

Stone & McCarthy
RESEARCH ASSOCIATES

24/07/2007	14:37	EURO	chg	USA	chg	UK	chg
Futures	Bond	112.00	0.05	108.59	0.22	104.79	0.07
	STIR	95.45	0.00	94.72	0.01	93.71	-0.01
Cash	3mth	4.24	0.01	5.36	0.00	6.04	0.01
	2yr	4.40	-0.01	4.78	-0.01	5.66	-0.01
	5yr	4.42	-0.01	4.83	-0.01	5.53	-0.01
	10yr	4.43	-0.01	4.94	-0.01	5.30	-0.01
	30yr	4.54	-0.01	5.05	-0.01	4.65	-0.02
	10yr-2yr	0.03	0.00	0.17	0.00	-0.36	0.00
Spreads	2yr	--	--	0.43	0.00	1.34	0.00
	vs euro	10yr	--	--	0.58	0.00	0.94
FX	USD	1.383	0.003	--	--	2.064	0.004
	EUR	--	--	--	--	0.670	0.000
	YEN	166.77	-0.44	120.57	-0.54	248.83	-0.60
Equities		4431.0	-1.1%	1531.0	-0.7%	6531.5	%

[cont]

Euribor futures were unchanged to 0.5 ticks higher with the Sep-07 contract at 95.615/0.000 (4.385% implied). Sep-07 Bunds were 5 ticks higher at 112.00. In cash, German government benchmark yields were 1bp lower across the board. The 2s/10s spread was unchanged at 3bps and the 10s/30s spread was unchanged at 11bps.

Gilts were trading higher on Tuesday afternoon with the 30s outperforming. Gilts opened little changed and moved higher from the getgo, underpinned by trade in Europe. The market extended gains after the CBI industrial trends survey showed factory orders fell unexpectedly in July. Comments from BOE Deputy Governor Gieve underpinned the short-end after he suggested it would be sensible to move interest rates gradually given uncertainties, adding that there was little evidence long-run inflation expectations were up. In further comments Gieve said that it seemed the BOE was on the restrictive side of a neutral rate.

Short sterling futures were unchanged to 3bps lower with the Sep-07 contract at 93.830/0.000 (6.170% implied). Jun-07 Gilts were 7 ticks higher at 104.79. In cash, UK government benchmark yields were 1bp to 2bps lower with 30s outperforming. The 2s/10s spread was unchanged at -36bps and the 10s/30s spread was -65bps vs. -64bps.

Headlines

EGBs higher on equity weakness

EGBs open higher after iTraxx XO index opens wider
July Eurozone Flash Composite PMI: 57.3 vs. 57.6 expected
May Eurozone Industrial New Orders: 1.7%mom/9.1%yoy

Euro Mkt Summary: EGBs Higher on Equity weakness

by Charanjeev Chana

European Government Bonds were trading higher on Tuesday afternoon with little bias, reversing earlier losses. Bunds posted a sharp rally in afternoon trade after disappointing Q2 US earnings triggered weakness European equity bourses.

EGBs opened higher on continued unease in credit markets, after the iTraxx Crossover index opened 25bps wider shortly after the open on Tuesday morning. However, Bunds slipped lower as the iTraxx index improved into Tuesdays trading session.

Bunds shrugged off July Eurozone flash composite PMI data, which came in slightly weaker than expected. Similarly, Eurozone industrial orders data had little impact on the market after rising above expectations in May. Long dates underperformed ahead of the top up of the E4.0bln 4.25% July 2039 Bund auction on Wednesday morning.

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