

Stone & McCarthy
RESEARCH ASSOCIATES

20/07/2007	15:59	EURO	chg	USA	chg	UK	chg
Futures	Bond	111.85	0.76	108.56	0.78	104.77	0.75
	STIR	95.45	0.03	94.74	0.03	93.75	0.04
Cash	3mth	4.23	0.00	5.36	0.00	6.04	0.00
	2yr	4.41	-0.08	4.78	-0.07	5.67	-0.06
	5yr	4.43	-0.11	4.83	-0.08	5.54	-0.08
	10yr	4.44	-0.11	4.94	-0.08	5.30	-0.11
	30yr	4.54	-0.11	5.06	-0.06	4.66	-0.09
	10yr-2yr	0.03	-0.03	0.17	-0.01	-0.36	-0.04
Spreads	2yr	--	--	0.42	0.01	1.34	0.02
	vs euro	10yr	--	--	0.56	0.03	0.93
FX	USD	1.383	0.002	--	--	2.056	0.006
	EUR	--	--	--	--	0.673	-0.001
	YEN	167.73	-0.40	121.25	-0.44	249.24	-0.19
Equities		4463.6	-1.4%	1541.2	-0.7%	6609.5	%

Euro Mkt Summary: EGBs Sharply Higher on Subprime Jitters **by Charanjeev Chana**

European Government Bonds were trading sharply higher on Friday afternoon with short dates underperforming, in turn flattening the Bund curve. Bunds firmed in afternoon trade on safe-haven subprime jitters buying spurred by news of S&P ratings actions on 32 European synthetic CDOs tranches.

Bunds opened higher on Friday morning amidst lingering concerns over US subprime, supported further after credit indices opened wider following a move lower in the US ABX index overnight. Traders cited an article in Business Week for the uptick in EGBs in the morning session, titled "why Fannie and Freddie are Fidgety" - which suggested that the agencies would not be immune from the pain of the sub-prime debacle. Short dates underperformed following the Chinese decision to raise its Benchmark lending rate by 27bps.

Attention on Monday will turn to German import price on the open and comments from ECB official Jurgen Stark who opens an ECB conference on 'Globalisation & the Macro economy'.

Gilts were trading higher on Friday afternoon, underperforming trade in Europe. Gilts opened little changed on Friday morning, but soon succumbed to upward pressures from risk aversion activity in Europe early in the session. Short dated Gilts underperformed on UK GDP data, which reported faster than expected acceleration in growth for the second quarter of this year.

Monday sees the release of Rightmove house prices ahead of the open.

[cont]

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