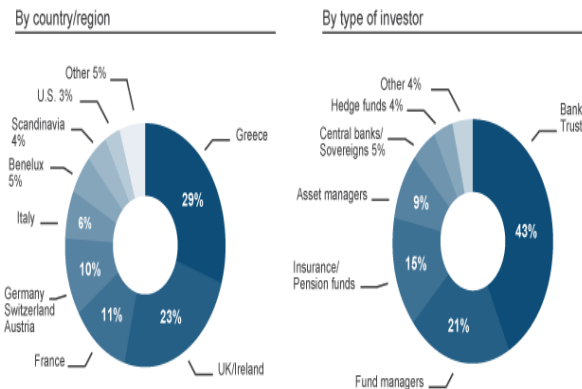


CHART OF THE DAY

Greek government bond initial allocation



Greece sold 5 billion euros of 7-yr bonds with a looming Easter holiday and a subdued European market dampening demand in the first test of investor appetite since last week's EU-backed debt support deal.

TODAY'S TOP NEWS

- Greece sells 5 bln euro bond but demand softer
- U.S. consumer spending up, supports recovery picture
- U.S. Treasury to sell Citi common shares in 2010
- Obama admin expands U.S. housing "hardest hit" fund
- Markit to offer liquidity measures for CDS, bonds
- Dollar Libor rises in prep for Fed policy shift
- **For more stories please click here**

ECON WATCH

FOR TUESDAY MARCH 30

ET	Indicators	Unit	Reuters	Prior
02:00	DE Import prices mm	%	0.4	1.7
02:00	DE Import prices yy	%	2.1	1.4
03:00	GB Nationwide Hse Prc mm	%	0.2	-1.0
03:00	GB Nationwide Hse Prc yy	%	8.2	9.2
04:30	GB GDP final qq Q4	%	0.3	0.3
04:30	GB GDP final yy Q4	%	-3.3	-3.3
04:30	GB Current account	bln	-5.20	-4.703
08:30	CA Producer prices mm	%	0.0	0.3
08:30	CA Producer prices yy	%	-	-0.3
08:30	CA Raw materials prices mm	%	-1.0	3.3
08:30	CA Raw materials prices yy	%	-	29.3
09:00	US CaseShiller 20 sa	%	-0.3	0.3
09:00	US CaseShiller 20 nsa	%	-0.2	-0.2
09:00	US CaseShiller 20yy	%	-0.8	-3.1
10:00	US Consumer confidence	ind	50.0	46.0
19:01	GB GfK consumer confi	ind	-13	-14

MARKETS TODAY

TODAY'S TOP STORY: Greece sold 5 billion euros (\$6.7 billion) of 7-year bonds with a looming Easter holiday and a subdued European market dampening demand in the first test of investor appetite since last week's EU-backed debt support deal. **For more please click here**

TREASURIES: U.S. Treasury debt prices fell with the 30-year bond yield rising to a nine-month high as a debt sale by Greece raised optimism on its fiscal situation and reduced a safety bid for government debt.

- 30-yr bond fell 15/32 in price to yield 4.78 pct, up from 4.75 pct.
- 10-yr Treasury notes fell 6/32 to yield 3.87 pct, up from 3.85 pct.
- 7-yr and 2-yr notes was unchanged in price, yielding 3.33 pct and 1.05 pct respectively.
- 5-yr notes fell 2/32 to yield 2.61 pct from 2.59 pct on Friday.
- 2-10's part of the yield curve steepened by 2 bps to 282 bps.

FOREX: The euro strengthened as debt-stricken Greece sold seven-year bonds, but investors remained anxious about the country's long-term ability to finance itself at affordable rates.

- Euro was little changed at \$1.3478, after hitting a 10-month low below \$1.33 last week. Earlier, it traded as high as \$1.3506.
- Euro fell 0.02 pct at 124.58 yen while, dollar rose 0.11 pct at 92.44 yen.
- Dollar fell 0.45 pct to 1.0205 Canadian dollars.
- Sterling was up 0.23 pct at \$1.4981.

CORPORATES: U.S. corporate bond spreads edged tighter as sovereign debt worries surrounding Greece eased.

