

20/06/2007	14:47	EURO	chg	USA	chg	UK	chg
<b>Futures</b>	<b>Bond</b>	110.17	-0.21	106.75	-0.28	103.49	-0.31
	<b>STIR</b>	95.64	-0.02	94.65	-0.02	93.76	-0.06
<b>Cash</b>	<b>3mth</b>	4.16	0.00	5.36	0.00	5.89	0.04
	<b>2yr</b>	4.49	0.05	4.98	0.04	5.77	0.05
	<b>5yr</b>	4.59	0.04	5.04	0.04	5.72	0.05
	<b>10yr</b>	4.64	0.03	5.12	0.04	5.51	0.04
	<b>30yr</b>	4.78	0.01	5.23	0.04	4.87	0.03
	<b>10yr-2yr</b>	0.15	-0.02	0.14	-0.01	-0.26	-0.01
<b>Spreads</b>	<b>2yr</b>	--	--	0.55	-0.01	1.36	0.00
	<b>vs euro</b>	<b>10yr</b>	--	--	0.54	0.01	0.94
<b>FX</b>	<b>USD</b>	1.343	0.000	--	--	1.993	0.005
	<b>EUR</b>	--	--	--	--	0.674	-0.002
	<b>YEN</b>	165.86	0.24	123.52	0.17	246.24	0.90
<b>Equities</b>		4561.3	0.7%	1535.7	0.1%	6680.4	%

**Euribor futures** were 1 tick to 7 ticks lower with the Sep-07 contract at 95.640/-0.010 (4.360% implied). Sep-07 Bunds were 21 ticks lower at 110.17. In cash, German government benchmark yields were 1bp to 5bps higher with the 2-year sector underperforming. The 2s/10s spread was 15bps vs. 17bps and the 10s/30s spread was 14bps vs. 16bps.

**Gilts** were trading lower on Wednesday afternoon, underperforming their European counterparts. The minutes from the latest Bank of England MPC meeting were more hawkish than expected, with the vote split 5-4 in favour of keeping interest rates on hold at 5.50%.

Thursday sees the release of the CBI industrial trends survey, in addition to the sale of 5-year 5.25% Gilt.

**Short sterling futures** were 3 ticks to 7 ticks lower with the Sep-07 contract at 93.850/-0.070 (6.150% implied). Jun-07 Gilts were 31 ticks lower at 103.49. In cash, UK government benchmark yields were 3bps to 5bps higher. The 2s/10s spread was -26bps vs. -27bps and the 10s/30s spread was -64bps vs. -63bps.

## Headlines

Bonds lower, long dates outperform - Bund curve flatter

Bunds open higher on risk-aversion

May German PPI: 0.3%mom/1.9%yoy

Long end outperforms; Asian accounts extend out of the curve & month-end buying

BOE June MPC Minutes: 5-4 vote to keep interest rates unchanged

German Auction Results: 4.00% April 2012 Bobl covered 2.3x vs. 1.9x

### Euro Mkt Summary: by Charanjeev Chana

EGBs traded lower on Wednesday afternoon with long dates outperforming, in turn flattening Bund curve. Bunds slipped lower in afternoon trade on stop-loss selling and buoyant European equity bourses. Bonds opened higher on Wednesday, underpinned by risk-aversion bids following reports in the WSJ which claimed two large hedge funds at Bear Stearns were at the brink of closing after investing heavily in schemes backed by subprime loans. Long end outperformance was attributed to Asian real money accounts extending out of the curve, according to MNI sources.

Also noted was early month end duration extension buying. Shorter dates meanwhile were weighed by acceleration in German PPI and a hawkish post rate-decision statement by the Riksbank, which raised the path of expected future interest rates to 4.00% by year-end. Short dates extended their underperformance after BOE minutes for the June MPC meeting revealed a more hawkish than expected split vote. Demand at the 4.00% April 2012 Bobl auction was strong, covered 2.3 times.