The Afternoon Email

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Any stories from wire services are EST.
Otherwise, times are CST.

All times Eastern

15:12 08/06 **US TSYS/RECAP**: Tsys gyrated Mon amid 2-way flow/on-and-off safe-haven bid; subprime ABS/CDO/fund/credit jitters. Tsys ended lower as stks end firm. U.S. accts dominated, some unwinding safe-haven buys of last Fri, others did safe-haven buying. US stocks choppy. Some US accts exit bull flatteners. Others cover shorts in case FOMC surprises; before credit debacle, pain trade to downside. Tsys had MBS-tied buying:some sold MBS/buy Tsys. MBS spreads wider in morn amid some real, fast money selling MBS, some MBS short-covering. 10Y special. Swap spreads wider, esp 2yr, saw some front end receiving-tied flow and two-way in intermediate Tsys. Swaption vols up, surface steeper as vega outpaces gamma. Eurodlr call grab still went on in a.m. but some more willing to sell. Some mull how FOMC will cover credit woe. In p.m., many squared before Tue FOMC. Vols off as underlying ebbs, equities hold gain. Some ongoing front end steepener interest, dealers buying 1-, 2yr Eurodlr bundles, Reds and Greens despite mkt moving lower. Curve gave back early steepening.

15:12 08/06 **US SWAPS**: Spds finished session well off early wides as Tsy finish near session lows as equities post higher. Flow two-way on muted volume ahead FOMC. Front end spreads bucked early flows, small receiver interest in front end Eurodollar futures and two-way in intermediate Treasuries, and lagged the marginally wider balance of the curve.According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Mon 3:00	+0.50/55.75	-0.75/66.25	-1.00/73.00	-1.50/75.25
1:00	+1.00/56.25	+0.00/67.00	+0.00/74.00	-0.75/75.25
11:00	+2.00/57.25	+0.50/67.50	+0.50/74.50	+0.00/76.00
10:30	+1.75/57.00	+0.75/67.75	+0.75/74.75	+0.25/76.75
9:30	+1.50/56.75	+0.25/67.25	+0.25/74.25	+0.00/76.50
Mon Open	+1.50/56.75	+1.00/68.00	+1.00/75.00	+0.50/77.00
Fri 3:00	+1.50/55.25	+1.50/67.00	+1.25/74.00	+0.25/76.50

(continued)

15:10 08/06 **US TSY FUTURES**: Tsy futures finished the session near session lows, selling picks up steam later in second half as equities post higher. The Sep T-bonds settled 14/32 lower at 110-06, the Sep 10yr notes in 6.5/32 at 107-21.5, the Sep 5yr note 5/32 lower at 105-20, while the Sep 2yr note settled 2.5/32 lower at 102-16.25.

15:17 08/06 **DOLLAR-YEN**: Spiking with stocks and trading to Y118.95 area now as Dow gains approach 200 points, the move apparently setting off a stop-driven scramble here and in euro-yen which is trading over Y164.00.

15:22 08/06 **EURODLR FUTURES**: Eurodlr futures finished well off session highs, curve giving back earlier steeper profile. Off nearly 4.0 bps wieds, the Red/Gold pack spd (Sep08-Jun09) vs (Sep11-Jun12) a 2s/10s proxy, contracted 2.875 bps to 64.125. In the Fronts (Sep07-Jun08), the Sep07 were in 1.0 bps at 94-77 on combined Globex and pit volume of 430,000, the Dec07 in 1.0 bps at 95-00.5 on volume of 567,000, the Mar08 in 1.5 bps at 95-16.5 on volume of 646,000, while the Jun08 was 3.0 bps lower at 95-21.5 on volume of 570,000. The Red pack (Sep08-Jun09) a 2yr proxy, settled 4.0 to 5.0 bps lower across the pack with 1,135,000 contracts traded.

None.
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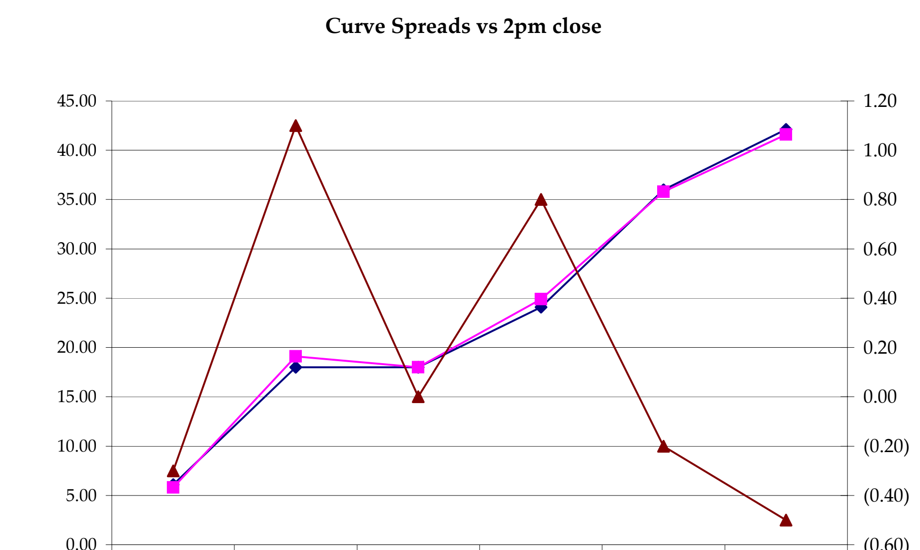
Curve Spreads

