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REAL-TIME ANALYSIS
AND NEWS LIMITED

Real-time Analysis & News Limited (R.A.N.) is a voice delivered market analysis, news, commentary and alert service for professional traders, brokers and fund managers.



US Morning Briefing Summary

Tel: (+44) 0207 664 4321 E-mail: info@ransquawk.com

2nd July 2009

Overnight News

Asia:

JGB's fell, edging down from a three-month peak struck this week as market players grew cautious ahead of the results of a 10-year note sale with an increased issuance size. At 0625 BST JGB's were trading 138.14 (-0.04). In equities, the Nikkei fell 0.6% dented by a fall in blue-chip shares as caution set in ahead of US jobs data, but Hitachi jumped on a report it will boost production of lithium ion batteries for hybrid cars. (RTRS)

Global:

The role of the USD as the global reserve currency continues to dominate the headlines. The latest news from China, Japan, Russia and IMF has boosted the USD heading into the North American open.

Chinese Vice Foreign Minister He Yafei said China hopes for diversification of the international currency system in the future, and it would be 'normal' for the issue to be raised for discussion at next week's G-8 summit. He Yafei also said, "We hope that as the main reserve currency the exchange rate of the USD will be stable". However, Bloomberg does, put a slightly different spin on the vice finance minister comments reporting that he had not heard of any reports that China requested a debate on global reserve currencies at the G-8, but of course hopes for diversification. (BBG/RTRS)

IMF's Lipsky says USD is and will remain dominant currency. Says IMF's board has approved issuance of notes and says IMF members to trade notes amongst themselves. Says no limit on IMF's bond sales and that bond issuance up to USD 500bln, though likely smaller. Says advanced economies to recover in 2010. (BBG)

Other noted comments this morning came from the Japanese vice finance min Sugimoto who said he hasn't heard from China on key currency issues. A similar rhetoric was sounded by a Reuters source, with reports that Russia has not seen any official China request for debate on global reserve currency proposal at the G8 summit.#

In other news, Governments around the world have continued to erect trade barriers in spite of high-profile pledges at the G-20 summit and other forums to resist protectionism, according to a WTO report published today. (FT)

US:

Market talk in Europe this morning that the Fed is going to stop paying interest on mortgage bank deposits. This remains unconfirmed and most analysts see this as an unlikely event as such a move would require a degree of fore warning by the Fed.

In US bank rate calls, Merrill Lynch has raised it's GDP forecast anticipating the economy to shrink 2.1% in 2009 vs. -2.4% earlier and US GDP to rise 2.6% in 2010 vs. 1.8% previously. (BBG)

USD LIBOR Fixing: Overnight: 0.26813 vs. Prev. 0.26750, 3-Month: 0.57750 vs. Prev. 0.58750 (BBA)



Bonds

European Government Bonds:

Bund futures were lower in early trade ahead of large supply out of France and Spain. However, once the EUR 10.785bln had been cleared and following the highest Euro-Zone unemployment reading in 10 years, prices moved into positive territory.

- Eurozone unemployment rate (May) M/M 9.5% vs. Exp. 9.4% (Prev. 9.2%, Rev. to 9.3%)
- Spain sold EUR 4.35bln vs Exp. 3-5 bln 3.3% 31-Oct-14, Bid/Cover ratio 1.89 vs. Prev. 1.7.
- France sold EUR 1.315bln vs. Exp. EUR 2bln 3.25% 25-Apr-16, Bid/Cover ratio 2.54
- France sold EUR 5.12bln vs Exp. EUR 4-5bln 3.75% 25-Oct-19, Bid/Cover ratio 1.703 (BBG)

The ECB left interest rates on hold at 1.00% as expected with attention now turning to the press conference due to begin at 1330BST. The market shall be looking out for any further comments in regards to the central banks bond buying programme.

Maturity	2	5	10	30
Level	1.306	2.459	3.393	4.216
Change (bps)	-4.153	-3.392	-1.693	0.082

Gilts:

NYSE LIFFE gilt futures have underperformed EGB's after some reassuring comments out of MPC member David Miles and following a large 41 tick price tail on a 2039 gilt tap. Another story noted was from the FT which reported that 'Pressure grows on Bank to step up quantitative easing'. The article stated that there are no signs yet that the policy has fed through to UK economy, with worries growing in the UK that policy-makers may end up being too cautious, leading to an extremely slow and protracted recovery.

