



[Times for Market News International stories are ET]

07:31 11/21 **GILT SUMMARY:** Gilts are higher, tracking gains in Bunds and US Treasuries. Gilts paid little attention the Bank of England minutes for the November MPC meeting, which showed the committee was split 7-2 in deciding to leave rates unchanged at 5.75%, with Deputy Governor John Gieve surprisingly joined arch dove David Blanchflower in backing a 25 basis point cut. The outturn was in line with analysts' median forecast but Gieve's decision had not been anticipated given his somewhat hawkish track record until now. The minutes revealed that the decision was a closely argued one, with "substantial uncertainty" over the outlook for both growth and inflation a key reason why the MPC held back from cutting rates. The minutes did little to alter market expectations of a rate cut at the February meeting, but did see a moderate increase in probability of an earlier cut by year-end. The Gilt 2-/10-year yield spread was 0.9 bps flatter at +0.6 bps, whilst the 10-/30-year yield spread was 2.9 bps steeper at -18.2 bps.

06:59 11/21 **BUND SUMMARY:** Bunds opened sharply higher on risk-aversion buying after sharp fall in Asian equity bourses and gains in US Treasuries overnight. The latest move comes after comments from U.S. Treasury Secretary Henry Paulson who warned that the number of potential defaults in 2008 could be "significantly bigger" than this year, as mortgage interest rates reset to higher market rates from the lower teaser levels in the first few years of the mortgage contract, according to the Wall Street Journal. Traders also attributed the rise in Bunds to gains in US Treasuries - along with the unwinding of carry trades - which was in part a reaction to the Federal Reserve's downgraded forecasts for U.S. growth in 2008. This again triggered hopes of lower U.S. interest rates in coming months. The yield on the 10-year Bund fell 4.8 bps at 4.01%, having hit 3.99% earlier, which is the lowest level since March 2007. Prices moved higher at midday after Libor rate were fixed higher, highlighting year-end funding concerns.

07:11 11/21 UK: Releases in the UK Wednesday.

** BOE NOV MINUTES: MPC Voted 7-2 For Unchanged Rates

- BOE MPC Blanchflower, Gieve Voted For 25bps Rate Cut Nov
- BOE MPC Stressed Risks Of Rate Cut If Slowdown Muted
- BOE MPC: Reversing Possible Rate Cut Could Prove Costly
- BOE MPC: Waiting For Rate Cuts Could Make Slowdown Sharper
- The Bank of England's Monetary Policy Committee split 7-2 in deciding to leave rates unchanged at its November meeting, with Deputy Governor John Gieve surprisingly joined arch dove David Blanchflower in backing a 25 basis point cut. The outturn was in line with analysts' median forecast but Gieve's decision had not been anticipated given his somewhat hawkish track record until now.

07:05 11/21 UK: Reported comments from UK officials Wednesday,

** UK GIEVE: May be more bad news to come in financial markets.

- Some markets still very illiquid, could see more tightening in money markets by year end.
- We may not yet have seen worst of market turmoil. (Telegraph)
- * These comments appear to be from Tuesday's hedge fund conference

02:07 11/21 **JGB SUMMARY:** Japanese government bonds ended Wednesday's session higher cross the board, as weaker stocks and the yen's rally against the dollar. Buying was seen across the curve, with the lead December futures contract hitting a 22-month low in afternoon trade. Demand was seen from both onshore and offshore accounts, helping yields lower. Two-year yields touched near two-year lows. Solid demand at the Ministry of Finance's 20-year auction helped the longer-end of the curve, pushing the existing 20-year yield to a session low at 2.02%.

- Benchmark 10-year yield was 3.5 bps lower at 1.440%.
- Benchmark 5-year yield was 2.5 bps higher at 1.025%.
- Benchmark 20-year yield was 2.5 bps lower at 2.010%.
- Benchmark 30-year yield was 2 bps lower at 2.245%.
- Lead Dec JGB futures contract was up 0.32 at 137.30.