

Stone & McCarthy
RESEARCH ASSOCIATES

09/07/2007	14:40	EURO	chg	USA	chg	UK	chg
Futures	Bond	110.05	0.13	106.53	0.44	103.17	0.06
	STIR	95.62	0.00	94.65	0.00	93.72	0.03
Cash	3mth	4.20	0.00	5.36	0.00	6.02	0.00
	2yr	4.52	-0.01	4.98	-0.01	5.78	-0.01
	5yr	4.62	-0.01	5.07	-0.02	5.73	-0.01
	10yr	4.66	-0.02	5.15	-0.03	5.54	-0.01
	30yr	4.75	-0.02	5.23	-0.04	4.88	-0.01
	10yr-2yr	0.14	0.00	0.17	-0.02	-0.25	0.01
Spreads	2yr	--	--	0.52	0.01	1.35	0.00
vs euro	10yr	--	--	0.56	-0.02	0.95	0.01
FX	USD	1.363	-0.001	--	--	2.015	0.004
	EUR	--	--	--	--	0.676	-0.002
	YEN	168.06	-0.05	123.35	0.00	248.52	0.45
Equities		4533.5	0.2%	1532.9	0.1%	6710.8	%

[cont]

Euribor futures were 0.5 ticks to 4.5 ticks higher with the Sep-07 contract at 95.625/+0.005 (4.375% implied). Sep-07 Bunds were 43 ticks higher at 110.42. In cash, German government benchmark yields were 4bps to 5bps lower with the belly of the curve outperforming. The 2s/10s spread was 13bps vs. 14bps and the 10s/30s spread was 10bps vs. 9bps.

Short sterling futures were 1 tick to 6 ticks higher with the Sep-07 contract at 93.850/+0.010 (6.150% implied). Jun-07 Gilts were 51 ticks higher at 103.59. In cash, UK government benchmark yields were 4bps to 6bps lower with 2s underperforming. The 2s/10s spread was -26bps vs. -24bps and the 10s/30s spread was unchanged at -66bps.

Headlines

EGBs Mixed, long end outperforms in thin volume trade
ECB' Weber: ECB policy must reckon with greater wage pressures in 2008 as German companies may try to pass on greater costs

EGBs open lower, extending post payrolls weakness and weighed by JGBs
May German Industrial Production: 1.9%mom/4.6%yoy

Euro Mkt Summary: EGBs Higher on French Data, Supply...Await Bernanke by Charanjeev Chanah

Bunds were trading higher on Tuesday afternoon ahead of Fed Chairman Ben Bernanke's speech on inflation, extending gains on risk-aversion and stop-loss buying. The belly of the curve outperformed. EGBs opened little changed, trading cautiously ahead of Fed Chairman Ben Bernanke's speech on inflation expected Tuesday evening. Bunds were underpinned by French industrial production data, which posted a moderate rebound in May - below consensus expectations. European equity bourses surrendered early gains after Home Depot lowered its EPS forecast, which prompted risk aversion buying in EGBs. Bargain hunting was also noted as the benchmark 10-year Bund approached the 4.70% level. Strong auction results also underpinned sentiment. The Greek PDMA issued E1.6bln of the 4.30% July 2017 GGB issue, covered 4.14 times whilst the order book for the new Dutch 10-year DSL rose to above E12bln with 40% of bids from real money accounts according to the DSTA. .

Amidst a dearth of European macroeconomic data on Wednesday, attention will focus on comments from a plethora of ECB speakers. On the supply front, Germany is due to sell E7.0bln of the June 2009 Schatz and Portugal is to issue E750mln of the 4.10% Apr 2037 PGB.