

Euro Mkt Summary: EGBs Mixed, Short Dates Outperform on Weak PMIs**by Charanjeev Chana**

EGBs were trading mixed on Friday afternoon, with short dates outperforming in turn steepening the Bund curve. Bund traded higher on short covering after dipping lower on comments by Fed Governor Kohn, who said the Fed would not have "eased this week if housing prices had continued their upward march." EGBs opened lower, taking cue from USTs overnight, which posted sharp declines on technical selling towards the Chicago close. Dec Bunds extended losses in early trade on stop-loss selling, following hawkish comments from ECB official Axel Weber who suggested that the medium term focus of central banks should remain on maintaining price stability. Short dated issues however continued to outperform as the euro-dollar extended gains to fresh lifetime highs. Also underpinning the short dates was September Eurozone PMI data. The services PMI came in considerably weaker than expected - falling to its lowest level since 2005 whilst the manufacturing PMI was also weaker and indicative of some deceleration in output growth in the industrial sector.

In the **forex markets**, the dollar traded mixed against the major currencies. The EUR/USD was at 1.408 (+0.001), cable at 2.019 (+0.010) and USD/JPY at 115.49 (+0.77).

European equities were higher in afternoon trade. The DAX was trading +0.62%, CAC 40 +0.09% and the FTSE +0.40% on the day. US stocks were also higher with the S&P 500 +0.49% and the NASDAQ +0.51%.

Gilts were also trading lower with little bias, and underperforming versus trade in Europe. The Bank of England announced details of eligible collateral for next week's 3-month auctions which included G-10 bonds, EEA sovereigns, FHLM, FNMA and FHLB securities.