- The CDX.IG-14 index tightened by about 1 bps to 86 bps.
- U.S. investment grade corporate bond spreads had narrowed to 163 bps as of Friday, according to BofA Merrill Lynch indexes.
- El Paso Pipeline Partners' 6.50 pct senior notes that were sold on Thursday at about 262 bps spread over Treasuries had tightened to about 252 bps.

STOCKS: U.S. stocks ended higher as energy companies and miners advanced with commodity prices as the U.S. dollar weakened, and investors bought recent high fliers ahead of the quarter's end.

- Exxon Mobil rose 1.14 pct to \$67.30, S&P energy index rose 1.76 pct.
- Dow rose 0.42 pct to 10,895.78, S&P was up 0.57 pct at 1,173.22 and Nasdaq gained 0.39 pct to 2,404.36.
- Shares of Citigroup fell 3.02 pct to \$4.18. KBW bank index fell 0.25 pct.
- Caterpillar Inc and Boeing Co both up nearly 2 pct. The S&P industrials index has risen 13 pct so far in the first quarter.
- The S&P 500 as a whole is up 5.2 pct for the quarter thus far, compared with the fourth quarter's gain of 5.5 pct.

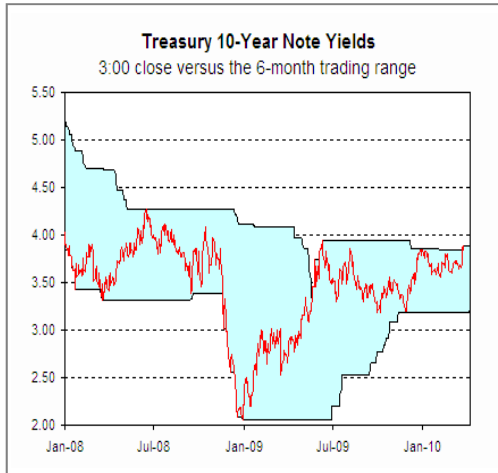
C & E: Oil prices rose more than \$2 a barrel, lifted by a weaker dollar, economic optimism fueled by strong data pushing U.S. equities higher and amid end-of-quarter book squaring.

- U.S. oil gained 3.04 pct to \$82.43 per barrel.
- Gold rose 0.45 pct to \$1,110.05 per ounce.
- Reuters-Jefferies index gained 2.06 pct to 272.83.

- **For MARKET SNAPSHOT click here**
- **For NEXT UP click here**
- **For DEEP DIVE click here**



MARKET SNAPSHOT as of 3:00 pm EST



TREASURIES <5> <500>

	BID	ASK	YIELD	CHANGE
1-Mo Bill	0.125	0.09	0.127	0.007
3-Mo Bill	0.130	0.120	0.132	-0.010
6-Mo Bill	0.230	0.220	0.233	0.002
1-Year	0.380	0.378	0.386	-0.004
2-Year	99.906	99.938	1.048	0.008
3-Year	99.281	99.313	1.625	-0.008
5-Year	99.523	99.563	2.603	-0.027
7-Year	99.547	99.594	3.323	-0.023
10-Year	98.031	98.094	3.866	-0.117
30-Year	97.781	97.844	4.765	-0.234

EQUITIES

	INDEX	CHANGE
DJIA	10895.70	45.34
NASDAQ	2401.97	6.84
S&P 500	1172.65	6.06

OIL

	PRICE	CHANGE
NYMEX	82.2	2.2
BRENT	81.5	-0.5

EURODOLLAR FUTURES

	CLOSE	CHANGE
Apr-10	99.685	0.003
Jun-10	99.620	0.010
Sep-10	99.430	0.015
Dec-10	99.125	0.005

REPURCHASE AGREEMENTS

G/C		MORTGAGE REPOS	
O/N	0.220	O/N	0.230
2-Week	0.240	2-Week	0.250
1-Month	0.250	1-Month	0.260
3-Month	0.280	3-Month	0.290
AGENCY REPOS		i-REPO SM INDEX	
O/N	0.240	10:00 AM	0.160
2-Week	0.240	3:00 PM	0.159
1-Month	0.260		
3-Month	0.300		

