

The Afternoon Email

Table of Contents

Pg 1 News: Today's Recap for the United States

Pg 2 News: Snapshots throughout the day

Pg 3 Curve Spreads

Pg 4 Prior Day Close vs Today's Close - 2pm CST

Pg 5 Eurodollar Packs

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



All times Eastern

15:18 08/14 **US TSYS/RECAP:** Tsys rally Tues on 1) Safe-haven buying as riskier assets slid; 2) US stocks weak as traders with leverage/margin accts now may need to sell to get money as asset value slid; 3) Wal-Mart shares declined, cuts yearly earning outlook. 4) Street buying in 3Ys, decent buying in 2Ys, leveraged buying in 10s, hedge funds buy front end, real money buying in 2Y, 30Y futures (corporate-tied). 5) Concern on some Canadian entities' ability to roll over ABCP conduits spur Tsys safe-haven bid. 6) Some sell riskier debt/stks to deleverage, spurring more Tsys safe-haven bid. 7) Eurodollar futures: swappers 2-way in fronts, intermediate, deal-tied flow in Tsy 2s and 30s, vols bounce on bond rally off low. 8) In individual issues, a German bank sold 8,000 Sep07 Eurodollar futures. 9) P.M. had 2-way flow with some safe-haven buying in front-end Eurodollar futures. 10) T-bills, short corporates see good buying. 11) Bid lists in non-agency ARMs, and smaller ones in CMBS. 11) DJIA -1.2%, S&P 500 -1.31%. 12) Agency spreads widen across the board.

15:20 08/14 **US TSY FUTURES:** Tsy futures finished near session highs, Sep T-bonds settled 11/32 higher at 109-26, the Sep 10yr notes higher 11/32 at 107-28, the Sep 5yr note 9/32 higher at 105-25.5, while the Sep 2yr note settled 4.25/32 higher at 102-21.75.

15:12 08/14 **US SWAPS:** Spds finished session near wides as Tsys rallied, stocks crumbled. It looked like the session was going to be a typical dog days of summer kind of a session with sources reporting modest two way, receivers matching payers in the fronts to intermediates with some deal related flow in 2s and 30s. The calm was tenuous, however, as spreads pushed to new session wides--now at 7-year wides. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Tue 3:00	+3.25/63.75	+2.25/69.75	+1.75/73.75	+0.50/71.50
1:00	+2.50/62.50	+2.00/69.50	+1.25/73.25	+0.25/71.25
11:30	+1.75/61.75	+1.50/69.00	+1.00/73.00	+0.25/71.25
10:40	+0.75/60.75	+1.25/68.75	+0.75/72.75	+0.00/71.00
10:10	+0.50/60.50	+0.50/68.00	+0.25/72.25	-0.25/70.75
9:15	-1.25/58.75	-0.25/67.25	-0.25/71.75	-0.50/70.50
Tue Open	-0.50/59.50	+0.25/67.75	+0.50/72.50	+0.00/71.00

(continued)

15:23 08/14 **US AGENCIES:** "A very entertaining show," said a trader. Or words to that affect as spreads in swaps and GSEs widen markedly on the day as stocks fall again and Treasuries clip another nickle off 10-year yields. Indications as follows - Freddie June'09 +47.5 according to TradeWeb and other screens (vs Monday's 3PM mark of +46); Fannie July'09 +48 (+47); Fannie Mar'10 +48 (46.5); Freddie Aug'10 +52 (+51.5); Fannie May'12 +54.5 (+52); Freddie Aug'12 +55 (+54); Fannie June'17 +64.5 (+64); Freddie Aug'17 +65 (+64); Fannie Nov 2030 +62 (+61); Freddie Jul'32 +61 (+60.5).

