The Afternoon Email

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Key Money Rates

12/3/2007 14:00

	Libor$ ^	Tbill	CP ^^
1M	5.246	3.630	5.280
3 M	5.141	3.043	5.160
6M	4.896	3.271	4.750

	TSY	Swap	ED Pks ^^^
2y	2.901	98.00	3.517
5y	3.284	82.75	4.433
10y	3.894	67.00	4.758

	Libor$ ^	Repos
0/N	4.705	4.150
1week	4.868	3.250
2week	4.878	3.250

Notes

^Quoted in US Dollars

^^CP = Commercial Paper

^^^ED Pks are colored for pack identifications. Exanple, the red pack is a 2-yr proxy and is colored red.

SYM = Symbol

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

Stone & McCarthy RESEARCH ASSOCIATES

MarketNews international

All Times Eastern unless otherwise marked

15:19 12/03 **US TSYS/RECAP**: US Tsys rose Mon on 1) safe-haven bid/SIV writedown fears and 2) big early 2-year buyer; 3) morning 2Y buying on flight-to-quality bid, also fund buying too; 4) 2Y/10Y, 2Y/30Y curves steepen sharply as some renew steepeners. 5) Fast money did 5Y/30Y steepeners. 6) Lvrgd accts sold 5Ys. 7) Buy-and-hold bid in 30s. 8) Lvgd accts did some buying out Tsys curve, also 9) foreign accounts did 2Y/10Y flatteners. 10) Goldman Sachs cut Fannie Mae stk tgt to US$45 from $60; Fannie stock off US$1.88 on day. 11) Also had been early short-covering, credit fears as Moody's warned was preparing the biggest credit ratings downgrade since subprime mortgage crisis began. 12) Swap
spreads mainly tighter, then wider esp. 2Y amid brisk 2Y buying, and 2Y swaps paying. 13) 3m US$ LIBOR up 0.93 bps at 5.1406%. 14) Credit spreads on bks, brokers, some fin. names wider. 15) Good buying in various asset classes but also steepener unwinds, big seller of Dec07 Eurodlr futures as some hope for US disct rate cut disappointed.

15:11 12/03 **US EURODLR FUTURES**: Eurodlr futures finished a little above midrange, pared gains around midsession as equities attempted a rally, front end under pressure as one acct sells appr 50K Dec07 contracts on liquidation. Curve moves sideways, the Red/Gold pack spd out 0.5 bps at 121.625. In the Fronts (Dec07-Sep08), the Dec07 was in 7.5 bps at 95-08.25 on combined Globex and pit volume of 352,000, the Mar08 in 3.0 bps at 95-80 on volume of 232,000, the Jun08 up 0.5 bps at 96-27.5 on volume of 305,000, while the Sep08 contract was 4.0 bps higher at 96-53.5 on volume of 326,000. The 2yr proxy Red pack (Dec08-Sep09), settled 7.5 to 12.0 bps higher across the pack with some 950,000 contracts traded.

14:59 12/03 **US SWAPS:** Near end spds continue to forge wider, better paying as a whole reported while ongoing illiquidity exaggerating the move. Some flattener interest in 5s vs 10s noted earlier as well. Spd wideing making retracing over 50% of last week's tightening, inching closer to 20-yr wides as credit concerns move to fore again. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
2:55	+9.50/98.25	+5.25/83.00	+2.25/67.50	+1.00/56.25
12:20	+6.75/95.50	+3.00/80.75	+0.50/65.75	-0.25/55.00
11:10	+5.75/94.50	+2.25/80.00	+0.25/65.50	-0.50/54.75
10:20	+6.25/95.00	+1.50/79.25	+0.00/65.25	-1.00/54.25
9:50	+4.75/93.50	-0.25/77.50	-1.00/64.25	-1.75/53.50
9:20	+1.75/90.50	-0.25/77.50	-1.00/64.25	-1.50/53.75
Mon Open	+1.25/90.00	-0.50/77.25	-0.75/64.50	-1.50/53.75
Fri 3:00	-1.25/88.75	-3.25/77.75	-2.00/65.25	-1.75/55.25

(cont)

15:04 12/03 **US SWAPTION VOLS**: OTC vols dip slightly late in the session, despite spds moving to widest levels of session. While support for gamma was noted by OTC desks, general customer and interdealer flow remained light as accts returned to a new fiscal yr, others drifted to sidelines to await next week's final FOMC rate announcement for '07. Term structure remains inverted. Exchange listed flow, while rather modest as well, favored rate-cut fly and condor structures targeting funds levels as low as 3.75% by the end of Q1'08. According to GovPX:

