

06/07/2007	19:24	EURO	chg	USA	chg	UK	chg
Futures	Bond	109.87	-0.36	106.22	-0.34	103.11	-0.23
	STIR	95.62	0.00	94.65	-0.01	93.69	0.00
Cash	3mth	4.20	0.01	5.36	0.00	6.01	0.01
	2yr	4.54	0.02	4.99	0.02	5.79	0.02
	5yr	4.63	0.04	5.09	0.04	5.74	0.02
	10yr	4.68	0.04	5.19	0.05	5.54	0.02
	30yr	4.77	0.03	5.27	0.04	4.89	0.02
	10yr-2yr	0.14	0.01	0.20	0.03	-0.26	0.00
Spreads	2yr	--	--	0.51	-0.01	1.34	0.00
	vs euro	10yr	--	--	0.58	0.01	0.94
FX	USD	1.362	0.002	--	--	2.011	0.000
	EUR	--	--	--	--	0.677	0.001
	YEN	168.04	0.78	123.37	0.36	248.07	0.65
Equities		4524.5	0.7%	1528.8	0.1%	6690.1	%

Headlines

EGBs Edge Lower On Strong US Payrolls

German May manufacturing orders 3.2% mom/ 7.5% yoy

Euro Mkt Summary: EGBs Edge Lower On Strong US Payrolls

by Niraj Shah

EGBs were lower in afternoon trading following the release of stronger than expected US June non-farm payrolls, where May's headline number was revised significantly higher. However, June's data did not weigh as heavily after being largely priced in following the strong ADP number on Thursday. EGBs had opened lower on continued unwinding in safe-haven trades, as well as on ECB President Trichet's comments that rates were "still on the accommodative side". However, Bunds bounced off their lows, amid talk of Asian real money account buying 10-year Bunds, triggering short-squeeze and position-squaring ahead of the US payrolls data. In addition, receiving interest in long-dated issues was also reported by Dutch accounts, in turn flattening the Bund yield curve. That said gains were capped by stronger than expected German manufacturing orders for May. Ultimately though, it was the US payrolls data that set the direction for EGBs firmly lower.

[by Niraj Shah, cont]

Euribor futures were flat to 3.5 ticks lower with the Sep-07 contract at 95.615/-0.005 (4.385% implied). Sep-07 Bunds were 36 ticks lower at 119.87. In cash, German government benchmark yields were 2bps to 4bps higher with the short dates outperforming. The 2s/10s spread was 14bps vs. 13bps and the 10s/30s spread was -9bps vs. -10bps.

Gilts were also lower but outperformed EGBs with rising UK rates already heavily discounted, although stronger than expected May industrial production data added to the negative tone. Looking ahead to Monday, Gilts will focus on May UK producer prices as well as comments from the arch dove of the Bank of England MPC, Blanchflower.

Short sterling futures were mixed with the Sep-07 contract at 93.820/+0.010 (6.180% implied). Jun-07 Gilts were 23 ticks lower at 103.11. In cash, UK government benchmark yields were 2bps higher across the curve. The 2s/10s spread was unchanged at -26bps and the 10s/30s spread was -65bps.