

A Eurex publication focused on European financial markets, produced by Market News International



Global Economic Trading Calendar

March 24, 2010

The main **EMU flash PMIs** for March are due at 0858GMT and are expected to be a mixed bag with manufacturing edging lower to 54.0 (after 54.2 in March) and services edging up to 52.2 (after 51.8 in February).

Very shortly after, at 0900GMT, the March **German IFO** Business Sentiment survey is expected to improve to a reading of 95.6 after 95.2 last month.

There are various **ECB speakers** due today, while at 1000GMT, the **EU Commission** publishes its assessment of the stability and convergence programmes for Slovenia, Luxembourg, Malta, Denmark, Hungary, Latvia, Lithuania, Czech Republic, Poland and Romania.

Also at 1000GMT, EMU industrial new orders data for January are expected to rise by 1.6% m/m.

Today's busy calendar also sees the **UK Budget** speech in Parliament from 1230GMT, which will be especially closely watched by markets on this occasion for its impact on the future public finances of the UK.

The **Norges Bank** also delivers its monetary policy decision at 1300GMT, which is followed from 1345GMT by a press conference to explain the decision.

US data at 1230GMT sees durables new orders, which are forecast to rise 1.0% in February. Boeing reported 47 new orders in February, up sharply from 10 in January. However, the surge in aircraft orders in the January report will be hard to duplicate. Also at 1400GMT US new home sales are expected to rise to a 315,000 annual rate in February after a record low 309,000 rate in January. Snow storms in much of the country likely impacted the sales pace.

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Time (GMT)	Country	Event
0858	EMU	EMU Mar flash manufacturing/services PMI
0900	EMU	Germany Mar IFO business survey
0900	EMU	ECB Executive Board member Lorenzo Bini Smaghi speech
1000	EMU	EMU Jan industrial new orders
1230	UK	Budget speech in Parliament
1230	US	Feb Durable Goods Orders
1300	EMU	ECB Governing Council member Miguel Fernandez
1300	NOR	Norges Bank monetary policy decision (1345GMT Press Conference)
1400	US	New Home Sales
1430	US	EIA weekly crude oil stocks
1445	US	Kansas City Fed President Tom Hoenig speech
1500	EMU	ECB Executive Board member Juergen Stark speech
1545	EMU	ECB Governing Council member Christian Noyer

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MNI Fixed Income Bullet Points

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European Fixed Income

European Government Bonds opened lower Wednesday, taking their cue from weaker US Treasuries after the soft 2-year Note auction and late gains in Wall Street stocks. However, risk may be on a reversal higher as the 10-year benchmark **Bund yield** gravitates towards the 3.00% level.

That said, volumes are seen thin ahead of key European flash PMI, German **IFO** business sentiment data and the UK **Budget** report.

US Treasuries weakened after the \$44 billion **2-year Note auction**, which was awarded at a 1% high yield, and covered 3.0 times vs 3.33 cover at the previous auction on Feb 23. Indirect accounts took down 34.78% of the sale, with direct accounts 13.80% and dealer bid 51.41%. Attention now turns to the \$42.0bln 5-year Notes auction and pre-auction short-setting has already been reported.

Also eyed today is the UK **Budget Report**, and most strategists expect the UK Debt Management Office (DMO) to reduce its Gilt issuance when it publishes its 2010/11 Financing Remit. This is because of the recent better than expected public finance outturn and the overfund by the debt agency in FY2009/10. The DMO is due to announce Wednesday its 2010-11 Financing Remit just after Chancellor Alistair Darling ends his annual Budget report.

Analysts believe there are a number of other methods that the DMO can use to lower Gilt issuance, including re-expanding the "National Savings and Investments" component and selling more T-Bills. In a snapshot poll by MNI, analysts predicted the UK Debt Management Office would unveil plans to issue Stg176.0bln worth of Gilts in the 2010-11 financial year, down from the Stg225.1bln record issuance in 2009-10.

