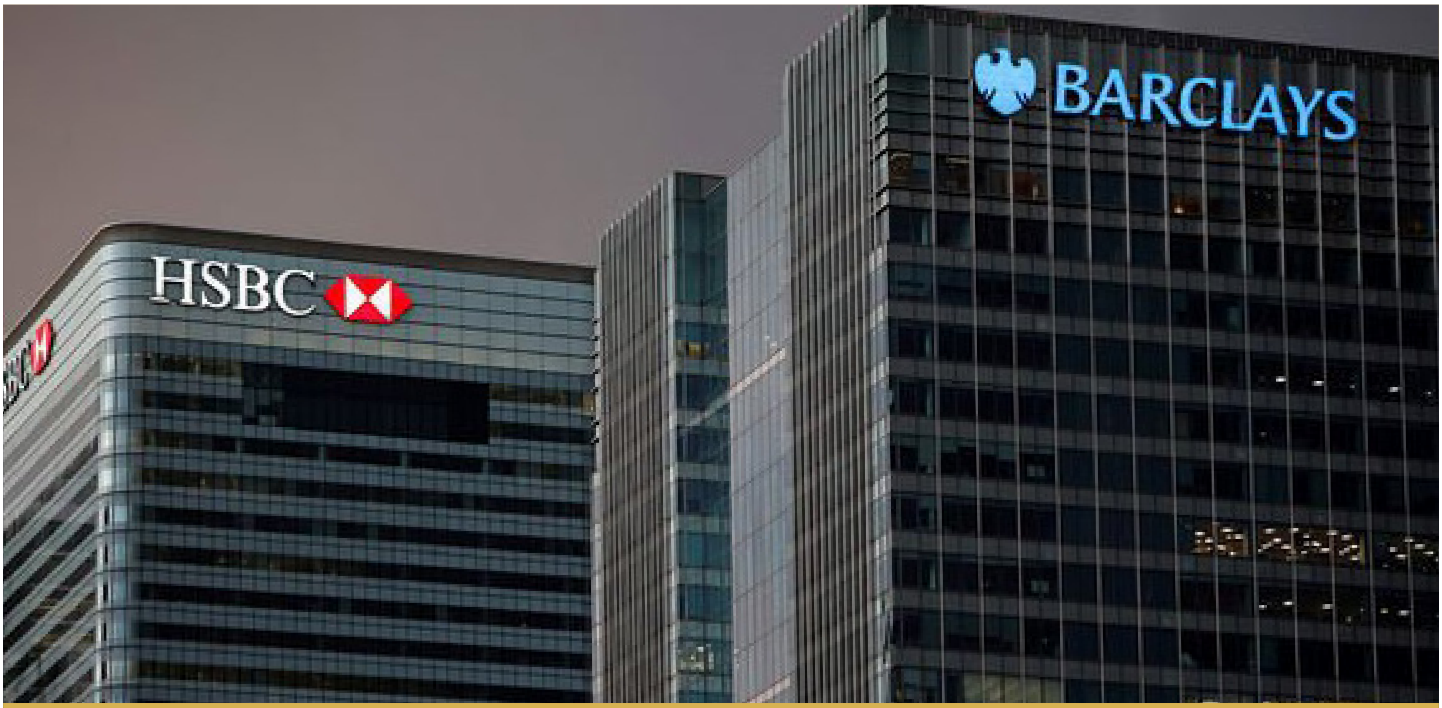

SPECIAL REPORT

Barclays & HSBC

FREDERICK & OLIVER

Contents

AS THE GLOBAL ECONOMY RECOVERS FROM THE RECENT HEALTH PANDEMIC, IS NOW THE TIME TO BUY BANKING SHARES?

WELCOME

The banking sector. Once the cornerstone of every investor's stock market portfolio. Then along came the financial crisis.

If the truth be told, more than a decade on, the sector is still yet to fully recover.

Shares in HSBC are trading approximately 50% lower versus pre-2009 prices. Barclays and Lloyds are trading even lower.

Natwest, formerly known as Royal Bank of Scotland, is still 55% owned by the UK government, such is the support required by the embattled lender.

The misery was further compounded for financial stocks when the recent health pandemic struck.

As lockdown restrictions ground GDP to halt and sent jobless claims soaring, the concern surrounding potential business and individual borrowing defaults heightened.

The FTSE 100 listed banking stocks more than halved in value during the first quarter of 2020.

Thankfully now, it appears that Armageddon has been avoided.

Whilst the threat of virus variants and potential disruption persists, the reopening of global economies can be described as 'successful' thus far.

In fact the recovery has happened at such a pace that economies are witnessing inflationary pressures for the first time in over a decade.

