

Stone & McCarthy
RESEARCH ASSOCIATES

13/07/2007	14:33	EURO	chg	USA	chg	UK	chg
Futures	Bond	110.65	0.21	107.19	0.34	103.65	-0.02
	STIR	95.43	0.01	94.68	0.02	93.74	0.01
Cash	3mth	4.21	0.01	5.36	0.00	6.01	0.00
	2yr	4.50	-0.01	4.92	-0.02	5.73	-0.01
	5yr	4.57	-0.02	5.00	-0.02	5.65	-0.01
	10yr	4.59	-0.03	5.09	-0.03	5.46	0.00
	30yr	4.68	-0.04	5.18	-0.04	4.82	0.01
	10yr-2yr	0.09	-0.02	0.17	-0.02	-0.27	0.01
Spreads	2yr	--	--	0.48	-0.01	1.32	0.00
	vs euro	10yr	--	--	0.57	-0.01	0.95
FX	USD	1.380	0.001	--	--	2.035	0.004
	EUR	--	--	--	--	0.678	-0.001
	YEN	168.40	-0.34	122.01	-0.32	248.29	-0.14
Equities		4543.0	0.5%	1546.1	1.9%	6718.3	%

[cont]

Euribor futures were 0.5 ticks to 2 ticks higher with the Sep-07 contract at 95.620/+0.005 (4.380% implied). Sep-07 Bunds were 21 ticks higher at 110.65. In cash, German government benchmark yields were 1bp to 4bps lower with 2s underperforming. The 2s/10s spread was 9bps vs. 11bps and the 10s/30s spread was 9bps vs. 10bps.

Gilts were trading mixed on Friday afternoon with 30-year Gilts underperforming. With no major data released in the UK, slightly dovish comments from Bank of England MPC member Bean supported the short end.

There are no major UK data releases due on Monday.

Short sterling futures were unchanged to 1 tick lower with the Sep-07 contract at 93.850/+0.000 (6.150% implied). Jun-07 Gilts were 2 ticks lower at 103.65. In cash, UK government benchmark yields were 1bp lower to 1bp higher. The 2s/10s spread was -27bps vs. -28bps and the 10s/30s spread was -64bps vs. -65bps.

Headlines

EGBs higher on weaker US retail sales, long end outperforms

EGBs lower on risk-aversion unwinds/ overnight equity recovery

June French CPI: 0.1%mom/1.2%yoy

Italian Auction Results: 4.00% Apr 2012 BTP covered 1.54x

Euro Mkt Summary:

by Charanjeev Chana

European government bonds were trading higher on Friday afternoon, with long dates outperforming, in turn flattening the Bund curve. Two-way flows were noted following the release of mixed US data, after US retail sales fell short of expectations whilst US import prices came in stronger than expectations.

The market eventually succumbed to longs, trading higher on short covering and receiving additional support from real money demand. Prices however came off session highs in afternoon trade after Michigan sentiment data came in stronger than expected. EGBs opened lower on risk aversion unwinding as Wall Street equities posted a strong recovery overnight and subprime concerns eased.

The market posted little reaction to weaker than expected French CPI data but recovered opening losses following the digestion of Italian supply. Italy sold the 4.00% Apr 2012 BTP issue for E2.5bln, covered 1.54 times.

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