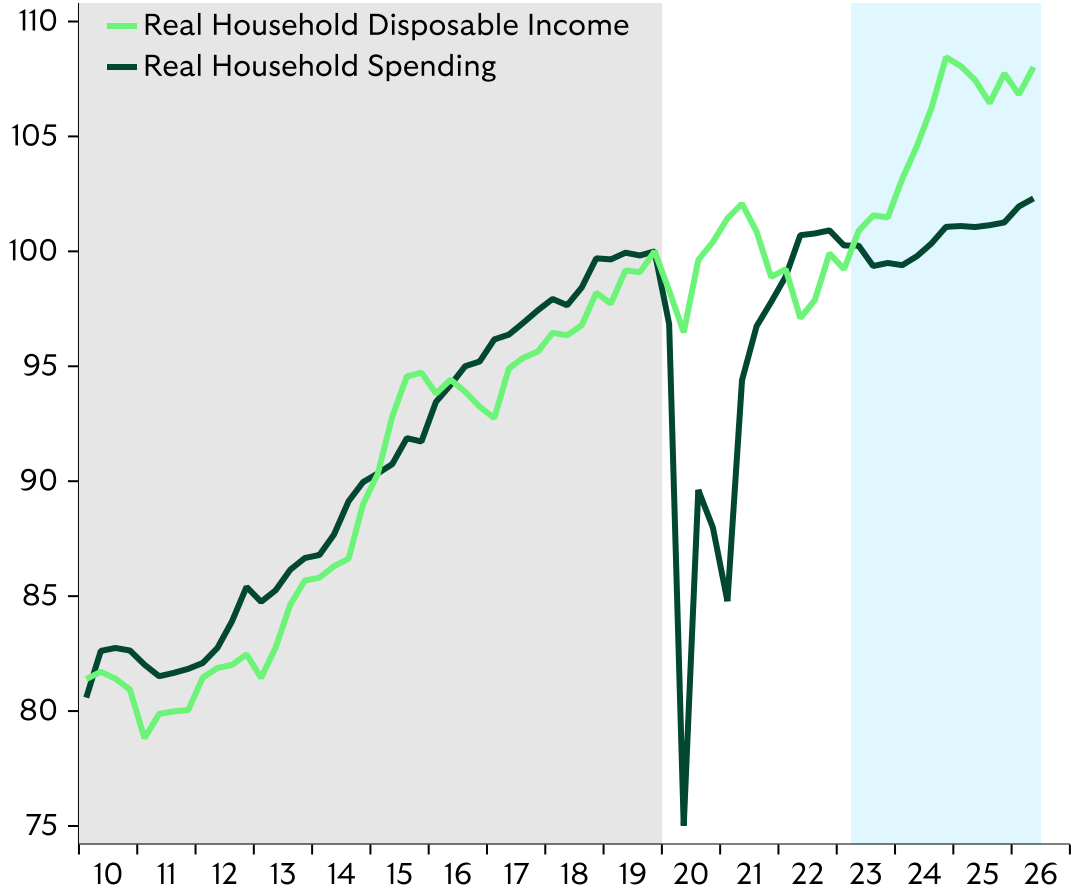
UK growth prospects hampered by cautious consumer

Real GDP growth, % q/q, and contribution from consumer spending, ppts (8 quarter moving averages)



Source: Macrobond, Lloyds Bank Market Insights

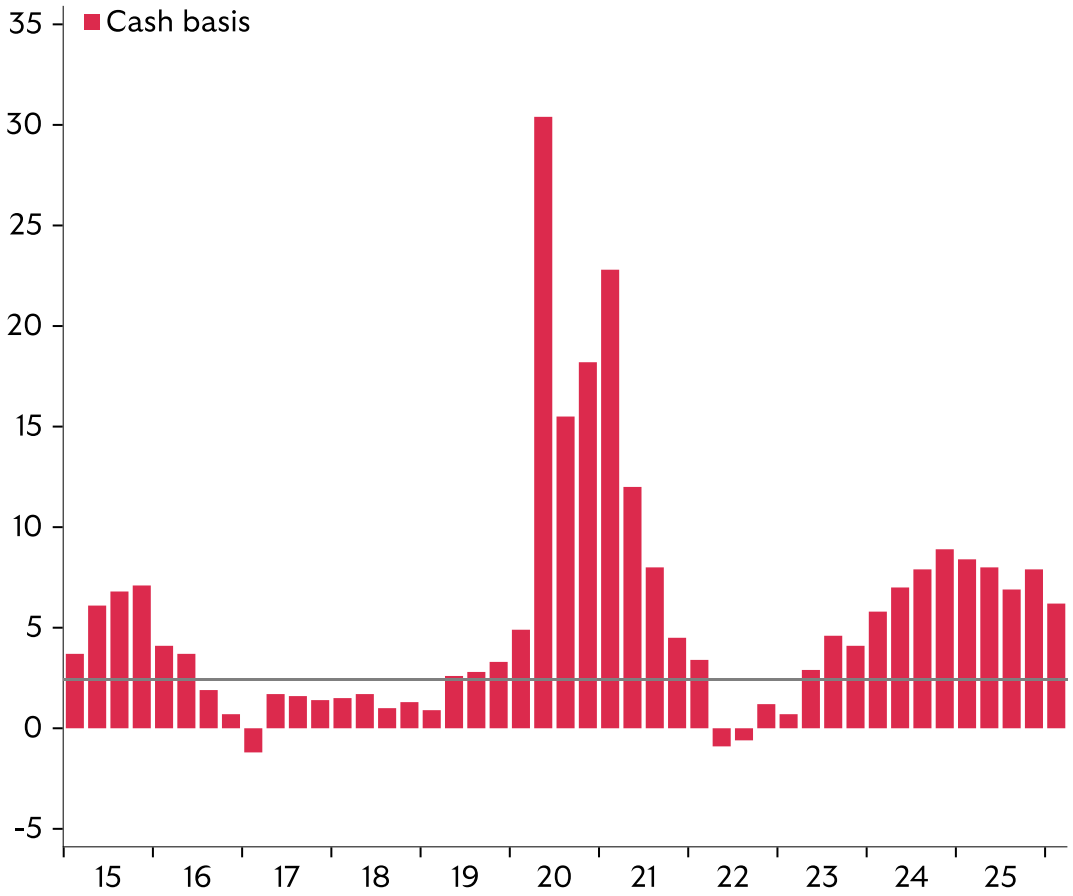
Household income & spending trends, 2019Q4 = 100



