

10:33 09/07 **EUROZONE ISSUANCE:** Supply next week in the eurozone picks up and comes from Germany, Italy, Portugal and the Netherlands -- totalling around E14.0bln but outweighed by redemption from Germany (2.25% 2007 Schatz) for E15.0bln and coupon payments from Germany (E0.86bln) and France (E0.68bln) -- turning net cash flows positive to the tune of E2.54bln vs -5.2bln this week. Supply kicks off on Tuesday, with Netherlands due re-open the 4.50% July 2017 DSL issue for between E2.5-3.5bln indicative range. On Wednesday, Germany sells a new Sept 2009 Schatz issue for up to E7.0bln and Portugal taps the 4.35% Oct 2017 PGB issue for E1.0bln. On Thursday, Italy taps the 4.00% Apr 2012 BTP issue. The size has yet to be announced, but expected to be E3.0bln. For full details of forthcoming issues, please see eurozone auction calendar and MNI/SMRA Eurozone Net Cash Flow Matrix.

09:42 09/07 **ECB PAPADEMOS:** Mkt turmoil means more eco outlook uncertainty.

09:41 09/07 **ECB PAPADEMOS:** Mkt turmoil hasn't effected view of economy -- Outlook for eurozone economy remains favourable.

EUROPE MARKETS 11:52 am EDT from the WSJ

PRICE CHG %CHG

Belgium * 4217.99 -112.46 -2.60%
 U.K. * 6201.90 -111.40 -1.76%
 France * 5447.59 -129.03 -2.31%
 Germany * 7443.30 -178.42 -2.34%
 Italy 38507.00 -928.00 -2.35%
 Netherlands * 516.49 -10.72 -2.03%
 Norway * 552.51 -7.32 -1.31%
 S.Africa 28311.77 -538.42 -1.87%
 Spain * 13824.00 -374.40 -2.64%
 Switzerland * 8672.42 -157.68 -1.79%

Euro Mkt Summary: EGBs Sharply Higher On Weak US Payroll Data by Charanjeev Chana

EGBs were sharply higher on Friday afternoon with short dates outperforming following the release of dismal August nonfarm payroll data, which came in much weaker than expected and revised lower for July. Dec Bunds hit fresh session and record highs following the release, as European equity bourses extend losses. In cross border trade, the yield on the 2-year Schatz rose above 2-year note for the first time since Sept 2004. Bunds opened lower on profit taking following a more dovish than expected ECB press conference on Thursday, where ECB President Trichet dropped the 'strong vigilance' code word for the more softer 'monitor very closely' phrase. European peripheral bonds underperformed versus Bunds as trades reported balance sheet tightening and favouring safe haven/risk aversion qualities of German issues. Initial dovish comments by ECB hawk Axel Weber underpinned short dates in early trade, after he said economic uncertainty was up strongly, and suggested the ECB may need to be more cautious in signalling monetary policy. Later Weber confirmed his support for further interest rate hikes after saying the tightening process "hasn't ended yet."

....**European equities** were weaker in afternoon trade. The DAX was trading -1.76%, CAC 40 -2.25% and the FTSE -1.06% on the day.

....**Gilts** also traded higher and inline with Bunds amidst a lack of key UK economic data. Overnight data from the National Institute for Economic and Social Research showed economic growth in the three months to August, moderated. Long dates were underpinned in the morning session by buying ahead of the 4.50% 2042 Gilt auction, to be sold for Stg2.0bln on September 11.