

## The Afternoon Email

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### Key Money Rates

12/6/2007 14:01

	Libor\$ ^	Tbill	CP ^^
1M	5.243	3.057	5.330
3M	5.146	3.05	5.110
6M	4.901	3.246	4.470
	TSY	Swap	ED Pks ^^^
2y	3.001	97.00	3.639
5y	3.370	85.25	4.547
10y	4.002	67.75	4.891

	Libor\$ ^	Repos
0/N	4.684	4.350
1week	4.850	4.100
2week	4.856	4.000

### Notes

^Quoted in US Dollars

^^CP = Commercial Paper

^^ED Pks are colored for pack identifications. Example, 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.

**All Times Eastern unless otherwise marked**

15:23 12/06 **US TSYS/RECAP:** Tsys end lower as 1) US stocks gain after Pres. Bush, Tsy Secy. Paulson speak on subprime loan rate freeze/aid plan and Fed Chair Bernake hailed plan. Tsys saw 2) profit-taking on recent gains into Friday 8:30am ET Nov. jobs report, as 3) +189,000 Nov. ADP private payrolls report spurred caution, though Monster report proved weak. 4) Traders cited selling to de-leverage positions amid approaching year-end. 5) Earlier, were light, mixed flows, with mixed data (lower than expected wky initial claims but high 4-wk avg; strong retail store sales) with banks selling intermediates. 6) Then bargainhunting at lows with Street buying 5Ys, lvrqd acct buy 2Ys. 7) Then renewed slide with German Bunds, as ECB's Trichet said some at ECB wanted rate hike; brisk selling in Mar Bund futurs, 80K in stop-loss orders on break below 115.3. 8) 2Y/10Y steepener unwinds too. 9) Some sold Tsys/buy MBS. 10) Bargain hunting at lows. 11) T-bills drew buying. 12) MNI economist poll projects +75K median Nov jobs est (but with lot of upwdly revised ests.)

15:05 12/06 **US SWAPS:** Spreads widened off earlier levels as the mkt readies for Fri's NFP report. Earlier in the session, swap spreads see-sawed to the tightest levels of the week, mirroring gyrations in FI markets.

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
3:00	-2.00/97.00	+0.00/84.75	-0.25/67.75	-0.75/54.75
10:15	-3.25/95.75	-1.75/83.00	-1.25/66.75	-1.75/53.75
9:55	-3.75/95.25	-2.00/82.75	-1.25/66.75	-1.75/53.75
9:10	-2.75/96.25	-2.00/82.75	-1.25/66.75	-1.50/54.00
Thu Open	-3.75/95.25	-2.00/82.75	-1.50/66.50	-1.75/53.75

(cont)

15:16 12/06 **US AGENCIES:** Solid mixed flows with much of it said to surround trades born of dealers reducing balance sheet numbers as year-end approach glide-path is at center-stage. Better buying of 10-year paper gets noted for both foreign and domestic accounts. Indications as follows - Freddie Nov'09 +68 (vs Wednesday's 3PM mark of +69); Fannie Nov'09 +66 (+68); Freddie Aug'10 +69.5 (+72); Fannie Sept'10 +68.5 (+70.5); Freddie Oct'12 +61.5 (+61.5); Fannie Nov'12 +64.5 (+65); Fannie June'17 +61 (+60.5); Freddie Nov'17 +63 (+63); Fannie Nov 2030 +56 (+57.5); Freddie Jul'32 +54.5 (+57). Next supply is Freddie Reference Note Wednesday for Friday pricing. Early respondents to MNI dealer poll look for \$3 billion new 5-years.

15:09 12/06 **SWAPTIONS:** Vols off, theme today was towards buying put structures and sellers of vol pre-NFP.