Source: ONS, Macrobond, Lloyds Bank Market Insights

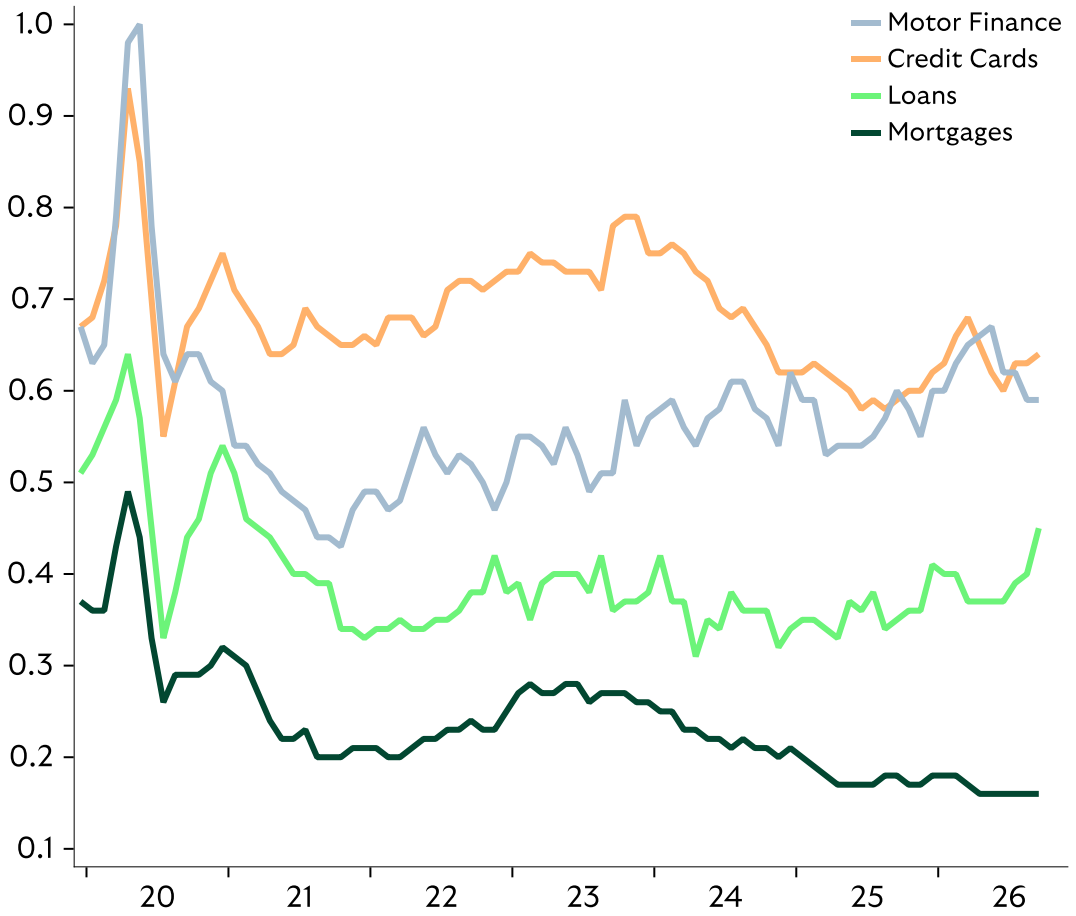
High saving cushion and prioritisation to underpin consumption

Households' Saving Ratio, %



Source: Macrobond, Lloyds Bank Market Insights

New to Arrears, 3mma, %



Source: LBG Investor Relations, Macrobond, Lloyds Bank Market Insights

Subdued macro climate dampens consumer sentiment

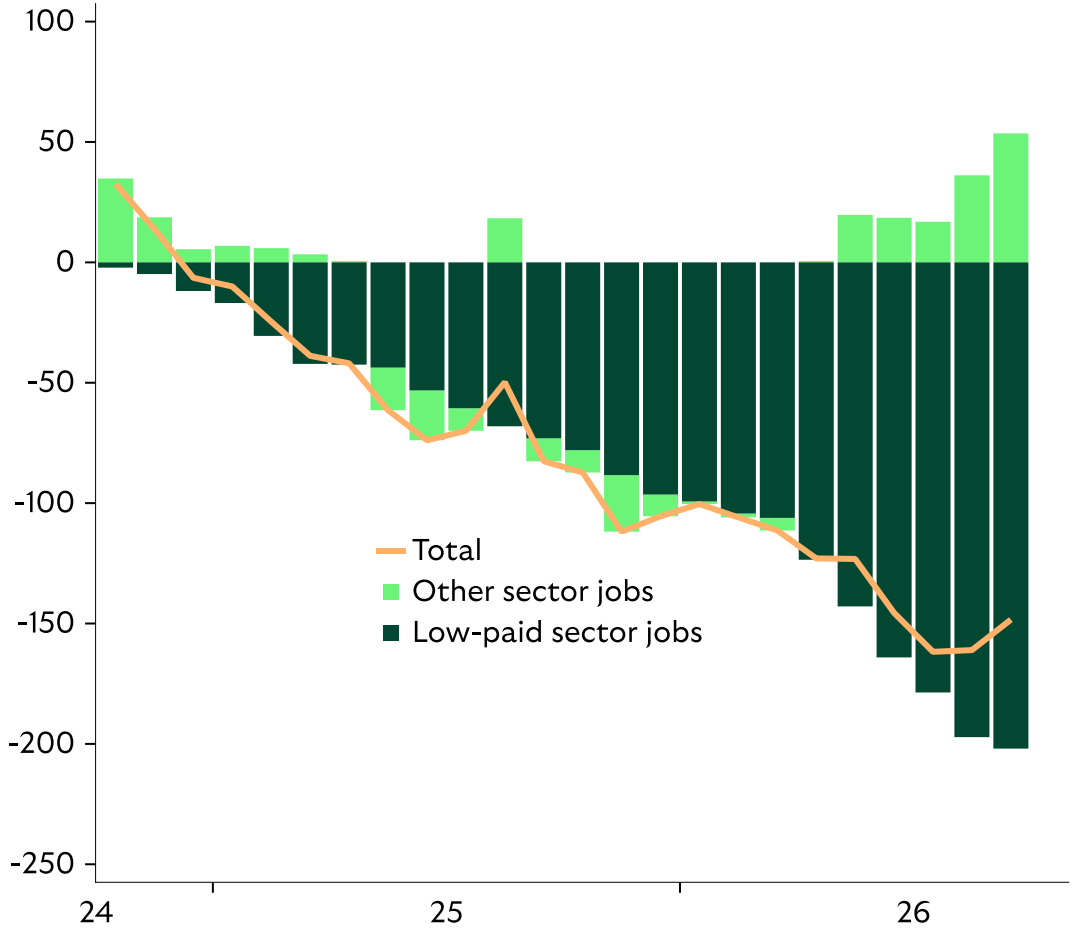
Cost pressures and rising unemployment risks have hurt consumer confidence in 'economic situation'