Time (ET)	GAMMA, 3M/2Y	INTERMEDIATE, 2Y/10Y	VEGA, 5Y/5Y
Mon 3:00	35.30%	20.40%	19.50%
1:30	35.50%	20.60%	19.80%
12:30	34.50%	20.50%	19.70%
11:45	34.80%	20.60%	19.70%
9:30	34.50%	20.60%	19.90%
Mon Open	33.40%	20.10%	19.60%
Fri 3:00	33.10%	20.10%	19.50%

MarketNews international

14:40 12/03 **US ABS/RISK**: Initial govt plans to limit subprime fallout may only have marginal effect, at best, at reducing foreclosures and losses, said UBS. Subprime borrowers at default risk fall broadly in 3 types: 1)borrowers who can pay higher reset rate, 2)can continue to afford initial teaser rate, but likely to default when forced to pay higher reset rate, 3) cannot afford initial teaser or higher reset rate. Guidelines to be shortly hammered out by mortgage industry and regulators are aimed at group #2, buyers who can at least pay lower teaser payments. But ost probably already eligible for loan modifica- tions and may already be
neat workout with servicers. "Pressure from govt, esp from regulators, can certainly encourage a bank to modify more loans, but that number will be marginal. The only way to ensure major increase in modifications is for government to impose a massive, wholesale modification - but that would call into question the sanctity" of legal documents of securitiza-tion" so from all reports, no one "seriously considering" such approach"

Stone & McCarthy RESEARCH ASSOCIATES

[....]
"**Today's announcement of bill redemptions may be setting the stage for some further innovation in discount window policy."**
Raymond Stone
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"We confront a week that gets a chunk of new information to tell us how weak November was.This doesn't matter very much, to be frank. Between the Beige Book, Fedspeak, data through last week that pointed to slowing consumption (and flat private wage& salary gains) it seems the Fed has enough to go on to ease with confidence next week."
[....]
"Our discussion of broad trading ranges and the market effectively going nowhere defines pretty well our approach into year end."
[....]
sell 2s/10s vs. 100 bp (reverse over) and buy vs. 78-80, buy 2s vs. 3.17/21% sell vs . 2.90%. Sell TY to a closing gap at 11305, then buy. Sell vs. 11417/19.

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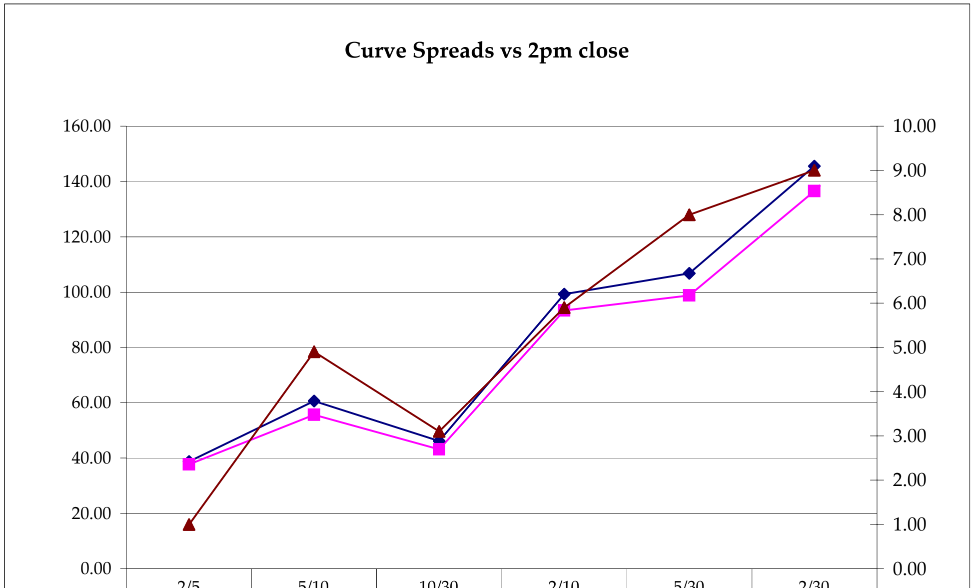
Curve Spreads

	Yield Curve Spreads		
	TC	PDC	Diff
2/5	38.70	37.70	1.00
5/10	60.60	55.70	4.90
10/30	46.20	43.10	3.10
2/10	99.30	93.40	5.90
5/30	106.80	98.80	8.00
2/30	145.50	136.50	9.00



	2/5	5/10	10/30	2/10	5/30	2/30
Last	38.70	60.60	46.20	99.30	106.80	145.50
PDC	37.70	55.70	43.10	93.40	98.80	136.50
Diff	1.00	4.90	3.10	5.90	8.00	9.00

