

Euro Mkt Summary: EGBs Higher, Underpinned by Weak Belgian Conf.
by Charanjeev Chana

EGBs were trading higher with little bias. Long dates reversed their earlier underperformance, on buying of Belgian long dated issues following overbidding for the 2028 OLO in Belgian auctions on Monday morning. Dec07 Bunds extended their midday bounce higher on weaker than expected Belgian business confidence data - which fell to a 6-month low in September. EGBs opened mixed on Monday morning with short dates extending their outperformance on ECB rate cut speculation following much weaker than expected Eurozone flash PMI data released on Friday. Also fuelling the outperformance in short dates was euro-dollar currency, which rose to fresh all time highs above \$1.4130. French bonds were weighed by comments by French Premier Francois Fillon, who said "if France was a corporation, it would be bankrupt" In supply news, the Belgian debt agency sold a total of E3.334bln (the upper end of the E2.5-3.5bln indicative range) of the 4.00% Mar 2013 OLO, 4.00% Mar 2017 OLO & 5.50% Mar 2028 OLO, covered 2.266 times, 2.342 times and 2.779 times respectively.

In the **forex markets**, the dollar traded mixed against the major currencies. The EUR/USD was at 1.410 (0.000), cable at 2.022 (+0.002) and USD/JPY at 114.83 (-0.57).

European equities were lower in afternoon trade. The DAX was trading -0.34%, CAC 40 -0.40% and the FTSE -0.01% on the day. US stocks were also weaker with the S&P 500 -0.22% and the NASDAQ -0.01%.

Gilts were also trading higher, outperforming European counterparts. 10-year Gilts outperformed in the afternoon session. Dec Gilts came under selling pressure in morning trade, in the wake of the UK public finance data, with all the key measures hitting record levels.

U.K. Loan-Auction Schedule Is Set

from WSJ.com: News Europe

The Bank of England said that its first special three-month loan auction using wider collateral terms will take place Wednesday and will be followed by sales on Oct. 2, 10 and 17.

German States Discuss Banking- Changes

from WSJ.com: News Europe

Finance ministers for the German states of Bavaria and North Rhine Westfalia met to discuss "changes in the state-owned banking landscape."