

02/07/2007	18:41	EURO	chg	USA	chg	UK	chg
Futures	Bond	111.40	0.65	107.91	0.16	104.09	0.36
	STIR	95.64	0.00	94.71	-0.01	93.76	0.02
Cash	3mth	4.18	0.00	5.36	0.00	6.00	0.00
	2yr	4.42	-0.04	4.85	-0.01	5.72	-0.03
	5yr	4.47	-0.06	4.90	-0.02	5.65	-0.05
	10yr	4.51	-0.06	5.01	-0.02	5.42	-0.04
	30yr	4.62	-0.06	5.11	-0.01	4.79	-0.04
	10yr-2yr	0.09	-0.02	0.15	-0.01	-0.30	-0.01
Spreads	2yr	--	--	0.50	0.03	1.38	0.01
	vs euro	10yr	--	--	0.56	0.04	0.98
FX	USD	1.363	0.009	--	--	2.016	0.008
	EUR	--	--	--	--	0.676	0.002
	YEN	166.52	-0.08	122.21	-0.92	246.40	-0.84
Equities		4470.3	-0.4%	1514.4	0.6%	6590.6	%

Headlines

EGBs higher on risk-aversion buying and reinvestment flows

EMU June Manufacturing PMI revised higher to 55.6 from 55.4.
Cable rises above 2.016 - a 26-year high

Euro Mkt Summary: EGBs Rise on Risk Aversion Buying by Niraj Shah

EGBs were higher on Monday afternoon on risk-aversion buying. Indeed, EGBs opened higher on the back of flight-to-quality buying after the UK raised the threat level to 'critical' as a result of three failed car bomb attacks over the weekend. Ongoing jitters over the US subprime loan market and equity market losses provided further momentum. EGBs were also underpinned by a rise in the euro-dollar as well as strong reinvestment flows, with redemptions due from Germany (E16.0bln), Italy (E9.0bln) and Finland (E5.0bln). Data releases, however, made little impact despite EMU manufacturing PMI for June being revised higher while the US ISM manufacturing number came in much stronger than expected. Attention in Europe on Tuesday will turn the release of EMU PPI data for May.

Gilts were also higher but underperformed Bunds. Support came on the back of safe haven buying following the terror alert. A surge in cable to a 26-year high on the back of dollar weakness also provided further support. However, the belly of the curve outperformed the wings as the short-dated issues were weighed ahead of the BOE rate announcement on Thursday where interest rates are expected to rise to 5.75%, whilst the long-dated issues underperformed ahead of Tuesday's tap auction of the 4.50% December 2042 Gilt issue for Stg2.25bln. Data wise, softer than predicted UK manufacturing PMI for June made little impact. Tuesday will see the release of construction PMI for June.