

Stone & McCarthy  
RESEARCH ASSOCIATES

23/07/2007	14:52	EURO	chg	USA	chg	UK	chg
<b>Futures</b>	<b>Bond</b>	112.00	0.08	108.28	-0.13	104.81	0.02
	<b>STIR</b>	95.45	0.00	94.72	-0.02	93.72	-0.03
<b>Cash</b>	<b>3mth</b>	4.23	0.00	5.36	0.00	6.04	0.00
	<b>2yr</b>	4.41	-0.01	4.80	0.03	5.87	0.01
	<b>5yr</b>	4.43	0.00	4.87	0.03	5.54	0.01
	<b>10yr</b>	4.44	0.00	4.97	0.02	5.31	0.01
	<b>30yr</b>	4.55	0.01	5.08	0.02	4.67	0.01
	<b>10yr-2yr</b>	0.03	0.01	0.17	-0.02	-0.36	0.00
<b>Spreads</b>	<b>2yr</b>	--	--	0.45	0.04	1.34	0.01
<b>vs euro</b>	<b>10yr</b>	--	--	0.60	0.02	0.94	0.01
<b>FX</b>	<b>USD</b>	1.382	-0.001	--	--	2.058	0.002
	<b>EUR</b>	--	--	--	--	0.671	-0.001
	<b>YEN</b>	167.66	0.04	121.32	0.09	249.70	0.49
<b>Equities</b>		4461.8	0.4%	1542.3	-1.2%	6606.9	%

[cont]

**Euribor futures** were 0.5 ticks higher to 0.5 ticks lower with the Sep-07 contract at 95.620/+0.050 (4.380% implied). Sep-07 Bunds were 8 ticks higher at 112.00. In cash, German government benchmark yields were 1bp lower to 1bp higher with 2s outperforming. The 2s/10s spread was 3bps vs. 2bps and the 10s/30s spread was 11bps vs. 10bps.

**Gilts** were trading lower on Monday afternoon with little bias. Overnight, property website Rightmove reported UK house prices rising at their slowest pace this year in July. Gilts traded higher in the morning session on risk aversion buying, taking cue from trade in Europe.

**Short sterling futures** were 2bps to 3bps higher with the Sep-07 contract at 93.830/-0.010 (6.170% implied). Jun-07 Gilts were 2 ticks higher at 104.81. In cash, UK government benchmark yields were 1bp higher across the board. The 2s/10s spread was unchanged at -36bps and the 10s/30s spread was unchanged at -64bps.

### Headlines

EGBs mixed, short end outperforms  
Market pares earlier gains on M&A news/ supply pressure

EGBs open lower after iTraxx XO index opens tighter  
Month end buying underpins long-end  
ECB's Papademos: Expects Eurozone growth "to remain robust in coming quarters"

### Euro Mkt Summary: EGBs Lower on Equity Gains, Supply by Charanjeev Chana

European Government Bonds were trading mixed on Monday afternoon with the short end outperforming, in turn steepening the Bund curve. EGBs pared morning gains after European equity bourses spiked higher on M&A news. Also weighing on sentiment was supply pressure ahead of the announcement of amounts for the US 2-year and 5-year note auctions, due to take place this week.

Bonds opened moderately lower on Monday morning after the iTraxx crossover index opened around 7bps tighter. The market soon reversed opening losses, underpinned by Japanese real money demand at the long end of the EUR curve, as early indications of month end index extensions reported large duration extensions in July.

Short dated issues outperformed as credit spreads began to slip wider, maintaining a widening bias throughout the session. In comments made on Monday morning, ECB Vice-President Lucas Papademos said he expected Eurozone growth "to remain robust in coming quarters"