

# KING & SHAXSON

## Money Markets

This is the day that is...

Friday 18 May 2012

A poor Philadelphia Fed business confidence survey helped to keep yields on a downward tack yesterday, with market conditions continuing to be affected by the deteriorating situation in Europe. Moody's has cut the ratings of 16 Spanish banks and Santander UK (stronger than the parent) as it questions the government's ability to fund them given its own funding problems with ten year yields way over the magic 6% level. There looks to be no let up in the flight to quality and equity markets continue to be hit hard - if there is going to be no growth, where are the earnings going to come from? MPC member Paul Fisher said yesterday that he would only consider a return to QE if a crisis was looming and we were threatened with a return to deep recession rather than just a couple of quarters of negative growth. Is that not what Sir Mervyn was warning about at the QIR earlier this week and what is starting to play out before our eyes?

There is no UK or US economic data due today.

In gilt repo overnight GC is 0.46/0.44. There are no specials.

There are £500m one month, £1bn three month and £1.5bn six month Treasury bills on offer today. The king of the safe haven, Derek Taylor is here to guide you to T bill Nirvana. The theme of today's tender has been turned over to children's television with news that the BBC is taking all such shows off BBC1 and BBC2. Derek has been reminiscing about Muffin the Mule this morning, but has plumped for an Andy Pandy costume to wear for the event. Give him an order and he will be absolutely Loopy Lou with delight!

Have a great weekend.

### Sterling Interest Rates

Cash Deposit "Bid" Prices		Interest Rate Swap "Mid" Prices			
<b>O/night</b>	0.500 %	<b>SONIA fix</b>	0.4867	<b>2 Year</b>	1.330 %
<b>1 Week</b>	0.500 %			<b>3 Year</b>	1.360 %
<b>2 Weeks</b>	0.500 %			<b>4 Year</b>	1.420 %
<b>1 Month</b>	0.550 %			<b>5 Year</b>	1.510 %
<b>2 Months</b>	0.740 %			<b>10 Year</b>	2.210 %
<b>3 Months</b>	0.990 %	<b>3M LIBOR</b>	1.00750	<b>15 Year</b>	2.650 %
<b>6 Months</b>	1.320 %			<b>25 Year</b>	2.970 %
<b>9 Months</b>	1.600 %			<b>30 Year</b>	3.010 %
<b>1 Year</b>	1.840 %				

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