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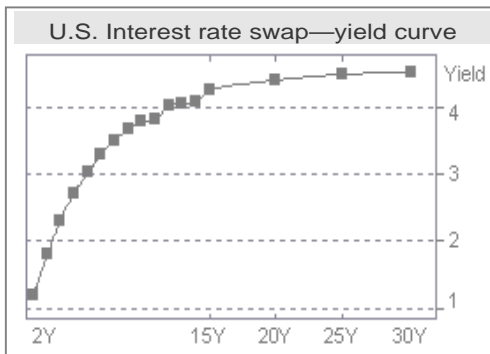
	SPREAD		RATE	
2-Year	14.00	18.00	1.18	1.20
3-Year	16.25	20.25	1.78	1.79
5-Year	10.75	14.75	2.71	2.71
7-Year	-2.50	1.50	3.29	3.29
10-Year	-6.75	-2.75	3.79	3.78
30-Year	-25.75	-21.75	4.51	4.48

FUTURES

	PRICE	CHANGE
CBOT 5 yr	116.38	-0.23
CBOT 10 yr	118.45	-0.31
CBOT 30 yr	119.19	-0.25

EURODOLLAR DEPOSITS & OIS STRIPS (ASKED)

	BID	ASK	BID	ASK
O/N	0.180	0.200	-	-
1-Month	0.220	0.300	0.188	0.198
3-Month	0.240	0.400	0.200	0.210
6-Month	0.350	0.450	0.237	0.247
12-Month	0.700	1.050	0.414	0.424



CURRENCIES

	BID	ASK
Euro	1.3468	1.3470
Sterling	1.4974	1.4978
JP Yen	92.51	92.54
Swiss Franc	1.0633	1.0636
Can Dollar	1.0215	1.0220
Mexico	12.4408	12.4444

FED FUNDS NYFRSM - 10AM

Open	0.1800	1m	0.2275
High	0.2000	3m	0.2781
Low	0.1300		

ACTIVE FANNIE MAE AGENCIES

TERM	COUPN	MATURITY	YIELD-SPREAD		YIELD
2-Year	1	12/04/2012	11	9	1.16
3-Year	1.625	15/04/2013	16.5	15.5	1.79
5-Year	2.875	09/02/2015	17	15.5	2.78
7-Year	5.125	18/10/2016	13.75	10.75	3.46
10-Year	-	-	-	-	-
30-Year	6.625	15/11/2030	36	33	5.13

ACTIVE FREDDIE MAC AGENCIES

TERM	COUPN	MATURITY	YIELD-SPREAD		YIELD
2-Year	1.125	15/12/2011	-3	-7	1.02
3-Year	1.75	07/05/2013	19.5	18.5	1.82
5-Year	2.625	20/11/2014	6	5	2.68
7-Year	5.25	15/09/2016	10.25	7.25	3.43
10-Year	3.75	27/03/2019	21	19.5	4.08
30-Year	6.25	15/07/2032	42.5	39.5	5.19

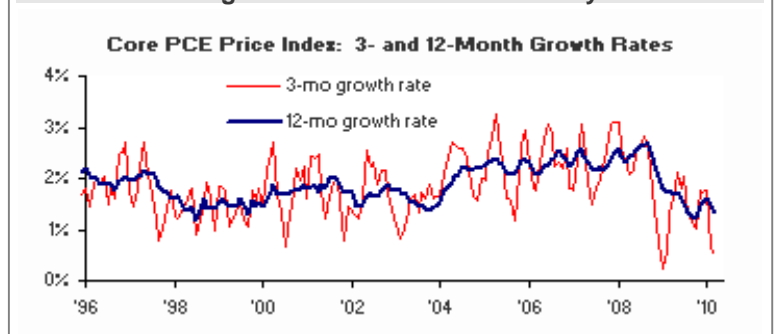
Active MBS 15YR

	CPN	BID	ASK	YIELD
FNMA	4.0	101.1560	101.1620	3.573
FHLMC	4.0	101.1550	101.1610	3.573

Active MBS 30YR

	CPN	BID	ASK	YIELD
FNMA	4.5	100.0970	100.1030	4.414
FHLMC	4.5	100.0860	100.0920	4.425
GNMA	4.5	101.0870	101.0930	4.223

Wrightson ICAPSM Chart of the Day



TODAY'S TOP NEWS

Greece sells 5 bln euro bond but demand softer

Greece sold 5 billion euros (\$6.7 billion) of 7-year bonds with a looming Easter holiday and a subdued European market dampening demand in the first test of investor appetite since last week's EU-backed debt support deal.

