

# THE MORNING BENCHMARK

TRADEWEB, IFR MARKETS AND REUTERS

EUROPEAN EDITION

Thursday, April 24, 2014

## BENCHMARKS (10 year)

Country	Price	Price Change	Yield	Yield change
US	100.47	-0.08	2.70	0.01
Germany	102.07	-0.02	1.52	0.00
UK	96.49	0.03	2.68	0.00
Japan	99.81	-0.03	0.62	0.00
China	100.72	0.48	4.33	-0.06
Hong Kong	97.27	0.06	2.27	-0.01
Singapore	102.22	0.02	2.48	0.00

## CURRENCIES as of latest reported

	Present	Prior	% chng	Yr-high	Yr-low
EUR/USD	1.3821	1.3816	0.0400	1.3967	1.3478
GBP/USD	1.6784	1.6780	0.0200	1.6841	1.6253
USD/CHF	0.8828	0.8832	-0.0500	0.9156	0.8699
USD/JPY	102.29	102.53	-0.23	105.44	100.77
EUR/CHF	1.2203	1.2200	0.0200	1.2394	1.2105

## ECONOMIC WATCH

GMT	Indicators	Unit	Reuters	Prior
06:45	FR Business Climate	--	100	100
08:00	DE Ifo Business Climate	--	110.5	110.7
08:00	DE Ifo Current Conditions	--	115.7	115.2
08:00	DE Ifo Expectations	--	105.8	106.4
10:00	GB CBI Distributive Trades	--	17	13
12:30	US Durable Goods	pct	2	2.2
12:30	US Durables Ex-Transport	pct	0.6	0.1
12:30	US Durables Ex-Defense MM	pct	3	1.7
12:30	US Initial Jobless Claims	k	310	304
12:30	US Continued Jobless Claims	mln	2.75	2.74

## MARKIT PMI: U.S., THE EURO ZONE & CHINA

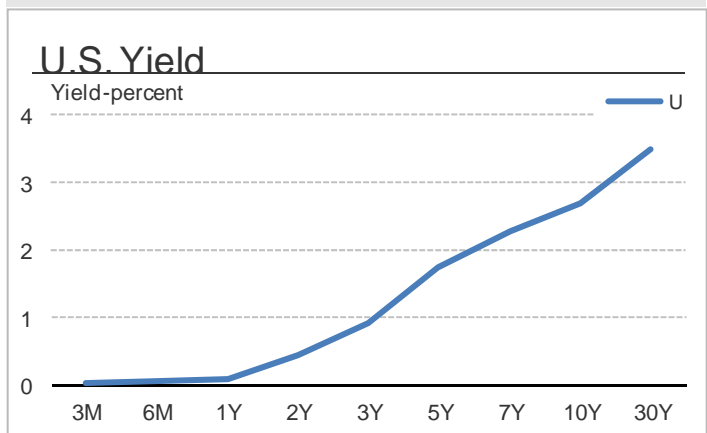
Click on the chart for full-size image



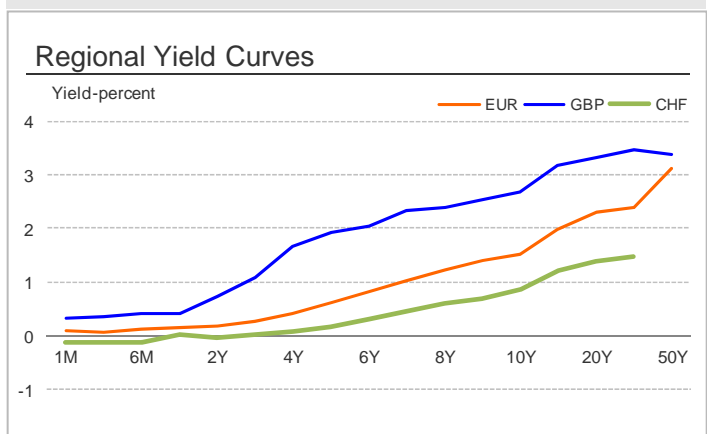
## TOP NEWS

- U.S. new home sales hint at prolonged housing weakness
- Euro zone private sector on strong footing but still slashing prices -PMIs
- Britain's budget gap narrowest since financial crisis
- White House considers former banking lawyer for Fed board -sources
- PREVIEW-BOJ to stand pat, project sustained 2 pct inflation ahead
- ECB's Nowotny says would not rule out QE, but don't need it yet