The central government net cash requirement (CGNCR), a key component in assessing the amount of Gilt issuance required, is expected to come in below the Treasury's forecast in the December Pre-Budget Report of Stg174bln for fiscal year 2010-11. Gilt redemptions in 2010-11 are forecast to be Stg39 billion. On this basis, the gross financing requirement for 2010-11 would be around Stg213 billion (compared to Stg242.4 billion forecast for the current financial year).

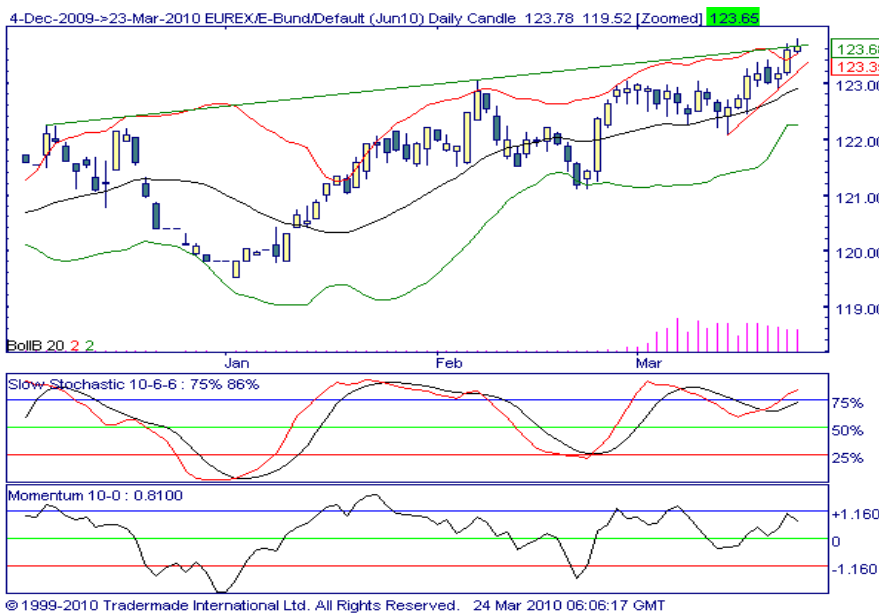
The composition of Gilts is expected to remain skewed towards short-dated Gilts, given the steepness of the yield curve, which increases the attractiveness of short-term funding. This leaves the risk of a reduction in long-dated conventional issuance as the DMO attempts to maintain liquidity in the medium Gilts and index-linked sector, according to most analysts. However, there are uncertainties surrounding this forecast, given the DMO's redemption profile.

In addition, market strategists expect the DMO to continue its use of supplementary issuance - using mini-tenders and syndicated issues for long-dated conventional Gilts and linkers in FY 2010-11. This was also the message given by GEMMs and end-investors at the last DMO annual consultation meeting.

There is **no sovereign supply** in the eurozone scheduled today, where issuance this week is expected to ease to around E4.33bln -- lowest for the year from E20.48bln last week.

So far, Slovakia has tapped the zero 2-yr SLOVGB212 issue on Monday for E239.5 million, where it allotted less due to ongoing jitters in Greece, a senior source at Ardal told MNI. The Dutch State Treasury Agency (DSTA) re-opened the 3.75% July 2014 DSL for E420mln on Tuesday & 4.50% July 2017 DSL for E680bln. Italy concludes supply on Friday with tap of the 2-year zero-coupon Feb 2012 CTZ issue for E3.0bln. In terms of reinvestment flows, a redemption from Slovenia for E500mln and coupon payment from Greece for E1.645bln -- to leave the net cash flow negative to the tune of E2.2bln vs - E16.0bln last week.

