

KING & SHAXSON

Money Markets

This is the day that is...

Friday 03 September 2010

A mildly positive tone has remained with equity markets over the past 24 hours which has kept some upward pressure on government bond yields. There was better news on the US housing market with pending home sales increasing by 5.2%. In the UK, construction PMI followed the manufacturing one on Wednesday, undershooting the market forecast. However, the sector is still growing, albeit at a slower pace, something that we have been warned is going to be the case in the second half of this year.

Today we have the all-important services PMI and the forecast is for 52.9, a modest decline from the 53.1 seen in July. In the US we get non-farm payroll data and the forecast is for -105,000 with the unemployment rate at 9.6%. Their service PMI is forecast at 53.2.

Still plenty of specials in the repo market including 6.25% 2010, 3.25% 2011, 8% 2013, 2.25% 2014, 4.75% 2015, 8% 2015 and 5% 2018. GC is 54/52.

We have the usual array of Treasury bills on offer this morning, £1bn ones, and £1.5bn threes and sixes. Derek is in fine fettle this morning and looks forward to taking your orders. He is off on holiday tomorrow to Sicily and has turned over this week's theme to the Godfather films. He is wearing a sharp pinstripe suit and is carrying a violin case under his arm. He wants to make you an offer you can't refuse, don't end up swimming with the fishes!

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 | 0.500 % |
| 2 Months | 0.580 % |
| 3 Months | 0.710 % |
| 6 Months | 1.010 % |
| 9 Months | 1.250 % |
| 1 Year | 1.450 % |

Interest Rate Swap "Mid" Prices

| | |
|----------------|---------|
| 2 Year | 1.260 % |
| 3 Year | 1.550 % |
| 4 Year | 1.840 % |
| 5 Year | 2.100 % |
| 10 Year | 3.040 % |
| 15 Year | 3.450 % |
| 25 Year | 3.660 % |
| 30 Year | 3.680 % |

**Matched principal dealing in gilts, CDs, Treasury bills and FRNs.
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without the need for additional brokerage charges.
Repo and derivative prices on request.**

| | |
|-----------------------------------|-------------------------------------------|
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| Dave Price 020 7929 8485 | Jane Bailey 020 7929 8484 |
| Alan Simkins 020 7426 5966 | Paul Turner 020 7929 8529 |
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