Order levels on the new bond stood at around 7 billion euros compared to more than 16 billion euros in interest shown for a benchmark 10-year paper whose success in early March had eased some of the nerves over Greece's financing.

About 175 institutions bid, sources at the lead managers said, compared to 400 investors for the previous 5 billion euro, 10-year issue. The bond priced at mid-swaps plus 310 basis points, making interest more than twice what Germany would pay and still at levels officials have said are unsustainable for state finances in the long run.

Separately, IMF is working in "perfect harmony" with the EU over the Greek debt crisis, but Athens may not need external help to resolve its woes, the head of the IMF said.

IMF Managing Director Dominique Strauss-Kahn said that even if Greece managed to pull back from the brink, the emergency over its finances had laid bare the failure of euro zone countries to coordinate their economic policymaking.

U.S. Treasury to sell Citi common shares in 2010

The U.S. Treasury pledged to sell its 7.7 billion Citigroup Inc shares this year, a step that further reduces the government's influence on the banking giant.

The Treasury, which acquired an outsized stake in the bank during bailouts in 2008 and 2009 said it would sell its common shares into the market "in an orderly and measured fashion." The United States owns 27 percent of the bank's shares, and stands to earn about \$7 billion profit if it can sell near current values. The Treasury said the sale will be based on a prearranged trading plan and the manner, size and timing of sales will be "dependent upon a number of factors."

Morgan Stanley is advising the United States on the share sale. The plan provided some relief to investors who feared all 7.7 billion shares would hit the market at once.

Investors worried Citigroup would announce a Dutch-style tender or a lump-sum secondary stock offering that would drag down the share price. Instead, a preset sales plan means a trickle of shares will enter the market every day.

Treasury plans to release its contract with Morgan Stanley within 48 hours, a Treasury spokeswoman said.

Markit to offer liquidity measures for CDS, bonds

Markit said it will introduce liquidity measures for securities, including CDS, to further aid transparency in the privately traded markets.

"The introduction of these metrics comes amid increasing demand from financial institutions and regulators for liquidity information in the aftermath of the financial crisis," Markit said in a release.

The new metrics will include the bid/ask spread, which is the difference between what a dealer or investor will buy or sell a contract for, and measures of market depth, Markit said.

The company will also calculate liquidity scores for the securities, which will also include evaluated bonds, loans and asset-backed securities.

Markit will introduce liquidity metrics for credit default swaps and evaluated bonds in April, with information on loans and European ABS later, Markit said.

U.S. consumer spending up, supports recovery picture

U.S. consumers tapped their savings in February to keep spending on an upward path for a fifth straight month, implying that consumption may be strong enough in coming months to keep a recovery going.

Spending increased 0.3 percent last month after rising 0.4 percent in January, a Commerce Department report showed. The increase was in line with market expectations.

Spending adjusted for inflation rose 0.3 percent last month, the Commerce Department said, adding to a 0.2 percent increase in January.

Personal income was flat last month following January's 0.3 percent rise, the Commerce Department said. Payrolls of goods-producing industries fell \$3.5 billion in February after increasing \$5.2 billion, while manufacturing slipped \$1.4 billion following a \$5.0 billion gain.

Real disposable income was flat last month after falling 0.4 percent in January. With no income growth, savings fell to an annual rate of \$340 billion, the lowest level since October 2008. The saving rate slipped to 3.1 percent, also the smallest rate since October 2008, from 3.4 percent the prior month. The data also showed the personal consumption expenditures price index, excluding food and energy, rising 1.3 percent in the 12 months to February.

Obama admin expands U.S. housing "hardest hit" fund

The Obama administration unveiled another bailout program for troubled homeowners, pledging to divert \$600 million in housing rescue funds to 5 more states on its list of "hardest-hit" markets. The funding is an expansion of its previously announced \$1.5 billion fund for state housing agencies in states that have suffered severe home price declines and high unemployment, the U.S. Treasury Department said in a statement.