Notes:

TC = Today's Close at 2pm

PDC = Prior Day's Close at 2pm

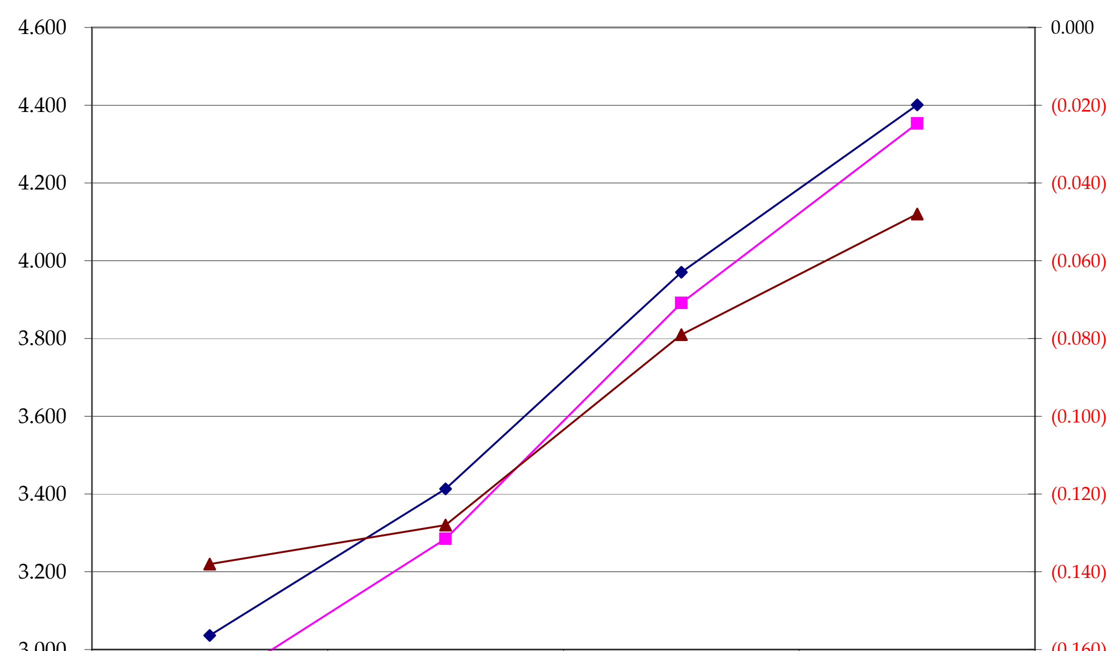
12/3/2007 14:00

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

	Cpn	Mty	PDC 32	PDC	TC	Diff	Basis PDC	Basis TC
2y	3.125	11/30/09	100.0550	3.036	2.898	(0.138)		
5y	3.375	11/30/12	99.2650	3.413	3.285	(0.128)	-32.67	-28.37
10y	4.250	11/17/17	103.090	3.970	3.891	(0.079)	136.40	105.59
30y	5.000	5/15/37	109.27	4.401	4.353	(0.048)	277.13	280.82

March Contracts

	PDC 32	TC
ZF	110.035	110.190
ZN	113.065	113.280
ZB	117.06	118.010



	2y	5y	10y	30y
2pm Cls	3.036	3.413	3.970	4.401
Last	2.898	3.285	3.891	4.353
Diff	(0.138)	(0.128)	(0.079)	(0.048)

