



Japan: The 10yr JGB has been slowly approaching the 0.945% resistance level over the last few days now. The price edged higher again after yesterday's strong 10yr auction and the gains have held today, obviously traders are expecting a weak number for today's US nonfarm payrolls number. The IMF is urging the BoJ to expand monetary stimulus and consider intervention in the currency markets if the yen moves excessively. The yen is already very close to the point where the BoJ last intervened, interventions have generally been negative for bond prices.

The Ministry of Finance (MoF) is considering restarting the sale of inflation linked debt, with CPI at -0.3% is that a good idea? If investors inflation expectations are actually for more and prolonged deflation, then investors may actually demand a higher yield for the inflation linked bonds than for the normal JGBs. The BoJ's projection is +0.10% for 2012yoy inflation and only for 0.50%yoy for 2013. With commodity prices weakening, global demand in the doldrums and the IMF urging the BoJ to provide more stimulus because of weak growth (0.3% for 2011) it is unlikely that inflation fears are going to grip Japanese investors anytime soon. Projecting today's negative inflation forward, simple maths would suggest the inflation-linked yield should actually be higher than the normal JGBs. If the aim of the MoF is to lower borrowing costs, at this point it would save them only a few basis points at most even using their own projections for inflation.

USA: After last month's nonfarm payroll release of +200k, most analysts are expecting a weaker number today. Immediately after the release last month many analysts were saying it was an anomaly and expecting a revision. Consensus for today's number is +140k, largely attributed to part-time holiday parcel delivery workers falling out of the number, Wednesday's ADP data seemed to confirm this falling from 325k to 170k. The 3mo and 6mo average for nfp is 135k to 137k. The previous 2 prints above 200k (April and Sept) were followed by a decline the following month, clearly the market surprise would come from a higher figure and UST have been hovering near the top end of their trading range for a week now. Time for a surprise?

Highlights next week:

Mon 6th – Eurozone Sentix investor confidence, Canadian PMI, Japanese machine tool orders, Fed's Bullard (centrist) speaks on inflation targeting, Fisher (hawk) speaks on economy

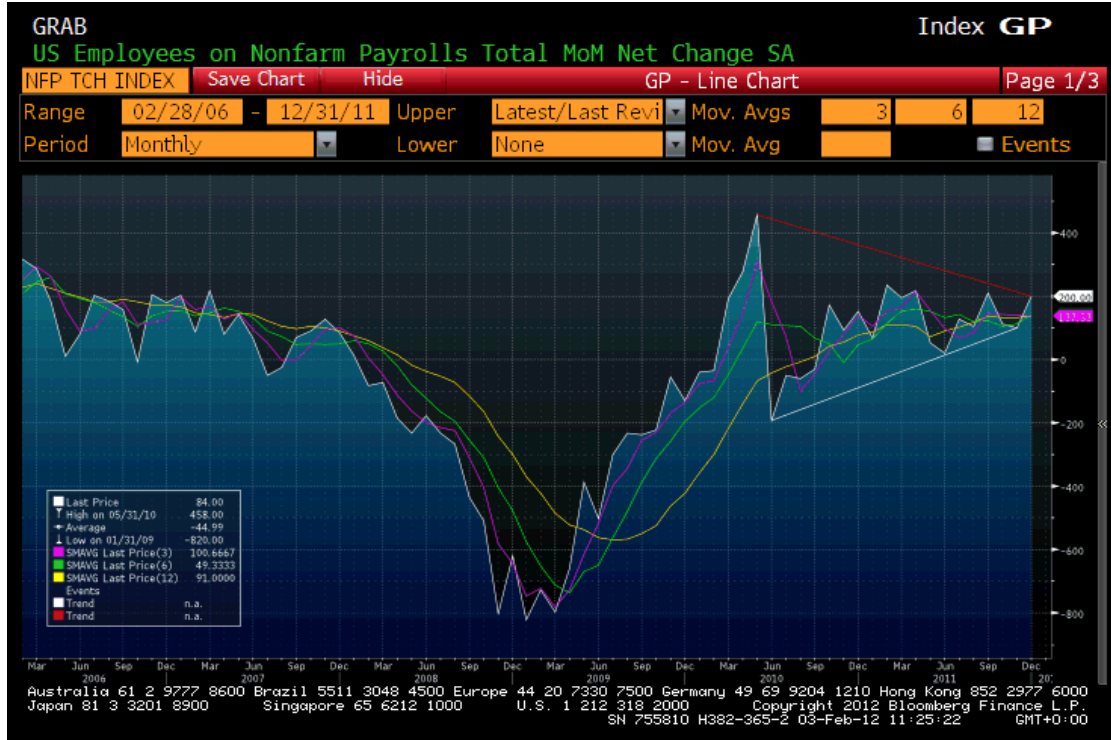
Tues 7th – Japanese leading indicators, German industrial production, Canadian building permits, US economic optimism and consumer credit, Bk of Canada's Macklem speaks, US \$32bn 3yr