The second round of funding, which comes from the TARP, will go to North Carolina, Ohio, Oregon, Rhode Island and South Carolina, the Treasury said.

President Barack Obama announced the creation of the hardest hit fund in February with California, Nevada, Arizona, Florida and Michigan, states where home prices have fallen more than 20 percent from their peak.

The latest announcement comes after Friday's blockbuster announcement that the government would begin providing lenders with incentives to write-off some principal of borrowers who owe more than their home is worth.

Dollar Libor rises in prep for Fed policy shift

The benchmark interest rate banks charge each other for borrowing dollars again rose to the highest in over six months as investors set up for the Federal Reserve to tighten monetary policy.

Meanwhile, those same rates in euros held at a record low as the market braced for a fresh liquidity injection from the ECB this week. The Libor on three-month dollars was set at 0.29013 percent, the highest since mid-September.

The three-month London interbank offered rate was fixed at 0.58065 percent, unchanged at a record low for a third straight session. Last set at 0.334 percent, the Eonia rate is expected to drift towards the ECB's benchmark 1 percent rate as money market liquidity shrinks over the course of the year.

The central bank is trying to wean banks off its liquidity operations and have already ended its one-year tenders. This week's six-month offering will be the last and the bank will return to auctioning three-month money to the highest bidder from April.



TODAY'S TOP NEWS

U.S. health reform faces big test with implementation

Democrats are pushing to shore up support for the U.S. health-care overhaul signed into law by President Barack Obama, but the final public verdict will largely depend on how smoothly it is put into effect.

Some of the biggest changes to the \$2.5 trillion healthcare system are put off until 2014, but a number of benefits are slated to go into effect this year.

The healthcare overhaul is a huge victory for Obama heading into the midterm congressional elections in November as his fellow Democrats try to hold on to their majorities in the House and Senate. But polling data show the public is skeptical of the coming changes even though many agree the system as it stood cost too much and left too many people without coverage. Republicans have vowed to work to repeal the law, arguing it gives the government too big a role in healthcare and that it will bankrupt the country.

Euro zone economic sentiment hits 22-mth high in March

Euro zone economic sentiment increased more than expected in March, punching a 22-month high as manufacturing orders improved, data showed, pointing to a stronger pace of economic recovery.

Economic sentiment increased to 97.7 points on a European Commission survey index, close to its long-term average of 100, from 95.9 in February and beating market expectations for a rise to 97.2. The March reading was the highest since May 2008.

Manufacturers saw improvement in demand last month, with sentiment in industry improving to -10 in March from -13 points in February although it is still weak, the data showed.

Meanwhile, German inflation accelerated by more than expected to 1.1 percent in March, official data showed, hitting its highest level since in over a year and pointing to firming price pressures in the broader euro zone.

Separately, there is no reason to worry about the euro currency's retreat from high exchange rates against the U.S. dollar, ECB Governing Council member Ewald Nowotny was quoted as saying on Sunday.

China fund sees dollar staying a key currency

China's National Social Security Fund plans to increase its investments in the United States and in the European Union, Dai Xianglong, the head of the pension fund, said.

The NSSF would be a financial investor and would not seek control of the companies in which it invests, Dai told reporters.

Dai said the fund would increase its overseas investments, in order to reap higher returns, even though it expects the yuan to rise in the long term.

For the short term, the Chinese currency is likely to hold stable, he added.

He said the dollar would remain a key global currency and expressed confidence that the eurozone's sovereign debt strains would not escalate. He also thought that the U.S. could achieve its ambition of doubling exports within five years.

Separately, China Construction Bank said it is examining ways of raising capital but has no immediate plans to do so.

Japan retail sales log biggest rise in 13 yrs

Japanese retail sales jumped the most in 13 years in the year to February as government incentives prompted shoppers to open their wallets, but some analysts cautioned about the outlook as such stimulus measures taper off.

Retail sales rose 4.2 percent from a year earlier, more than double a median market forecast for a 1.8 percent gain, government data showed.

February's jump came as consumers continued to spend on low-emission automobiles and electronics goods that are backed by government subsidies, while recent rises in gasoline prices gave an additional push to the overall value.

