



[Times for Market News International stories are ET]

07:08 12/12 **GILT SUMMARY:** Gilts are lower and underperformed Bunds as the 10-year Gilt/Bund yield spread widened to +50 bps. The move came after the UK claimant count unemployment fell by 11,100 -- for the fourteenth consecutive month in Nov, taking the rate of joblessness to 2.5%, unchanged from a downwardly revised figure in October, the lowest since April 1975. However, while unemployment continued to decline, growth in average earnings remained in check. Headline average earnings growth, the three month average, declined to 4% in October from 4.1% in September. This was below the median forecast of 4.2%. The long-dated Gilts outperformed on speculation that the DMO will reduce long-dated conventional issuance next year. Elsewhere, the UK's Debt Management Office sold Stg950 million of the 1.875% Nov 2022 index-linked Gilt, with a cover of 1.98 times and at a real yield of 1.390%. The Gilt 2-/10-year yield spread was 1.0 bps steeper at +10.5 bps, whilst the 10-/30-year yield spread was 0.5 bps flatter at -20.3 bps.

06:58 12/12 **BUND SUMMARY:** Bunds opened higher, dragged up by US Treasuries coat-tails in the wake of the sharp losses on Wall Street stocks following the Federal Reserve decision to cut both the Fed funds and discount rate by 25 bps. However, prices reversed direction, led by leverage accounts selling the 4.00% Sept 2009 Schatz issue, which continued to underperform. Traders noted that the move has been exaggerated by its recent richness. Some selling of this issue was also noted ahead of the new 4.00% Dec 2009 Schatz auction, where E6.417bln was allotted at an ave yield of 3.88% & covered 1.7 times. Traders also noted that the stocks were no longer under pressure and reporting unwinding of risk-aversion trades, amid market talk that the Fed is planning an overhaul of the way it provides liquidity support to financial markets. In addition, Bunds were also weighed by stronger than expected eurozone industrial production data, which rose +0.4% m/m, +3.8% y/y in October -- coming in above MNI median f/c.

03:19 12/12 **ZHOU:** Reported comments from PBOC Gov
 -- China CPI, Fed rates have big impact on PBOC Policy
 -- Worried expansive Fed policy adds to global liquidity.
 -- Don't see big impact on China from Fed rate cut.

01:56 12/12 **JGB SUMMARY:** Japanese government bonds ended Wednesday's session sharply higher, boosted from the off by the overnight U.S. Treasury gains. Treasuries were helped higher by the Federal Reserve's 25 bps cut and market hopes for another cut in January. As stocks continued to slide throughout the morning session, JGBs continued to benefit from investor safe haven flows. With the Nikkei down around 300 points, the yield on the benchmark 10-year was 7 bps lower at 1.52%. Although volumes were fairly muted, demand was seen from City Banks and public funds in the belly of the curve, with life and pension funds picking up paper at the longer-end of the curve.

-- Benchmark 10-year yield was 6.5 bps lower at 1.525%.
 -- Benchmark 5-year yield was 5.5 bps lower at 1.055%.
 -- Benchmark 20-year yield was 5.5 bps lower at 2.105%.
 -- Benchmark 30-year yield was 6 bps lower at 2.340%.
 -- Lead JGB futures contract was 0.71 higher at 136.65.

06:59 12/12 **JAPAN:** Data released in Japan Wednesday,
 ** Nov CGPI +2.3% y/y vs Oct +2.0 % under revised formula, 05 base year
 Japan Nov corporate goods (producer) prices +0.2% m/m vs Oct +0.3%
 Japan Oct current account surplus +45.7% at Y2.23 trillion
 ** Japanese investors were net buyers of overseas bonds and short-term bills but were net sellers of stocks in November, buying a net Y640.3 billion in foreign securities, MOF data showed.
 Non-resident investors bought a net Y4.64 trillion in Japanese securities last month.
 ** November corporate bankruptcies rose 11.8% on year to 1213 cases.
 - Nov corp bankruptcy debt rose 11.3% on year to Y492.27 bn.
 - Japan Nov corporate bankruptcies fell 3.73% on moth, debt rose 6.78% on month