

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 & Fed Funds - Treasuries
- Pg 6 Fed Funds - Eurodollars
- Pg 6 Money Rates

Key Money Rates

12/13/2007 14:00

	Libor\$ ^	Tbill	CP ^^
1M	5.028	2.674	5.130
3M	4.991	2.861	4.990
6M	4.829	3.217	4.760
	TSY	Swap	ED Pks ^^^
2y	3.191	89.00	3.825
5y	3.527	84.75	4.751
10y	4.166	66.00	5.076

	Libor\$ ^	Repos
0/N	4.300	4.200
1week	4.361	4.150
2week	4.380	4.050

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**

15:11 12/13 **US TSYS CLOSE:** On a 3PM to 3PM basis Treasuries ended lower and despite a great deal of intra-day volatility, the curves ended surprisingly little changed. The \$8B 10Y reopening tailed at 4.164% vs. 4.157% into the bid. It was termed lousy, but a trader said given extreme market conditions it was not that bad. He cited: 1) year-end constraints; 2) dealers typically take down most re-openings; 3) volatility at huge levels; 4) uncertainty prevails; 5) hard to set-up in current environment. Another summed up the climate succinctly. "Every day brings us one day closer to year end, and major companies and major hedge funds have major things to do." But he also said these trades were put on over the course of years so they will not be unwound in the course of weeks. "Things will still be unravelling into January and February," he said. 2Y at 3.195% vs. 3.108%. 5Y at 3.528% vs. 3.444%. 10Y 4.170% vs. 4.068%. 30Y at 4.612% vs. 4.528%. 2/5Y at +33.5 vs. +33.6. 2/10Y at 97.5 vs. 96.0. 2/30Y at +141.7 vs. +142.0

15:10 12/13 **US EURODLR FUTURES:** After trading near midrange for most of session Eurodflr futures drifted to near session lows late w/equities paring losses and crude lower. Curve flattening with the front end underperforming, the Red/Gold pack spd finished 1.125 bps flatter at 120.875. In the Fronts (Dec07-Sep08), the Dec07 were in 1.5 bps at 95-05 on combined Globex and pit volume of 277,000, the Mar08 in 5.5 bps at 95-61 on volume of 233,000, the Jun08 in 7.5 bps at 96-03 on volume of 264,000, while the Sep08 contract was 8.5 bps lower at 96-26 on volume of 279,000. The 2yr proxy Red pack (Dec08-Sep09), settled 8.0 to 9.0 bps lower across the pack with some 925,000 contracts traded.

15:03 12/13 **US SWAPS:** Spds near best levels of session by the close, though flow was well behind the frenetic pace of the last few sessions, however. Light and mostly two-way on spread in the fronts to intermediates while sources pointed to another lower set in U.S. dollar LIBOR for the initial impetus again. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Thu 3:00	-3.50/88.75	-1.50/84.50	-3.00/66.00	-2.75/55.50
1:30	-3.00/89.25	-1.25/84.75	-2.25/66.75	-2.50/55.75
12:15	-2.75/89.50	-1.00/85.00	-1.75/67.25	-2.00/56.25
11:05	-3.75/88.50	-1.50/84.50	-2.00/67.00	-2.25/56.00
10:25	-2.25/90.00	-1.25/84.75	-1.50/67.50	-1.25/57.00
9:20	-2.00/90.25	-1.25/84.75	-1.00/68.00	+0.00/58.25
Thu 8:40	-2.75/89.50	-1.00/85.00	-0.25/68.75	+0.00/58.25
Thu 7:55	-1.00/91.25	-0.25/85.75	+0.50/69.50	+0.75/59.00
Wed 3:00	-11.25/92.25	-6.50/86.00	-5.00/69.00	-3.50/58.25

(cont)

15:10 12/13 **US AGENCIES:** Swap spreads snap tighter and GSEs outperform with longer maturities getting that plus the impetus of real buying out the curve. Said to include foreign as well as domestic names. And on the back of a very solid and oversold Freddie 5-year book. Indications as follows - Freddie Nov'09 +59.5 (vs Wednesday's 3PM mark of +63); Fannie Nov'09 +58.5 (+60.5); Freddie Aug'10 +60.5 (+63); Fannie Sept'10 +60.5 (+62); Freddie Oct'12 +59.5 (+61.5); Fannie Nov'12 +61.5 (+63); Fannie June'17 +51.5 (+57); Freddie Nov'17 +53.5 (+59.5); Fannie Nov 2030 +45.5 (+51.5); Freddie Jul'32 +44.5 (+50.5). Freddie also on tap for \$1B re-opened 2Y 4.125% Nov'09 via internet auction. Drive carefully, ice on the roads and getting worse in New York metropolitan area.

