



[Times for Market News International stories are ET]

07:06 12/05 **BUND SUMMARY:** Bunds opened lower after overnight gains in the Nikkei-225 following press report that the UK government has drafted a bill to nationalise Northern Rock, as a fallback option if plans for the potential private buyer falls through. Prices came off their lows following release of weaker than expected eurozone PMI services data, which fell to 54.1 in November vs 55.8 in October and flash estimate of 53.7. The short-dated issues outperformed, on back of unwinding of curve flattening move seen on Tuesday, amid thin volume conditions. Bunds were also underpinned by the continued turmoil in the money markets ahead of the year-end period, where BBA Libor rates were fixed higher again. Euro 1-mth Libor was fixed at 4.85438% vs 4.84875% Tuesday and the Euro 3-mth Libor fixed at 4.87375% vs 4.85500% Tuesday. In addition, traders reported switching out of US Treasuries into German Bunds as the 10-year UST/Bund yield spread narrows to -9bps vs -11bps yesterday, having hit multi-year low at -19.5bps earlier this week.

06:53 12/05 **GILT SUMMARY:** Gilts are higher and outperforming Bunds on increased speculation that the Bank of England may cut interest rates at Thursday MPC meeting. The move comes after weaker than expected Halifax house price index, which fell 1.1% m/m, +6.3% y/y in November and UK PMI services index, where headline activity index in the sector falling to 51.9 in November from 53.1 in October. This came in the wake of Nationwide Consumer Confidence Index overnight, which dropped 12 percentage points in November, to stand at 86, the largest monthly fall since the data series began in May 2004. In addition, Gilts gains were underpinned by strong reinvestment flows, where redemption of the 7.25% 2007 Gilt is due on Friday for Stg11.66bln along with coupon payments for Stg4.46bln, which are expected to be put to work back into the short-end. The long-end of the Gilt curve was further weighed by talk in the market that Marks & Spencer is due to announce a 50-year sterling deal. Dec Gilts are up 39 ticks at 110.78.

06:59 12/05 **EUROZONE:** Data released in the eurozone Wednesday,  
 \*\* EMU: Retail sales disappointed yet again in October, falling 0.7%/m/m, this time on pronounced weakness in sales of non-food products, seasonally adjusted Eurostat data released Wednesday show.  
 \*\* SPAIN: Workday adjusted industrial production in October accelerated 2.6% on the year after an upwardly revised +0.8% in September (+0.6%)  
 \*\* SPAIN: Oct s/adj industrial output +1.1% m/m; Sep -0.4%  
 \*\* EUROZONE: Nov final composite services PMI 54.1 Nov vs flash 53.8.  
 - Nov final services PMI 54.1 vs flash 53.7  
 \* GERMANY: Nov services PMI 53.1 vs 55.1 in Oct.  
 \* FRANCE: Nov services PMI 59.2 vs 58.5 in Oct.  
 \* ITALY: Nov services PMI 50.8 vs 55.3 in Oct.

07:54 12/05 **US DOLLAR LIBOR:** Forward impetus in US\$ LIBOR falters, 3 month LIBOR sets only 0.06 bps higher at 5.1506%, up 1.93 bps for the week, while the 1-month LIBOR set 0.19 bps LOWER at 5.2519%, up 1.37 bps for week.

Net weekly recap: 3-Month LIBOR 1-Month LIBOR

Nov 26-30	+9.13 bps	+1.13 bps
Nov 19-23	+9.12 bps	+5.31 bps
Nov 12-16	+6.94 bps	+8.06 bps
Nov 5-9	+1.43 bps	-1.81 bps
Oct 29-Nov 2	-11.88 bps	-11.50 bps
Oct 22-26	-16.75 bps	-15.75 bps
Oct 15-19	-6.31 bps	-9.50 bps
Oct 8-12	-1.93 bps	-6.19 bps
Oct 1-5	+1.43 bps	-0.19 bps
Sep 24-28	+2.63 bps	-0.75 bps
Sep 17-21	-44.38 bps	-48.25 bps
Sep 10-14	-7.87 bps	-21.00 bps

02:05 12/05 **JGB SUMMARY:** Japanese government bonds ended Wednesday's session lower, snapping a three-day winning streak. Traders said with no clear overnight lead, JGBs drifted in the morning session and then accelerated lower as stocks bounced in afternoon trade. Despite the sell-off, traders said volumes were modest at best, with flows largely interdealer. Additionally, real money names were light sellers of the belly of the curve, with offshore names sellers of the 10-year JGB.

- Benchmark 10-year yield was 5 bps higher at 1.500%.
- Benchmark 5-year yield was 4 bps higher at 1.015%.
- Benchmark 20-year yield was 4.5 bps higher at 2.065%.
- Benchmark 30-year yield was 3.5 bps higher at 2.305%.
- Lead Dec JGB futures contract was 0.48 lower at 137.18.