

KING & SHAXSON

Money Markets

This is the day that is...

Monday 06 February 2012

Friday saw some very encouraging economic data both here and in the States. Service sector PMI reports both here and there were better than expected, which, coupled with good manufacturing data earlier in the week, suggests Q1 economic activity has made a solid start. The icing on the cake however was the US employment report which showed non-farm payroll figures for January increase by a bumper 243,000, over 100,000 more than consensus. Their unemployment rate fell from 8.7% to 8.5%. Equities rose and bond markets fell, pushing yields towards the recent higher levels of the trading range, although not beyond, yet. The blot on the landscape at the moment remains the Greek problem, where discussions continue.

It seems certain that we will get more QE in the UK this week and if that is the case market reaction could be interesting. If the recent encouraging data is the start of a turnaround then you have to ask the question, "Is more stimulus necessary at this stage?". If the answer to that is "no" then the policy makers could be viewed as playing fast and loose with inflation, which should manifest itself into higher gilt yields at some stage. Lloyds report a small improvement to its employment confidence survey, -73 versus -75 last time.

Halifax report on house prices this morning and the forecast is for +0.1% MoM -2.1% QoY.

In gilt repo overnight GC is 0.48/0.46. The 2014s are back on the special list, 2.25%s and 5%s.

Have a good day.

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	0.4970	2 Year	1.260 %
		3 Year	1.320 %
		4 Year	1.450 %
		5 Year	1.610 %
		10 Year	2.450 %
3M LIBOR	1.07738	15 Year	2.840 %
		25 Year	3.080 %
		30 Year	3.110 %

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