

Stone & McCarthy
RESEARCH ASSOCIATES

01/08/2007	16:25	EURO	chg	USA	chg	UK	chg
Futures	Bond	112.76	0.01	110.22	0.16	105.63	0.10
	STIR	95.52	0.02	95.10	0.04	93.84	0.01
Cash	3mth	4.26	0.00	5.36	0.00	6.05	0.01
	2yr	4.27	-0.02	4.53	0.01	5.53	0.00
	5yr	4.30	-0.02	4.57	0.01	5.35	-0.02
	10yr	4.34	-0.01	4.74	0.00	5.19	-0.01
	30yr	4.46	0.00	4.91	0.00	4.58	-0.01
	10yr-2yr	0.06	0.01	0.21	-0.01	-0.34	-0.01
Spreads	2yr	--	--	0.31	0.03	1.34	0.02
	vs euro	--	--	0.46	0.01	0.92	0.00
FX	USD	1.368	0.000	--	--	2.031	-0.001
	EUR	--	--	--	--	0.674	0.000
	YEN	162.33	-0.05	118.67	0.00	240.94	-0.06
Equities		4235.7	-1.5%	1451.8	-0.4%	6259.5	%

[cont]

Euribor futures were 1 tick to 3 ticks higher with the Sep-07 contract at 95.640/+0.010 (4.360% implied). Sep-07 Bunds were 1 tick higher at 112.76. In cash, German government benchmark yields were unchanged to 2bps lower with the short end of the curve outperforming. The 2s/10s spread was 1bps wider at 6bps and the 10s/30s spread was 12bps vs. 11bps.

Gilts were trading mixed with short dated issues underperforming. The short end underperformed amidst stronger than expected CIPS manufacturing PMI data on Wednesday morning, which rose to a 3-year high in July.

Short sterling futures were 1 tick to 2 ticks higher with the Sep-07 contract at 93.890/-0.010 (6.110% implied). Jun-07 Gilts were 10 ticks higher at 105.63. In cash, UK government benchmark yields were unchanged to 2bps lower with 5s outperforming. The 2s/10s spread was -34bps vs. -33bps and the 10s/30s spread was unchanged at -61bps.

Euro Mkt Summary: EGBs Mixed, S/Dates Outperform on Risk Aversion by Charanjeev Chana

The Bund curve was trading steeper on Wednesday afternoon with short dated issues underpinned by weaker than expected US ISM manufacturing data. The short end was also supported in afternoon trade by speculation that Beazer Homes, one of the ten largest US homebuilders, was filing for Chapter 11 Bankruptcy. Bonds opened sharply higher on Wednesday morning as the risk-aversion bid returned to the market. EGB's took cue from the surge in US Treasuries overnight after equities slumped from more negative news from the Subprime sector. Maquarie Bank said significant losses were likely in two of its high yield funds whilst Bear Stearns halted redemptions from a third fund, after already being forced to close two subprime-linked funds. Bunds drifted lower on profit-taking after European equity bourses attempted a recovery in morning trade. Also weighing on sentiment was upwardly revised July Eurozone manufacturing PMI data - which reported a contraction slightly less than the 'flash' estimate.

Attention will fall on the ECB council meeting due to take place via teleconference on Thursday. Focus will be on the possible release of a statement by the ECB to signal intentions to raise interest rates in September.

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