

28/06/2007	17:46	EURO	chg	USA	chg	UK	chg
Futures	Bond	110.88	-0.14	107.06	-0.06	103.90	-0.17
	STIR	95.64	-0.02	94.70	-0.03	93.75	-0.03
Cash	3mth	4.17	0.01	5.36	0.00	5.97	0.02
	2yr	4.45	0.04	4.92	0.03	5.73	0.02
	5yr	4.52	0.04	4.99	0.02	5.67	0.02
	10yr	4.57	0.02	5.09	0.01	5.43	0.01
	30yr	4.67	0.01	5.19	-0.01	4.81	-0.01
	10yr-2yr	0.12	-0.02	0.17	-0.02	-0.30	-0.01
Spreads	2yr	--	--	0.53	-0.01	1.37	-0.02
	vs euro	--	--	0.59	-0.02	0.94	-0.01
FX	USD	1.346	0.001	--	--	2.002	0.002
	EUR	--	--	--	--	0.673	0.000
	YEN	165.67	0.43	123.06	0.22	246.28	0.71
Equities		4458.0	1.0%	1511.0	0.3%	6571.3	%

Headlines

EGBs lower amid unwinding of safe-haven trades and position squaring

EMU June M3: 10.7%

German June Unemployment Change: -37K

German Preliminary June CPI: 0.1%mom/1.8%yoy

ECB's Liebscher: ECB rates remain accommodative

Euro Mkt Summary: EGBs Lower Ahead of FOMC by Charanjeev Chana

Bunds were down in afternoon trade having opened sharply lower on the back of weaker US Treasuries and Japanese Government Bonds overnight. This was largely due to the unwinding of safe-haven trades as stocks recovered. In addition there was profit-taking and position-squaring ahead of the FOMC rate decision at 1915 BST. Amongst the plethora of Eurozone data, stronger than expected EMU M3 for May as well as a larger than expected fall in June German unemployment also marginally weighed on sentiment. The preliminary **German CPI** data for June came in weaker than expected but made little impact. US data also weighed temporarily after the US GDP price index was unexpectedly revised higher. However, the focus now remains on the FOMC where interest rates are expected to remain unchanged at 5.25%. Friday will then see the release of EMU HICP estimate as well as EMU confidence indicators for June ahead of US personal consumption data.

Other weighing factors included rather hawkish comments from **ECB's Liebscher**, who was reported as saying that the ECB remained accommodative, and that the Bank's Governing Council would act in a firm and timely manner to ensure price stability in the medium-term. Elsewhere, supply factors also weighed, with Italy selling 7-year CCT, 3-year & 10-year benchmark BTPs. This included E1.5bln of the Mar 2014 CCT issue at a gross yield of 4.29%, which was covered 1.88 times. E2.0bln of the 4.00% Mar 2010 BTP issue was sold at gross yield of 4.47% and was covered 1.73 times. E2.0bln of the 4.00% Feb 2017 BTP issue was sold at a gross yield of 4.74% and covered 1.52 times.

Gilts were mixed with the long-end outperforming. The release of the Nationwide house prices weighed on short-end after posting the fastest monthly growth this year. Comments from **Bank of England MPC** members were largely seen as mixed, and had little effect on Gilts. Friday sees the release of final GDP figures as well as mortgage approvals and consumer credit data.