## AMERICA CLOSE



## EUROPE CLOSE



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- For Thomson Reuters Biggest CDS, Loans and Bonds Movers click [here](#)

## TOP NEWS FROM REUTERS

**U.S. new home sales hint at prolonged housing weakness**

Sales of new U.S. single-family homes tumbled to their lowest level in eight months in March, dashing hopes for a quick turnaround for a sector that fell into a soft patch last summer.

The Commerce Department said on Wednesday sales dropped 14.5 percent to a seasonally adjusted annual rate of 384,000 units. It was the second consecutive monthly decline and the biggest since July, which was also the last time sales were so slow.

Sales were down 13.3 percent from a year ago, marking the largest year-on-year decline since April 2011.

Economists, who had expected sales to increase, said the drop suggested some fundamental weakness in the market, although unusually cold weather had also dampened activity.

Financial data firm Markit said its preliminary manufacturing purchasing managers index was little changed in April. The survey's measure of output, however, hit its highest level since March 2011, with new orders increasing.

Last month, the inventory of new houses on the market increased 3.2 percent to the highest level since November 2010.

**Britain's budget gap narrowest since financial crisis**

Britain's hefty budget deficit has fallen to its lowest since the financial crisis, official data showed on Wednesday, helping the government argue it is delivering on a key economic pledge a year before a national election.

The Bank of England, meanwhile, indicated it was not hurrying to raise interest rates, even if its members are somewhat divided about the economic outlook.

Minutes from the Bank of England's April 9 policy meeting showed that policymakers were in no rush to dampen the mood by raising interest rates from their record-low 0.5 percent.

The economy remains smaller than before the crisis, inflation is below target at 1.6 percent and wages are only just starting to catch up with prices after years real-terms falls.

The BoE has said it will only raise rates when the amount of slack in the economy has fallen materially, and April's minutes did not suggest this was imminent.

April's minutes reported "considerable uncertainty" among policymakers on how much slack there was, and some disagreement about the inflation outlook.

**BOJ to stand pat, project sustained 2 pct inflation ahead**

The Bank of Japan is set to lay out projections next week underscoring its conviction that inflation will head steadily towards its 2 percent target, suggesting it has no plans to expand stimulus any time soon despite some headwinds to growth.

With no policy action expected at the central bank's April 30 meeting, market players will scrutinise its twice-yearly outlook report. The BOJ is expected to forecast consumer inflation will accelerate this year and stay around 2 percent for at least two years from the middle of 2015.

Such upbeat projections may solidify a growing market consensus that the BOJ will stand pat until around July or even longer, to examine more data for clues on how the economy has weathered a sales tax hike that was implemented this month.

"There's still a chance the BOJ may ease policy again around autumn if prices don't appear to be moving in line with its forecasts," said Izuru Kato, chief economist at Totan Research.

"But further stimulus this year is no longer a given. The BOJ basically doesn't see the need to act," he said.

**Euro zone private sector on strong footing but still slashing prices -PMIs**

The euro zone's private sector has started the second quarter on its strongest footing in nearly three years, but burgeoning new orders were again mainly buoyed by firms cutting prices, surveys showed on Wednesday.

The bloc's services industry performed better than any of the 36 economists polled by Reuters had expected, and manufacturers also had a stronger month than the median forecast had suggested.

However, Markit's flash Composite Purchasing Managers' Index, which is widely regarded as a good gauge of growth, suggested the economic support, at least, may not be necessary.

The services PMI bounced to 53.1 from March's 52.2, its highest since June 2011, but the output price index fell to 48.4 from 48.6, slipping to a four-month low.

The PMI covering manufacturers rose to 53.3 from 53.0, beating forecasts for no change. A sub-index measuring output that feeds into the composite PMI climbed to 56.5 from 55.6.

To meet the growing output factories increased headcount at the fastest rate since August 2011. The employment subindex rose to 51.3 from 50.3, its fourth month in expansionary territory.