Consumer Unemployment Expectations (GfK), Next 12 months, 3mma



Source: GfK, Macrobond, Lloyds Bank Market Insights

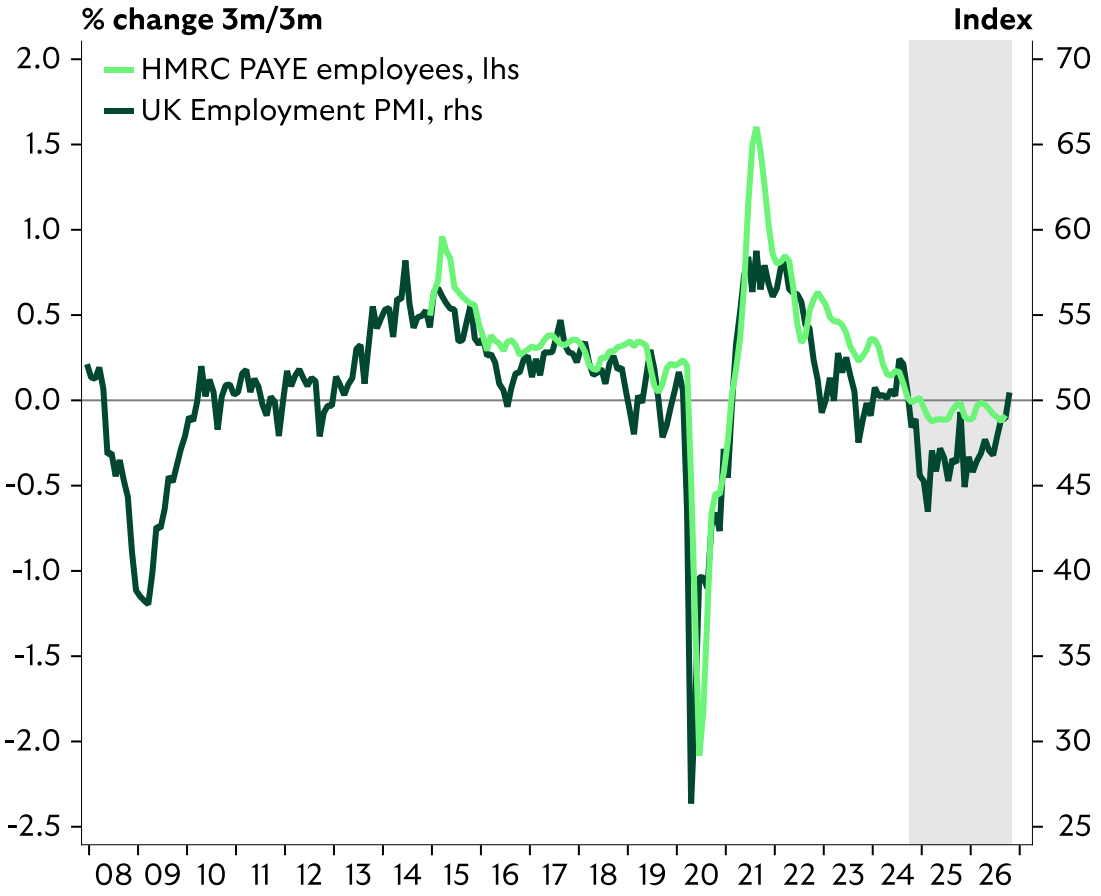
Change in number of PAYE employees since Oct 2024, 000s



Source: ONS, Macrobond, Lloyds Bank Market Insights

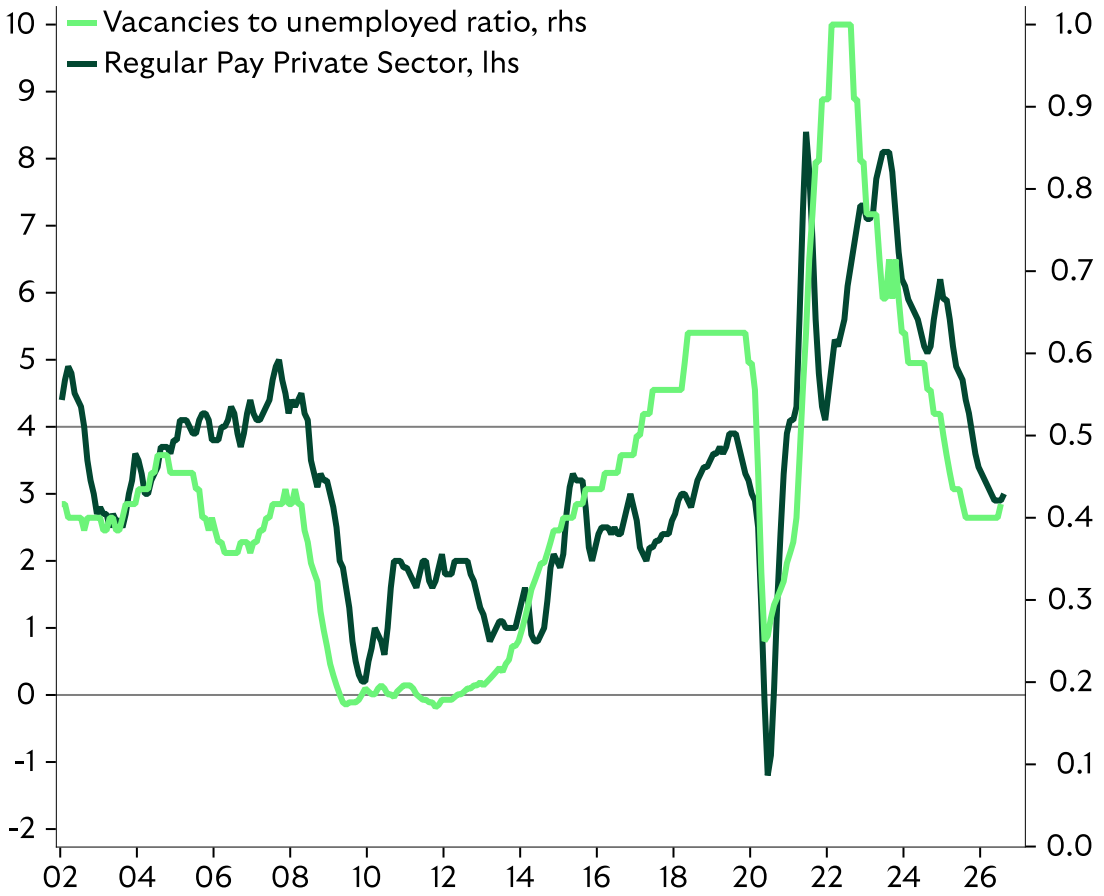
Signs of labour market stabilisation amid still soft hiring demand