Euro Bund Futures



RES 4: 124.50/53 H10 contract highs
 RES 3: 124.21 3.00% level on 10-year Bund
 RES 2: 124.00 100% projection
 RES 1: 123.78 High 23 Mar

PREVIOUS CLOSE: 123.65

SUP 1: 123.35 5-DMA, Minor support line 12 Mar
 SUP 2: 123.03 High 26 Feb
 SUP 3: 122.87 21-DMA, Low 19 Mar
 SUP 4: 122.07 Low 12 Mar

COMMENTARY: Price action broke above the resistance line from Dec 8 at 123.65 and, while there is not much resistance until 124.00 and the 3% yield level at 124.21, a fade could be expected as the market remains above the daily Bollinger band of 123.55. The daily studies continue to point higher and are below extreme overbought levels.

Equities & Corporate Bonds

In the wake of Monday's **shallow sell-off** and subsequent strong bounce, the wider markets gathered bullish momentum and staged a strong up-move during Tuesday's session, which resulted in a break of the upper end of the range for many equity benchmarks.

In particular, **basic materials** led the way, but financials and even a number of cyclicals also saw impressive gains. While strictly speaking the break needs confirmation, the move early in the week has still turned many technicals firmly positive, so this run does look like it has legs.

Notably the **US market** also hit new highs on the year despite some worse than expected housing sector data.

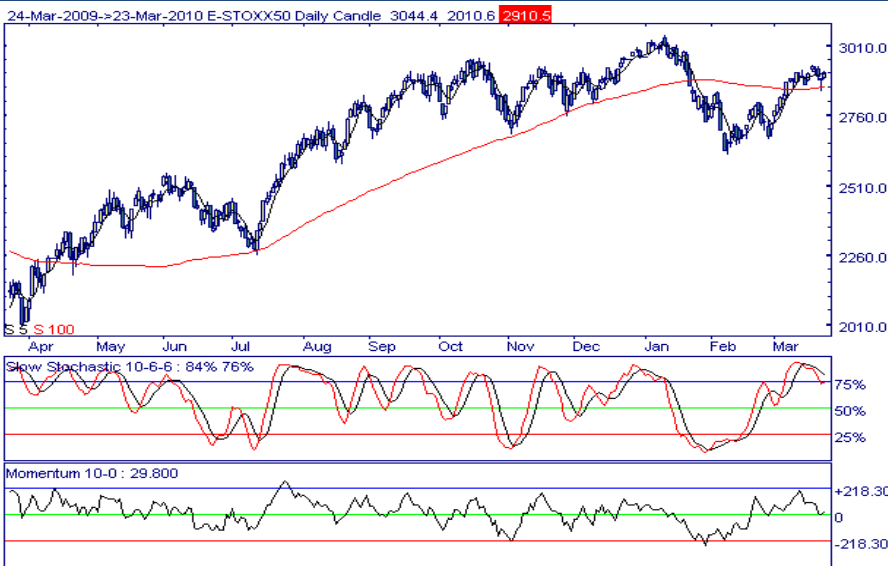
Fundamentally speaking, it is globally diversified companies that are leading this move, as in an ongoing low interest rate environment, these are the some of the few "low risk" growth opportunities in the markets.

The **Greece** situation in Europe saw stability in terms of Greek government bond spreads, however its worth noting **the euro** broke to new lows on the move verses the dollar. The break lower did not seem to gather much attention away from the FX market, but could prove a focal point in coming sessions if it extends further still.

Elsewhere, in the UK today, we will receive Alister Darling's pre-election **budget**, although public spending cuts are expected to be tempered given the looming election.

Turning to the **credit markets** themselves, indices have moved to the highs of the year, but are not staging a break as of yet. Government bond spreads differentials are a factor according to brokers, but also the market is absorbing a relatively high level of new deals.

EURO STOXX 50[®] Index



COMMENTARY: The recent bear-cross in the daily stochastic study and 'doji' reversal patterns continue to send a warning to bulls, although the 10-day momentum study is finding support at the zero line. Support is from the 100-day moving average, which rises to 2860.