**White House considers former banking lawyer for Fed board -sources**

A former lawyer with the American Bankers Association is being considered by the White House as a possible nominee to the board of the Federal Reserve, according to sources familiar with the efforts.

The lawyer's name emerged as the White House weighs candidates with community banking backgrounds to fill gaps on the Federal Reserve's powerful but depleted board, the sources said.

People familiar with the White House's process said administration officials may fill one of the remaining openings with someone with banking experience, as opposed to an economist.

Two sources said the administration is considering Diana Preston, a lawyer who recently left a post at the American Bankers Association, which represents many small banks.

A separate source familiar with the process said officials are looking at Rebeca Romero Rainey, who runs a small bank in New Mexico, and Ann Marie Mehlum, who headed an Oregon-based bank before joining a federal small-business agency last year.

**ECB's Nowotny says would not rule out QE, but don't need it yet**

European Central Bank policymaker Ewald Nowotny said he would not rule out a quantitative easing (QE) - or money printing - programme to buy sovereign bonds, but the time for such a step has not yet come.

Seeking to head off a drop in inflation expectations, the ECB governing council said earlier this month it was unanimous in its commitment to use unconventional tools - central bank-speak for things like QE - to counter a protracted period of low inflation.

Nowotny told Austrian newspaper Der Standard that purchases of government bonds on the secondary market would be compatible with EU law.

"In principle, I would not rule that out, though the time has not yet come for that," he told the paper in an interview.

## EUROPEAN CDS LOOK AHEAD FROM IFR MARKETS

Published on Apr 23

Look out for:

### Peripheral and core supply.

Thursdays tend to be rather action-packed affairs for the markets, and although tomorrow can't quite be classified as a Super Thursday, there is still plenty on the agenda.

There is lots of interesting data on tap on both sides of the Atlantic, and it is also the busiest day of the earnings season in the US. The European morning, though, will see the focus on core and peripheral supply matters.

First and probably foremost comes the Spanish Tesoro's taps of 3, 5 and 10yr Bonos for EUR4.5-5.5bn.

The auction comes against the backdrop of a major rally in Spain since the start of the year, where 10yr yields fell to 3.05% earlier this week, their lowest since the summer of 2005 and less than 10bp off the all-time euro-era lows of 2.97% seen in June of that year. So yet again there is nothing in the way of an outright concession here.

In terms of RV, the 3yr, SPGB2.1% April 2017, trades around a basis point cheap on the matched-maturity fly between January and July 2017 Bonos. The 5yr, SPGB2.75% April 2019, trades around 1bp on the matched-maturity fly between the October 2018 and 2019s. The 10yr, SPGB3.8% April 2024, which was the subject of stunning demand at its inaugural syndication on January 22, offers a couple of basis points of value on an interpolation of the 10yr curve, but that is also reflected in the swap curve, with swap boxes versus near neighbours looking rich.

That minor RV should offset the lack of a major concession into the auction, and hence we should see smooth digestion with a fill at the upper end of the range and solid covers.

As ever with Spanish auctions, though, pricing is the key. Average yields close to mid-market as the bidding deadline expires would indicate a primary dealer led affair. But average yields through the offered side would suggest real money buying, and that could potentially take yields to fresh multi-year lows. The bidding deadline is 0830 GMT, with results 15 minutes later.

Staying on peripheral matters, the Italian Tesoro will also be in the market tomorrow the auction of a new 2yr CTZ to the tune of EUR3-5bn. The Tesoro also taps 10 and 15yr linkers for EUR1.5-3bn. The bidding deadline is at 0900 GMT, with results 15 minutes later.

Next up it will be time to divine investor appetite for core paper when the DMO taps GBP4bn of the on-the-run 5yr Gilt, UKT 1.75% July 2019.

The last sale on March 13 was another solid tap, producing a bid-to-cover of 1.68 and tail of 0.4bp. The sale prior to this on February 4 was also stress-free with a cover of 1.58 and tail of 0.4bp.

Since that last auction the yield on the bond has risen to nearly 2% from around 1.91%, so a modest natural concession has been built in. There is not much meat from a curve perspective, though, with 2s/5s around 4bp flatter since the last sale due to

tensions in Ukraine.

