

Headlines

Bonds mixed, curve steeper as short dates outperform

Bunds open higher, take cue from overnight strength in JGBs
 Short dates outperform on bargain hunting
 May German HICP: 0.2%mom/2.0%yoy
 May Eurozone CPI: 0.2%mom/1.9%yoy
 Q1 Eurozone Labour Costs: 2.2%yoy
 ECB's Garganas: Inflation risks clearly on the upside
 Italian Auction Results: 4.00% Apr 2012 BTP covered 1.47 times
 4.00% Feb 2037 BTP covered 1.51 times

14/06/2007	15:19	EURO	chg	USA	chg	UK	chg
Futures	Bond	110.34	0.12	106.09	0.06	103.93	0.16
	STIR	95.47	0.02	94.61	0.01	93.84	0.05
Cash	3mth	4.15	0.00	5.36	0.00	5.85	0.00
	2yr	4.48	-0.02	5.08	0.00	5.73	-0.08
	5yr	4.56	-0.02	5.14	0.00	5.66	-0.05
	10yr	4.62	-0.02	5.19	-0.01	5.45	-0.02
	30yr	4.76	-0.01	5.27	-0.01	4.82	-0.01
	10yr-2yr	0.14	0.01	0.11	-0.01	-0.28	0.06
Spreads	2yr	--	--	0.67	0.02	1.33	-0.06
	vs euro			0.64	0.01	0.91	0.00
FX	USD	1.332	0.001	--	--	1.969	-0.004
	EUR	--	--	--	--	0.676	0.002
	YEN	163.73	0.36	122.92	0.22	242.04	-0.07
Equities		4468.7	1.4%	1522.3	0.4%	6629.9	%

Euro Mkt Summary: EGBs Higher, Steeper Unwinds, US Mort. Delinquencies
by Charanjeev Chana

EGBs were trading higher, erasing US PPI induced losses on MBA National Delinquency Survey data, which reported an acceleration in Q1 US prime and subprime mortgage delinquencies. The market drew further support from dovish comments by Chicago Fed's Moskow, who said inflation may be slowing more quickly than thought. Fed official Bonds opened on a stronger footing, taking cue from JGBs which ended the morning session higher on short-covering, prompted by the concession in US Treasury yields overnight. After reversing opening gains, Bunds pushed higher amidst short covering and bargain hunting in short dates by real money accounts, according to MNI sources. German final CPI data came inline with expectations in May, and had little market impact. The market continued to advance higher led by short end gains, after digesting supply from Italy, which sold E2.5 billion of the 4.00% Apr 2012 BTP and E1.5 billion of the 4.00% Feb 2037 BTP. Also fuelling outperformance at the short end of the curve was weaker than expected Eurozone HICP and Eurozone labour costs.