Economists also say the data is not very reliable because it focuses on department stores and other big retailers, which consumers have increasingly been shunning in recent years in favour of specialty retailers and on-line shopping.

Japan's jobless rate has recovered to 4.9 percent after hitting a record high last summer. But analysts say the improvement in the job market will slow, with companies still far from operating at full capacity and reluctant to hire new workers.

NEXT UP

PREVIEW-S&P/Case-Shiller to show prices stable but soft

The median forecast is for the S&P composite index of 20 metropolitan areas to have declined 0.3 percent in January after a 0.3 percent rise in December, seasonally adjusted, based on a survey of 11 economists.

On a non-seasonally adjusted basis, the index is expected to have dropped 0.2 percent in January, matching the December drop, based on the median forecast in a poll of 9 economists.

The median forecast is for the index to have fallen 0.8 percent year-over-year in January, non-seasonally adjusted, after a 3.1 percent drop the prior month, based on a poll of 30 economists.

The 20-city index likely fell 0.8 percent year-over-year in January, according to the Reuters survey, after a 3.1 percent annual drop in December and 5.3 percent downturn in November.

The home price index is estimated to have fallen 0.3 percent on a seasonally adjusted basis, after rising 0.3 percent in December.

S&P said these figures can be skewed by the droves of home foreclosures, which can affect the seasonal adjustments.

Unadjusted, the 20-city index is seen having slipped 0.2 percent in January, matching the December downturn.

POLL-U.S. crude oil stocks up on higher imports

U.S. crude oil inventories increased last week for the ninth straight time as imports rose and refinery utilization was up only slightly, a preliminary Reuters poll of seven industry analysts showed.

Ahead of weekly industry and government inventory reports, crude oil supplies were forecast to have risen, on average, by 2.6 million barrels in the week to March 26, the poll showed.

Gasoline stocks were projected to be down by 1.7 million barrels, with distillate stocks, which include heating oil and diesel, down by 1.4 million barrels, according to the poll.

The refinery utilization rate was forecast up 0.2 percentage point to 81.3 percent of capacity, the poll showed.

In the comparable week a year ago, refinery utilization dipped 0.3 percentage point to 81.7 percent of capacity.

Crude oil imports rose 969,000 bpd to 9.4 million bpd in the week to March 19, according to EIA data.

"Crude imports should remain solid, and we're still in (refinery) turnarounds and refiners are draining gasoline supply ahead of the specification switch," said Phil Flynn, analyst at PFGBest Research in Chicago.



DEEP DIVE Commentary and Analysis

COLUMN-Oil market gropes for new price anchor at \$75

By John Kemp

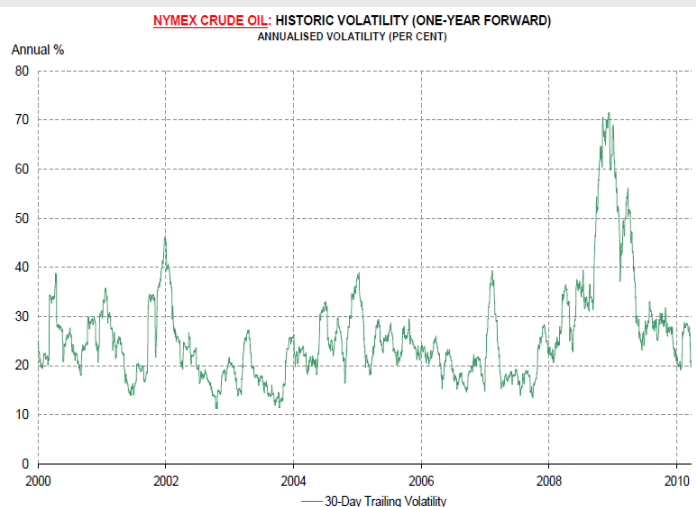
Eerie calm has descended across the crude oil market as volatility drops across the whole length of the curve and prices soften, particularly at the back end.

Front-month prices have been trading in an increasingly tight range between \$80 and \$82 per barrel with unusually small daily changes.