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 & Fed Funds - Treasuries

Eurodollar Packs

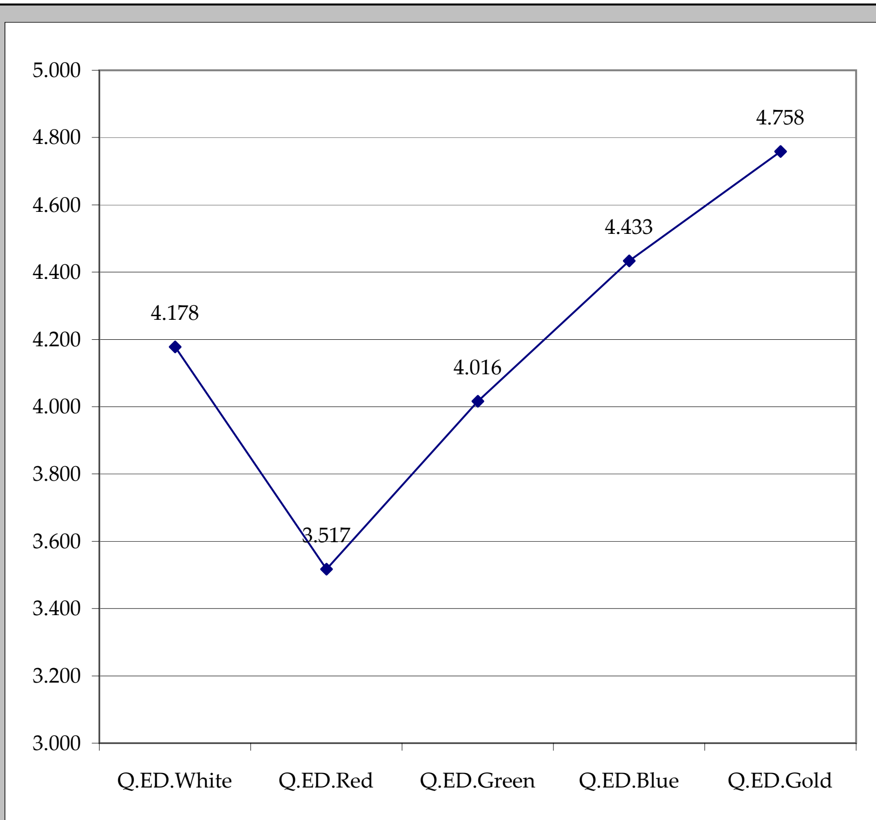
	Last Yield	Net Yield	Last Price
Q.ED.White	4.178	-1.563	9592.188
Q.ED.Red	3.517	10.375	9656.125
Q.ED.Green	4.016	11.375	9607.750
Q.ED.Blue	4.433	12.375	9567.500
Q.ED.Gold	4.758	11.500	9536.125

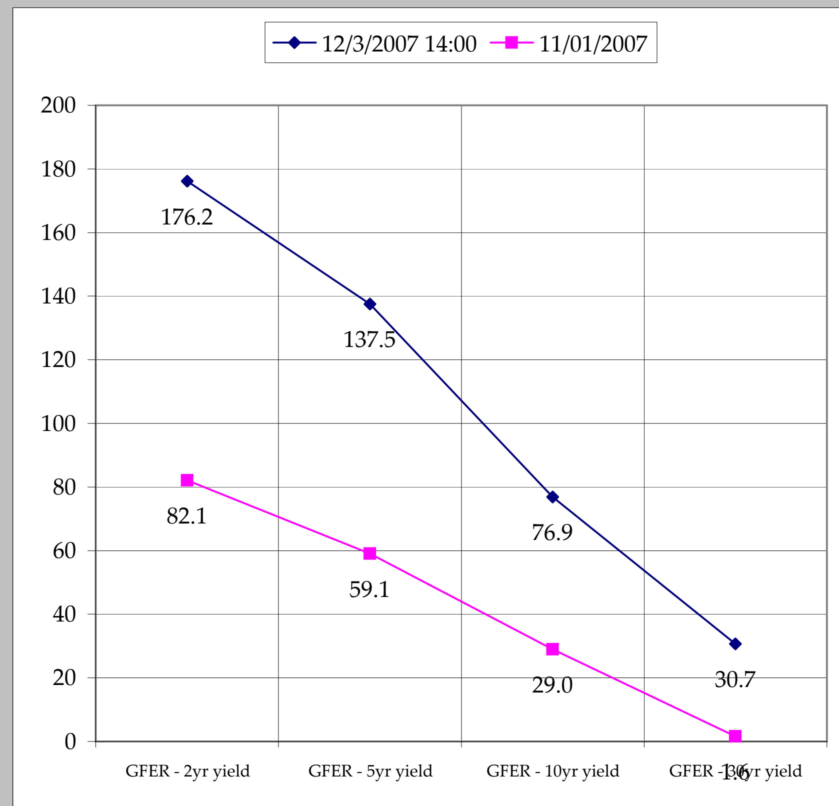
Fed Funds Daily Effective Rate Minus US Treasury Yields

Spread Name	Diff bps	Net Chng	11/01/2007
GFER - 2yr yield	176.2	21.6	82.1
GFER - 5yr yield	137.5	21.7	59.1
GFER - 10yr yield	76.9	16.3	29.0
GFER - 30yr yield	30.7	14.3	1.6
GFER	**4.66**	13.0	

