



[Times for Market News International stories are ET]

10:01 12/03 **BUNDS**: Dec Bunds moderately lower following release of US ISM manufacturing data, which came in as expected, but the prices paid index came in stronger than expected. On the session, Dec Bunds are up 29 ticks at 114.67.

09:47 12/03 **EU JUNCKER**: Can't ignore increase in inflation risks.

06:19 12/03 **BUND SUMMARY**: Bunds opened moderately higher following overnight gains in Japanese Government Bonds, helped by carry-over month-end demand from life and pension funds. Prices dipped with the short-dated issues underperforming following release of eurozone manufacturing PMI data, where final reading ws revised up to 52.8 in November vs 52.6 in October and flash estimate of 51.5. Elsewhere, eurozone unemployment remained on a downward path in October, easing 0.1 point for the second month in a row to 7.2%, a fresh all-time low since the series began in 1993, Eurostat reported Monday, citing seasonally adjusted data. Most analysts had expected a pause in the decline in November. Belgium Debt underperformed, with the 10-year OLO/Bund yield spread wider at +20.6bps vs +20.0bps on Friday, after news that PM designate Yves Leterme has resigned following breakdown of coalition talks. The Bund curve traded flatter from Friday's close, with the 2-/10-year yield spread at +30 bps vs +32 bps and the 10-/30-year yield spread was unchanged at +39 bps.

09:45 12/03 **GILTS**: Gilts continue to extend outperformance on back of the strong reinvestment flows this week, where redemption of the 7.25% 2007 Gilt is due on Friday for Stg11.66bln and also coupon payments for Stg4.46bln. This cash is expected to be put back into the short-end.

06:17 12/03 **GILT SUMMARY**: Gilts are higher and outperforming on strong reinvestment flows this week, where redemption of the 7.25% 2007 Gilt is due on Friday for Stg11.66bln and also coupon payments for Stg4.46bln. Gilt curve is trading steeper, with long-end weighed by talk in the market that Marks & Spencer is due to announce a 50-year sterling deal. The talk comes after reports of big payer of 50-year swaps on Friday. M&S last week priced two dollar deals, i.e 2017 and 2037. Elsewhere, Gilts paid little attention to UK PMI manufacturing data, which rose to 54.4 in Novr from a downwardly revised 52.8 in Oct, originally reported at 52.9. Analysts had expected a reading of 52.5, according to a Market News International poll conducted at the end of last week. However, the survey revealed continuing strong pricing pressures, an area of continuing concern to the Bank of England's Monetary Policy Committee at the moment. The Gilt 2-/10-year yield spread was at -2.8 bps, whilst the 10-/30-year yield spread was 1.4 bps steeper at -15.4 bps.

09:35 12/03 **ECB**: The European Central Bank called Monday for bids on new 7-day main refinancing operation at variable interest rates and a minimum bid rate of 4.00%. Bids for the latest refinancing operation are due at 0830 GMT on Tuesday, with the allotment results to be announced that day at about 1015 GMT. The new refs will settle on Wednesday -- when E178 billion in 7-day paper allotted at a marginal rate of 4.18% is repatriated -- and expire on Wednesday, December 12. According to the ECB, the benchmark allotment for Tuesday's operation, based on the central bank's liquidity forecast as of today amounts to E153 billion, it said. On November 23 the ECB said it noted "re-emerging tensions in the European money market" and pledged to continue its policy of allocating more liquidity than the benchmark amount "for as long as it is needed and at least until after the end of the year."

09:50 12/03 **US TSYS**: Tsys continue to firm amid:

- 1) Short-covering; mildly weaker stocks.
- 2) Traders cited a big buyer of 2-year notes early in the session.
- 3) Others meanwhile eyed if there would be more chunkier rate cuts near-term, with some eyeing if the Fed would cut 50 bps in December and another 50 bps in 1Q 2008.
- 4) Goldman, Morgan Stanley and Merrill Lynch hurt as Deutsche Bank said weaker bond markets will hurt those firms' 4Q earnings.
- 5) UK Gilts also gain amid reinvestment buying.
- 6) German Bunds also jumped as German Fin Min Peer Steinbrueck said he's not concerned about inflation.
- 7) Next major economic data is 10am ET Nov. mfrg ISM, and then Tsy Secy Paulson's 10:30am ET speech could be important too as is on the mortgage forbearance topic.

20:28 12/02 **BOJ FUKUI**: JAPAN INT RATES TO BE RAISED BUT TIMING NOT SET

21:11 12/02 **BOJ FUKUI**: NOT HURRYING RATE HIKES BUT JAPAN RATES TOO LOW

01:49 12/03 **JGB SUMMARY**: Japanese government bonds ended Monday's session higher across the board, helped by carry-over month end demand from life and pension funds. However, traders said overall volumes were light, with typically muted Monday flows. Short-covering in the futures contract also helped, with the lead contract at one point hitting fresh 22-month highs above 137.50. Comments from Bank of Japan Governor Toshihiko Fukui had little impact on prices, adding nothing new to market perceptions.

- Benchmark 10-year yield was 2.25 bps lower at 1.455%.
- Benchmark 5-year yield was 3 bps lower at 1.010%.
- Benchmark 20-year yield was 1.5 bps lower at 2.045%.
- Benchmark 30-year yield was 2.5 bps lower at 2.280%.
- Lead Dec JGB futures contract was 0.30 higher at 137.33.