

[Source: Bloomberg & MNI ; Time: ET]

06:26 10/21 EGB SUMMARY:The Bund opened higher, touching the 21-day moving average before backing off. This level gave way during a spike in the morning session, as equity markets came off. A sharp move in thin conditions lifted the Dec Bund to a 115.25 high, just shy of resistance at 115.26/33. The market then returned to the 21-DMA before pushing back higher in a move that was again among thin conditions and accompanied by ECB speakers talking of a significant slowdown and as the Greek action of E1.5 billion of the 10-year GGB was covered an impressive 3.35 times. There was talk of some European real-money demand in the 10-year but overall volumes have been light.

05:01 10/21 TSYS:Treasuries are trading higher across the board in London, rallying from early weakness as US stock futures trade lower. Flows were mixed, with many players complaining of thin, choppy trading conditions. Ten year selling from Asian names initially led the way lower, dragging the rest of the curve down. Further Japanese name selling of the 30Y helped push prices to session lows. However, as stocks extended their slide, USTs bounced, led by buying of the 2 and 5-yr notes, with real money names to the fore. The 2Y yield was last at 1.67%, with the 5Y at 2.77%, the 10Y at 3.85% and the Bond at 4.27%. The curve was steeper, as a late rally in shorter-dated paper saw the 2-year outperform. The 2/10-yr was last at 218 bps, 3 bps steeper, with the 2/30-year curve steeper by 4 bps at 260 bps. Cross-border trades saw modest Bund outperformance, with the 10-yr T-Note/Bund spread last at -8 bps.

Euro May Slide to \$1.26 as Interest Rates Ease, Citigroup Says 2008-10-20 22:33:09.320 GMT

By Candice Zachariahs

Oct. 21 (Bloomberg) -- Investors should sell the euro versus the dollar because the European Central Bank is likely to cut its benchmark rate toward 2.5 percent as oil prices fall and growth slows, Citigroup Global Markets Inc. said.

"We believe that there is potentially a perfect storm building against the euro," wrote Tom Fitzpatrick, New York-based global currency head of strategy at Citigroup Global Markets, in a research note yesterday. The currency may fall to at least \$1.28 by year-end and maybe even continue lower in 2009."

Citigroup recommends investors sell the currency at \$1.3314 per euro, with a "minimum target" of between \$1.26 and 1.28. Investors should exit the bet if the euro strengthens to \$1.3476, wrote Fitzpatrick. The euro traded at \$1.3331 at 7:07 a.m. in Tokyo from 1.3344 yesterday. It reached a 19-month low of \$1.3259 on Oct. 10.

The ECB's target rate of 3.75 percent is "way too tight in Europe even under a misguided single mandate," Fitzpatrick wrote in a separate note dated Oct. 17. The benchmark rate is 1.5 percent in the U.S. and 0.5 percent in Japan.

[Source: MNI ; Time: ET]

Gold Falls After Asia Money Rates Drop, Equities Advance

2008-10-21 07:17:02.330 GMT

By Glenys Sim and Feiwen Rong

Oct. 21 (Bloomberg) -- Gold declined in Asia below \$800 an ounce as money market rates dropped, signaling an easing of funding costs, and as equities advanced, reducing interest in gold as a safe haven asset.

Money market rates in Asia dropped for a second day after Sweden followed South Korea in providing guarantees for bank lending and Australia pumped cash into financial system in the biggest injection for three months. Asian stocks climbed, led by energy and consumer goods producers, after OPEC signaled it may cut oil output and optimism grew that the U.S. government will expand efforts to boost economic growth.

"The credit market is not so tight any more, so the tension eased and the gold market may not be the main interest now," Ng Cheng Thye, head of precious metals markets at Standard Bank Asia, said today by phone from Singapore. "Money might be flowing back into equities."

Gold for immediate delivery fell 1 percent to \$789.20 an ounce at 3:08 p.m. in Singapore. It gained 1.7 percent yesterday. Silver for immediate delivery was up 1.3 percent at \$9.91 an ounce. Funding costs eased in Singapore, Hong Kong and South Korea. Hong Kong's three-month interbank lending rate, or Hibor, fell for a third day, tumbling 0.31 percentage point to 3.35 percent, its longest series of declines in more than a month. Singapore's three-month rate for U.S. dollar loans slid for a sixth day to 3.92 percent, the lowest this month.

Oil Declines as Dollar's Gain Dims Commodities' Appeal as Hedge

2008-10-21 09:51:39.450 GMT

By Grant Smith

Oct. 21 (Bloomberg) -- Crude oil fell for the first day in three as the U.S. dollar rose to its highest in more than a year against the euro, dimming the appeal of commodities as a currency hedge.

Crude climbed earlier on expectations that the Organization of Petroleum Exporting Countries, supplier of 40 percent of the world's oil, will reduce output at an extraordinary meeting in Vienna this week. Iran, the group's second-largest producer, said it favors a cut of between 2 million and 2.5 million barrels a day.

"Over the long-term, the oil-dollar correlation is still rather high -- it's about 60 percent," said Jochen Hitzfeld, an analyst at UniCredit Markets & Investment Banking in Munich.

"We think OPEC will cut production by about 1 million barrels, stabilizing prices."

Crude oil for November delivery fell as much as \$1.13, or 1.5 percent, to \$73.12 a barrel on the New York Mercantile Exchange, and was at \$73.77 as of 10:46 a.m. in London. It earlier advanced \$1.44 or 1.9 percent to \$75.69.

Besides Iran, ministers from Algeria, Libya, and Qatar have said OPEC will need to trim supplies when it gathers on Oct. 24 in Vienna.

"They have to give more than a million" or else "you may see prices sliding further," Johannes Benigni, chief executive officer Vienna-based JBC Energy, said in a television interview.

"Taking the severity of the financial meltdown," a "million is enough when it comes to the volume, but not when it comes to the sentiment."