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Pound Trades Near 5-Month Low Versus Euro After Economic Data
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By Lucy Meakin

March 29 (Bloomberg) -- The pound stayed near its weakest level in five months against the euro after data showed the U.K. economy shrank.

Sterling slipped against the dollar. It was the worst-performing currency this month against a basket of 10 developed-market counterparts. Gross domestic product fell 0.5 percent from the previous three months, the Office for National Statistics said today, near an earlier estimate of 0.6 percent. Gilts were little changed.

Today's data "probably doesn't change the market's uncertainty with regard to the monetary-policy decision," said Derek Halpenny, European head of currency research at Bank of Tokyo in London. "The markets are infinitely more convinced with regard to the European Central Bank next week than the Bank of England in May. That's the catalyst for euro-sterling."

The pound was little changed at 88.12 pence per euro as of 12:11 p.m. in London. It earlier today reached 88.36 pence, the weakest level since Oct. 26. It was down 0.1 percent to \$1.5972 and advanced 0.5 percent to 131.24 yen.

The ECB and Bank of England both meet next on April 7. All but one of the 19 economists surveyed by Bloomberg forecast euro-area policy makers will raise rates, whereas no change is expected for the U.K. central bank.

Among other data released today, the current-account deficit widened to 10.5 billion pounds (\$16.8 billion). A measure of M4 money-supply growth that the U.K. central bank uses to assess the effectiveness of its asset purchases slowed to an annualized 0.5 percent in the three months through February from 3.2 percent in January.

Short-Sterling Futures

U.K. mortgage approvals rose to 46,967 in February, the highest level since November and more than economists forecast, suggesting the property market is stabilizing.

The pound has slumped 1.9 percent this month against a basket of 10 developed-market currencies, making it the worst performer. It has gained 0.4 percent this year, lagging the euro's 3.5 percent advance and beating the dollar's 2.3 percent decline.

Short-sterling futures rose, pushing the implied yield on the contract maturing in December down two basis points to 1.41, as traders pared bets on an increase in U.K. rates.

U.K. government bonds were little changed, with the yield on the 10-year gilt at 3.60 percent. The 3.75 percent bond due September 2020 fell 0.02, or 0.2 pound per 1,000-pound (\$1,609) face amount, to 101.21.

Britain plans 13 gilt auctions in the coming quarter, including nine sales of conventional debt and four of inflation-linked bonds, the nation's Debt Management Office said today.

There will be three sales each of short-, medium- and long-dated debt, the DMO said in a statement. Two sales will be made through banks, it said.

Gilts lost investors 0.4 percent this year, compared with a 2 percent loss for German bonds and a zero return for U.S. Treasuries, according to indexes compiled by Bloomberg and the European Federation of Financial Analysts Societies.

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