Yield Curve Spreads

	TC	PDC	Diff
2/5	6.10	5.80	(0.30)
5/10	18.00	19.10	1.10
10/30	18.00	18.00	0.00
2/10	24.10	24.90	0.80
5/30	36.00	35.80	(0.20)
2/30	42.10	41.60	(0.50)



	2/5	5/10	10/30	2/10	5/30	2/30
Last	6.10	18.00	18.00	24.10	36.00	42.10
PDC	5.80	19.10	18.00	24.90	35.80	41.60
Diff	(0.30)	1.10	0.00	0.80	(0.20)	(0.50)

Notes:

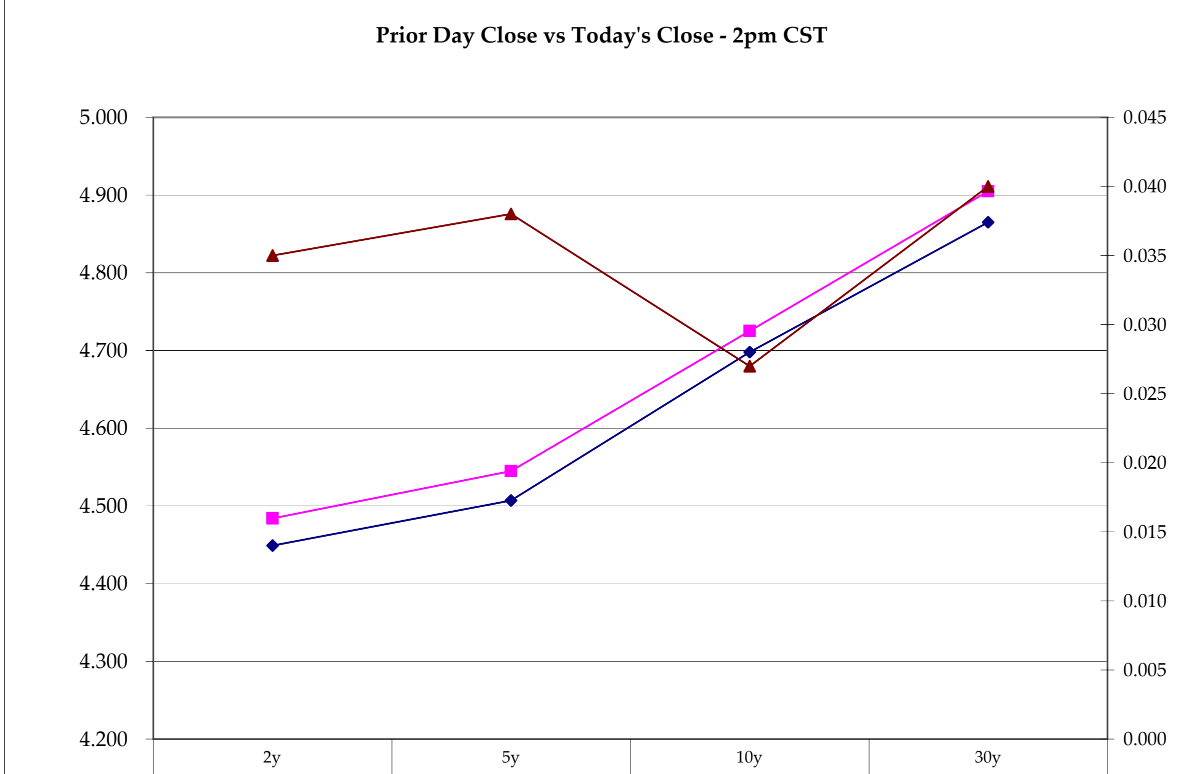
TC = Today's Close at 2pm

PDC = Prior Day's Close at 2pm

8/6/2007 14:00	Prior Day Close vs Today's Close - 2pm CST	Pg 4

	Cpn	Mty	PDC 32	PDC	TC	Diff	Basis PDC	Basis TC
2y	4.625	7/31/09	100.1000	4.449	4.484	0.035		
5y	4.625	7/31/09	100.1625	4.507	4.545	0.038	24.19	23.66
10y	4.500	5/15/17	98.145	4.698	4.725	0.027	69.24	67.55
30y	4.750	2/15/37	98.07	4.865	4.905	0.040	209.61	202.54

	PDC 32	TC
ZF	105.250	105.200
ZN	107.280	107.215
ZB	110.20	110.050



	2y	5y	10y	30y
2pm Cls	4.449	4.507	4.698	4.865
Last	4.484	4.545	4.725	4.905
Diff	0.035	0.038	0.027	0.040

Notes:
Basis = (Cash Decimal - (Futures Decimal * CF))*32
32 = price is quoted in 32nds
TC = Today's Close at 2pm
PDC = Prior Day's Close at 2pm

8/6/2007 14:00

Eurodollar Packs, Fed Fund minus Treasuries

	Eurodollar Packs		
	Last Yield	Net Yield	Last Price
Q.ED.White	5.095	-1.750	9503.750
Q.ED.Red	4.995	-5.250	9513.375
Q.ED.Green	5.249	-4.500	9488.875
Q.ED.Blue	5.463	-1.625	9468.375
Q.ED.Gold	5.653	-1.500	9450.125
Q.ED.Purple	5.653	-1.500	9450.125

Fed Funds Daily Effective Rate
Minus US Treasury Yields

Spread Name	Diff bps	Net Chng	07/17/2007
Fed Funds - 2yr yield	75.6	-7.9	43.3
Fed Funds - 5yr yield	69.5	-6.8	35.9
Fed Funds - 10yr yield	51.5	-5.3	26.5
Fed Funds - 30yr yield	33.5	-4.6	18.1
GFER	5.24	0