15:05 12/13 **US SWAPTION VOL:** OTC vols drifted lower by the closing bell, while outright flow remained light. Sources cited familiar correlations between softer vol and lower debt markets, US dollar LIBOR sets and tighter spreads for the move, while board vols firmed slightly into the close. According to GovPX:

Time (ET)	GAMMA. 3M/2Y	INTERMEDIATE. 2Y/10Y	VEGA. 5Y/5Y
Thu 3:00	32.40%	18.70%	17.70%
1:45	32.70%	18.80%	17.60%
12:05	32.80%	18.90%	17.80%
11:00	32.90%	18.90%	17.70%
9:25	33.70%	19.30%	17.90%
Thu Open	33.70%	19.30%	17.90%
Thu 8:10	33.70%	19.30%	17.90%
Wed 3:10	32.70%	18.90%	17.80%



08:56 12/13 **US DATA REACT:** From HFE's Ian Shepherdson: retail sales "were greatly boosted by rising gas and food prices; sales in these two sectors contributed 1.0% to the rise in sales ex-autos. Still, our measure of core sales, which excludes autos, gas and food, rose 1.1%, the first meaningful gain since July, thanks to hefty gains in furniture (1.0%), electronics (2.5%), building materials (1.2%) and apparel (2.6%). Some of these gains likely reflect early aggressive discounts, which did lift the weekly chainstore numbers for Thanksgiving weekend. But the late st sales numbers are much weaker, and Dec will be hard work for retailers."

12:57 12/13 **US OUTLOOK:** From JPM: "The details of the PPI report point to a 0.45% rise in the PCE medical care services deflator, which comprises 22% of the core PCE deflator. The PCE medical care deflator has averaged smaller 0.2% gains in the prior six months."

12:05 12/13 **US BONDS:** Just looking at the screens, some might assume it is quiet in the market but it is anything but quiet one trader said. "In the course of 12 hrs yesterday, the 2Y note had a swing of 34 bps from top to bottom," he said, "and that does not happen unless people are getting blindsided or hedging and unhedging positions." He says, "Every day brings us one day closer to year end, and major companies and major hedge funds have major things to do." He notes those "things" could be connected to bills, or commercial paper or currencies or commodities or corporates. Normally, the information flow is such that the market get wind of some of these "things," he said. But right now he says there are lots of things "in the closet" that have to be addressed that are not being made public. Finally, trader said these trades were put on over the course of years so they will not be unwound in the course of weeks. "Things will still be unravelling into January and February," he said. \$8B 10Y reopening goes off at 1PM. Real money does not like reopenings normally.

11:16 12/13 **FED: NY Fed says** On Thursday, December 20, 2007, the Federal Reserve's System Open Market Account will redeem the full amount of maturing Treasury bill holdings (\$15,163,249,000). The Federal Reserve Open Market Trading Desk will continue to evaluate the need for the use of other tools, including further Treasury bill redemptions, reverse repurchase agreements and Treasury bill sales.

14:17 12/13 **US TSYS:** Some call the 10Y reopening lousy and indeed market continues to weaken with 2s getting back near high yield of day of 3.21% and 10Y reaching new high yield of 4.186%. But one trader said all things considered, the auction was not all that bad given the extreme circumstances in place: 1) year-end constraints; 2) dealers typically take down most re-openings; 3) volatility at huge levels; 4) uncertainty prevails; 5) hard to set-up in current environment.