Furthermore, company earnings are coming in stronger than most analysts had expected, driving the US markets to record highs. Not to be outdone, the pan-European STOXX 600 has recently claimed a record level, and even the sticky FTSE 100 index has mustered an 18-month high.

Banking stocks have enjoyed this renaissance, with growing economies and shrinking unemployment resulting in far fewer bad debtors than first feared.

So now, with the worst of the latest challenge behind us, is now the time to buy banking stocks?

Remember, not all trades prove profitable and we champion the market maxim 'cut your losses'. In particular, please take note of the reassess levels of every trade.

Good luck with your investments.

Frederick & Oliver

Buy
Barclays Plc

THE INVESTMENT BANKING ARM OF BARCLAYS IS SET FOR ITS BEST YEAR EVER. IS NOW THE TIME TO BUY?

Barclays Plc is widely considered the strongest of the UK focussed banks.

This stems from what we can now appreciate as cunning steering of the business through the financial crisis by the n management team.

Unlike Lloyds and Royal Bank of Scotland whom sought financial support from the UK government, Barclays was the recipient of £3.7bn from Qatar.

Whilst some raised eyebrows and regulators squinted, the move afforded Barclays its operational freedom, a luxury not afforded to Lloyds or RBS.

In exchange for their financial security Lloyds and RBS had to immediately withdraw from all but 'vanilla' operations, essentially becoming a custodian of savings accounts, and lender of loans and mortgages.

Barclays on the other hand could continue to operate in all financial markets, from exotic derivatives to investment banking, (arguably the markets that led to the financial crisis in the first place!) and it is the latter that has seen the company outperform its hamstrung peers in recent years.

Investment banking (risk taking!) can be an incredibly lucrative pursuit and proved so in Barclays' latest quarterly trading update.

Barclays boasted the first 9 months of 2021 had been the best of any year on record for the investment banking division, returning 16.4% on equity versus 10.5% in the prior year.

Stellar performance from the investment bankers contributed to the bank's £2bn Q3 profit, better than analysts' expectations of £1.6bn for the period, and almost double that of the £1.1bn profit of Q3 2020.

The bank's Q3 results were also boosted by the release of £622m that had been set aside for bad loan provisions back during the dark days of the global health pandemic. A combination of the furlough scheme protecting incomes and the virus not developing as first feared, meant the bank could reintroduce the £622m to the balance sheet.

As covered in the introduction of this report, the reopening of the global economy is proving stronger than many had predicted, leading to inflation concerns and predictions of interest rate rises from central banks.

Barclays claims to be "well positioned for a rising rate environment" a situation which could boast lending margins, reinvigorating a revenue stream which has been under whelming in recent years.

Whilst a rate increase is unlikely in 2021, the Bank of England's chief economist, Huw Pill, predicts UK inflation could top 5% by Christmas (currently 3.1%) which could warrant a rapid response from the central bank.

Barclays has captured the attention of City analysts with no fewer than five price target increases issued over the past week, some as high as 250p (25% higher than the current price).

Reassess level - 170p. A revisit of this price would see shares trading at a 3-month low.

COMPANY INFORMATION

Barclays Plc provides various financial products and services worldwide. The company operates through Barclays UK and Barclays International divisions. It offers financial services, such as retail banking, credit cards, wholesale banking, investment banking, wealth management, and investment management services.

Listing	Market Cap	52-week range	Dividend yield
FTSE 100	£33.9bn	101p - 217p	1.5%

CHART OBSERVATIONS

Current Price	52-week Low	52-week High	Distance to Low	Distance to High
200p	101p	217p	-49%	+8%

Buy
HSBC Plc

HSBC REPORTED A QUARTERLY PROFIT OF $5.4BN AND A $2BN SHARE BUYBACK PROGRAMME - IS NOW THE TIME TO BUY?

Three times the size of Barclays, HSBC can be described as a true banking behemoth.

If its investment banking arm is Barclays' crown jewel, then HSBC's trump card is its exposure to Asian markets.

Economic growth in Asia has been, and remains exceptional on the global stage. 60% of the company's earnings is derived from its Asian operations.

Unlike its UK focussed, FTSE 100 peers, HSBC did not require financial support during the 2008/09 crisis as the impact was felt far greater in the West, than it was in the East.

In fact, the share price did something quite remarkable. In October 2008 shares traded at 700p, six months later the price slipped below 300p at the height of the crisis, yet come October 2009 shares were trading back at 700p. The share price had completely recovered within six months!

Once again, Asian business contributed immensely to the company's trading in Q3. HSBC reported quarterly profits of $5.4bn smashing analysts' expectations of $3.8bn and exceeding the $3.1bn profit scored in the same quarter of 2020.

