



[Times for Market News International stories are ET]

09:56 10/10 **GILTS:** Gilt curve continues to flatten, with the short-dated issues leading the underperformance following hawkish comments from BoE Governor Mervyn King late Tuesday, who dampened speculation of a near-term rate cut. King said output growth needs to slow moderately over the next year to keep inflation on target, and the Monetary Policy Committee of the Bank of England will not set interest rates to "insulate the banking sector from the re-pricing of risk". In a speech in Belfast, King said that although the current market crisis is "not over" the committee would remain focused on the key upside risks to inflation, namely rising inflation expectations, commodity prices and the strength of firms' pricing intentions. A November rate cut from the BoE now appears less likely, and SONIA is now paring back the previous 45% implied probability of a 25bps cut to price around 16% chance. The Gilt 2-/10-year yield spread was 6.8 bps flatter at -27.7 bps, whilst the 10-/30-year yield spread was 4.6 bps flatter at -45.5 bps.

08:38 10/10 **SHORT-STERLING OPTIONS:** Flows have been skewed towards liquidation of bullish option trades in the wake of BoE Governor King speech last night, with some initiation of bearish bets, according to traders.  
 -- Paper bought 1k Oct 07 93.75/93.625/93.50 put fly for 1  
 -- Paper bought 3k Nov 07 93.875/93.75 1x2 put spread at 0.5  
 -- Paper sold 4k Dec 07 93.75/94.00/94.25 call fly at 5.5  
 -- Paper sold 1k Dec 07 93.75/94.25 call spread at 14.5  
 -- Paper bought 5.5k Dec 07 94.375 call at 1  
 -- Paper sold 3k Mar 08 94.00/95.00 call spread at 23  
 -- Paper bought 2k Mar 08 94.375/94.625/94.75 call ladder at flat.

08:01 10/10 **LIBOR:** For the second consecutive session 3 month LIBOR sets lower, in 0.13 bps at 5.2475%, up 0.44 bps for the week. Meanwhile, 1-month LIBOR also set 0.63 bps lower at 5.1100%, in 1.19 bps for the week. Net weekly recap:

	3-Month LIBOR	1-Month LIBOR
Oct 1-5	+1.43 bps	-0.19 bps
Sep 24-28	+2.63 bps	-0.75 bps
Sep 17-21	-44.38 bps	-48.25 bps
Sep 10-14	-7.87 bps	-21.00 bps
Sep 3-7	+10.37 bps	+10.38 bps
Aug 27-31	+11.57 bps	+21.75 bps
Aug 20-24	+1.00 bps	-0.75 bps
Aug 13-17	-7.50 bps	-10.88 bps
August 6-10	+21.50 bps	+36.63 bps

#### EUROPE MARKETS 11:31 am EDT

	PRICE	CHG	%CHG
U.K.	6619.00	3.60	0.05%
France	5819.88	-42.05	-0.72%
Germany	7969.53	-10.91	-0.14%
Italy	40841.00	-233.00	-0.57%

SOURCE WSJ

12:23 10/10 **DOLLAR/CENTRAL BANKS:** With the dollar under pressure across the board in recent sessions, several central banks have been seen or rumored to have been seen, buying dollars to prevent their currency from appreciating at a too fast clip. As examples, in Asia, the Bank of Korea and MAS were said to have intervened, and in Latam, Banxico has been seen buying dollar-reals recently. Whether these central banks use the dollar proceeds to buy new US Treasuries will not be known until the October TICS report. August TICS data, due out next Tuesday, will be closely eyed. Since August was a month when global investors were racing to get out of their emerging market holdings, there was less need, if any, for central banks to intervene to prevent currency appreciation versus the dollar. July TICS showed that Brazil increased their Tsy holdings by \$11bn, Korea by \$0.7bn and Singapore by 0.3bn.