

22/06/2007	15:19	EURO	chg	USA	chg	UK	chg
<b>Futures</b>	<b>Bond</b>	110.02	-0.17	105.75	-0.38	103.32	-0.16
	<b>STIR</b>	95.65	0.00	94.67	0.00	93.73	-0.01
<b>Cash</b>	<b>3mth</b>	4.16	0.00	5.36	0.00	5.94	0.01
	<b>2yr</b>	4.48	0.00	4.97	0.00	5.79	0.01
	<b>5yr</b>	4.59	0.01	5.08	0.00	5.76	0.02
	<b>10yr</b>	4.66	0.02	5.20	0.01	5.52	0.02
	<b>30yr</b>	4.79	0.02	5.31	0.01	4.87	0.01
	<b>10yr-2yr</b>	0.19	0.01	0.22	0.01	-0.27	0.01
<b>Spreads</b>	<b>2yr</b>	--	--	0.56	0.00	1.40	0.00
	<b>vs euro</b>	<b>10yr</b>	--	--	0.60	-0.01	0.94
<b>FX</b>	<b>USD</b>	1.346	0.007	--	--	1.999	0.006
	<b>EUR</b>	--	--	--	--	0.673	0.002
	<b>YEN</b>	166.86	1.22	123.98	0.27	247.80	1.26
<b>Equities</b>		4484.7	-0.2%	1514.4	-0.5%	6588.1	%

**Euribor futures** were 0.5 ticks higher to 2 ticks lower with the Sep-07 contract at 95.645/+0.050 (4.355% implied). Sep-07 Bunds were 17 ticks lower at 110.02. In cash, German government benchmark yields were flat to 2bps lower with short dates outperforming. The 2s/10s spread was 19bps vs. 18bps and the 10s/30s spread was unchanged at 13bps.

**Gilts** were trading lower on Friday afternoon, with the belly of the curve underperforming amidst a dearth of major data releases.

**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 16 ticks lower at 103.32. In cash, UK government benchmark yields were 1bp to 2bps higher with the belly of the curve underperforming. The 2s/10s spread was -27bps vs. -28bps and the 10s/30s spread was -65bbps vs. -64bps.

## Headlines

EGBs mixed, short dates outperform on weaker than expected IFO

Bunds open lower on Chinese rate hike fears

June German IFO: 107.0 vs. 108.4 expected

ECB President Trichet: To ignore money supply data would be an "excessive and unreasonable" risk.

### Euro Mkt Summary: by Charanjeev Chana

European Government Bonds were trading lower with the short end outperforming on weaker than expected German IFO data. Bunds extended losses to session lows in afternoon trade on technical stop-loss selling. Bonds opened lower Friday morning, weighed by expectations of an imminent interest rate hike by the Peoples Bank of China. Speculation grew after the yield on 3-year paper sold by the PBOC rose for the first time in a month earlier this week. Bunds reversed losses and short-dates outperformed on the weaker than expected German IFO release, which fell for the first month in four in June. Bunds erased IFO-induced gains ahead of midday trade after leverage accounts were seen putting on 2-/10-year steepening trades - according to MNI source. In comments made on Friday morning, ECB President Trichet defended the use of the role of money supply in setting monetary policy saying that to ignore them would be an "excessive and unreasonable" risk.

Macroeconomic data for Europe on Monday will be limited to the release of the German GfK consumer confidence shortly after the market open. Attention will then turn to comments from ECB Governing Council member Bini-Smaghi, who presents the " ECB's 6th 'Review of the International Role of the Euro'".