Wed 8th – Japanese economic outlook, German exports, French business sentiment, US mortgage apps, Canadian housing starts, German 5yr and US \$24bn 10yr auction

Thurs 9th – BoE (QE?) & ECB (no change expected- yet) rate announcements, Canadian new house price index, US initial jobless claims & Bberg consumer comfort, Japanese 40yr & US \$16bn 30yr auctions

Fri 10th - Japanese CPI, German CPI, French & Italian Industrial production, Univ. of Michigan confidence, Belgian auction

Nonfarm Payrolls



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	0.38	-0.02	0.02	-0.04	2.03
	5 yr	UKT 1.75 01/17	1.06	0.02	0.08	-0.37	4.75
	10 yr	UKT 3.75 9/20	1.89	0.04	0.12	-0.97	7.34
	30 yr	UKT 4.25 12/40	3.14	0.06	0.13	-2.19	17.62
US	2 yr	T 0.125 12/13	0.22	0.00	0.01	-0.01	1.90
	3yr	T 0.25 12/14	0.29	0.00	0.01	-0.02	2.85
	5 yr	T 0.875 12/16	0.69	-0.01	0.00	-0.01	4.80
	10 yr	T 2 11/21	1.82	-0.01	0.02	-0.20	8.89
30 yr	T 3.125 11/41	3.00	0.01	0.07	-1.23	19.58	
Australia	2 yr	ACGB 6.25 06/14	3.22	0.07	0.04	-0.08	2.21
	5 yr	ACGB 6 02/17	3.34	0.07	0.03	-0.13	4.45
	10 yr	ACGB 5.75 05/21	3.72	0.04	-0.00	0.03	7.39
Canada	2 yr	CAN 1 02/14	0.97	0.02	0.02	-0.04	1.97
	5 yr	CAN 2.75 09/16	1.26	0.02	0.02	-0.06	4.28
	10 yr	CAN 3.25 6/21	1.90	0.02	0.02	-0.11	8.14
	30 yr	Can 4 06/41	2.51	0.01	0.01	-0.20	15.11
Japan	2 yr	JGB 0.1 01/14	0.12	0.00	0.00	0.00	1.93
	5 yr	JGB 0.4 12/16	0.31	-0.00	-0.01	0.05	4.55
	10 yr	JGB 1.1 12/21	0.88	-0.00	-0.01	0.14	8.67
	30 yr	JGB 2 09/41	1.88	-0.00	-0.02	0.41	19.03
Germany	2 yr	BKO 0.25 12/13	0.20	0.03	0.05	-0.09	1.84
	5 yr	OBL 1.25 10/16	0.74	0.02	0.06	-0.29	4.56
	10 yr	DBR 2 01/22	1.85	0.00	0.06	-0.56	9.06
	30 yr	DBR 3.25 07/42	2.48	0.02	0.04	-0.78	20.28
France	2yr	BTNS 2 09/13	0.60	-0.13	-0.15	0.25	1.61
	5yr	BTNS 2.5 07/16	1.64	-0.13	-0.14	0.61	4.23
	10yr	FRTR 3.25 10/21	2.89	-0.14	-0.15	1.28	8.43
	30yr	FRTR 4.5 04/41	3.65	-0.10	-0.12	2.04	17.17
Netherlands	2 yr	NETHER 4.25 07/13	0.26	0.02	0.01	-0.03	1.39
