



Euro crisis:

Europe should continue to take centre stage as 16 Spanish banks and 4 regional authorities were down graded between 1 - 3 notches by Moody's. Adverse operating conditions, rapid asset quality deterioration, reduced sovereign creditworthiness and restricted market funding access were cited as the reasons for the downgrades. There were some positive signs such as access to ECB liquidity, stricter capital and provisioning requirements by the banks and implicit government support.....though obviously not enough. Greece's credit rating has also been cut yet again, this time by Fitch to CCC from B-. From junk....to junk reflecting it may not sustain Euro membership anymore.

Meanwhile, the real economy is likely to continue to contract and investors will analyse euro-area flash PMI surveys for a better insight into H2 2012 after such poor GDP numbers in Q1. May surveys should signal a contraction, as the debt crisis escalates, impacting household and business confidence, as well as banking-sector credit conditions. Meanwhile, austerity measures – particularly in southern economies – continue to bite, and decelerating global trade is putting a lid on export growth.....very depressing indeed. German yields continue to benefit from the fallout with the 10 year yield dropping to a record 1.40%. Cash is King...for now.

Highlights next week:

Monday 21st - Spanish Producer Prices, EC Construction output, Italian Current Account, UK Rightmove House Prices, Japanese All Industry Activity Index and US Chicago Fed National Activity Index.

Tuesday 22nd - UK ONS House Prices, Public Finances and Public Sector Borrowing Requirements, CPI and RPI, Finnish Unemployment Rate, Dutch and Belgian Consumer Confidence, EC OECD Economic Outlook and Consumer Confidence and US Richmond Fed Manufacturing Index and Existing Home Sales.

Wednesday 23rd - Japanese Trade Balance, UK Bank of England Minutes, Retail Sales and CBI Trends, Italian Consumer Confidence, EC Eurozone Current Account, Dutch Consumer Spending, Italian Consumer Confidence, Irish PPI and Greek Current Account.

Thursday 24th - Bank of Japan Monthly Economic Report, Finnish PPI, German GDP, Capital Investment, Government Spending, Imports, Private Consumption, PMI Data, IFO Business Climate Outlook, French Production Outlook Indicator, Business Confidence and PMI Data, Spanish Mortgage Data, Dutch Producer Confidence and Unemployment Data and EC PMI Manufacturing Data, US Durable Goods, Initial Jobless Claims and Kansas City Fed Manufacturing Activity.

Friday 25th - Japanese CPI, German GFK Consumer Confidence Survey, French Consumer Confidence, Italian Retail Sales and US University of Michigan Confidence.

EC Composite PMI Output



Source: Bloomberg



INTERNATIONAL BOND COMPARISONS			yield (s/a)	yield change on day %	yield change MTD %	return MTD (local CCY)	Duration
UK	2 yr	UKT 2.25	3/14				
	5 yr	UKT 1.75	01/17				
	10 yr	UKT 3.75	9/20				
	30 yr	UKT 4.25	12/40				
US	2 yr	T 0.125	12/13				
	3yr	T 0.25	12/14				
	5 yr	T 0.875	12/16				
	10 yr	T 2	11/21				
Australia	2 yr	ACGB 6.25	06/14				
	5 yr	ACGB 6	02/17				
	10 yr	ACGB 5.75	05/21				
	30 yr	ACGB 4.25	12/40				
Canada	2 yr	CAN 1	02/14				
	5 yr	CAN 2.75	09/16				
	10 yr	CAN 3.25	6/21				
	30 yr	Can 4	06/41				
Japan	2 yr	JGB 0.1	01/14				
	5 yr	JGB 0.4	12/16				
	10 yr	JGB 1.1	12/21				
	30 yr	JGB 2	09/41				
Germany	2 yr	BKO 0.25	12/13				
	5 yr	OBL 1.25	10/16				
	10 yr	DBR 2	01/22				
	30 yr	DBR 3.25	07/42				
France	2yr	BTNS 2	09/13				
	5yr	BTNS 2.5	07/16				
	10yr	FRTR 3.25	10/21				
	30yr	FRTR 4.5	04/41				
Netherlands	2 yr	NETHER 4.25	07/13				
	5 yr	NETHER 4	07/16				
	10 yr	NETHER 3.25	07/21				
	30 yr	NETHER 3.75	01/42				
Austria	2 yr	RAGB 4.125	01/14				
	5 yr	RAGB 3.2	02/17				
	10 yr	RAGB 3.5	9/21				
	25 yr	RAGB 4.15	3/7				
Switzerland	2 yr	SWISS 4.25	01/14				
	5 yr	SWISS 2	10/16				
	10 yr	SWISS 2	05/22				
	24 yr	SWISS 2.5	3/36				
Sweden	2 yr	SGB 6.75	05/14				
	5 yr	SGB 3	07/16				
	10 yr	SGB 3.5	06/22				
	30 yr	SGB 3.5	03/39				
Denmark	2 yr	DGB 5	11/13				
	5 yr	DGB 2.5	11/16				
	10 yr	DGB 3	11/21				
	30 yr	DGB 4.5	11/39				
Spain	2 yr	SPGB 2.5	10/13				
	5 yr	SPGB 4.25	10/16				
	10 yr	SPGB 5.5	04/21				
	30 yr	SPGB 4.7	07/41				
Italy	2 yr	BTPS 2.25	11/13				
	5 yr	BTPS 4.75	09/16				
	10 yr	BTPS 5	03/22				
	30 yr	BTPS 5	09/40				
New Zealand	3 yr	NZGB 6	4/15				
	5 yr	NZGB 6	12/17				
	10 yr	NZGB 6	05/21				

		sell			
	10yr				
	GLOBAL	UK	US	Japan	Euro
buy	UK				
	US				
	Japan				
	Euro				
	10yr				
	DOLLAR				
	US				
	Australia				
	Canada				
	NZ				

EUROPE	Spread to Germany	
	2 yr	10 yr
Belgium		
Denmark		
France		
Switzerland		
Austria		
Italy		
Netherlands		
Spain		
Sweden		

International Bond Research

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