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Eurex Futures Market Closes

Contract	Last	Change	Open	High	Low	Volume	Open Interest
Fixed Income Futures							
Euro - Bund (FGBL)	123.67	0.09	123.56	123.78	123.53	632,006	1,004,233
Euro - Bobl (FGBM)	117.13	0.04	117.06	117.20	117.03	361,408	815,101
Euro - Schatz (FGBS)	108.70	0.03	108.66	108.73	108.65	348,598	1,565,999
Euro - Buxl® (FGBX)	101.04	0.24	100.72	101.26	100.72	3,741	43,105
Euro - BTP (FBTP)	116.13	0.23	115.95	116.21	115.90	3,411	19,126
Daily Volume and Open Interest						1,349,164	3,447,564
Blue Chip Index Futures							
EURO STOXX 50® (FESX)	2842.00	27.00	2817.00	2856.00	2814.00	1,057,553	2,013,523
DAX® (FDAX)	6033.00	43.00	5996.00	6055.50	5988.50	126,386	141,206
STOXX Europe 50® (FSTX)	2571.00	20.00	2559.00	2579.00	2554.00	3,513	36,774
STOXX® Europe 600 (F600)	257.50	2.30	257.20	257.50	256.00	82	5,824
SLI Swiss Leader Index® (FSLI)	1039.90	6.20	1036.80	1039.90	1036.80	141	352
Daily Volume and Open Interest						1,187,675	2,197,679
Sector Index Futures							
STOXX® Europe 600 Banks (FSTB)	219.40	3.10	217.10	219.90	217.10	2,412	25,656
EURO STOXX® Banks (FESB)	204.20	2.90	204.00	205.00	202.50	279	12,657
STOXX® Europe 600 Industrial G&S (FSTG)	269.50	3.60	267.80	269.20	267.60	212	23,274
STOXX® Europe 600 Insurance (FSTI)	152.40	2.00	151.80	152.80	151.30	2,062	14,550
STOXX® Europe 600 Media (FSTM)	158.50	1.20	157.80	157.80	157.80	50	8,704
STOXX® Europe 600 Utilities (FSTU)	318.70	2.70	317.40	318.30	317.40	470	13,426
STOXX® Europe 600 Travel & Leisure (FSTV)	118.70	2.20	117.90	117.90	117.90	603	10,235
STOXX® Europe 600 P&H Goods (FSTZ)	359.70	1.90	360.90	361.00	360.90	31	4,746
Daily Volume and Open Interest						6,119	113,248
Money Market Futures							
Three-Month EURIBOR (FEU3)	98.90	0.02	98.84	98.90	98.84	289	1,441
Daily Volume and Open Interest						289	1,441
Other Country Index Futures							
STOXX® Europe Small 200 (F2SM)	158.20	1.50	157.80	157.80	157.30	18	11,631
STOXX® Europe Mid 200 (F2MI)	248.90	2.80	246.90	249.10	246.90	44	8,326
STOXX® Europe Large 200 (F2LA)	273.30	2.40	272.70	273.20	272.70	4	2,951
MDAX® (F2MX)	8,020.00	56.00	8,007.00	8,055.00	7,983.00	578	12,886
TecDAX® (FTDX)	816.00	4.00	812.50	825.00	812.50	454	8,101
SMIM® (FSMM)	1,302.00	5.00	1,300.00	1,300.00	1,300.00	90	2,208
Euro STOXX® Select Dividend 30 (FEDV)	1714.50	20.50	1702.50	1719.00	1701.50	61	5,179
Daily Volume and Open Interest						1,249	51,282
Commodity Futures							
Gold (FGFX)	1105.20	4.20	1105.20	1105.20	1105.20	0	13
Silver (FSFX)	16.78	0.00	16.78	16.78	16.78	0	10
Daily Volume and Open Interest						0	23



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