- UK Conventional Tap Auction for GBP 2.5bln (Act) 4.25%, Bid/Cover 1.75 vs. Prev. 1.59

The newest BoE MPC member David Miles said today that relative to where economy was, there are some signs things are improving, with housing also a bit better than a few months ago. In a separate speech, BOE's Besley said there is no specific timing discussion on QE exit. (BBG)

On the data front, UK Construction PMI for June came in 44.5 M/M vs. Exp. 46.0 (Prev. 45.9). (BBG)

Maturity	2	5	10	30
Level	1.357	2.982	3.79	4.484
Change (bps)	-0.01	0.737	2.257	0.435

Equities

UK and European bourses have traded in the red today with basic material stocks underperforming after a strengthening USD weighed on commodity prices. The market now looks ahead to the US jobs report to gauge further direction in the holiday shortened week.

Index	DAX	CAC	FTSE	EUROSTOXX
Level	4834.81	3186.19	4306.72	2426.33
Change (ticks)	-1.44	-0.96	-0.78	-0.96

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FX

The EUR came under renewed selling pressure after Moody's downgraded Ireland to AA1 with outlook negative. Elsewhere, significant easing in the CHF was seen in early trade following comments from SNB's Jordan who said the central bank is ready to continue interventions to fight rise in the local currency.

Sweden's Riksbank unexpectedly cut interest rates to 0.25% from previous 0.50%. The central bank indicated that the key rate is expected to remain low over coming year and that a lower Repo rate and Repo rate path are needed to counteract the fall in production and employment and to attain the inflation target of 2%. (RTRS)

Also of note, the Icelandic central bank left rates on hold at 12.00% as expected. (BBG)

Currency	EURUSD	GBPUSD	USDJPY
Level	1.4070	1.6402	96.68
Change (pips)	-0.0072	-0.0077	0.0220

Commodities

WTI fell in the European morning, tracking equities, as the USD index (+0.52%) strengthened ahead of the June NFP report which is expected to show a further deterioration in the jobs market.

In OPEC related news, the Kuwaiti oil minister said he was worried that crude prices above USD 100 could spark another recession. He also said there was still oversupply in the market and that OPEC would 'definitely' refrain from cutting production further at the September meeting. Elsewhere, Angola's economy minister said his country would abide by its OPEC quotas.

In geopolitical news, Yonhap news agency reported that North Korea fired three more short range missiles amid a break down of talks with South Korea.

Commodity	WTI Nymex	OTC Spot Gold
Level	68.06	934.63
Change (USD)	-1.25	-6.18

Looking ahead**Economic Releases**

0730	1330	US	Change in Nonfarm Payrolls M/M (Jun)	-365K	-345K
0730	1330	US	Change in Manufacturing Payrolls M/M (Jun)	-150K	156K
0730	1330	US	Unemployment Rate M/M (Jun)	9.6%	9.4%
0730	1330	US	Initial Jobless Claims W/W (Jun 27)	615K	627K
0730	1330	US	Continuing Claims W/W (Jun 20)	6740K	6738K
0730	1330	US	Average Hourly Earnings M/M (Jun)	0.1%	0.1%
0730	1330	US	Average Hourly Earnings Y/Y (Jun)	2.9%	3.1%
0730	1330	US	Average Weekly Hours M/M (Jun)	33.1	33.1
0900	1500	US	Factory Orders M/M (May)	0.9%	0.7%
0930	1530	US	EIA Nat. Gas Storage Chng. W/W (June 26)	75	94
N/A	N/A	UK	Halifax House Prices SA M/M (Jun)		2.6%
N/A	N/A	UK	Halifax House Prices 3Mths/Y (Jun)		-16.3%



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Speakers

0730 1330 EU ECB Press Conference

Auctions

1000 1600 US 10y TIPS and 3y-10y-30y Note Re-Funding Announcement

All prices taken at 12:55 BST.