The Afternoon Email

Table of Contents

Key Money Rates

12/4/2007 14:00

	Libor$ ^	Tbill	CP ^^
1M	5.252	3.704	5.280
3M	5.150	3.071	5.160
6M	4.909	3.228	4.750

	TSY	Swap	ED Pks ^^^
2y	2.884	99.00	3.510
5y	3.276	84.75	4.464
10y	3.887	68.25	4.806

	Libor$ ^	Repos
0/N	4.731	4.400
1week	4.875	4.100
2week	4.885	4.050

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

15:27 12/04 **US TSYS/RECAP**: Tsys ended Tues off lows amid late rate-lock unwinds that stabilized mkt after rumored US$6Bln sale of 2Y notes midday (cd have been lvrgd fund or UK or European bank; 3-4 fast money accts jumped on after initial sale, selling between US$200M to US$500M each; others eyed steepener stopouts too. (Was US$3B 2Y buyer Mon. morn too.) The afternoon also had fast money covering 5Y shorts, earlier real money buying large size in 10Y futures on dip. Stocks lower amid analysts lowering earning estimates for major bks due to subprime woe. Mkt awaits 8:15am ET Wed. ADP private payrolls, Thu' RBS Greenwich's tradg update and ECB, BOE mtgs; others await rtgs dwngrades on CDO or subprime/SIV/ABS sector. UK financial regulator on Bbg telling bks to limit buying in mortgages. In morning, fund buying arose in 2ys, mild corp rate-lock selling, some 2Y/10Y steepeners; foreign buying, profit-taking. Traders mull who'll be left holdng weak SIV/ABS. MBS had morning origination selling, mostly 5.5s, some 5s also.Buying in 1y Eurodlr futures in size.

15:12 12/04 **US EURODLR FUTURES**: Eurodlr futures finished near midrange, pared gains around midsession, shadowing Tsys after large seller in 2s. Curve forges higher, the Red/Gold pack spd out 2.875 bps at 124.5. In the Fronts (Dec07-Sep08), the Dec07 was up 1.5 bps at 95-09.75 on combined Globex and pit volume of 283,000, the Mar08 up 1.5 bps at 95-81.5 on volume of 225,000, the Jun08 up 0.5 bps at 96-28 on volume of 222,000, while the Sep08 contract was 0.5 bps higher at 96-54 on volume of 248,000. The 2yr proxy Red pack (Dec08-Sep09), settled steady to 1.0 bps higher across the pack with some 992,000 contracts traded.

15:05 12/04 **US SWAPS**: Spds ended session off earlier wides, front end underperforming. After several rounds of paying on rate in 5s, 10s and 30s overnight, sources reported ongoing paying-tide flow in Eurodlr 5yr bundles and Green packs (Dec09-Sep10), followed by paying in front to intermediate Tsys in a couple waves, particularly in 2s when FI mkts dipped early in second half. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Tue 3:00	+1.00/99.25	+1.75/84.75	+0.50/68.25	-0.25/56.25
12:30	+0.50/98.75	+1.25/84.25	+0.00/67.75	-0.75/55.75
11:45	+1.50/99.75	+1.25/84.25	+0.00/67.75	-1.00/55.50
10:30	+1.00/99.25	+1.75/84.75	+0.00/67.75	-0.75/55.75
9:25	+2.25/100.50	+2.25/85.25	+0.25/68.00	-0.75/55.75
Tue Open	+2.25/100.50	+1.75/84.75	+0.25/68.00	-0.50/56.00
Tue 7:50	+3.75/103.00	+2.75/85.75	+0.50/68.25	-0.25/56.25
Mon 3:00	+10.50/99.25	+5.25/83.00	+2.50/67.75	+1.25/56.50

(cont)

15:16 12/04 **US AGENCIES:** Off the wides of the day in swaps and GSEs alike, but still mostly at least somewhat wider for the session. Two-way flow reported with some seeing selling both up front and out the curve. Indications as follows - Freddie Nov'09 +70 (vs Friday's 3PM mark of +68); Fannie Nov'09 +67 (+66.5); Freddie Aug'10 +71.5 (+70.5); Fannie Sept'10 +70.5 (+69); Freddie Oct'12 +61.5 (+61); Fannie Nov'12 +65 (+64); Fannie June'17 +60 (+60.5); Freddie Nov'17 +62.5 (+62); Fannie Nov 2030 +58 (+57.5); Freddie Jul'32 +56.5 (+56.5). Home Loan launched its $3B 3Y Global Bond - suggested spread +77.5 area.That continues to be a moving target as it started at +75 area and was as wide as +80 area this morning. Pricing in the morning.