Time (ET)	GAMMA, 3M/2Y	INTERMEDIATE, 2Y/10Y	VEGA, 5Y/5Y
3:00	33.10%	19.40%	18.30%
10:50	35.10%	20.00%	18.90%
10:30	35.10%	20.00%	18.90%
9:35	35.10%	20.00%	18.90%
9:15	35.10%	20.00%	18.90%
Thu Open	35.10%	20.00%	18.90%



07:47 12/06 **US OUTLOOK/MBS:** Sources point out details of the Mtg Forbearance plan: Eligibility limited to those who are behind on payments, to those who are at least 97% LTV, to those who have FICO scores under 640, and to cover only loans originated between Jan 2005 and July 2007. Chris Low at FTN says the biggest investor concern "is that they might be forced into accepting a deal against their will. Many will be relieved to hear that the deal is only binding if they agree to it, but it's hard to conceive how this can be achieved. There are many investors on the hook for each pool, after all. But the target group is so narrow that it may not be as hard as all that to pull off the plan. Most deals allow for 5-10% loan modifications anyway, at the discretion of the servicer. That may be enough to cover this small group."

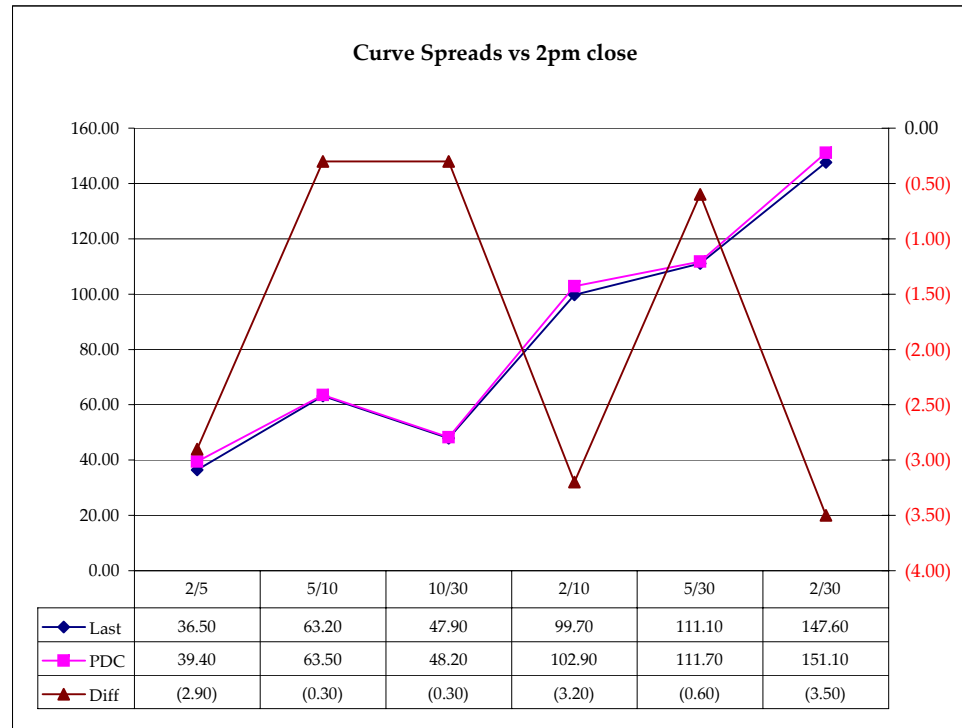
08:09 12/06 **DOLLAR/RATES:** BNY Mellon currency strategist Michael Woolfolk eyes the BOE rate cut today and the rate cut by the BOC earlier in the week and suggests that this could be "the beginning of coordinated monetary easing to maintain orderly market conditions and prevent a crisis of confidence in the US dollar." Woolfolk explains "The US outlook deteriorated in November as financial market turmoil resumed. As a result, market players raised their expectations of further Fed rate cuts in 2008 and the greenback came under renewed selling pressure. With the USD already at record lows against the EUR and CAD, and multi-decade lows against both the GBP and AUD, the greenback was positioned to plunge further if the Fed continued cutting interest rates. The potential crisis of confidence in the USD and resulting disorderly market conditions may have been too great a risk for policy makers." Looking ahead, Woolfolk expects ECB's Trichet to lay the groundwork for a Jan rate cut by the ECB at the upcoming press conf.

