



10:30 09/04 **UK: The DMO** says it is due to auction stg2.0 billion of the 4.5% 2042 Gilt on Sep 11 and stg2.5 billion of the 5.25% 2012 Gilt on Sep 13.

10:45 09/04 **BUNDS:** Late weakness sees the market push into negative territory, down 9 at 113.45 on the day (U07).

**Euro Mkt Summary: EGBs Mixed, Pare Gains on US Data
by Charanjeev Chana ---Stone & McCarthy (London)---**

EGBs were trading mixed with short dates underperforming. Sep07 Bunds pared gains following the release of US ISM manufacturing data. EGBs opened higher, taking cue from JGBs overnight which were underpinned by weaker stocks and strong demand at the Y1.9 trillion 10-year JGB auction. Bunds extended gains to session highs in morning trade after European equities opened lower, and posted little reaction to Eurozone PPI and Q2 Eurozone GDP data released on Tuesday morning. The ECB allotted E256.0 billion in new 7-day variable-rate main refinancing agreements, adding a net E46.0 billion of liquidity to the Eurozone money market. The marginal rate, at which 25.8% of bids were accepted, rose to 4.15% - up from 4.08% last week, indicating strong demand and continued tensions in money markets. Bunds were also underpinned after the 3-month Euro Libor rate climbed to its highest level since May 2001.

....In the **forex markets**, the dollar was mixed against the major currencies. The EUR/USD was at 1.357 (-0.005), cable at 2.011 (-0.007) and USD/JPY at 116.00 (-0.08).

European equities were mixed in afternoon trade. The DAX was trading +0.57%, CAC 40 +0.15% and the FTSE +0.41% on the day.

Gilts were trading higher with the short end of the Gilt curve outperforming. Gilts outperformed trade in Europe, underpinned by overnight reports, which criticised the Bank of England for its hands off approach to the credit market turmoil whilst questioning its attempts to "gag banks using its back up lending facility." It also emerged that the Treasury Select Committee is due to question Bank of England Governor Mervyn King and his deputy Sir John Gieve over their handling of the financial crisis. Meanwhile, Gilts were further supported after the 3-month sterling Libor rate reached near its highest level in ten-years...