15:06 12/04 **US SWAPTION VOLS**: OTC vols dipped later in second half as FI mkts pared gains. OTC vol had gained support via "outright buying," but overall volume was not deemed significant. Nevertheless, sources reported interest in MBS option packages to help alleviate some of rally induced stress. One desk reported ongoing strike rolling," with particular focus on "pricing 50 to 100 bp out-of-the-money (OTM) skews." Specifically, one trader noted "some buying of short tail receiver skew versus selling longer tail receiver skew, conditional steepeners 5s vs. back-end." Vol bid may have been hedged via Mar 10yr 114 straddles. According to GovPX:

Time (ET)	GAMMA, 3M/2Y	INTERMEDIATE, 2Y/10Y	VEGA, 5Y/5Y
Tue 3:00	36.40%	20.40%	19.30%
12:20	37.00%	20.70%	19.80%
11:40	37.00%	20.70%	19.80%
9:30	36.50%	20.70%	19.80%
Tue Open	36.30%	20.70%	19.80%
Mon 3:00	35.30%	20.40%	19.50%

MarketNews international

13:35 12/04 **US MKTS:** Tony Crescenzi of Miller, Tabak says money mkt conditions "remain problematic" and it is possible more Fed actions to counter this are forthcoming. Earlier he wrote that Fed should narrow the DR spread to the Fed fnds target, but now he says "Alternatively, the Fed could continue to address the short-term liquidity problem via its open market operations," maybe including a coupon pass. He points out CP and LIBOR rates are moving up.

"..the December-is-illiquid-price-action-exaggerated-credit-panic-abounds-Fed-is-dovish perspective…"

"...we just don't think reason is the best trading strategy at the moment."

-David Ader, RBS Greenwich

Stone & McCarthy RESEARCH ASSOCIATES

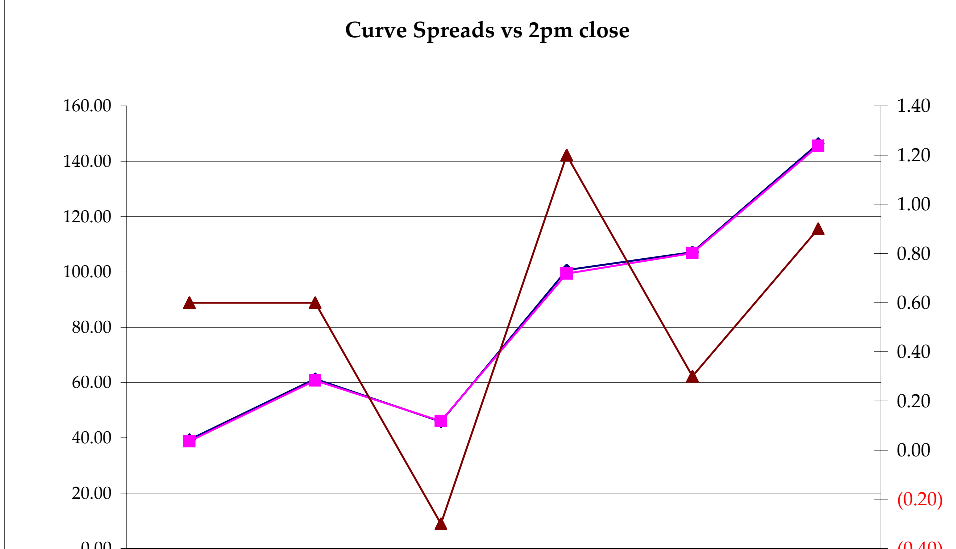
[....]
The median estimate per the Market News International survey for **November payrolls** is for an increase of 75,000. The Bloomberg survey renders almost identical results. Here the median estimate was slightly lower than the MNI survey at +70,000, but the range of estimates was identical at -10,000 to +110,000. [....] --Raymond Stone, rstone@smra.com