12:47 12/06 **US CMBS:** The next 2 new deals to price will be the \$2.3B JP Morgan/CIBC and the \$2B BSCMS 07-PWR18. The last deal to price was the \$3.17B LBUBS 07-C7, with 10Y SS AAAs at S+102 and BBB- at S+650. New issuance has been slow recently as no new deals have been priced over the last week. In floaters, the \$2B MLMT 07-LAQ deal, backed by loans on the La Quinta hotel portfolio that Blackstone purchased earlier in the year, is now in the market. These last few deals for 2007 will end a record breaking year for issuance. CMBS strategists at RBS Greenwich projects \$186B of new fixed rate issuance for 2007 and \$240 billion for all domestic CMBS representing in total an 18% increase over 2006. Much of the credit for the historic level of new issuance in CMBS is due to the utterly frantic dash to issue in the first half of the year as Q4'07, by contrast, issuance volumes nearly ground to a halt.

12:23 12/06 **US MBS:** FDIC Chair Bair summarized the mtg problem in her Congressional testimony: "Our calculations based on owner-occupied subprime mortgages included in private mortgage-backed securitizations (MBS) indicate that almost 1.3 million hybrid loans are scheduled to undergo their first reset during 2008. An additional 422,000 subprime hybrid loans are scheduled to reset in 2009, which means these problems will not end anytime soon."



Yield Curve Spreads			
	TC	PDC	Diff
2/5	36.50	39.40	(2.90)
5/10	63.20	63.50	(0.30)
10/30	47.90	48.20	(0.30)
2/10	99.70	102.90	(3.20)
5/30	111.10	111.70	(0.60)
2/30	147.60	151.10	(3.50)

