

26/06/2007	15:03	EURO	chg	USA	chg	UK	chg
Futures	Bond	110.68	0.29	107.06	0.03	103.85	0.24
	STIR	95.65	0.00	94.75	0.01	93.76	0.02
Cash	3mth	4.16	0.00	5.36	0.00	5.95	0.00
	2yr	4.43	-0.01	4.88	0.01	5.75	-0.02
	5yr	4.53	-0.03	4.96	-0.01	5.70	-0.02
	10yr	4.59	-0.03	5.08	-0.01	5.47	-0.02
	30yr	4.71	-0.03	5.20	-0.01	4.84	0.00
	10yr-2yr	0.16	-0.01	0.20	-0.02	-0.29	0.00
Spreads	2yr	--	--	0.51	0.02	1.41	-0.01
	vs euro	10yr	--	--	0.55	0.02	0.95
FX	USD	1.347	0.001	--	--	2.001	0.003
	EUR	--	--	--	--	0.673	-0.001
	YEN	165.77	-0.68	123.07	-0.55	246.22	-0.79
Equities		4455.0	-0.4%	1502.0	-0.3%	6588.4	%

Euribor futures were unchanged to 2 ticks higher with the Sep-07 contract at 95.650/0.000 (4.350% implied). Sep-07 Bunds were 29 ticks higher at 110.68. In cash, German government benchmark yields were 1bp to 3bps lower 2s underperforming. The 2s/10s spread was 16bps vs. 17bps and the 10s/30s spread was unchanged at 12bps.

Gilts were trading higher on Tuesday afternoon but underperforming their European counterparts. 30-year Gilts were underperforming on the back of weaker than expected demand for the 1.125% Nov 2037 index-linked Gilt which was covered 1.71 times.

Short sterling futures were 1 tick to 3 ticks higher with the Sep-07 contract at 93.850/+0.010 (6.150% implied). Jun-07 Gilts were 24 ticks higher at 103.85. In cash, UK government benchmark yields were flat to 2bps lower with 30s underperforming. The 2s/10s spread was unchanged at -29bps and the 10s/30s spread was -63bbps vs. -65bbps.

Headlines

EGBs higher, long dates outperform on month end buying

Bunds open higher on subprime woes, JGBs

May German Import Price Index: 0.3%mom/0.6%yoy

April Eurozone Current Account NSA: -6.5b

ECBs Ordenez: The ECB will "act with determination to maintain inflation expectations at levels compatible with price stability"

Euro Mkt Summary: EGBs Higher, Long Dates Outperform on Month End

by Charanjeev Chana

EGBs were trading higher on Tuesday afternoon, with long dated issues outperforming on month-end duration extension buying. Bunds posted little reaction to US new home sales and consumer confidence data on Tuesday afternoon, which came in mixed. Bonds opened higher on Tuesday, extending risk aversion gains on talk of further hedge fund problems related to the subprime loan market.

EGBs also took cue from overnight strength in JGBs following the strong take up at the Y1.7tn 1.0% 2-year JGB auction. Hawkish comments by ECB official Miguel Ordenez weighed on short dated issues, after he said the ECB would "act with determination to maintain inflation expectations at levels compatible with price stability", whilst month-end buying duration extension buying underpinned issues at the long end of the curve, in turn flattening the Bund curve.