Mortgage Relief Impact May Be Limited
By EDMUND L. ANDREWS
[….]
To qualify for the help, Mr. Paulson said, borrowers would have to be current on their payments and would have to be able to keep making payments at the introductory rates. Borrowers would not qualify if their financial condition was strong enough to manage the higher monthly payments or to refinance with a cheaper mortgage.
[....]

BANK OF CANADA CUTS KEY RATE 25 BPS TO 4.25%
09:01 12/04 BOC: CORE & TOTAL INFL NOW BELOW BANK'S EARLIER FORECAST
09:01 12/04 BOC: INFL AHEAD TO BE LOWER THAN 2.3% FORECAST FOR 2007
09:01 12/04 BOC: GLOBAL MKT TURMOIL TO PERSIST LONGER THAN EXPECTED
09:02 12/04 BOC: US HOUSING PROBLEMS 'HAVE WORSENED'
09:02 12/04 BOC: INCREASED RISK OF SLOWER US DEMAND FOR CANADIAN EXPORTS
[Thank Howard]

Curve Spreads

	Yield Curve Spreads		
	TC	PDC	Diff
2/5	39.30	38.70	0.60
5/10	61.30	60.70	0.60
10/30	45.80	46.10	(0.30)
2/10	100.60	99.40	1.20
5/30	107.10	106.80	0.30
2/30	146.40	145.50	0.90



	2/5	5/10	10/30	2/10	5/30	2/30
Last	39.30	61.30	45.80	100.60	107.10	146.40
PDC	38.70	60.70	46.10	99.40	106.80	145.50
Diff	0.60	0.60	(0.30)	1.20	0.30	0.90

Notes:

TC = Today's Close at 2pm

PDC = Prior Day's Close at 2pm

12/4/2007 14:00

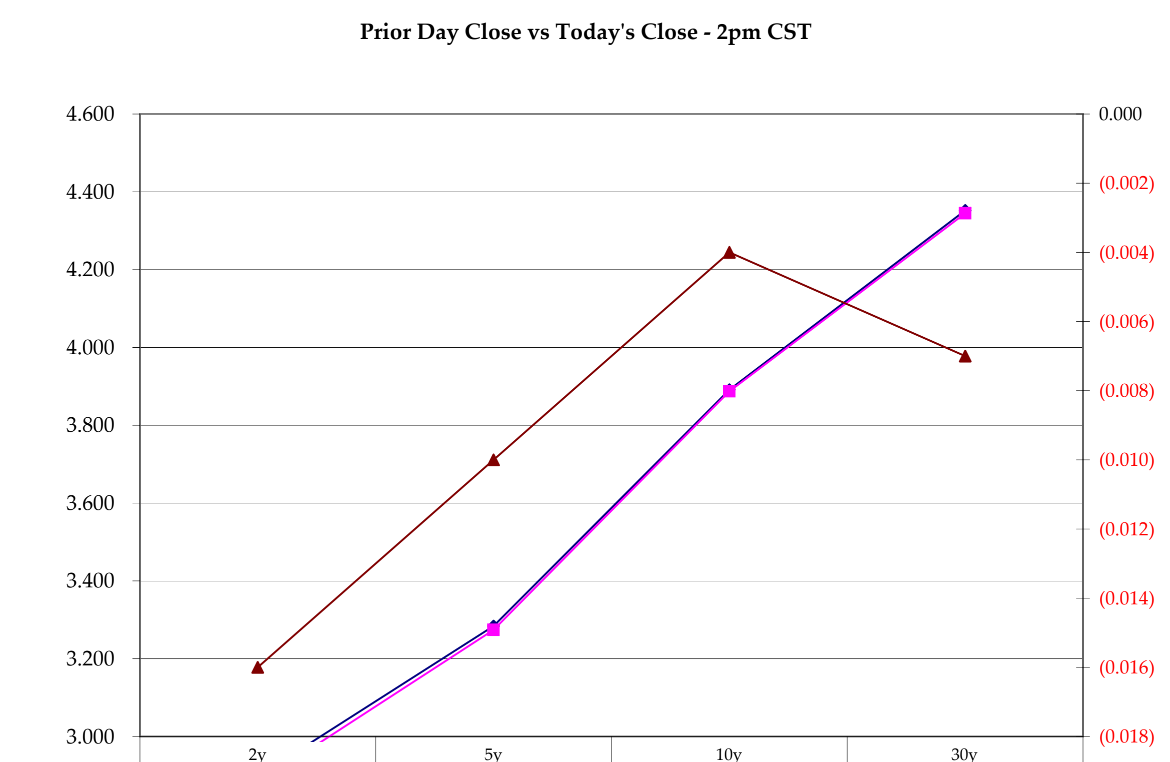
Prior Day Close vs Today's Close - 2pm CST