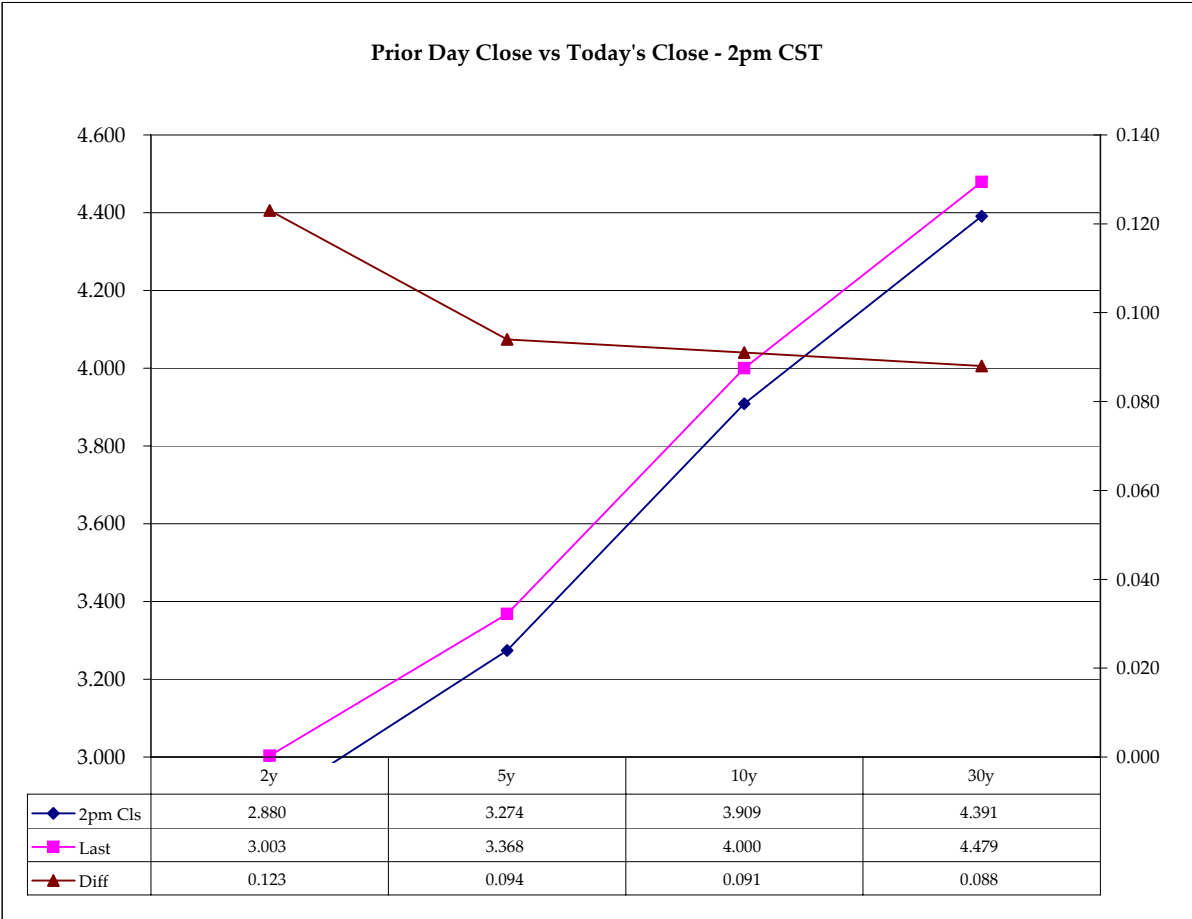


Notes:  
 TC = Today's Close at 2pm  
 PDC = Prior Day's Close at 2pm

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

	Cpn	Mty	PDC 32	PDC	TC	Diff	Basis	
							PDC	TC
2y	3.125	11/30/09	100.1500	2.880	3.003	0.123		
5y	3.375	11/30/12	100.1475	3.274	3.368	0.094	-29.83	-31.51
10y	4.250	11/17/17	102.250	3.909	4.000	0.091	99.84	91.53
30y	5.000	5/15/37	110.00	4.391	4.479	0.088	268.81	249.39

March Contracts		
	PDC 32	TC
ZF	110.225	110.090
ZN	113.300	113.115
ZB	117.22	116.180