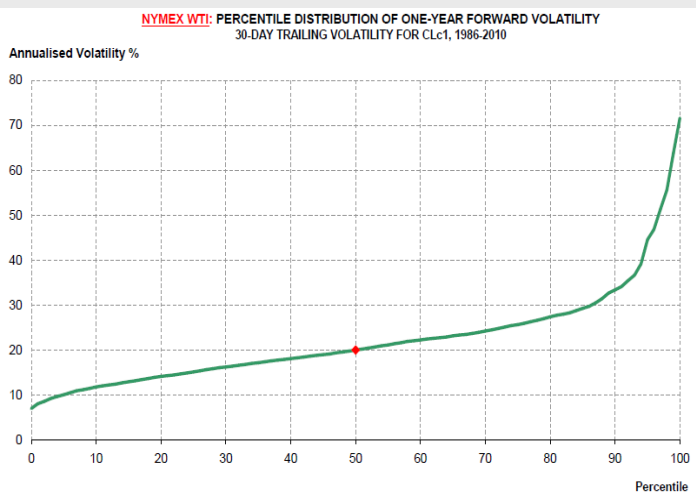
Realised volatility has sunk to just over 23 percent (30-day, annualised), from over 31 percent at the start of the month and 28 percent around the turn of the year.

Volatility in the spot month is down to the 19th percentile of its historic 1986-2010 distribution and 8th percentile of the more recent 2006-2010 distribution.

Prices further forward continue to soften. Crude one-year forward has eased \$3 from around \$86 at the start of January to \$83. Prices for end-2015 have come down by an even bigger margin of \$10, from around \$96 to \$86.



Volatility remains comparatively higher at the forward maturities. But here too it is gradually declining. One-year forward volatility is down to 20 percent (50th percentile, 1986-2010; 25th percentile, 2006-2010) from 29 percent at the start of March (84th percentile; 65th percentile).



Spot prices have stabilised, and softened further forward, despite positive news flow about improving oil demand and a consolidating global recovery -- illustrated by rising equity prices and climbing bond yields, rising freight movements, and manu-

facturing surveys.

Much of the demand recovery appears to have been anticipated during H2 2009, when spot crude moved up from just under \$70 to a little over \$80, and is already discounted in prices.

The market seems increasingly comfortable with real prices about \$75-80 in the medium term. Forward prices for Dec 2015 (\$86.65) are equivalent to \$77 per barrel now, after adjusting for inflation at 2.5 percent per year, which is not much different from today's spot price.

Price expectations appear to be stabilising around the \$75-\$80 sustainable level. Leading producers have indicated it is a "fair" price (Saudi Arabia's King Abdullah in 2009), even a "beautiful" one (Saudi Oil Minister Ali Naimi in March 2010). BP Chief Executive Tony Hayward has confirmed \$74 is "very comfortable" for the company, sufficient to fund its exploration and production investment.

On the consumer side, stable real prices around \$75 allow governments to continue meeting their energy security and CO2 reduction commitments, by encouraging conservation and underpinning investments in alternative sources such as natural gas, unconventional oil, nuclear and renewable technologies.

Falling volatility along the length of the curve (in the technical sense of smaller daily price changes), reduced oscillation (a tightening trading range), and a flattening curve all indicate price expectations are converging and the market is groping towards a new nominal anchor around \$75.

ANALYSIS-Europe unlikely to join any new yuan offensive

By Brian Love

If Washington picks a fight with China over the weakness of the state-managed currency, it will do so without European reinforcement, not least because the euro has weakened in tandem with Greece's debt crisis.

Preparation of a U.S. Treasury report that could potentially brand China a "currency manipulator" is rekindling tensions with Beijing prior to mid-April publication and raises questions as to how broad international support will be if things turned uglier.

The sabre-rattling is growing in volume since U.S. lawmakers said they were crafting proposals to allow import duties to be slapped on Chinese goods on the grounds that American jobs are being lost and Beijing must now budge.

Despite the fact that governments in Europe also believe the yuan is undervalued, giving China an unfair edge in global trade competition, there appears to be little appetite here to up the ante simply because tempers are fraying in Congress, potentially weakening the U.S. diplomatic push.

Additionally, negotiations on an aid plan for Greece not only eclipsed most other policy issues in recent months but also exposed strains among euro zone governments that will hardly sharpen desire to renegotiate their position on China so soon.

