

08/06/2007 16:06		EURO		USA		UK	
			chg		chg		chg
Futures	Bond	110.76	-0.25	106.56	-0.34	104.40	-0.34
	STIR	95.65	0.01	94.64	-0.01	93.82	-0.03
Cash	3mth	4.14	0.00	5.36	0.00	5.82	-0.02
	2yr	4.45	-0.01	5.01	-0.02	5.76	0.03
	5yr	4.51	0.01	5.07	-0.01	5.62	0.04
	10yr	4.56	0.03	5.13	0.00	5.39	0.04
	30yr	4.69	0.04	5.24	0.01	4.78	0.04
	10yr-2yr	0.12	0.03	0.12	0.02	-0.37	0.02
Spreads	2yr	--	--	0.63	-0.01	1.40	0.03
	vs euro			0.63	-0.03	0.90	0.02
FX	USD	1.336	-0.007	--	--	1.967	-0.011
	EUR	--	--	--	--	0.679	0.000
	YEN	162.36	0.04	121.54	0.72	239.07	0.08
Equities		4394.0	0.2%	1492.4	0.2%	6518.3	%

Headlines

Bonds mixed, long dates underperforming

Bonds open lower, extend previous session losses

Long dates underperform ahead of long dated supply expected next week

Market pares losses ahead of 5.25% level in US 10-year Note on bargain hunting.

Comments from ECB's Garganas suggest further ECB tightening ahead

**Euro Mkt Summary:
by Charanjeev Chana**

European Government Bonds were trading mixed on Friday afternoon with long dates underperforming - in turn steepening the Bund curve. Bonds partially recovered earlier losses on bargain hunting after the US 10-year Note yield approached the 5.25% level. Bonds eased slightly on narrower than expected US trade balance data before continuing to recover losses. Bonds opened lower on Friday morning, extending previous session losses after US Treasuries suffered their largest 1-day fall in nearly 3-years overnight. Long end weakness led the market decline on Friday morning ahead of a heavy slew of long dated issuance next week, where Italy taps the 4.00% Feb 2037 BTP and Spain launches a new 2040 Bono. Also weighing on sentiment was hawkish comments from ECB officials Bini-Smaghi and Garganas, who declined to rule out further interest rate hikes by the ECB. The steeping bias gaining momentum in the morning session, after weaker

10:57 06/08 **EGB CLOSING SUMMARY:** Bonds were trading mixed on Friday afternoon with long dates underperforming - in turn steepening the Bund curve. The market partially recovered earlier losses on short covering after the US 10-year Note yield approached the 5.25% level. June-07 Bunds eased slightly on narrower than expected US trade balance data before continuing to recover losses. Bonds opened lower on Friday morning, extending previous session losses after US Treasuries suffered their largest 1-day fall in nearly 3-years overnight. Long end weakness led the market decline on Friday morning ahead of a heavy slew of long dated issuance next week, where Italy taps the 4.00% Feb 2037 BTP and Spain launches a new 2040 Bono. Also weighing on sentiment was hawkish comments from ECB officials Lorenzo Bini-Smaghi and Nicholas Garganas, who declined to rule out further interest rate hikes by the ECB. The steeping bias gained momentum in the morning session as weaker stocks underpinned short dated issues.

11:10 06/08 **US TSYS/GERMANY:** Traders noted that when European accounts who had been off for holiday on Thurs. came in to work, they were shocked to find sharply higher yields and thus moved to sell, spurring the weakness seen in Tsys in London.