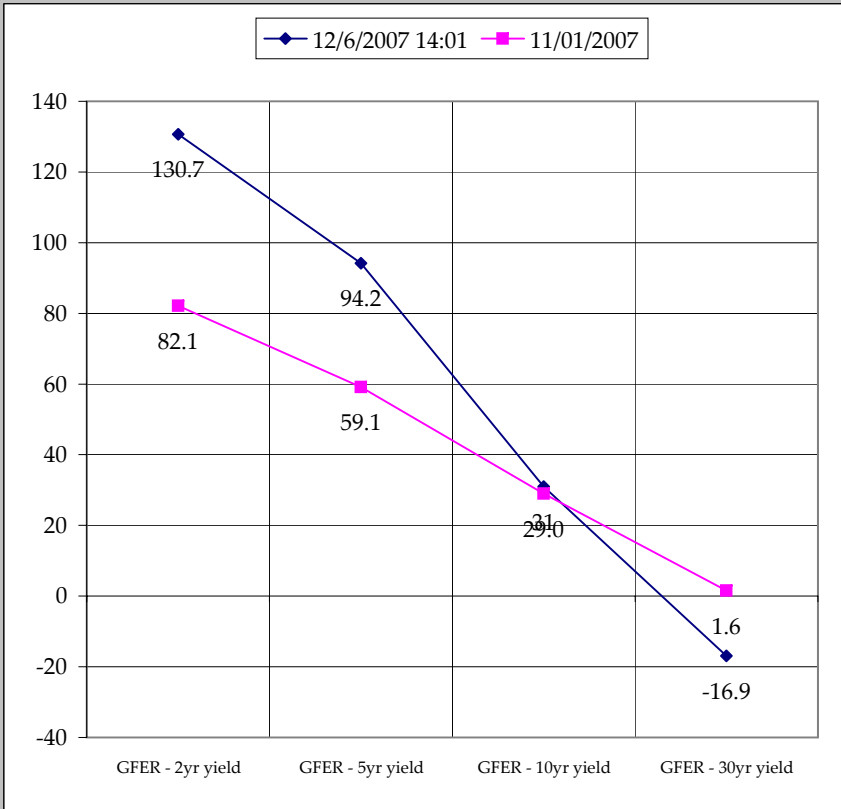
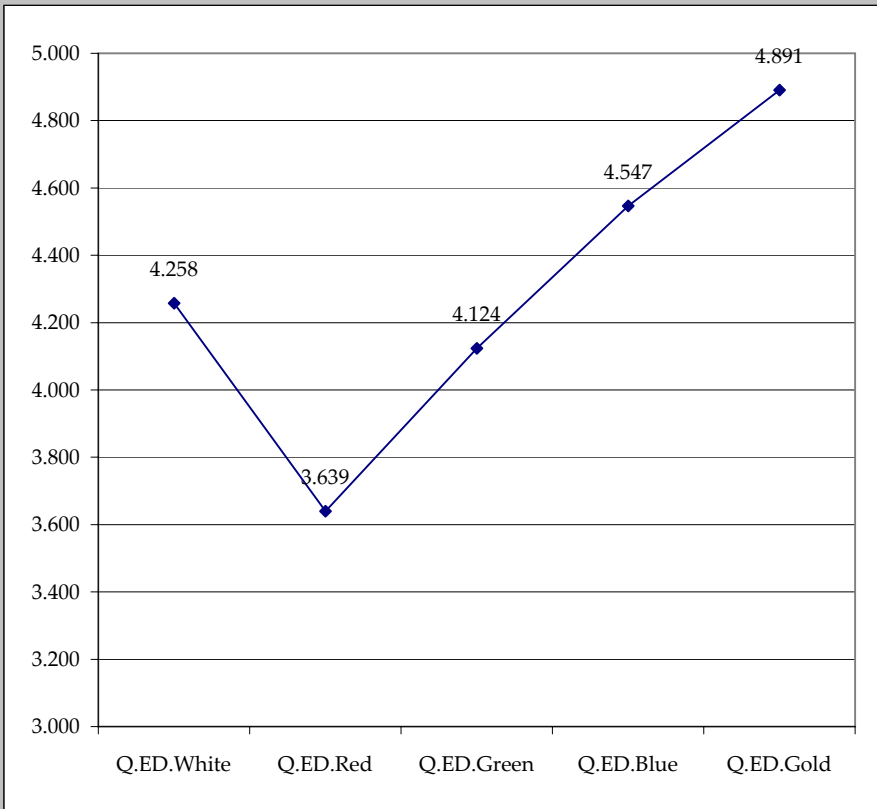
Notes:  
 Basis = (Cash Decimal - (Futures Decimal \* CF))\*32  
 32 = price is quoted in 32nds  
 TC = Today's Close at 2pm  
 PDC = Prior Day's Close at 2pm

Eurodollar Packs			
	Last Yield	Net Yield	Last Price
Q.ED.White	4.258	-8.375	9584.500
Q.ED.Red	3.639	-13.000	9644.250
Q.ED.Green	4.124	-10.500	9597.375
Q.ED.Blue	4.547	-8.125	9556.500
Q.ED.Gold	4.891	-7.875	9523.375

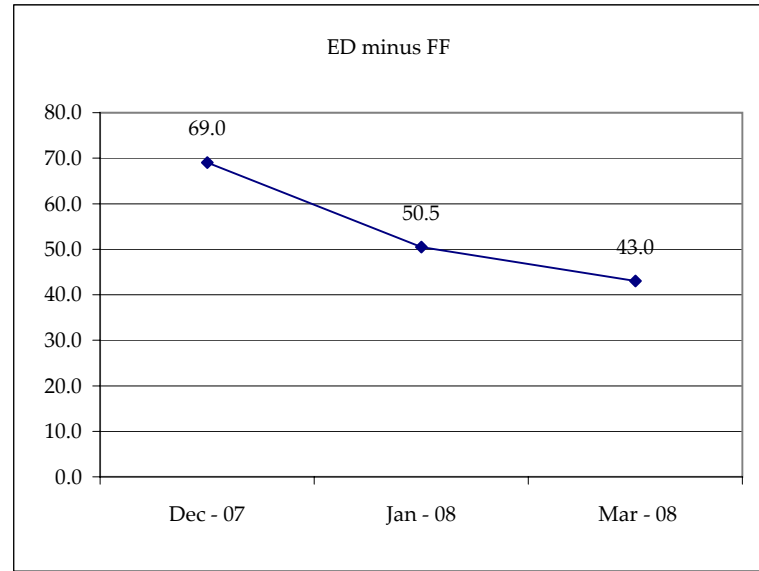
Fed Funds Daily Effective Rate Minus US Treasury Yields			
Spread Name	Diff bps	Net Chng	11/01/2007
GFER - 2yr yield	130.7	-27.2	82.1
GFER - 5yr yield	94.2	-24.1	59.1
GFER - 10yr yield	31	-23.9	29.0
GFER - 30yr yield	-16.9	-23.6	1.6
GFER	4.31	-19.0	

