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## Signals from Sigma

Date: 27<sup>th</sup> April

### Morning Message for 27<sup>th</sup> April

1. For a guide on Fed policy direction, Bernanke's testimony (16.00CET) to the JEC on US economic outlook may be key. There are also several other ECB and UK MPC members due to speak (see below).
2. US 5yr T.Note auction: Today sees the \$14bn 5yr US T.Note auction. Fair value of the roll is -0.25bps with one month of curve contributing +0.1bps, carry adding 0bps and liquidity premium of -0.85bp. There are two bad days in the new 5yr issue which adds +0.5bps.
3. Eurozone trade idea: Total returns and roll-down favour BTPs, especially at the short-end. Convergence with GGBs suggests limited potential for further cheapening. Furthermore, euro-swap spread widening likely to be capped so will have less of a bearing on BTP divergence..
4. Supply : US auction USD14bn T 4/11, Italy tap EUR3bn BTPS3 2/09, EUR2.5bn BTPS3.75 8/16 and EUR2bn CCTS 11/12. Sweden tap SEK0.5bn SGB4 12/20: IL SV3102. France announce details of the 4 May OAT auction.
5. Key Events: Fed's Bernanke (16.00CET), Olson (16.30CET) and Kohn (19.15CET) speak. ECB's Garganas (09.45CET) and Bini Smaghi (11.00CET) speak. UK BoE's King and Lomax speak 10.45CET.

6. Key Data: FCST MEDIAN LAST
- |                                 |      |      |      |                           |
|---------------------------------|------|------|------|---------------------------|
| US wk end 22 Apr Jobless claims | 305k | 305k | 303k | {INJCJC Index ECOS<GO>}   |
| Germany Apr Unemployment change | +30k | -35k | +30k | {GRUECHNG Index ECOS<GO>} |
| UK Apr N-wide house prices      | -    | 0.5% | 1.1% | {UKNBAAMM Index ECOS<GO>} |

### At the European close

- a. US Mar Durable goods orders 6.1% (median 1.8%) from a revised 3.4%, the fastest rate of growth since May 05. Ex-transportation sales only grew by 2.8%.
- b. US Mar New home sales 1213k (median 1110k) from a revised 1066k, a 13.8% rise, the largest in 13yrs. Increased borrowing costs seem not to have slowed the housing market as much as expected.
- c. US wk end 21 Apr Oil inventories -226k (median -600k) from -806k, falling as expected probably due to the increase in the cost of oil, NB record prices were breached with a high of USD75 during the week.
- d. ECB's Bini-Smaghi said that the ECB will hike rates if the EMU continues to see improved economic growth rates. Liikanen, also of the ECB, said that the ECB will continue to 'closely monitor' current oil prices.
- e. EMU Feb Industrial production flat (median 0.2%) from a revised 0.2%, a -0.7% decline in intermediate goods offsetting the rise in Capital goods (+0.5% and Non-durable consumer goods (+0.7%).
- f. UK Q1 GDP 1st estimate as expected and unchanged at 0.6%, the service industries growth slowed to 0.6% (from 0.9%) whilst Total production grew by +0.7% (from -0.9%).
- g. US sold USD22bn T4.875 4/08 at bid/cover (b/c) 2.05 (vs 2.12x last) and indirect bidders 25.6% (vs 35.8% last).
- h. Germany sold EUR6bn OB148: OBL3.5 4/11 at b/c 1.5 (vs 1.6 last five).
- i. Italy sold EUR1.5bn BTPS0.95 9/10: BTPei at b/c 2.24 (vs 1.75 last five).
- j. Sweden announced the sale of SEK3bn SGB3 7/16 :SV1050 on 3 May.

- i. Curves:
- |         | US T.Note    | Bund         | Gilt (1 day Change) |
|---------|--------------|--------------|---------------------|
| 10-2yr  | +13bp (-1bp) | +60bp (-3bp) | +4bp (+1bp)         |
| 30-10yr | +8bp (-1bp)  | +25bp (0bp)  | -31bp (0bp)         |

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