Pg 4

	Cpn	Mty	PDC 32	PDC	TC	Diff	Basis PDC	Basis TC
2y	3.125	11/30/09	100.1400	2.897	2.881	(0.016)		
5y	3.375	11/30/12	100.1325	3.284	3.274	(0.010)	-28.12	-29.16
10y	4.250	11/17/17	102.300	3.891	3.887	(0.004)	106.16	105.78
30y	5.000	5/15/37	110.23	4.352	4.345	(0.007)	281.82	283.95

March Contracts

	PDC 32	TC
ZF	110.190	110.215
ZN	113.285	113.295
ZB	118.01	118.020



	2y	5y	10y	30y
2pm Cls	2.897	3.284	3.891	4.352
Last	2.881	3.274	3.887	4.345
Diff	(0.016)	(0.010)	(0.004)	(0.007)

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

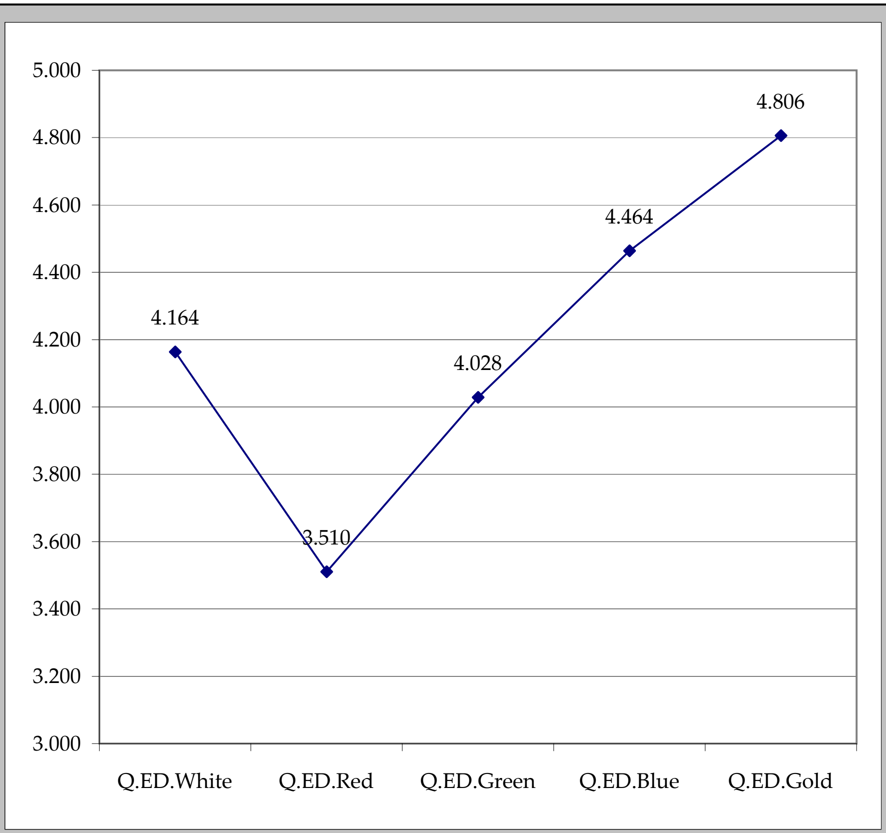
	Last Yield	Net Yield	Last Price
Q.ED.White	4.164	1.250	9593.563
Q.ED.Red	3.510	0.625	9656.750
Q.ED.Green	4.028	-1.000	9606.625
Q.ED.Blue	4.464	-1.375	9564.500
Q.ED.Gold	4.806	-3.000	9531.500