"The view here (in Europe) is that this is a red flag to the Chinese. They sense it's not going to be very productive," said an official involved in preparation of a meeting of G20 finance ministers that will bring all sides together later this month.

German Economy Minister Rainer Bruederle signalled last week that Berlin understood nothing would happen overnight. He told export executives Berlin wanted to see a fully flexible Chinese foreign exchange rate "one day" but that he realised the shift would be difficult for China.

Likewise, EU trade commissioner Karel De Gucht highlighted the contrast with the United States when he said in comments to the Financial Times newspaper: "At this moment, it is less of a political issue in Europe".

China and the United States have been at odds in 2010 over many other issues such as Google's decision to defy Chinese



DEEP DIVE Commentary and Analysis

Internet censorship, Tibet, U.S. weapons sales to Taiwan, and sanctions against Iran over its nuclear programme.

For many industrialists, the focus is often on more concrete issues of export access to China markets than the less tangible benefits a stronger yuan should confer in terms of the relative price competitiveness of euro zone firms on world markets.

THAT'S NOT THE ONLY REASON

While important, the diplomatic subtleties of how hard China can be cajoled into yuan appreciation is one of many considerations and the list of other motives has if anything lengthened, strengthening the case for further soft-peddling from Europe's perspective, officials and economic analysts say.

The most obvious is that the Greek debt crisis has produced a positive by-product to the extent that the euro exchange rate has weakened in tandem, providing some relief in theory even if it may prove temporary.

That, as French Finance Minister Christine Lagarde has said, can only be considered welcome news by euro zone exporters.

"Given the 15 percent fall we've seen in the value of the euro since July 2008 against the yuan as well as the pressing domestic issues facing the region at present, it is hardly surprising that Eurozone politicians have little appetite to tackle Chinese currency policy issues at present," said Simon Derrick, currency analyst at Bank of New York Mellon.

The euro has shed about eight percent versus the yuan since this year alone, primarily because it has retreated by roughly similar amount against the dollar, to which the yuan is pegged right now.

More strikingly, for much of the decade before the downturn and collapse in global trade in 2008, exports from the euro zone to China appear to have risen more or less continuously in spite of the yuan's increasing weakness vis a vis the euro.

Another development the Europeans should worry about is that a broad Asian exchange rate appreciation could in fact trigger a further bout of dollar weakness versus the euro, Brendan Brown, chief economist at Mitsubishi (UFJ) Securities, said.

"It is better to keep quiet and hope that the Chinese get away with only small currency changes," said Brown. "European ex-

porters are doing very well anyway."

China revalued the yuan by 2.1 percent against the dollar in July 2005 and then let it climb nearly another 19 percent before calling a halt in mid-2008 to help exporters weather the global financial crisis.

Europe if anything had more cause for complaint during that period because the reform did not lead to a yuan rise versus the euro. Indeed the euro rose roughly 10 percent versus the yuan in that period.

But in 2009, when the industrialised world was struggling to pull out of recession, China offered Europe a helping hand. Euro zone exports to China grew four percent while exports to Britain and the United States fell close to 20 percent, according to data collated by EU statistics office Eurostat.

That, combined with the desire to avoid public sparring and play for yuan appreciation in the longer term, may explain why European Central Bank President Jean-Claude Trichet and other senior euro zone officials had little to show from their last visit to China to discuss the matter back in November.

Trichet is more likely worried that China's currency policy is not sustainable in the long-term if Beijing is serious about efforts to achieve a more balanced global economy and to discuss the necessary adjustments in the G20 forum.

There too, there is no mood to rush at China over the issue.

Canadian finance minister Jim Flaherty, whose country hosts a G20 summit later this year, said this week "there's no point in sweeping important issues under the rug".

But in private, G20 officials, including from Canada, have cautioned against expecting any kind of currency pronouncements before June or maybe even November, when another G20 summit is scheduled in South Korea.

And even if it proves to be a blip, China is tipped to post a trade deficit in March that would be the first since April 2004, which Beijing could at the very least exploit as proof that caution is needed when calling for yuan change.

"Although the timing of the (trade deficit) announcement may be political, the trend towards a sustained trade deficit is very real," Albert Edwards of Societe Generale banks global strategy team said in a note.

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