GFER = Fed Funds Daily Effective Rate

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



Month	Fed Funds (FF)			ED	ED - FF
	Last	Net	Implied	Implied	bps
Dec-07	95.750	-0.050	4.250	4.940	69.0
Jan-08	95.840	-0.200	4.160	4.665	50.5
Feb-08	96.050	-0.050	3.950	0.000	0.0
Mar-08	96.135	-0.100	3.865	4.295	43.0
Apr-08	96.220	-0.150	3.780	0.000	0.0
May-08	96.340	-0.550	3.660	0.000	0.0
Jun-08	96.360	-0.550	3.640	3.815	17.5
Jul-08	96.495	-0.650	3.505	0.000	0.0
Aug-08	96.695	0.250	3.305	0.000	0.0
Sep-08	96.740	-0.100	3.260	3.570	31.0



USD LIBOR								
	Bid	Ask	Last Quote	Last Trade	Hi	Low	Net Chng	Open
USDLIBON			4.68438	4.68438	4.69500	4.68438	(0.01062)	4.69500
USDLIB1M			5.24250	5.24250	5.25000	5.24250	(0.00750)	5.25000
USDLIB3M			5.14625	5.14625	5.15063	5.14625	(0.00438)	5.15063
USDLIB6M			4.90125	4.90125	4.90375	4.90125	(0.00250)	4.90375
USDLIB1Y			4.44375	4.44375	4.44375	4.43250	0.01125	4.43250
GBP LIBOR								
	Bid	Ask	Last Quote	Last Trade	Hi	Low	Net Chng	Open
GBPLIBON			5.74250	5.74250	5.83750	5.74250	(0.09500)	5.83750
GBPLIB1M			6.74750	6.74750	6.75000	6.74750	(0.00250)	6.75000
GBPLIB3M			6.64250	6.64250	6.65000	6.64250	(0.00750)	6.65000
GBPLIB6M			6.32375	6.32375	6.33875	6.32375	(0.01500)	6.33875
GBPLIB1Y			6.01625	6.01625	6.02875	6.01625	(0.01250)	6.02875
GBP DEPOSITS								
	Bid	Ask	Last Quote	Last Trade	Hi	Low	Net Chng	Open
GBPDEP1M	6.670	6.770	6.770	6.770	6.870	6.300	0.000	6.570
GBPDEP3M	6.570	6.670	6.670	6.670	6.770	6.370	0.000	6.470
GBPDEP6M	6.240	6.340	6.340	6.340	6.440	6.080	0.000	6.140
GBPDEP1Y	5.930	6.030	6.030	6.030	6.130	5.770	0.000	5.830
EURIBOR DEPOSITS								
	Bid	Ask	Last Quote	Last Trade	Hi	Low	Net Chng	Open
EURLIBON			3.7975	3.7975	3.8550	3.7975	(0.0575)	3.8550
EUIBOR1M			4.8640	4.8640	4.8640	4.8570	0.0070	4.8570
EUIBOR3M			4.8840	4.8840	4.8840	4.8710	0.0130	4.8710
EUIBOR6M			4.8000	4.8000	4.8010	4.8000	(0.0010)	4.8010
EUIBOR1Y			4.7180	4.7180	4.7230	4.7180	(0.0050)	4.7230