Employment trends



Source: Macrobond, Lloyds Bank Market Insights

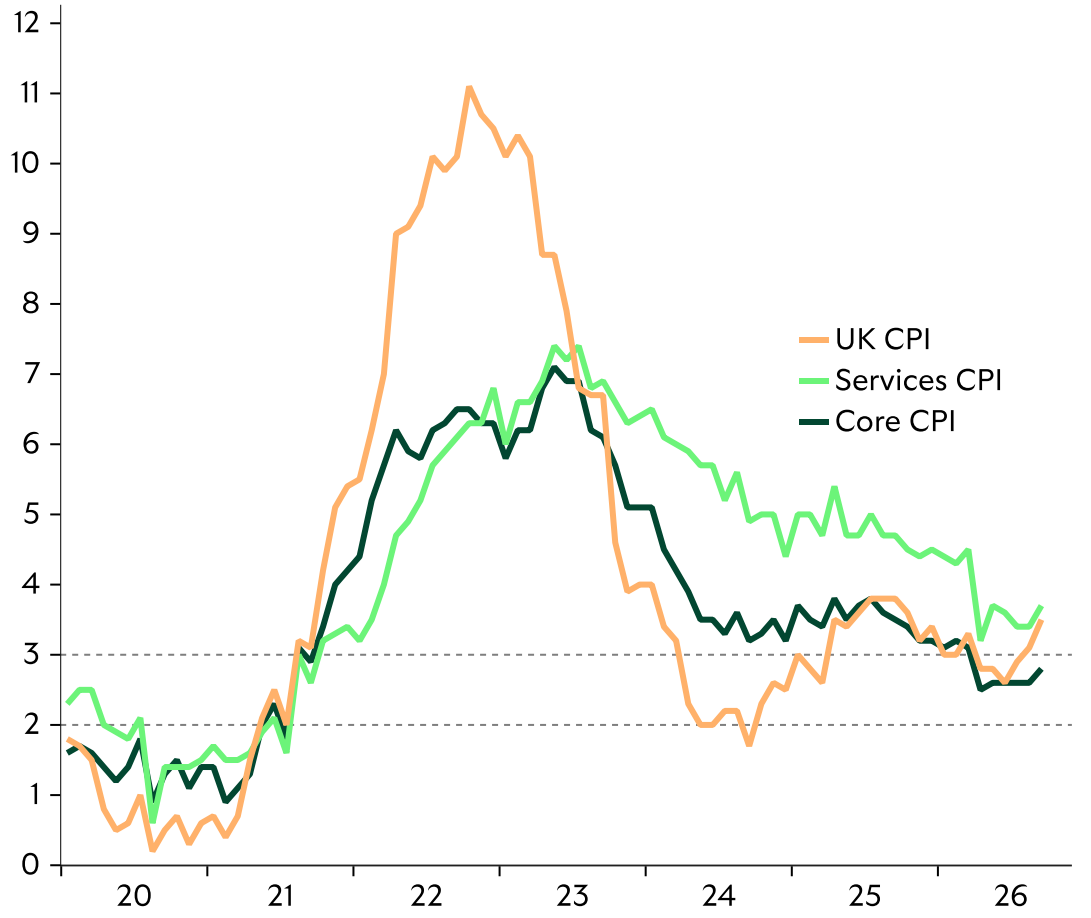
Labour demand, 3m/3m, y/y, %



Source: Macrobond, Lloyds Bank Market Insights

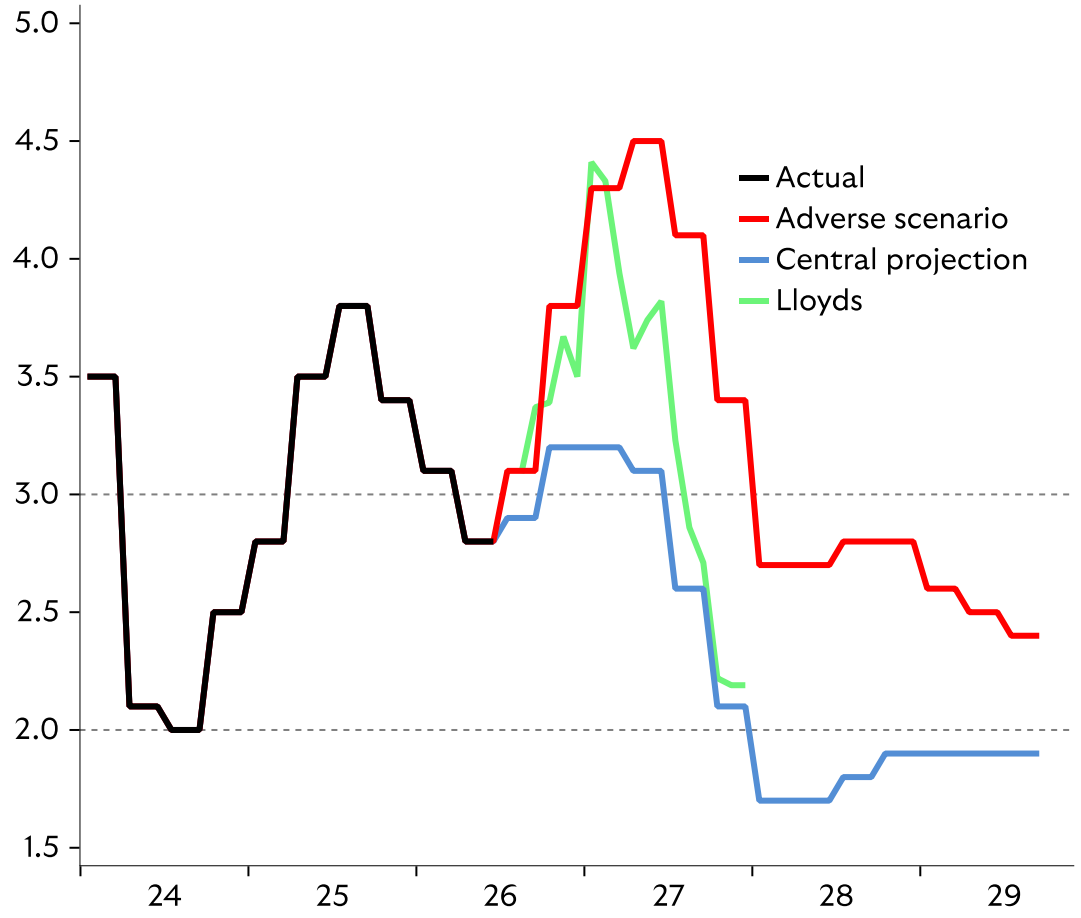
Near-term inflation outlook dictated by energy prices