This leaves relative value as the main inducement for dealers. The auction stock is placed at an inherently cheap kink on the curve, trading inverted to the 3t19 in an otherwise normally shaped curve. That makes the issue around 6/7bp cheap on the mis-matched maturity fly between the 4h19 and 3t19. The line is also the cheapest by far on an asset swap basis in this sector. As it approaches benchmark size after another couple of taps, we can expect the line to start to richen up. The next tap is due June 3.

All in all the relative value should lead to another relatively stress-free sale, although don't expect any fireworks. The bidding deadline is 0930 GMT, with results shortly after.

### ECONOMIC DATA:

In the US, it being Thursday we get the usual Initial Jobless Claims data, which this week are expected to tick up to 310k from 304k.

We also get March Durable Goods orders, which are expected to rise 2.0%. That follows a gain of 2.2% in February, but still doesn't make up for declines of 5.3% and 1.4% in December and January. Ex-trans should see the third gain in a row, this time of 0.3%, but that also won't be able to make up for December's 1.8% drop-off.

Nondefense capital goods ex-aircraft, a proxy for business investment spending, we see up around 1.5%. That would be a rebound from February's 1.4% decline.

The only other data release across the pond comes in the form of the Kansas City Fed Mfg survey.

In Europe, the data highlight of the session comes from the latest thoughts of the German IFO institute at 0800 GMT. The headline Business Climate number is expected at 110.5 in April from 110.7 in March. The current conditions index is expected to tick-up to 115.7 from 115.5, while the expectations index is expected at 105.8 from 106.4.

Aside from IFO, we also get the French Business Climate at 0645 GMT and the Italian flash trade balance at 0900 GMT.

### CORPORATE EARNINGS/ EVENTS:

It is a massive day for earnings in the US, with a whopping 61 S&P 500 constituents stepping up to the plate. Big names reporting before the market opens include Caterpillar, General Motors, Time Warner and Verizon. After the market closes we get Amazon, Microsoft and Starbucks all announcing their performances in Q1.

It is also a reasonably busy earnings day in Europe, with seven iTraxx constituents reporting. Anglo American, Air Liquide, Technip and Unilever will all announce their numbers before the market opens, with Renault and Vinci reporting after the close. Somewhere in between, AstraZeneca will reveal its performance in Q1.

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## TRADEWEB MARKETS

AS OF 6:00 AM GMT

## EURO SOVEREIGNS - 2YR - Current

Country	Coupon	Close	Change	Spread-DE
UK	2.00	0.739	-0.080	0.539
DE	0.25	0.200	-0.049	0.000
FR	0.25	0.251	-0.030	0.051
IT	2.25	0.916	-0.208	0.716
AT	3.50	0.212	-0.034	0.012
BE	2.75	0.327	-0.080	0.127
ES	3.25	0.757	-0.132	0.557
FI	1.75	0.253	-0.062	0.053
GR	-	-	-	-
IE	4.60	0.573	-0.298	0.373
PT	6.40	1.285	-0.086	1.085
DK	2.50	0.233	0.000	0.033
SE	3.00	0.683	0.000	0.483

## EURO SOVEREIGNS - 5YR - Current

Country	Coupon	Close	Change	Spread-DE
UK	1.75	1.963	-0.194	1.335
DE	1.00	0.628	-0.123	0.000
FR	1.00	0.943	-0.102	0.315
IT	2.50	1.804	-0.212	1.176
AT	1.15	0.777	-0.175	0.149
BE	4.00	0.925	-0.152	0.297
ES	2.75	1.703	-0.171	1.075
FI	1.13	0.725	-0.130	0.097
GR	-	-	-	-
IE	4.40	1.418	-0.334	0.790
PT	4.75	2.529	-0.273	1.901
DK	4.00	0.785	0.000	0.157
SE	4.25	1.296	0.000	0.668

