

18/06/2007	15:18	EURO	chg	USA	chg	UK	chg
Futures	Bond	109.93	-0.24	106.09	-0.16	103.51	-0.21
	STIR	95.45	-0.01	94.62	-0.01	93.81	-0.01
Cash	3mth	4.15	0.00	5.36	0.00	5.85	0.00
	2yr	4.49	0.00	5.04	0.02	5.76	0.01
	5yr	4.60	0.01	5.12	0.03	5.71	0.02
	10yr	4.67	0.02	5.18	0.02	5.51	0.03
	30yr	4.83	0.03	5.29	0.03	4.90	0.03
	10yr-2yr	0.18	0.02	0.14	0.00	-0.25	0.02
Spreads vs euro	2yr	--	--	0.61	0.02	1.35	0.01
	10yr	--	--	0.58	0.00	0.91	0.00
FX	USD	1.340	0.001	--	--	1.981	0.005
	EUR	--	--	--	--	0.676	-0.001
	YEN	165.58	0.30	123.56	0.11	244.77	0.81
Equities		4534.1	-0.4%	1531.0	-0.1%	6719.6	%

Euribor futures were unchanged to 0.5 ticks lower with the Sep-07 contract at 95.630/-0.010 (4.205% implied). Jun-07 Bunds were 24 ticks lower at 109.93. In cash, German government benchmark yields were flat to 3bps higher with the 30-year sector underperforming. The 2s/10s spread was 18bps vs. 16bps and the 10s/30s spread was 16bps vs. 15bps.

Gilts were trading higher on Monday afternoon. With a dearth of macroeconomic data releases, Gilts have followed their European counterparts throughout the day.

With no major data releases scheduled for Tuesday, Gilts are likely to track European trade once again.

Short sterling futures were 1 tick to 4 ticks lower with the Sep-07 contract at 93.920/-0.010 (6.080% implied). Jun-07 Gilts were 21 ticks lower at 103.51. In cash, UK government benchmark yields were 1bp to 3bps higher with the 2-year sector outperforming. The 2s/10s spread was -25bps vs. -27bps and the 10s/30s spread was unchanged at -61bps.

Headlines

Bonds mixed, long end underperforms
 ECB's Garganas: Sees 2007 inflation dangers higher than expected, will 'monitor closely' inflation risks
 Market declines on stop-loss and rate lock selling

Bonds open moderately lower on gains in Asian equities overnight
 Reverse losses on dovish BOJ comments

Euro Mkt Summary:

by Charanjeev Chana

European Government Bonds were trading lower on Monday afternoon with long dated issues underperforming. Bunds declined in afternoon trade on hawkish comments from ECB official Nicholas Garganas, who said he saw 2007 inflation dangers higher than expected, adding that the ECB would "monitor closely" inflation risks in the Eurozone. Bunds extended losses to session lows on stop loss selling and rate-lock trades. Bonds opened moderately lower on Monday morning as prices succumbed to early pressure on expectations of a stronger open in European equities after gains in Wall Street and Asian stocks overnight. Prices soon reversed losses on bargain hunting in long dated issues - with MNI sources also reporting leverage accounts placing flattening trades. Amidst a dearth of Eurozone macroeconomic data, Bonds continued to push higher with markets noting tame comments by BOJ Governor Fukui made on Friday - who downplayed the impact of the recent rise in JGB yields on BOJ monetary policy intentions.

Attention in the Eurozone falls on the release of the German ZEW survey on Tuesday morning. Also eyed will be comments from ECB governing council member Bini-Smaghi, who speaks on 'Economic divergences on the EMU: Facts, Dangers and Cures.'