UK Inflation, % y/y



Source: Macrobond, Lloyds Bank Market Insights

Bank of England Inflation forecasts, quarterly, % y/y

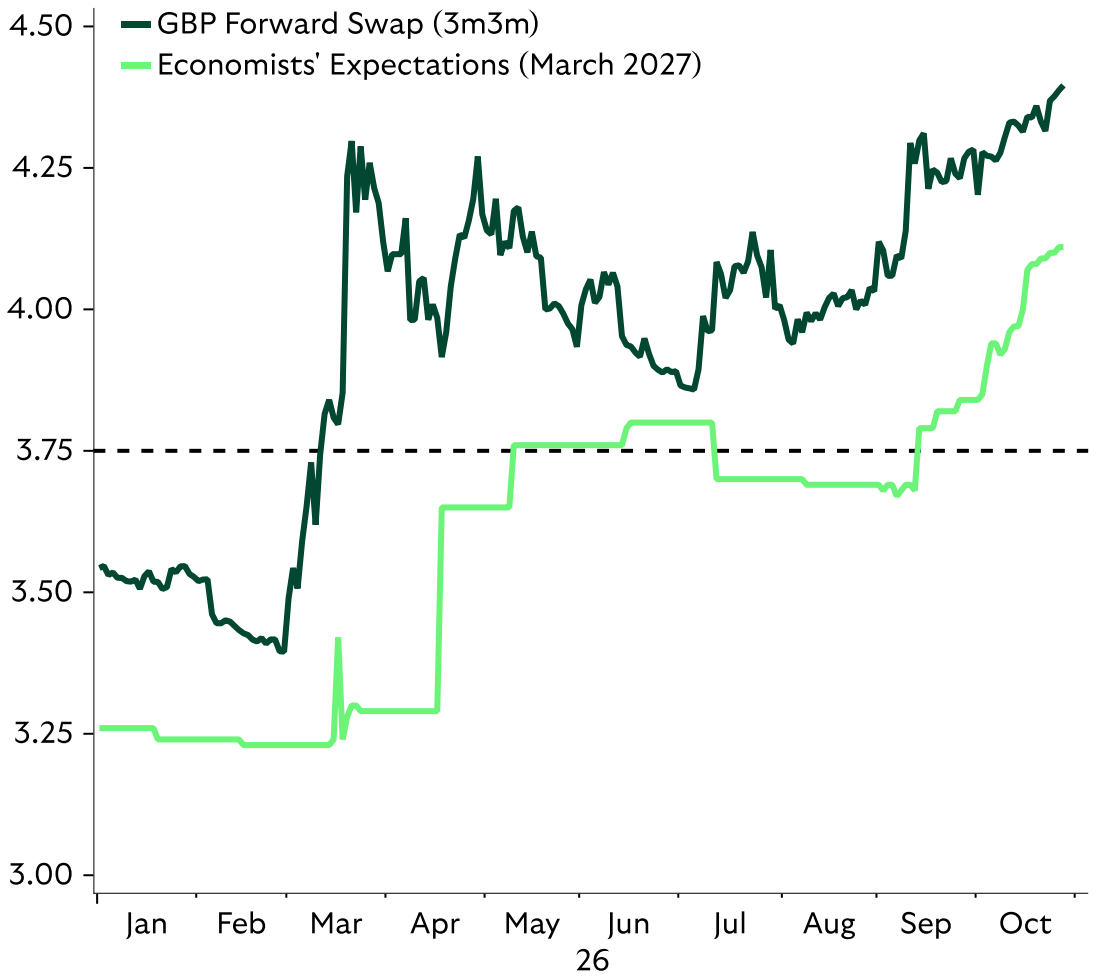


Source: BoE July 26 MPR, Macrobond, Lloyds Bank Market Insights

Bank of England expected to raise interest rates

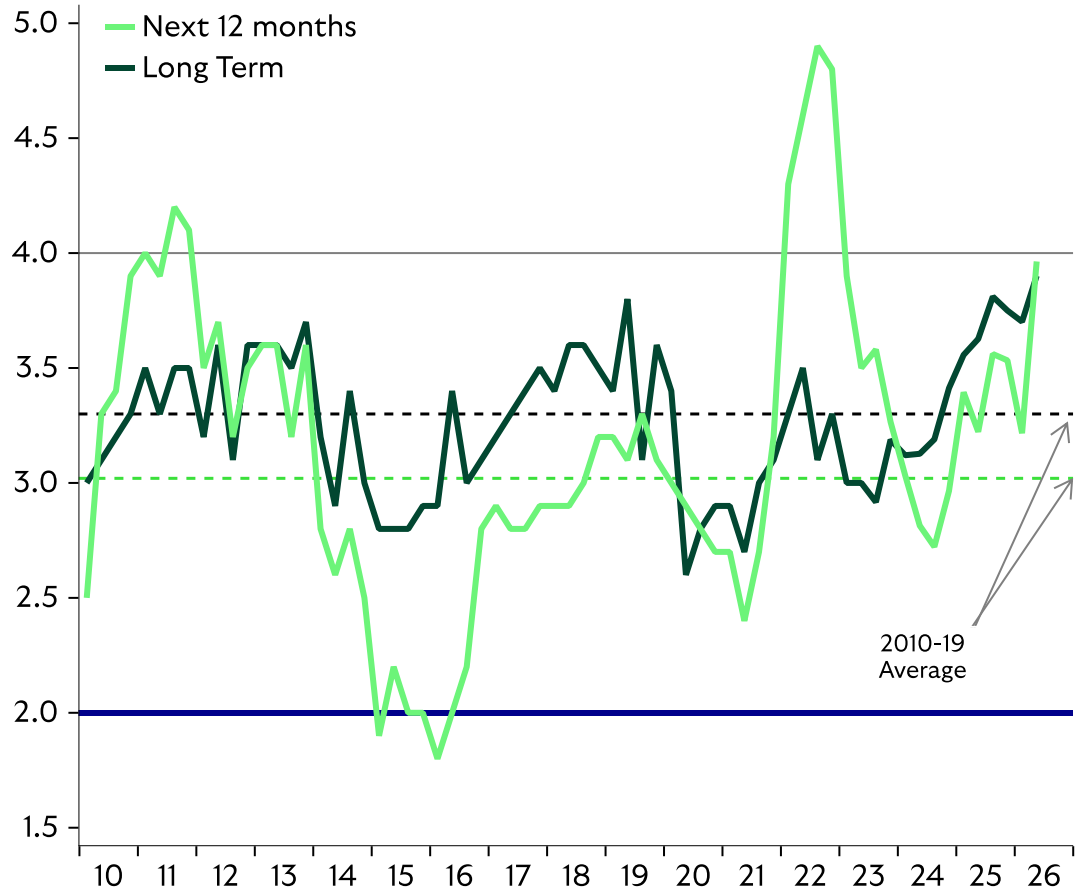
The MPC has recently voted to keep Bank rate unchanged, but markets are pricing significant tightening

UK Interest rates, %



Source: Bloomberg, Macrobond, Lloyds Bank Market Insights

BoE Inflation Attitudes Survey, Expected prices, median, %



Source: Macrobond, Lloyds Bank Market Insights

Markets don’t have to agree with economists.

