

**Euro Mkt Summary: EGBs Lower On Stocks, S/Dates Underpinned by ZEW****by Charanjeev Chana  
13 November 2007**

EGBs were trading lower on Tuesday afternoon, with the belly of the curve underperforming. In afternoon trade, Bunds pared gains taking cue from USTs, which drifted off highs after US stocks opened firmer. Prices extended losses, taking little notice IBD/TIPP's sentiment data, which came in below expectations. EGBs opened lower, after US Treasuries re-opened on a weaker note overnight following the Veteran's Day public holiday. Bunds were also weighed ahead of supply from Greece and the Netherlands. Prices reversed losses and short dates outperformed after the November German ZEW survey revealed another sharp deterioration in expectations, which fell to their lowest level since Feb 1993. On the supply front, Greece PDMA sold E1.4bln 3.40% June 2009 GGB at average yield of 3.98%, covered 3.61 times and the DSTA allotted E2.23bln of the 4.50% July 2017 DSL issue at average price of 102.13 and average yield 4.224%.

Europe sees the release of German preliminary Q3 GDP data on the market open, shortly followed by French preliminary Q3 GDP. Attention will then turn to flash estimates of Q3 GDP for the Eurozone. Speaker-wise, ECB's Trichet, Hurley and Noyer are due to speak on Wednesday morning whilst ECB's Liikanen speaks on Wednesday afternoon. On the supply front, Germany launches the New Jan 2018 Bund for E7bln and Italy taps the 4.25% Oct 2012 BTP for E2.5bln.

In the forex markets, the dollar traded mixed against the major currencies. The EUR/USD was at 1.462 (+0.008), cable at 2.074 (+0.021) and USD/JPY at 110.23 (+0.81).

European equities were mixed in afternoon trade. The DAX was trading -0.35%, CAC 40 +0.09% and the FTSE +0.53% on the day. US stocks were stronger with the S&P 500 +1.17% and the NASDAQ +1.52%.

Gilts were trading higher on Tuesday afternoon, with little bias. Gilts opened lower, paying little attention to RICS house price data released overnight, which reported the most negative house price balance since November 2005. Short dated Gilts traded higher and outperformed on the Gilt curve on Tuesday morning, following the release of UK CPI data after core CPI was unchanged in October - below expectations and at the lowest level since October 2006.

On Wednesday, the UK sees the release of official labour statistics and the BOE's November Inflation Report, to be delivered by BOE Governor Mervyn King.