

21/06/2007 14:33		EURO	chg	USA	chg	UK	chg
<b>Futures</b>	<b>Bond</b>	110.26	0.02	106.19	-0.41	103.63	0.09
	<b>STIR</b>	95.65	0.00	94.67	0.01	93.73	-0.03
<b>Cash</b>	<b>3mth</b>	4.16	0.00	5.36	0.00	5.93	0.04
	<b>2yr</b>	4.47	-0.01	4.95	-0.02	5.79	0.03
	<b>5yr</b>	4.58	0.00	5.06	0.02	5.73	0.01
	<b>10yr</b>	4.64	0.00	5.16	0.03	5.49	-0.01
	<b>30yr</b>	4.76	-0.01	5.28	0.03	4.85	-0.01
	<b>10yr-2yr</b>	0.17	0.01	0.21	0.04	-0.30	-0.04
<b>Spreads</b>	<b>2yr</b>	--	--	0.55	-0.01	1.40	0.04
	<b>vs euro</b>	<b>10yr</b>	--	--	0.59	0.03	0.93
<b>FX</b>	<b>USD</b>	1.340	-0.001	--	--	1.993	-0.001
	<b>EUR</b>	--	--	--	--	0.672	0.000
	<b>YEN</b>	165.67	-0.02	123.64	0.08	246.39	0.00
<b>Equities</b>		4483.4	-1.3%	1513.5	-1.4%	6586.1	%

**Euribor futures** were 0.5 ticks to 3 ticks higher with the Sep-07 contract at 95.645/+0.050 (4.355% implied). Sep-07 Bunds were 2 ticks higher at 110.26. In cash, German government benchmark yields were flat to 1bp lower with the belly of the curve underperforming. The 2s/10s spread was 17bps vs. 16bps and the 10s/30s spread was 12bps vs. 13bps.

**Gilts** were trading mixed on Thursday afternoon, with short dated Gilts underperforming. There was little reaction to the CBI industrial trends data despite a significant decline in the expected prices component. Instead, Gilts remained lower following weak demand for the 5.25% 2012 Gilt, which was covered 1.46 times versus 1.86 times when it was last sold in March.

There are no major data releases in the UK on Friday and Gilts are likely to take cue from European trade.

**Short sterling futures** were 2 ticks lower to 1 tick higher with the Sep-07 contract at 93.830/-0.020 (6.170% implied). Jun-07 Gilts were 9 ticks higher at 103.63. In cash, UK government benchmark yields were 1bp lower to 3bps higher. The 2s/10s spread was -30bps vs. -26bps and the 10s/30s spread was unchanged at -64bps.

## Headlines

EGBs mixed, belly of curve underperforms

Bunds open lower on weaker JGB trade overnight  
 June Flash Eurozone Composite PMI: 57.7 vs. 56.6 expected  
 French Auction Results: 4.50% July 2012 BTAN covered 2.057 times  
 French Auction Results: 1.60% July 2011 OATi covered 2.544 times & 1.00% July 2017 OATi covered 3.03 times

### Euro Mkt Summary: by Charanjeev Chana

EGBs were trading mixed on Thursday afternoon with the belly of the curve underperforming. Bunds extended the afternoon short covering rally to session highs on the release of higher than expected US jobless claims. Prices moderated slightly on profit taking and on expectations of a strong Philly Fed release. Bonds opened lower on Thursday, after JGBs remained mired following weaker demand for the Y800bln 20-year JGB auction overnight. Bunds extended losses to session lows on technical selling in morning trade, additionally weighed ahead of supply from France. The AFT launched the new 4.50% July 2012 BTAN, which was met with weak demand despite the Tresor issuing at the bottom end of the target range. The market shrugged off Eurozone flash composite PMI data, which came in stronger than expected. Following the digestion of supply, prices advanced higher into the afternoon session, fuelled by a mixture of Euro-denominated swap receiving, subprime jitters spurring safe-haven buying in US Treasuries, and weaker European equities.