

19/06/2007	14:38	EURO	chg	USA	chg	UK	chg
Futures	Bond	110.34	0.29	106.66	0.22	103.77	0.14
	STIR	95.65	0.02	94.67	0.03	93.82	0.01
Cash	3mth	4.15	0.01	5.36	0.00	5.85	0.00
	2yr	4.45	-0.03	4.97	-0.03	5.72	-0.03
	5yr	4.55	-0.04	5.04	-0.02	5.68	-0.02
	10yr	4.62	-0.04	5.12	-0.02	5.47	-0.02
	30yr	4.77	-0.05	5.23	-0.02	4.85	-0.03
	10yr-2yr	0.17	-0.01	0.15	0.01	-0.26	0.00
Spreads	2yr	--	--	0.59	0.01	1.36	0.01
	vs euro	10yr	--	--	0.56	0.02	0.92
FX	USD	1.340	-0.001	--	--	1.987	0.004
	EUR	--	--	--	--	0.674	-0.002
	YEN	165.36	-0.54	123.40	-0.28	245.26	-0.02
Equities		4523.3	-0.2%	1528.7	-0.2%	6678.5	%

Euribor futures were 1 tick to 5 ticks higher with the Sep-07 contract at 95.650/+0.015 (4.350% implied). Sep-07 Bunds were 29 ticks higher at 110.34. In cash, German government benchmark yields were 3bps to 5bps lower with the 30-year sector outperforming. The 2s/10s spread was 17bps vs. 18bps and the 10s/30s spread was 15bps vs. 16bps.

Gilts were trading higher on Tuesday afternoon with 2-year Gilts outperforming. With no major data released in the UK, Gilts have followed European trade, boosted in particular by the weaker than expected ZEW survey.

Looking ahead to Wednesday Gilts will pay close attention to the minutes from the June 9th and 10th MPC meeting, as well as public finance releases.

Short sterling futures were unchanged to 2 ticks higher with the Sep-07 contract at 93.920/0.000 (6.080% implied). Sep-07 Gilts were 14 ticks higher at 103.77. In cash, UK government benchmark yields were 2bps to 3bps lower. The 2s/10s spread was unchanged at -26bps and the 10s/30s spread was -62bps vs. -61bps.

Headlines

Bonds higher, extend gains on rumours of a dovish ECB think-tank report

Bonds open higher after US Treasuries rally overnight on US NAHB Data
June German ZEW 20.3 vs. 20.3 expected

ECB's Bini-Smaghi: Asset prices suggest "in some areas, monetary policy might be too accommodative"

Euro Mkt Summary: by Charanjev Chana

EGBs were trading higher, with the short end of the curve underperforming. The market advanced higher on rumours of a dovish think-tank report, which suggested that the next ECB hike in rates would be in October rather than September. Bonds opened higher, taking cue from US Treasuries overnight, which rallied towards the Chicago close after the US NAHB index fell to its lowest reading since February 1991. Bunds extended gains on the German ZEW release, which fell below market forecasts, reporting its first deterioration in expectations in seven months. ZEW-induced gains were soon erased after traders eyed the sharp rise in number of respondents expecting above forecast inflation for the Eurozone. Also weighing on sentiment was hawkish comments from ECB Governing Council member Bini Smaghi, who said asset prices suggest "in some areas, monetary policy might be too accommodative." The 5-year sector underperformed in morning trade ahead of 5-year issuance from France and Germany due this week.