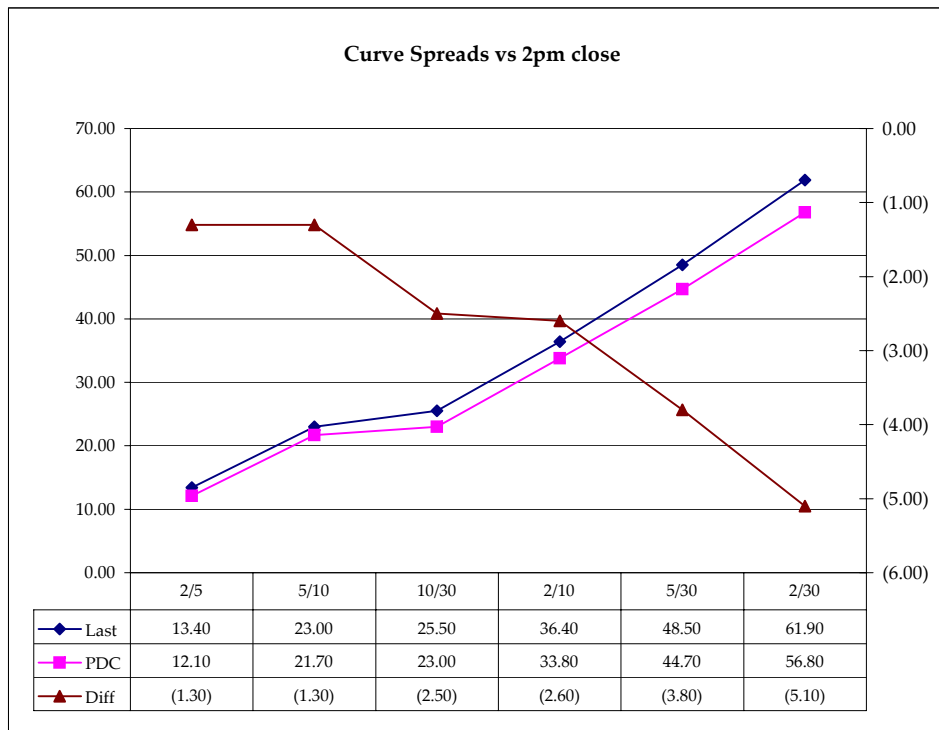
15:29 08/14 **EURODLR FUTURES:** Eurodollar futures finished near midrange, well off early lows as the Red/Gold pack sped (Sep08-Jun09) vs (Sep11-Jun12), steepened 2.125 bps to 71.5. In the Fronts (Sep07-Jun08), the Sep07 was 0.75 bps lower at 94-72.5 on combined Globex and pit volume of 420,000, the Dec07 up 2.0 bps at 95-06 on volume of 471,000, the Mar08 up 5.0 bps at 95-28.5 on volume of 552,000, while the Jun08 was 5.5 bps higher at 95-33 on volume of 441,000. The Red pack (Sep08-Jun09) a 2yr proxy, settled 4.5 to 5.0 bps higher across the pack with 914,000 contracts traded.

14:02 08/14 **US BONDS:** Several sources say today's \$3B bid list from a REIT containing non-agency AAA ARMS might be because of today's downgrade or margin calls. And other bidlist might be just to raise cash for possible redemptions or just to deleverage. But one analyst said the general themes are the same. **"It's not credit induced, it's about liquidity.** And they need money."

Several sources also note the mood is quite grim with information sharing drying up and even the passing on of information that is not true. "People are running for the hills," one salesman said. "People who would normally have interest in certain types of paper no longer want to be involved because they don't know where the clearing levels are," the analyst said. In terms of current disputes over the backup lines of credit in the ABCP market, another analyst said, "the Street can move faster than the lawyers and the name of the game is act now and ask questions later." On the topic of funding problems, market sources uniformly said it is a house of cards and if only a few big players take their chips off the table, it can all come tumbling down.

14:06 08/14 **US TSYS:** ...Meanwhile, hedge funds have the 45-day notice period deadline Wed. by which time those customers who sought to exit funds by Sept. 28 quarter-end must give notice by Wed, with some fear around on that score too.

