



[Times for Market News International stories are ET]

06:48 12/11 **LIBOR FIXINGS:** Euro 1-mth Libor highest fix since Dec 19, 2000
-- Euro 3-mth Libor highest fix since Dec 14, 2000.

07:12 12/11 **BUND SUMMARY:** Bunds opened little changed, having suffered sharp falls in recent sessions in the wake of hawkish comments from ECB officials, which have prompted markets to re-price risk of an European Central Bank rate hike next year. Prices then rose amid short-covering and risk-aversion buying as European equity bourses pared opening gains. Bunds also rose following release of weaker than expected German ZEW survey, where the expectations index shed another 4.7 points to fall to -37.2 in Nov -- hitting the lowest level since Jan 1993. The current situation declined for the sixth straight month to +63.5 in Dec vs +70.0 in Nov. However gains were short-lived, and Bunds sold off following comments from ZEW President Wolfgang Franz, who said that the ECB is likely to hike rates once financial market turbulence abates. In supply news, the Greek PDMA sold E1.5bln in re-opening of the 4.10% Aug 2012 GGB issue at ave yield of 4.26%, cover 3.36 times. Overall, volumes were once again low, with many traders sidelined ahead of the FOMC meeting.

07:14 12/11 **GILT SUMMARY:** Gilts are higher, taking cue from gains in Bunds, snapping 3-day's of sharp losses. Gilts shrugged off the UK trade data, where the global trade deficit narrowed more than expected to Stg7.1bln in October from Stg8bln in Sept. Attention in the Gilts market turns to the UK DMO annual consultation meeting later today with GEMMs and end-investors. This meeting has been bought forward from Feb and in turn has fuelled speculation that the DMO is looking to prepare the mkt for a cut in long-dated issuance given the potential cut in Gilt sales in FY2008/09. This is because of less redemptions next year and the DMO's desire to provide liquidity in the 5- & 10-yr sector and in the linker programme. The Gilt 2-/10-year yield spread was 0.5 bps steeper at +9.3 bps, whilst the 10-/30-year yield spread was 0.9 bps steeper at -18.1 bps. Mar Gilts are up 10 ticks at 1 08.96.

06:43 12/11 **FX:** The dollar made a comeback versus the euro in the European morning, recovering nearly 90-points en-route to late session lows around \$1.4662 after initially triggering topside stops up to the \$1.4750 high. Dollar-yen was also firm, taking out supply at Y112.00 and pushing up to highs at Y112.15 on Mid-East demand ahead of tonight's keenly awaited FOMC announcement at 1915GMT. Sterling extended its corrective gains during morning trade, cable posting highs at \$2.0519 as the pound continued to attract carry trade investment demand, though the better tone for the greenback later in the session took rate back to trade around \$2.0475. Sterling also extended its corrective pullback against the euro, euro-sterling easing to lows of stg0.7166, having posted fresh four and a half year highs at stg0.72395 after last Thursday's UK interest rate cut.

Japan Bond Market Closing Summary for Monday 10 December by Karen Hawkett

Stone and McCarthy (Sydney) The Japanese government bond market faded toward the close to end slightly lower as players await the FOMC's policy announcement later today. The market was driven lower at the open following the overnight fall in US treasuries, but any recovery was sapped by the poor auction result.

The Japanese government bond futures market continued to mark time in early offshore trading yesterday, finding support from news UBS will write down a further US\$10 bln on sub-prime holdings. However the bid turned back when the US reported stronger than expected pending home sales for October, which triggered a rebound in global equities and faded speculation the Fed would cut rates by at least 50bps.

On LIFFE, the December contract ended at the low of 136.22, which was twenty-five points down on the earlier Tokyo close.

While the futures market set about recovering some of the overnight loss, the ten year bond yield backed up to 1.55 percent at the open in line with the fall in treasuries. Bonds slowly ground higher as the Nikkei topped out mid morning, but the recovery was sapped when the MoF announced another poor result to a five year auction. While the bid was modestly higher than a month ago, the low coupon and expectations the BoJ is getting set to raise interest rates, pegged demand.

The recent string of better US data has increased the chance that the FOMC rate decision later today will be a quarter percent cut rather than a half a percent cut predicted earlier. That would give the BoJ room to move towards the next rise in Japanese interest rates.

Meanwhile the buck strengthened early in Asian trading to peak around 111.90 yen as rising stocks encouraged yen carry trades. While the buck retreated, it again lifted from a low of 111.60 yen as Japan reported consumer sentiment had fallen to its lowest in four years.