The MPC has recently voted to keep Bank rate unchanged, but markets are pricing significant tightening

Enable Overrides

Region: United Kingdom »
Target Rate 3.750
Effective Rate 3.73520

Instrument: Overnight Index Swaps »
Pricing Date 11/03/2026
Cur. Imp. O/N Rate 3.735

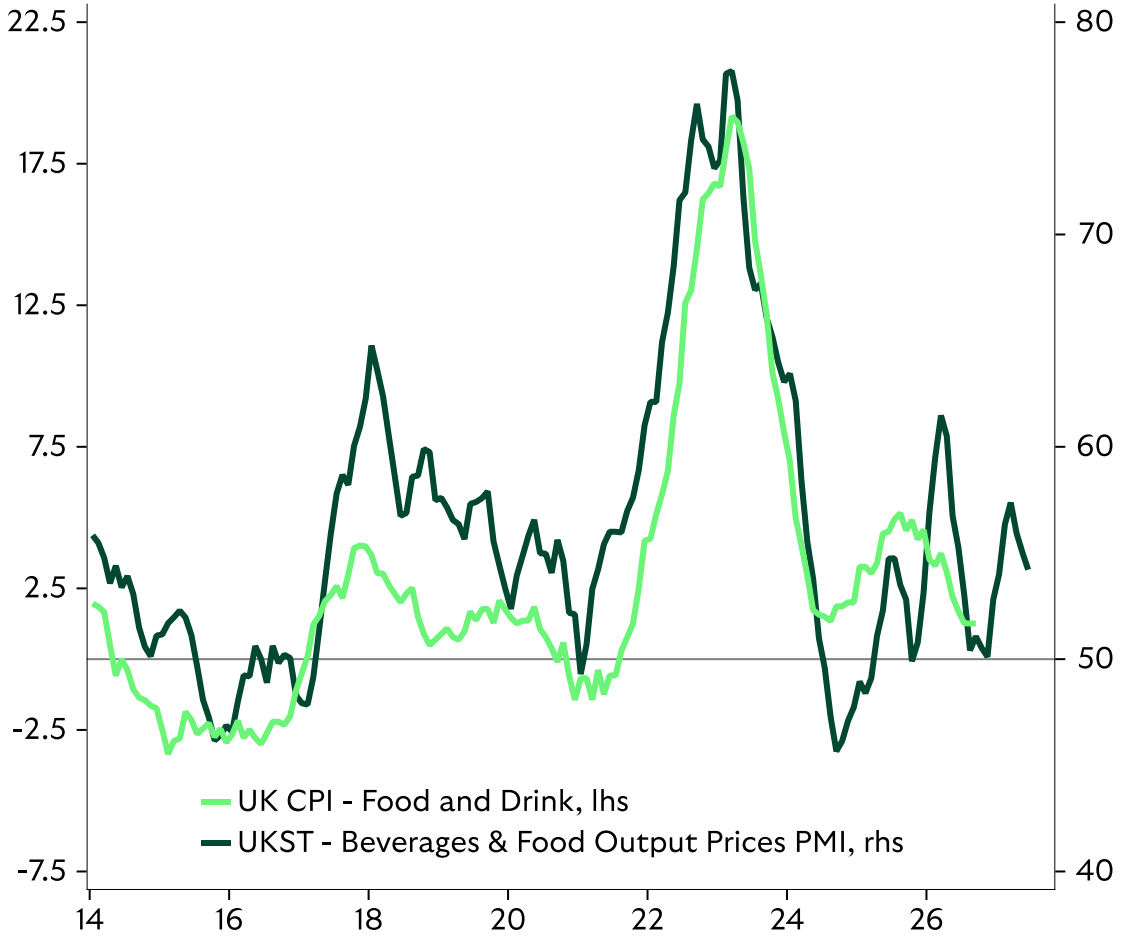
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
11/05/2026	+0.970	+97.0%	+0.243	3.977	0.250
12/17/2026	+1.320	+34.9%	+0.330	4.065	0.250
02/04/2027	+2.156	+83.7%	+0.539	4.274	0.250
03/18/2027	+2.617	+46.1%	+0.654	4.389	0.250
04/29/2027	+3.239	+62.2%	+0.810	4.545	0.250
06/17/2027	+3.572	+33.3%	+0.893	4.628	0.250
07/29/2027	+3.904	+33.2%	+0.976	4.711	0.250
09/16/2027	+4.042	+13.7%	+1.010	4.745	0.250

Consensus	Mkt Yld	As Of	Q4 26	Q1 27	Q2 27	Q3 27	Q4 27	Q1 28	Q2 28	Q3 28
Bloomberg Wgt Avg		11/02/26	3.98	4.14	4.11	4.06	3.92	3.84	3.69	3.54
Median Forecast		11/02/26	4.00	4.25	4.25	4.25	4.00	3.75	3.50	3.50
Average Forecast		11/02/26	3.95	4.11	4.08	4.03	3.90	3.84	3.70	3.55