Yield Curve Spreads			
	TC	PDC	Diff
2/5	13.40	12.10	(1.30)
5/10	23.00	21.70	(1.30)
10/30	25.50	23.00	(2.50)
2/10	36.40	33.80	(2.60)
5/30	48.50	44.70	(3.80)
2/30	61.90	56.80	(5.10)



Notes:

TC = Today's Close at 2pm

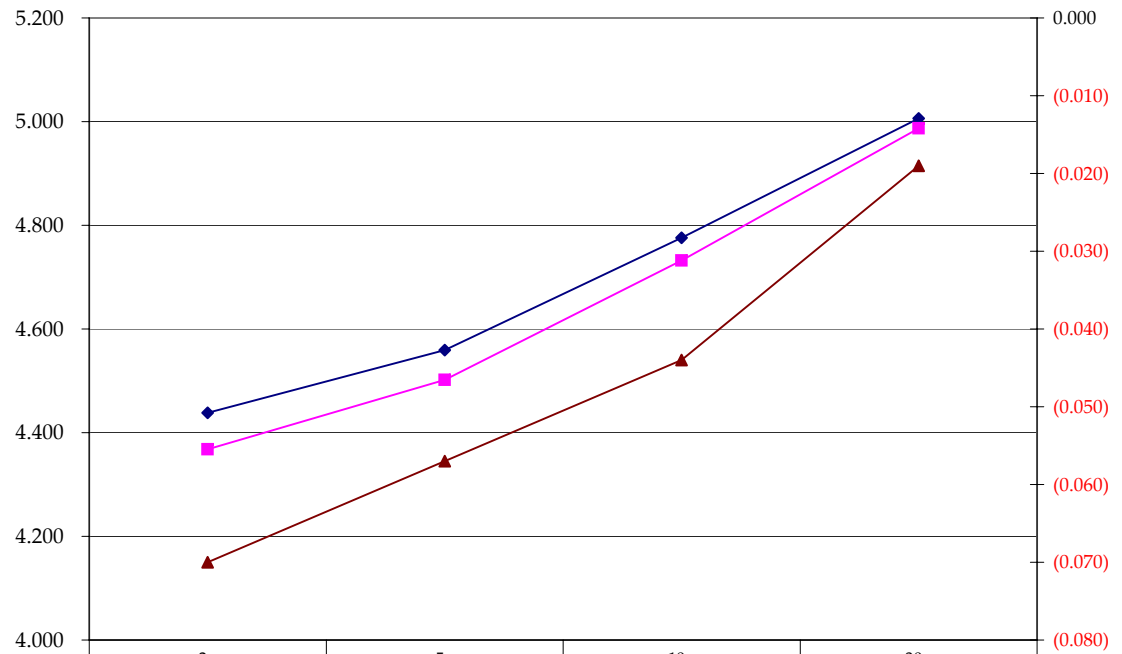
PDC = Prior Day's Close at 2pm

Prior Day Close vs Today's Close - 2pm CST

	Cpn	Mty	PDC 32	PDC	TC	Diff	Basis	
							PDC	TC
2y	4.625	7/31/09	100.1050	4.438	4.368	(0.070)		
5y	4.625	7/31/09	100.0900	4.559	4.502	(0.057)	24.96	24.95
10y	4.750	8/15/17	99.255	4.776	4.732	(0.044)	67.01	68.42
30y	5.000	5/15/37	99.29	5.006	4.987	(0.019)	175.66	176.04

	PDC 32	TC
ZF	105.165	105.250
ZN	107.170	107.270
ZB	109.15	109.250

Prior Day Close vs Today's Close - 2pm CST



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

Eurodollar Packs			
	Last Yield	Net Yield	Last Price
Q.ED.White	5.031	2.813	9509.875
Q.ED.Red	4.950	4.125	9517.625
Q.ED.Green	5.253	3.500	9488.500
Q.ED.Blue	5.490	3.250	9465.750
Q.ED.Gold	5.689	2.500	9446.625
Q.ED.Purple	5.689	2.500	9446.625

