



[Times for Market News International stories are ET]

06:56 12/19 LIBOR FIXINGS: Euro 2-week Libor fixed at 4.55750% vs 4.40125% Tuesday

- Euro 1-mth Libor fixed at 4.56375% vs 4.58813% Tuesday
- Euro 3-mth Libor fixed at 4.80125% vs 4.84875% Tuesday
- Stg 2-week Libor fixed at 6.40750% vs 6.51250% Tuesday
- Stg 3-mth Libor fixed at 6.20563% vs 6.38625% Tuesday
- Dollar 3-mth Libor fixed at 4.91000% vs 4.92625% Tuesday.

06:41 12/19 **GILT SUMMARY:** Gilts are higher and outperformed Bunds in the wake of the dovish BoE MPC minutes, which showed the decision to cut rates by 25bps at the December meeting was unanimous. In addition, there was even discussion of case for "substantial" policy easing. However, the MPC decided that a large cut would increase upside inflation risks. Most analysts had expected a split vote, with two or three dissenters backing unchanged rates. Gilts were also underpinned by CBI distributive trades survey, where sales volume balance fell to 8% in December down from 13% in November, and its weakest balance since November 2006. Expected sales volumes in January were the weakest balance since April 2006. The 10-year Gilt/Bund yield spread is trading 4bps narrower at +46bps. The Gilt 2-/10-year yield spread was 1.7 bps steeper at +5.5 bps, whilst the 10-/30-year yield spread was 3.5 bps steeper at -23.3 bps. Mar Gilts are up 58 ticks at 108.96.

06:38 12/19 **BUND SUMMARY:** Bunds opened higher, taking their direction from sharp gains in Japanese Government Bonds overnight following a reversal lower in the Nikkei-225. Prices then squeezed higher, amid short-covering following market rumour that Merrill Lynch is due to report Q4 earnings report early, and may include a \$6.0 billion writedown. The short-dated issues outperformed following release of weaker than expected German Ifo business confidence survey, where the headline reading fell to 103.0 from November's unrevised reading of 104.2, mainly as a result of weaker current conditions, for which the index fell more than expected to 108.1 from 110.3. Companies' six-month outlook slipped 0.1 point to 98.2 -- the sixth straight decline but less than expected and less than the declines of past months. Bunds also rose on back of strong gains in UK Gilts after release of Bank of England minutes, which showed that the Monetary Policy Committee voted an unanimous 9:0 to cut rates at the December meeting.

07:09 12/19 **FX:** Sterling was the main mover on Wednesday morning, news that the vote from the MPC to cut interest rates this month was unanimous, together with a dovish set of minutes the catalyst for a 150-point sell-off down to \$2.0050 and beyond. Euro-sterling was also higher on the back of this, pushing up 60-points over the course of the morning to highs above stg0.7184.

Elsewhere, a weaker than forecast German Ifo survey knocked euro-dollar lower on Wednesday morning, though the base was contained to \$1.4374, still well within the week's range. Rate recovered to end the morning back around \$1.4400. Dollar-yen saw stops hit under the Asian low at Y113.20, prompting a quick move down to session lows under Y112.80, though is similar vein to euro-dollar, the pair remained within its recent range, trading back around Y113.00 ahead of the US open.

06:59 12/19 **JAPAN:** Releases in Japan Wednesday,

** JAPAN: The government expects GDP to grow 2.0% in real terms in the next financial year that starts in April, compared with a revised estimate of 1.3% in the current year. On a nominal basis, GDP is projected to grow at a faster rate of 2.1%, the first time since the year to March 1998 that growth in nominal GDP would exceed real GDP. For the current year ending in March 2008, nominal GDP is expected to expand by 0.8%. The government estimates that the overall CPI will rise by 0.3% in fiscal 2008 following a projected 0.2% increase in the current year as prices of fuel products expected to remain high.

02:04 12/19 **JGB SUMMARY:** JGBs ended higher on Wednesday after a second half crumble in Japanese stocks helped JGBs to their biggest gain in five days. Late trade in New York saw US Treasuries come off their highs as US equity markets managed to gain ground. This got Japanese equities off to mildly positive start and weighed on JGBs in early trade. However, the equity rally fell apart as trading resumed after the lunch break and the Nikkei lost close to 1.2% by the close. As stocks crumbled, buyers parked money in bonds, leading to the biggest gain for JGBs in five days.

- Benchmark 10-year yield was 4.5 bps lower at 1.500%.
- Benchmark 5-year yield was 2.5 bps lower at 1.015%
- Benchmark 20-year yield was 4 bps lower at 2.105%.
- Benchmark 30-year yield was 4 bps lower at 2.345%.
- The Nikkei 225 ended 177.35 points or 1.17% lower, at 15,030.51