

KING & SHAXSON

Money Markets

This is the day that is...

Friday 03 February 2012

Gilt yields continued to pull away from the lower levels yesterday despite construction PMI being weaker than forecast, although it does remain in growth territory. The important part to the PMI data suite comes today with services; this is forecast to be 53.3. Adam Posen continued his dovish cooing yesterday, suggesting that further QE to the tune of £75bn may be in order and that they may buy assets other than gilts. He also said the interbank market has "definitely improved" - oh really? Lloyds' business barometer has improved to -11 from -23.

Coventry Building Society continued the recent trend of turning towards the covered bond market to raise term funding with a 3 year (extendable) deal that is due to complete this morning. Please let us know if you would like further details.

A strong non-farm payroll figure is anticipated from the US today with a forecast of +140,000 (less than last month, but reflecting an unwind of seasonal employment). Most data out of the US continues to show encouraging signs and a strong gain today will add to growing confidence. Their service PMI is due this afternoon and the forecast for that is 53.2. Factory orders are expected to be +1.5%

No specials in gilt repo, with overnight GC at 0.44/0.42.

We have £500m one month and £1.5bn each of the three and six month Treasury bills on offer at today's tender. Derek has wrapped up warm and is ready to get you your helping. Today he is dressed as a brass monkey - enough said!

Have a great weekend.

Sterling Interest Rates

Cash Deposit "Bid" Prices

O/night	0.500 %
1 Week	0.500 %
2 Weeks	0.500 %
1 Month	0.680 %
2 Months	0.820 %
3 Months	1.060 %
6 Months	1.380 %
9 Months	1.640 %
1 Year	1.910 %

Interest Rate Swap "Mid" Prices

SONIA fix	0.5020	2 Year	1.220 %
		3 Year	1.280 %
		4 Year	1.390 %
		5 Year	1.560 %
		10 Year	2.370 %
3M LIBOR	1.08019	15 Year	2.760 %
		25 Year	3.000 %
		30 Year	3.030 %

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