

**MarketNews**  
international

**Stone & McCarthy**  
RESEARCH ASSOCIATES

09:36 08/27 **ECB**: ECB offers 7-day variable Refis, minimum bid rate 4.00%  
-- Allotment to exceed E194bln benchmark by amount needed  
-- To gradually lower large reserve surplus as market normalizes.

10:32 08/27 **ECB TRICHET**: We did what we said we would do in watching market developments  
-- New monpol assessment will be made on Sept 6  
-- Will then need to take into account all factors  
-- We will asses risks to price stability in medium term  
-- We will take our monpol decision at that moment.

12:12 08/27 **JAPAN/YEN**: Using data from the Tokyo Futures Exchange, analysts note that Japanese retail investors are clearly feeling "gun shy" and cut positions in half last week. Greg Gibbs of ABN AMRO notes that these investors "rarely conduct stop loss trading" and typically "buy dips and sell rallies" (dollar-yen, euro-yen etc...). This "sudden and rare" risk aversion on the part of Japanese retail investors contributed to the hefty declines in Aussie, Kiwi and dollar-yen last week, Gibbs says. JPMorgan Chase analysts noted that their estimates of Japanese retail FX margin positions in the high yielders show Y388bn(\$3.3bn) in yen sales/FX buying on the week, which suggests carry is still popular. With aggregate yen shorts still at \$33bn, there is risk of a "decent yen rally if credit concerns force another round of deleveraging in coming weeks," JPMC says.

10:46 08/27 **EURIBOR**: Dec euribor rose 7 ticks to 95.600 session high after ECB President Trichet said that "what was said on Aug 2 statement was before market turbulence". "New monetary policy assessment will be made at the September 6 ECB Governing Council meeting", added Trichet. This has been consistent with MNI view, and leaves the ECB in "sit & wait" position to see if money market rates normalize. Sept eonia is now back to 20% vs 50.8% last week.

10:53 08/27 **BUNDS**: The 2-/10-year Bund curve is now 3bps steeper at +27bps, with the short-end now outperforming following earlier 2bps underperformance. The move came post ECB President Jean-Claude Trichet comments, who said that the ECB would not make a final decision on whether to adjust key interest rates before the next Governing Council meeting on September 6, citing uncertainty about the current state of global financial markets.

08:16 08/27 **MONTH-END EXTENSIONS**: Month-end extensions in EGBs & Gilts are negative, according to iBoxx sovereign estimates, and expected to provide little support for European bond markets. The iBoxx Euro sovereign index extends by -0.01 years into September. This is lower than the historical average for this time of the year (+0.04 years), say strategists. In the UK, the iBoxx sterling index shortens by around -0.02 years, given the 5.00% Mar 2018 Gilt auction in August and no Gilts leaving the index, add traders.