## EURO SOVEREIGNS - 10YR - Current

Country	Coupon	Close	Change	Spread-DE
UK	2.25	2.709	-0.301	1.168
DE	1.75	1.541	-0.194	0.000
FR	2.25	2.024	-0.186	0.483
IT	4.50	3.117	-0.274	1.576
AT	1.75	1.776	-0.259	0.235
BE	2.60	2.155	-0.236	0.614
ES	3.80	3.080	-0.279	1.539
FI	2.00	1.835	-0.176	0.294
GR	2.00	6.079	0.176	4.538
IE	3.40	2.891	-0.452	1.350
PT	5.65	3.692	-0.131	2.151
DK	1.50	1.564	0.000	0.023
SE	1.50	2.043	0.000	0.502

## U.S. TREASURIES

&lt;0#USBMK=TWEB&gt;

	Bid	Ask	Yield	Change
2-Year	99.867	99.875	0.442	0.000
3-Year	99.930	99.938	0.899	0.005
5-Year	99.422	99.430	1.746	0.005
7-Year	99.797	99.828	2.282	0.009
10-Year	100.469	100.484	2.695	0.009
30-Year	102.656	102.688	3.481	0.012

## JGBs

&lt;0#JPBMK=TWEB&gt;

	Bid	Ask	Yield	Change
2-Year	100.015	100.039	0.092	-0.002
5-Year	100.009	100.067	0.198	0.318
10-Year	99.813	99.916	0.620	-0.028
20-Year	100.107	100.446	1.493	-0.015
30-Year	99.980	100.258	1.701	0.080
40-Year	103.280	103.759	1.758	0.119

## EUR IRS

&lt;TWEBIRS&gt;

	Close	Change
2-Year	0.304	-1.900
5-Year	0.350	-1.700
10-Year	0.350	-1.350
30-Year	0.032	-1.250

## GBP IRS

&lt;TWEBIRS&gt;

	Close	Change
2-Year	0.389	-1.050
5-Year	0.089	-0.900
10-Year	0.065	-1.350
30-Year	-0.197	-1.150

## USD IRS

&lt;TWEBIRS&gt;

	Close	Change
2-Year	0.094	0.600
5-Year	0.095	-2.450
10-Year	0.104	-0.100
30-Year	-0.013	0.050

## JPY IRS

&lt;TWEBIRS&gt;

	Bid	Ask
2-Year	0.105	0.114
5-Year	0.134	0.143
10-Year	0.171	0.181
30-Year	0.091	0.112

## EUR SWAP SPREADS-Current

	Bid	Ask
2-Year	0.471	0.476
5-Year	0.953	0.958
10-Year	1.749	1.754

## GBP SWAP SPREADS-Current

	Bid	Ask
2-Year	1.081	1.091
5-Year	2.014	2.024
10-Year	2.735	2.745

## USD SWAP SPREADS-Current

	Bid	Ask
2-Year	0.540	0.545
5-Year	1.816	1.821
10-Year	2.797	2.802

## JPY SWAP SPREADS-Current

	Bid	Ask
2-Year	0.195	0.200
5-Year	0.330	0.335
10-Year	0.790	0.795

## EUR OIS - Prev. Close

	Close	Change
1M	0.209	0.000
2M	0.199	0.000
3M	0.189	0.000
4M	0.180	0.000
5M	0.173	0.000
6M	0.167	0.000
9M	0.156	0.000
12M	0.153	0.000

## GBP OIS - Prev. Close

	Close	Change
1M	0.415	0.000
2M	0.417	0.000
3M	0.418	0.000
4M	0.421	0.000
5M	0.425	0.000
6M	0.429	0.000
9M	0.461	0.000
12M	0.513	0.000

## USD OIS - Prev. Close

	Close	Change
1M	0.091	0.009
2M	0.085	0.007
3M	0.087	0.004
4M	0.090	0.003
5M	0.092	0.003
6M	0.094	0.004
9M	0.103	0.003
12M	0.120	0.003

## CDS - EUROPE iTraxx -Prev. Close

	Bid	Ask
EUR-5Y	70.625	71.125
EUR-10Y	116.000	116.500
XOVER-5yr	280.125	282.125
HiVol-5yr	92.500	97.500

## CDS - U.S. Prev. Close

	Bid	Ask
IG.20-3Y	46.171	53.409
IG.20-5Y	58.277	68.158
IG.20-7Y	110.500	110.500
IG.20-10Y	107.850	125.400

## THOMSON REUTERS CDS BIGGEST MOVERS - April 23

Markit Intra-day prices. Convention spread for lower risk entities is based off the 100bp fixed coupon, while the convention spread for higher risk entities is based off the 500bp fixed coupon.

