




09:33 08/28 **EUROZONE:** The European Parliament's key Economic and Monetary Affairs Committee has requested an extraordinary appearance by ECB Pres Trichet on Sept 11, asking that he testify on the financial market turmoil seen during the Parliament's summer recess. This is the first time such a meeting has been convened, and it will not replace one of Trichet's regular thrice-yearly appearances before the committee. "Just how contentious this meeting will be will depend in large part on what the ECB does on September 6, as well as the market reaction to that move," say strategists at Brown Brothers Harriman. The event is similar to the Fed Chair's semi-annual testimony, which provides Capitol Hill "the opportunity to criticize the Fed for the benefit of their constituents," the strategists say. BBH looks for Trichet to "give a spirited defense of ECB independence" and to "reaffirm his hawkish credentials" come September.

#### 10:15 08/28 UK GEMMs/End-Investors Seen Calling For New 40-Year Gilt

UK Gilt-edged market makers (GEMMs) and end-investors are likely to urge the Debt Management Office to issue a new 40-year conventional Gilt rather than a new 40-year linker issue when they get together for their quarterly consultation meeting this afternoon. Gilt strategists say. The DMO will publish the official minutes of the meeting on Wednesday at 0800GMT. The agency will announce its choice of auction stocks for the next quarter on Friday at 1430GMT. Nine auctions have been scheduled between October and December, comprising five conventional and four index-linked Gilt sales.

#### Euro Mkt Summary: Long End Underperforms on Neg. Duration Ext. by Charanjeev Chana

**EGBs** traded mixed on Tuesday afternoon with long dates underperforming. Bunds posted moderate losses following stronger than expected August US consumer confidence data. Bonds opened moderately higher on Tuesday morning on short-covering after ECB President Trichet failed to confirm a September interest rate hike in comments made on Monday afternoon. Trichet refrained from mentioning "strong vigilance" and suggested the ECB would assess price stability risks in the medium term and make its decision. Short dates came under pressure after August German IFO business sentiment came in above consensus expectations and Eurozone M3 growth accelerated to its fastest pace in 28-years. Long dates underperformed amidst little support from month end bids given month end duration extensions in EGBs are negative according to early iBoxx sovereign estimates.

In the **forex** markets, the dollar was mixed against the major currencies. The EUR/USD was at 1.3646 (-0.0001), cable at 2.0085 (-0.0036) and USD/JPY at 114.98 (-0.89).

**European equities** were weaker in afternoon trade. The DAX was trading -0.33%, CAC 40 -1.23% and the FTSE -0.90% on the day. US stocks were weaker with the S&P 500 -0.76% and the Nasdaq -0.81%.

**Sep-07 Bunds** were unchanged at 113.72. In cash, German government benchmark yields were unchanged to 2bps higher with 30s underperforming. The 2s/10s spread was unchanged at 30bps and the 10s/30s spread was 23bps vs. 21bps.

**Gilts** traded little changed on Tuesday afternoon, outperforming Bunds. Prices were little changes following the release of UK BBA mortgage lending data which reported a decline in mortgage approvals for house purchases in July.

**Jun-07 Gilts** were 6 ticks higher at 106.72. In cash, UK government benchmark yields were unchanged across the board. The 2s/10s spread was unchanged at -30bps and the 10s/30s spread was unchanged at **-56bps**.