	5 yr	NETHER 4 07/16	1.05	0.02	0.03	-0.12	4.09
	10 yr	NETHER 3.25 07/21	2.17	0.00	0.03	-0.20	8.20
	30 yr	NETHER 3.75 01/42	2.58	0.01	0.03	-0.57	19.71
Austria	2 yr	RAGB 4.125 01/14	0.62	-0.04	-0.10	0.18	1.90
	5 yr	RAGB 3.2 02/17	1.87	-0.14	-0.15	0.71	4.61
	10 yr	RAGB 3.5 9/21	2.81	-0.08	-0.08	0.66	8.26
	25 yr	RAGB 4.15 37	3.43	-0.08	-0.10	1.60	16.08
Switzerland	2 yr	SWISS 4.25 01/14	-0.00	0.01	0.01	-0.03	1.87
	5 yr	SWISS 2 10/16	0.18	-0.00	-0.03	0.11	4.50
	10 yr	SWISS 2 04/21	0.58	0.01	-0.01	0.12	8.45
	24 yr	SWISS 2.5 3/36	1.00	0.01	0.01	-0.14	18.90
Sweden	2 yr	SGB 6.75 05/14	1.00	0.07	0.13	-0.28	2.07
	5 yr	SGB 3 07/16	1.21	0.09	0.12	-0.50	4.16
	10 yr	SGB 3.5 06/22	1.80	0.06	0.11	-0.95	8.78
	30 yr	SGB 3.5 03/39	1.80	0.06	0.11	-0.95	18.54
Denmark	2 yr	DGB 5 11/13	0.19	0.02	0.04	-0.07	1.72
	5 yr	DGB 2.5 11/16	0.76	0.02	0.06	-0.28	4.54
	10 yr	DGB 3 11/21	1.78	-0.00	0.06	-0.48	8.63
	30 yr	DGB 4.5 11/39	2.37	0.01	0.04	-0.72	18.20
Spain	2 yr	SPGB 2.5 10/13	2.18	-0.00	-0.10	0.18	1.70
	5 yr	SPGB 4.25 10/16	3.53	0.05	-0.05	0.24	4.34
	10 yr	SPGB 5.5 04/21	4.67	0.08	-0.03	0.24	7.25
	30 yr	SPGB 4.7 07/41	5.68	0.06	-0.01	0.19	15.11
Italy	2 yr	BTPS 2.25 11/13	2.94	-0.18	-0.53	0.92	1.69
	5 yr	BTPS 4.75 09/16	4.21	-0.17	-0.51	2.09	4.12
	10 yr	BTPS 5 03/22	5.58	-0.08	-0.35	2.72	7.80
	30 yr	BTPS 5 09/40	6.22	-0.06	-0.29	4.06	14.11
New Zealand	3 yr	NZGB 6 4/15	2.79	0.05	0.00	-0.00	2.91
	5 yr	NZGB 6 12/17	3.33	0.04	-0.03	0.19	5.04
	10 yr	NZGB 6 05/21	3.81	0.03	-0.05	0.40	7.33

		sell			
10yr		UK	US	Japan	Euro
buy	GLOBAL				
	UK		7	101	4
	US	-15		94	-3
	Japan	-25	-10		-12
	Euro	-17	-2	20	
10yr		sell			
DOLLAR		US	Australia	Canada	NZ
	US		-189	-8	-198
	Australia	189		-181	-9
	Canada	8	-181		-190
	NZ	256	-43	181	

EUROPE	Spread to Germany	
	2 yr	10 yr
Belgium	43	160
Denmark	-1	-7
France	40	104
Switzerland	-21	-127
Greece	21544	3331
Italy	273	373
Netherlands	6	32
Spain	198	282
Sweden	80	-5

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