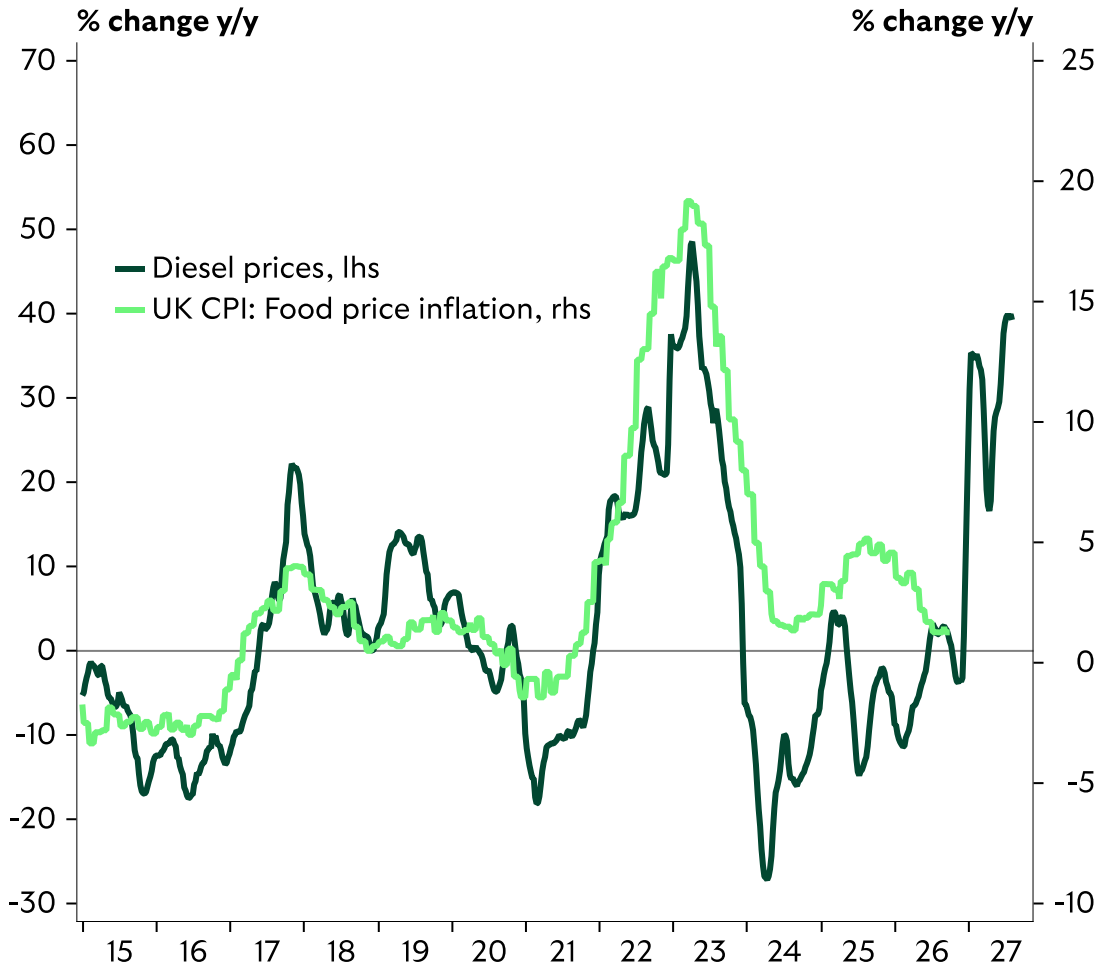
Food price inflation likely to pick up

Our UK Sector Tracker suggests that food price inflation should start picking up soon

UK CPI Food & Drink, y/y change, % (lhs), Beverages & Food Output Prices PMI (9-month lead), 50 = no change (rhs)



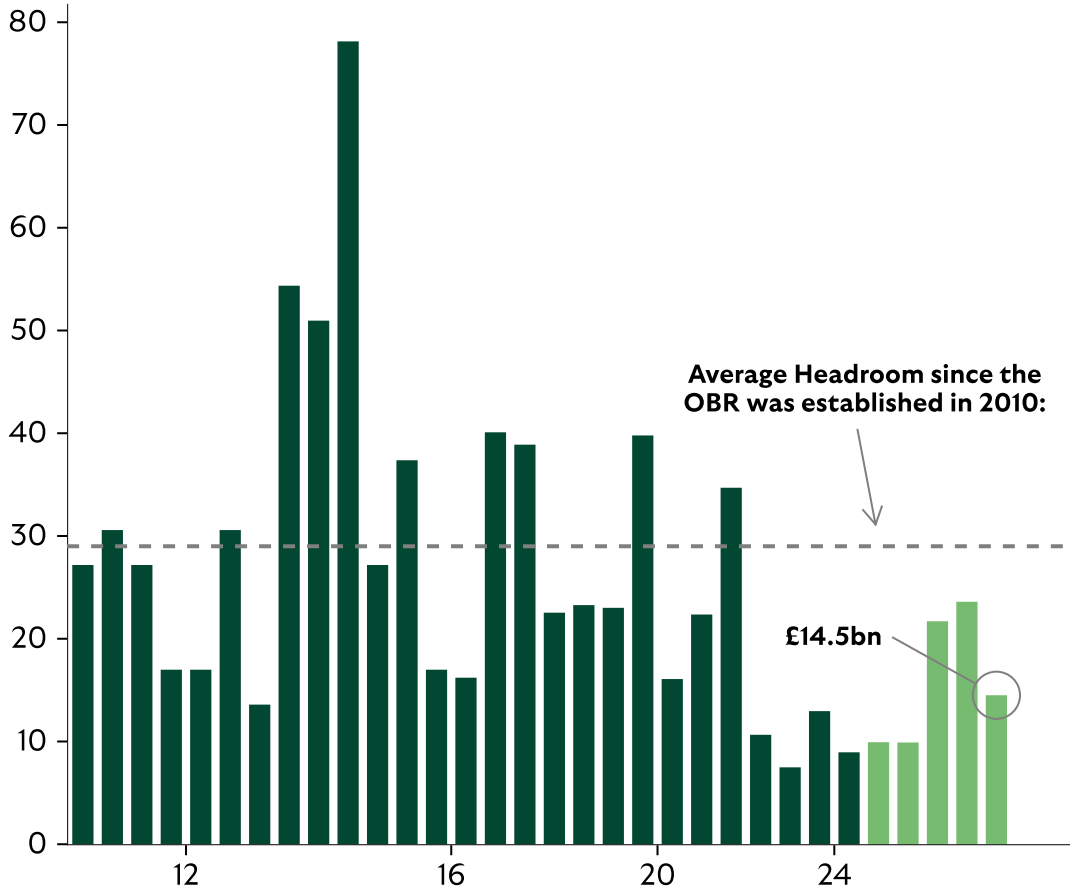
Source: Macrobond, Lloyds Bank Market Insights