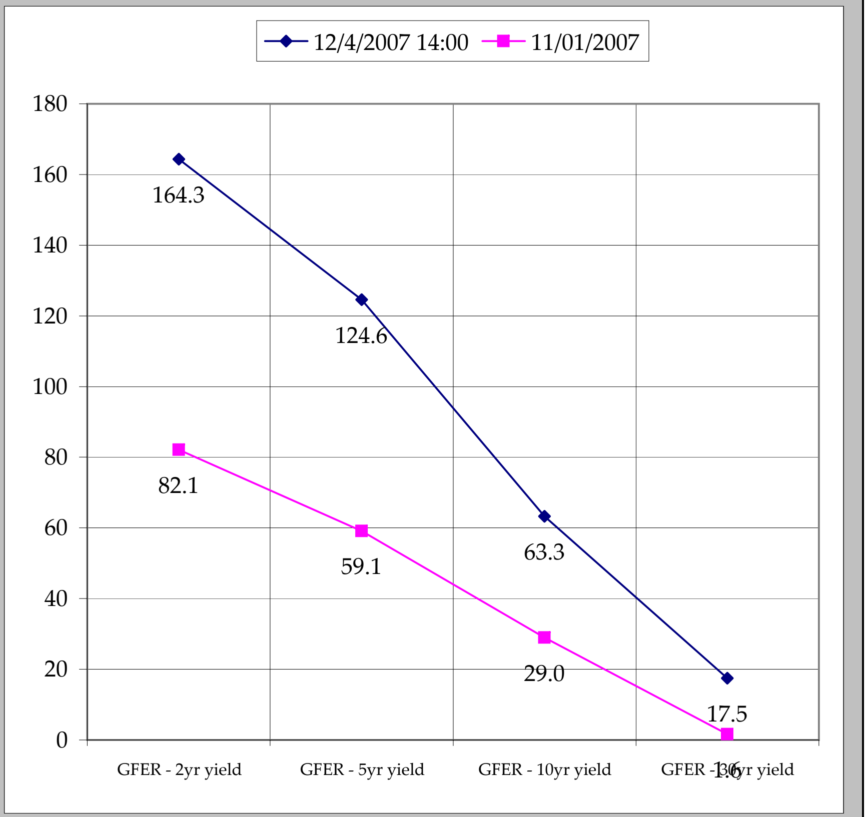
Fed Funds Daily Effective Rate
Minus US Treasury Yields

Spread Name	Diff bps	Net Chng	11/01/2007
GFER - 2yr yield	164.3	-16.4	82.1
GFER - 5yr yield	124.6	-16.7	59.1
GFER - 10yr yield	63.3	-18.1	29.0
GFER - 30yr yield	17.5	-16.1	1.6
GFER	**4.52**	-14.0	

