

10:45 08/15 **EGB CLOSING SUMMARY:** The Bund curve traded steeper on Wednesday afternoon with the short end outperforming on risk aversion buying. US CPI data was met with a muted reaction after both headline and core measures came in line with consensus expectations.

The market soon pared gains on risk aversion unwinding following a rebound in equity bourses. EGBs opened higher Wednesday morning, on renewed stock jitters and credit concerns after the broadening fallout from the US sub prime mortgage market triggered a fresh run on Japanese equities overnight, and flight to quality into JGBs. Amidst a lack of Eurozone data, the market was underpinned by weaker stocks and decent results for the final tap of the 4.25% July 2017 Bund. The bid to cover for the benchmark issue rose to 1.9 times vs. 1.8 times previously - the strongest cover for a German 10-year issue since January 8th 2003. Retention of total volume by the BBK was also low at 13.67%.

10:40 08/15 **U07 GILT COMMENTARY:** Gilt has seen a bullish break for momentum, while daily stochastics try to turn higher. Market is broadly constructive while above the 21-day moving average at 105.35. Market reached 106.53, which is multiple resistance, including a 50% projection of the 102.90/106.05 upmove, taken from the 104.92 low, and the 61.8% retracement of the same move should offers additional resistance at 106.86. Initial support is 106.17 with also the 5 and 100-day moving averages, at 105.50, 105.75.

10:03 08/15 **US EURODLR/SWAPS:** Sources report a Chicago FCM sold 400 1yr bundles at +0.75 to steady. Overall swap-flow remains two way in fronts to intermediates along with some deal related hedges/unwinds early as spds remain near session/7+ year wides. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
10:00	+2.00/65.75	+2.50/72.25	+1.00/74.75	-0.50/71.00
9:00	+2.25/66.00	+2.25/72.00	+1.00/74.75	+0.00/71.50
Wed Open	+1.50/65.25	+2.00/71.75	+0.75/74.50	-0.25/71.25
Wed 7:35	+1.50/65.25	+2.50/72.25	+1.25/75.00	+0.50/72.00
Tue 3:00	+3.25/63.75	+2.25/69.75	+1.75/73.75	+0.50/71.50

09:55 08/15 U07 BUND: Second Doji Signal May Help Recovery

RES 4: 113.96 61.8% retracement of decline from 116.62 to 109.66

RES 3: 113.53 Opening high 14 May,

RES 2: 113.34/38 Daily highs 30 July, 1 August

RES 1: 113.18/22 Session high, Daily high 6 Aug

PREVIOUS CLOSE: 112.74

SUP 1: 112.84 Opening gap from 15 Aug open

SUP 2: 112.70 5-day moving average

SUP 3: 112.45 21-day moving average

SUP 4: 111.91/96 Sup line fm 9Jul, 38.2% of advance fm 109.66, Low 8 Aug

COMMENTARY: The Bund has recorded two 'doji' patterns this week, including 'hanging man' on Tuesday, which may combine with a pickup in momentum and signs of a continuation triangle pattern to signal a fresh upmove. Daily stochastics are still weak however, and break below 21-day moving average and rising trendline at 111.91 would negate the signal. 113.38 cycle high could be key for the upside.