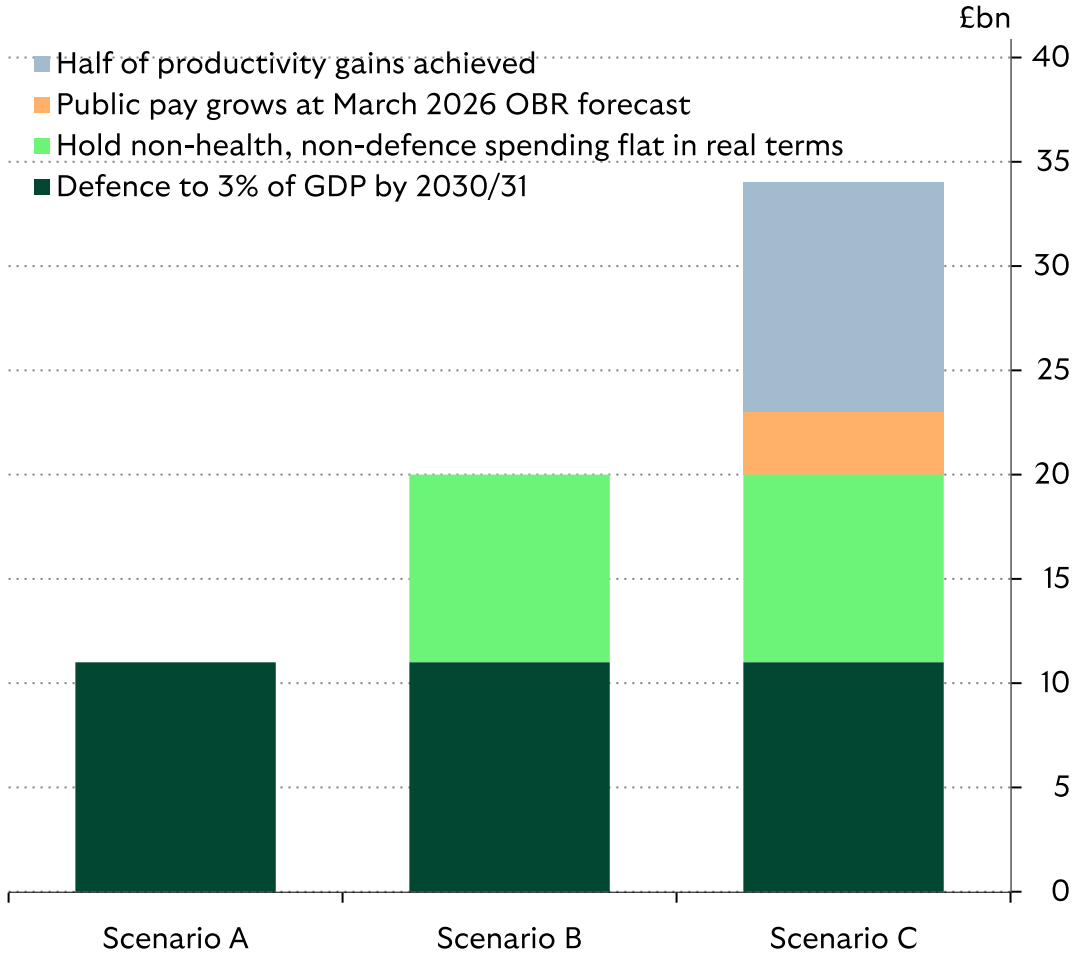
Source: ONS, Macrobond, Lloyds Bank Market Insights

Smaller headroom today - bigger spending commitments tomorrow

UK Government Fiscal Headroom, £bns

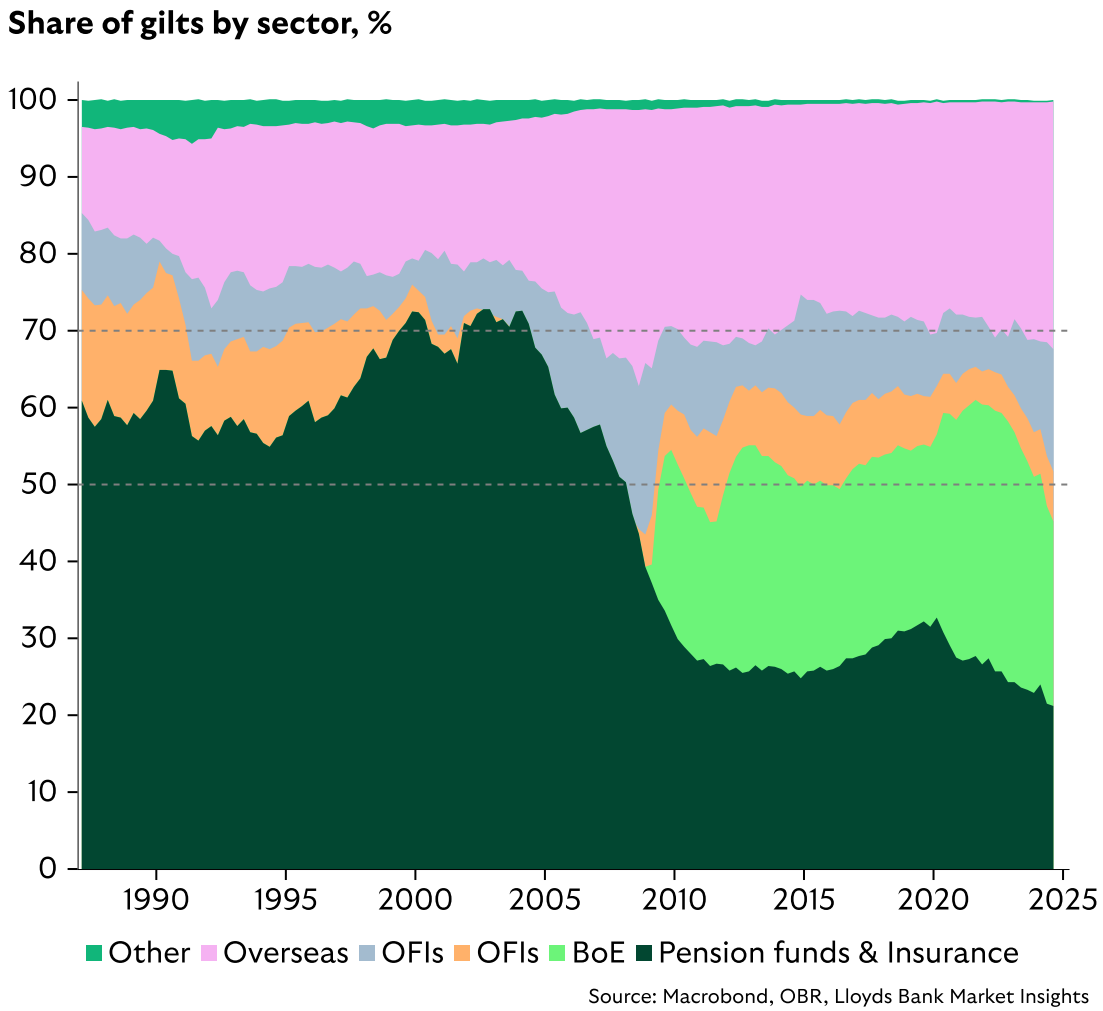


Source: OBR, Macrobond, Lloyds Bank Market Insights



Source: IFS, Macrobond, Lloyds Bank Market Insights

Why global bond markets matter to the UK (and everyone else now)



Source: Macrobond, OBR, Lloyds Bank Market Insights

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Any questions?