CREDIT IMPROVEMENT - LOWER RISK ENTITIES  
(CDS whose 5Yr spreads are <500bps)

## EUROPE/ MID EAST/ AFRICA

Name	RIC	ConvSprd	% Chg
MAN STR HLDG	EMG5YEUM=MG	165.61	-50.86
NORWAY	NOGV5YUSAC=MG	12.75	-7.27
ASTRAZENECA	AZN5YEUM=MG	36.00	-3.36
TYCO INTL	TYC5YUSAX=MG	44.31	-2.91
STATOIL	STL5YEUM=MG	34.50	-2.82

CREDIT IMPROVEMENT - HIGHER RISK ENTITIES  
(CDS whose 5Yr spreads are >=500bps)

## EUROPE/ MID EAST/ AFRICA

Name	RIC	ConvSprd	% Chg
ALLIANCE BOOTS H	BOOT5YEUM=MG	96.43	-8.50
BANCO ESPRITO	BES5YEUM=MG	180.75	-2.95
BANCO COM PORT	BCP5YEUM=MG	198.25	-1.98
UGF	UNPI5YEUM=MG	127.50	-1.92
EDP	EDP5YEUM=MG	150.50	-1.63

CREDIT DETERIORATION - LOWER RISK ENTITIES  
(CDS whose 5Yr spreads are <500bps)

## EUROPE/ MID EAST/ AFRICA

Name	RIC	ConvSprd	% Chg
SWITZERLAND	CHGV5YUSAC=MG	25.81	19.34
EDISON IT	EDN5YEUM=MG	53.00	4.95
AIR LIQUIDE	AIRL5YEUM=MG	34.83	4.76
RENTOKIL IN 1927	RTOI5YEUM=MG	101.37	4.23
ROLLS-ROYCE	RROY5YEUM=MG	65.67	4.23

CREDIT DETERIORATION - HIGHER RISK ENTITIES  
(CDS whose 5Yr spreads are >=500bps)

## EUROPE/ MID EAST/ AFRICA

Name	RIC	ConvSprd	% Chg
ONO FINANCE II	ONOF5YEUM=MG	51.17	2.33
WND ACQUSTN FIN	WNSA5YEUM=MG	381.17	1.64
GREECE	GRGV5YUSAC=MG	449.40	1.63
AIR FRANCE SOC	AIRS5YEUM=MG	232.75	1.09
PORTGL TELCM FIN	PTCF5YEUM=MG	242.50	1.04

## THOMSON REUTERS BIGGEST LOAN MOVERS - April 23

## CREDIT IMPROVEMENT

## EUROPE/ MID EAST/ AFRICA

Name	RIC	Avg. Bid	% Chg
AVR HOLDING	<H0005S041TB1=R>	83.46	0.70
ZODIAC MARINE SA	<Z0000G016TB2=R>	86.00	0.29
HILDING ANDERS A	<H0004E049TB3=R>	97.63	0.26
GLOBAL TIP FINAN	<G000A6018TB2=R>	98.09	0.15
FAT FACE	<F0005S019TB1=R>	98.50	0.13

## CREDIT DETERIORATION

## EUROPE/ MID EAST/ AFRICA

Name	RIC	Avg. Bid	% Chg
VIVARTE SA	<V0002K045TB1=R>	39.92	-1.24
CORTEFIEL SA	<C000DJ035TB3=R>	57.40	-0.68
AUTOBAR GROUP LT	<A000AL047TB1=R>	69.75	-0.64
CONSOLIS AB	<C000EC033TB1=R>	86.50	-0.57
NEW CARD FACTORY	<C000Q8011TC1=R>	99.75	-0.54

To access Thomson Reuters CDS index and single-name data on 3000Xtra, please enter <REUTERSSCDS> in a quote object, or go to CreditViews.

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(Compiled by Benny Thomas in Bangalore)

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