GFER = Fed Funds Daily Effective Rate

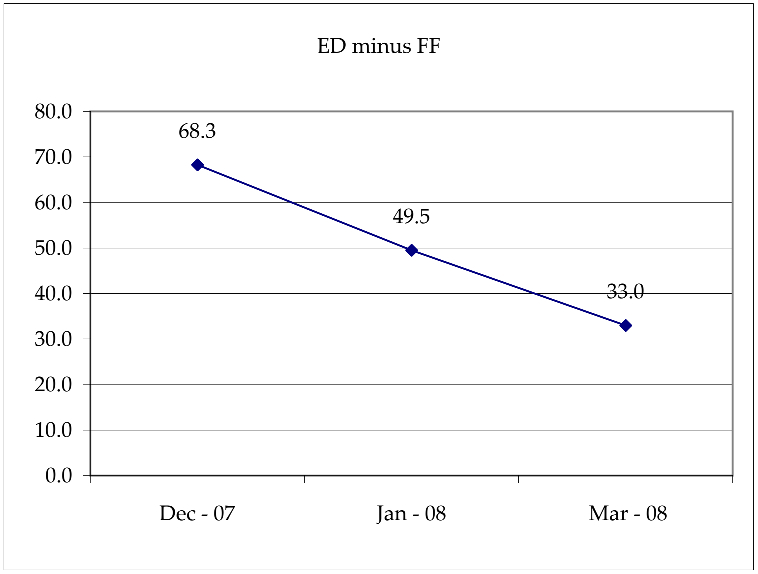
Why 11/01/2007? The morning after the FOMC is a good benchmark.





Fed Funds - Eurodollars

	Fed Funds (FF)			ED	ED - FF
Month	Last	Net	Implied	Implied	bps
Dec-07	95.780	0.000	4.220	4.903	68.3
Jan-08	95.875	0.250	4.125	4.620	49.5
Feb-08	96.055	0.250	3.945	0.000	0.0
Mar-08	96.145	0.250	3.855	4.185	33.0
Apr-08	96.230	0.150	3.770	0.000	0.0
May-08	96.390	0.150	3.610	0.000	0.0
Jun-08	96.400	0.100	3.600	3.720	12.0
Jul-08	96.560	0.050	3.440	0.000	0.0
Aug-08	96.700	0.350	3.300	0.000	0.0
Sep-08	#VALUE!	#VALUE!	#VALUE!	3.460	#VALUE!



Money Rates

USD LIBOR	Bid	Ask	Last Quote	Last Trade	Hi	Low	Net Chng	Open
USDLIBON			4.73125	4.73125	4.73125	4.70500	0.02625	4.70500
USDLIB1M			5.25188	5.25188	5.25188	5.24563	0.00625	5.24563
USDLIB3M			5.15000	5.15000	5.15000	5.14063	0.00937	5.14063
USDLIB6M			4.90875	4.90875	4.90875	4.89563	0.01312	4.89563
USDLIB1Y			4.42313	4.42313	4.43388	4.42313	(0.01075)	4.43388
GBP LIBOR	**Bid**	**Ask**	**Last Quote**	**Last Trade**	**Hi**	**Low**	**Net Chng**	**Open**
GBPLIBON			5.84750	5.84750	5.88750	5.84750	(0.04000)	5.88750
GBPLIB1M			6.74875	6.74875	6.74875	6.71500	0.03375	6.71500
GBPLIB3M			6.64938	6.64938	6.64938	6.62000	0.02938	6.62000
GBPLIB6M			6.35063	6.35063	6.35063	6.34375	0.00688	6.34375
GBPLIB1Y			6.04938	6.04938	6.04938	6.04375	0.00563	6.04375
GBP DEPOSITS	**Bid**	**Ask**	**Last Quote**	**Last Trade**	**Hi**	**Low**	**Net Chng**	**Open**
GBPDEP1M	6.610	6.710	6.710	6.710	6.810	6.460	0.030	6.580
GBPDEP3M	6.570	6.670	6.670	6.670	6.770	6.360	0.030	6.540
GBPDEP6M	6.250	6.350	6.350	6.350	6.450	6.090	0.010	6.240
GBPDEP1Y	5.950	6.050	6.050	6.050	6.150	5.790	0.010	5.940
EURIBOR DEPOSITS	**Bid**	**Ask**	**Last Quote**	**Last Trade**	**Hi**	**Low**	**Net Chng**	**Open**
EURLIBON			3.9725	3.9725	3.9963	3.9725	(0.0238)	3.9963
EUIBOR1M			4.8480	4.8480	4.8480	4.8340	0.0140	4.8340
EUIBOR3M			4.8580	4.8580	4.8580	4.8390	0.0190	4.8390
EUIBOR6M			4.7950	4.7950	4.7950	4.7750	0.0200	4.7750
EUIBOR1Y			4.7240	4.7240	4.7240	4.7110	0.0130	4.7110