Like Barclays, HSBC returned $700m to the balance sheet, deeming it unnecessary to set aside for covid-related losses.

Accompanying HSBC's quarterly profits was the announcement of a $2bn share buyback programme, returning excess capital to shareholders.

Chief Executive, Noel Quinn, said that whilst the bank is cautious of potential risks, the bank's strategy "remains on track".

The share price is currently trading at a key level. 450p has provided both support and resistance over the past 2 years.

Should the price retreat from current levels, it could revisit rising support at approximately 375p. That said, a meaningful breakout above 450p could pave the way for a return to the pre-pandemic price of 600p.

Over the past week, no fewer than four City analysts have made upward revisions to the bank's target price, with some forecasts as bullish as 550p (24% higher than the current price).

Reassess level - 400p. A 10% retracement would warrant reassessment given the company's recent performance.

COMPANY INFORMATION

HSBC Holdings Plc provides banking and financial services worldwide. The company operates through Wealth and Personal Banking, Commercial Banking, and Global Banking and Markets segments.

Listing	Market Cap	52-week range	Dividend yield
FTSE 100	£91.5bn	312p - 462p	3.6%

CHART OBSERVATIONS

Current Price	52-week Low	52-week High	Distance to Low	Distance to High
443p	312p	462p	-29%	+4%

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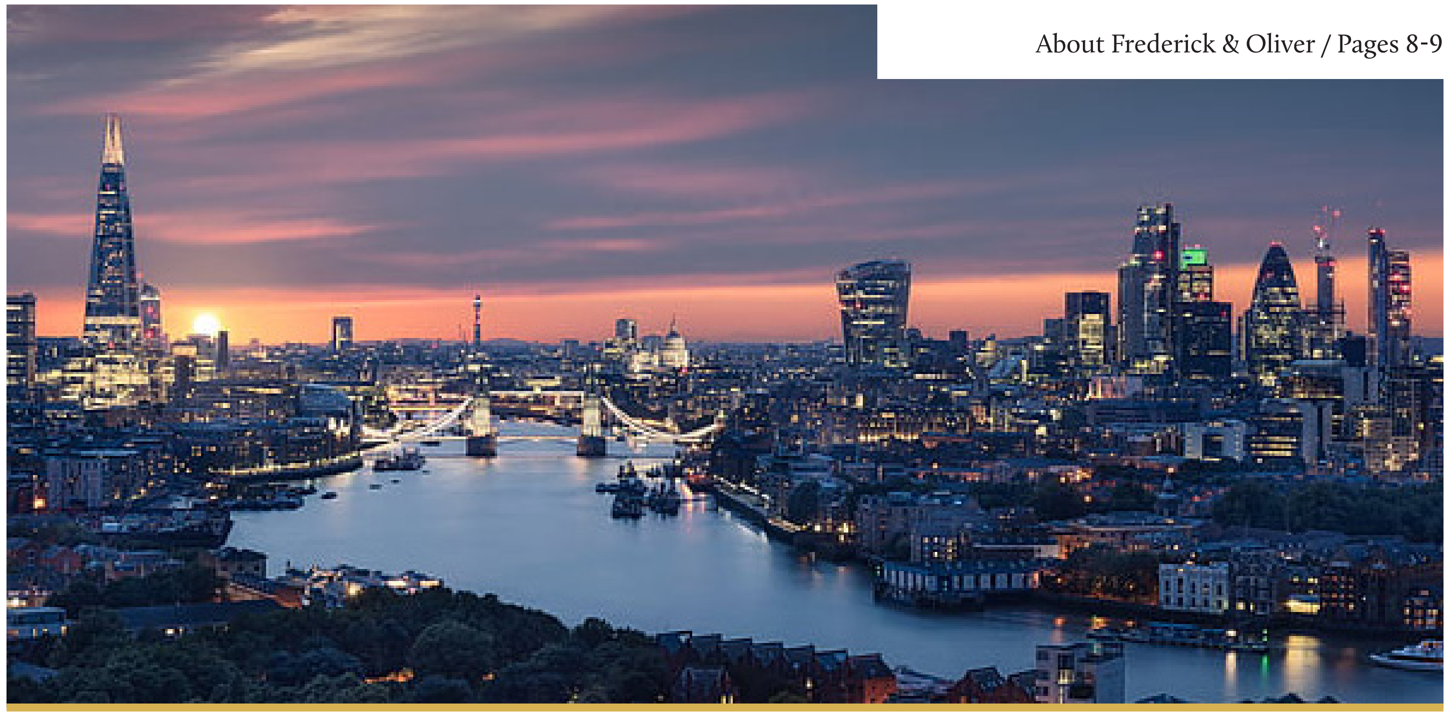
Mr. F



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