GFER = Fed Funds Daily Effective Rate

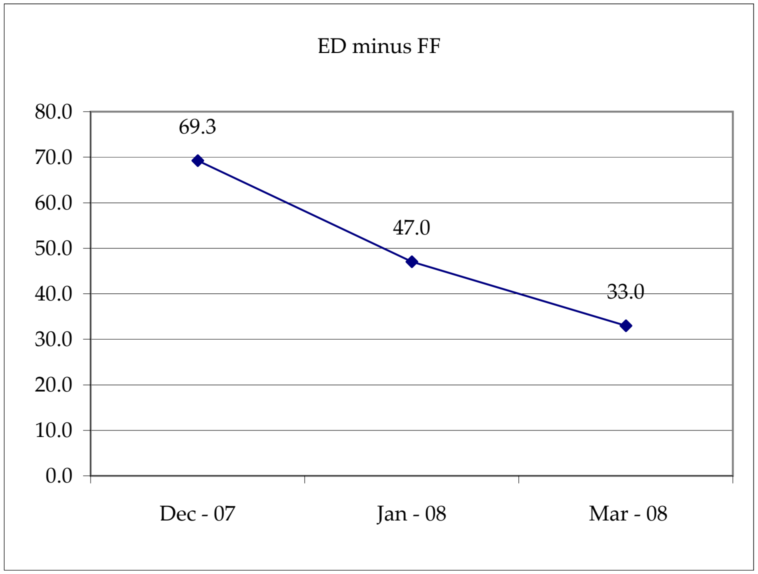
Why 11/01/2007?
The morning after the FOMC is a good benchmark.





Fed Funds - Eurodollars

	Fed Funds (FF)			ED	ED - FF
Month	Last	Net	Implied	Implied	bps
Dec-07	95.775	-0.050	4.225	4.918	69.3
Jan-08	95.850	0.050	4.150	4.620	47.0
Feb-08	96.035	0.150	3.965	0.000	0.0
Mar-08	96.125	0.200	3.875	4.205	33.0
Apr-08	96.215	0.150	3.785	0.000	0.0
May-08	96.370	0.100	3.630	0.000	0.0
Jun-08	96.395	0.250	3.605	3.725	12.0
Jul-08	96.565	0.350	3.435	0.000	0.0
Aug-08	96.710	0.650	3.290	0.000	0.0
Sep-08	96.770	0.550	3.230	3.465	23.5



Money Rates

USD LIBOR	Bid	Ask	Last Quote	Last Trade	Hi	Low	Net Chng	Open
USDLIBON			4.70500	4.70500	4.71625	4.70500	(0.01125)	4.71625
USDLIB1M			5.24563	5.24563	5.24563	5.23625	0.00938	5.23625
USDLIB3M			5.14063	5.14063	5.14063	5.13125	0.00938	5.13125
USDLIB6M			4.89563	4.89563	4.91000	4.89563	(0.01437)	4.91000
USDLIB1Y			4.43388	4.43388	4.45750	4.43388	(0.02362)	4.45750
GBP LIBOR	**Bid**	**Ask**	**Last Quote**	**Last Trade**	**Hi**	**Low**	**Net Chng**	**Open**
GBPLIBON			5.88750	5.88750	5.95000	5.88750	(0.06250)	5.95000
GBPLIB1M			6.71500	6.71500	6.71500	6.09125	0.62375	6.09125
GBPLIB3M			6.62000	6.62000	6.62000	6.60625	0.01375	6.60625
GBPLIB6M			6.34375	6.34375	6.34375	6.34000	0.00375	6.34000
GBPLIB1Y			6.04375	6.04375	6.04938	6.04375	(0.00563)	6.04938
GBP DEPOSITS	**Bid**	**Ask**	**Last Quote**	**Last Trade**	**Hi**	**Low**	**Net Chng**	**Open**
GBPDEP1M	6.580	6.680	6.680	6.680	6.780	6.410	0.040	6.440
GBPDEP3M	6.540	6.640	6.640	6.640	6.740	6.370	0.010	6.430
GBPDEP6M	6.240	6.340	6.340	6.340	6.440	6.090	0.000	6.140
GBPDEP1Y	5.940	6.040	6.040	6.040	6.150	5.790	(0.010)	5.850
EURIBOR DEPOSITS	**Bid**	**Ask**	**Last Quote**	**Last Trade**	**Hi**	**Low**	**Net Chng**	**Open**
EURLIBON			3.9963	3.9963	4.0763	3.9963	(0.0800)	4.0763
EUIBOR1M			4.8340	4.8340	4.8340	4.8340	0.0120	4.8340
EUIBOR3M			4.8390	4.8390	4.8390	4.8100	0.0290	4.8100
EUIBOR6M			4.7750	4.7750	4.7750	4.7510	0.0240	4.7510
EUIBOR1Y			4.7110	4.7110	4.7110	4.6920	0.0190	4.6920