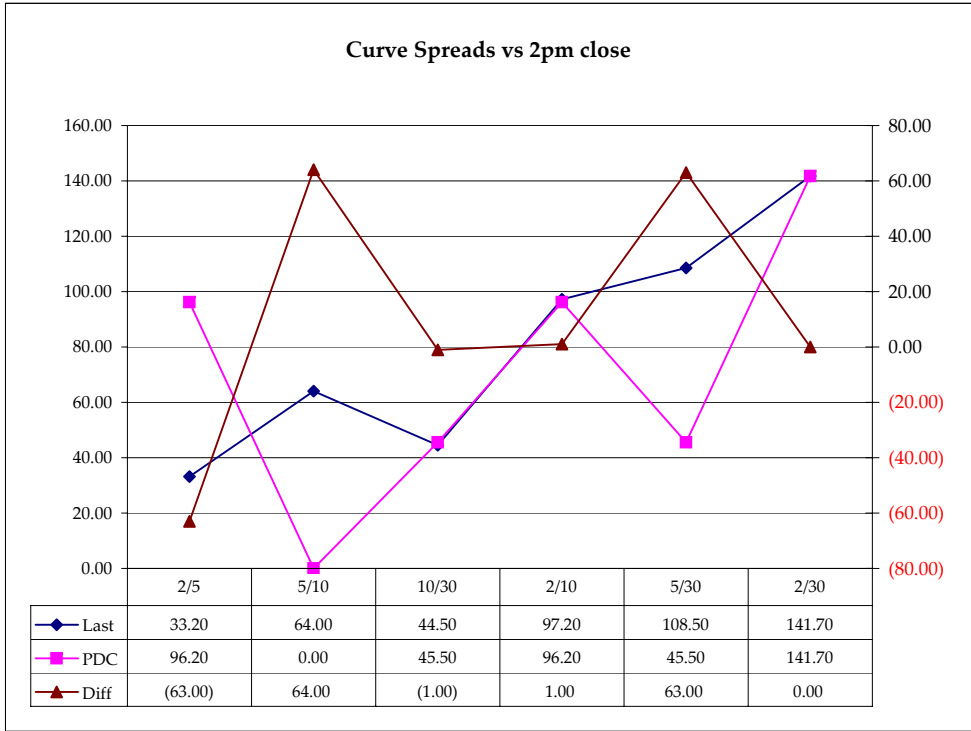
13:02 12/13 **US TSYS/AUCTION RESULTS:** 10y reopening set a rate of 4.164% (34.46% allot) with 2.23 coverage and \$528m or 6.7% awards to Indirects. The prior 10y reopening in Sept had 22.5% Indirects.

11:25 12/13 **US MBS:** Countrywide Financial, once the biggest U.S. mortgage originator, may have adjusted to lower origination volumes but still faces deteriorating credit performance in its loan book, Merrill strategists say. On the upside, CFC lending volume rose in Nov. by 4% to \$23.2B, and their closing ratio rose to 56% from 54% in Oct. and 40% in Sept., CFC reported Thursday. But better operating data were offset by continued deterioration in credit as delinquencies and foreclosure rates both jumped from Oct. Delinquencies for CFC loans are now 6.34% while foreclosures approach 1%. "Since falling 39% in Sept., lending volume appears to have normalized at a lower level, suggesting that CFC's restructuring program has right-sized the company for a new volume paradigm," says Merrill. "However, for the third consecutive month CFC reported the highest delinquencies on record since 2001. Its portfolio likely incorporates higher concentrations of sub-prime and Alt-A loans now, so we think new records are likely to be set in coming months."

12:00 12/13 **CDS:** Sources say as financials underperform, volume still remains light. Countrywide (CFC) among the underperformers amid its news earlier today as its 5Y CDS trades at 11-12.5 points up front, plus 500 bps running, vs 9-10.5 points, plus 500 bps running yest. Sources also note news that Assured Guaranty Ltd. agreed to insure \$29b of Ambac Financial Group Inc.'s (ABK) bond insurance policies in theory should have been friendly. But, analysts shunned it noting that Ambac has some \$600B in obligations and of the \$29B in guarantees is mostly on higher quality items or in other words not on paper that is the real problem.




Yield Curve Spreads			
	TC	PDC	Diff
2/5	33.20	96.20	(63.00)
5/10	64.00	0.00	64.00
10/30	44.50	45.50	(1.00)
2/10	97.20	96.20	1.00
5/30	108.50	45.50	63.00
2/30	141.70	141.70	0.00

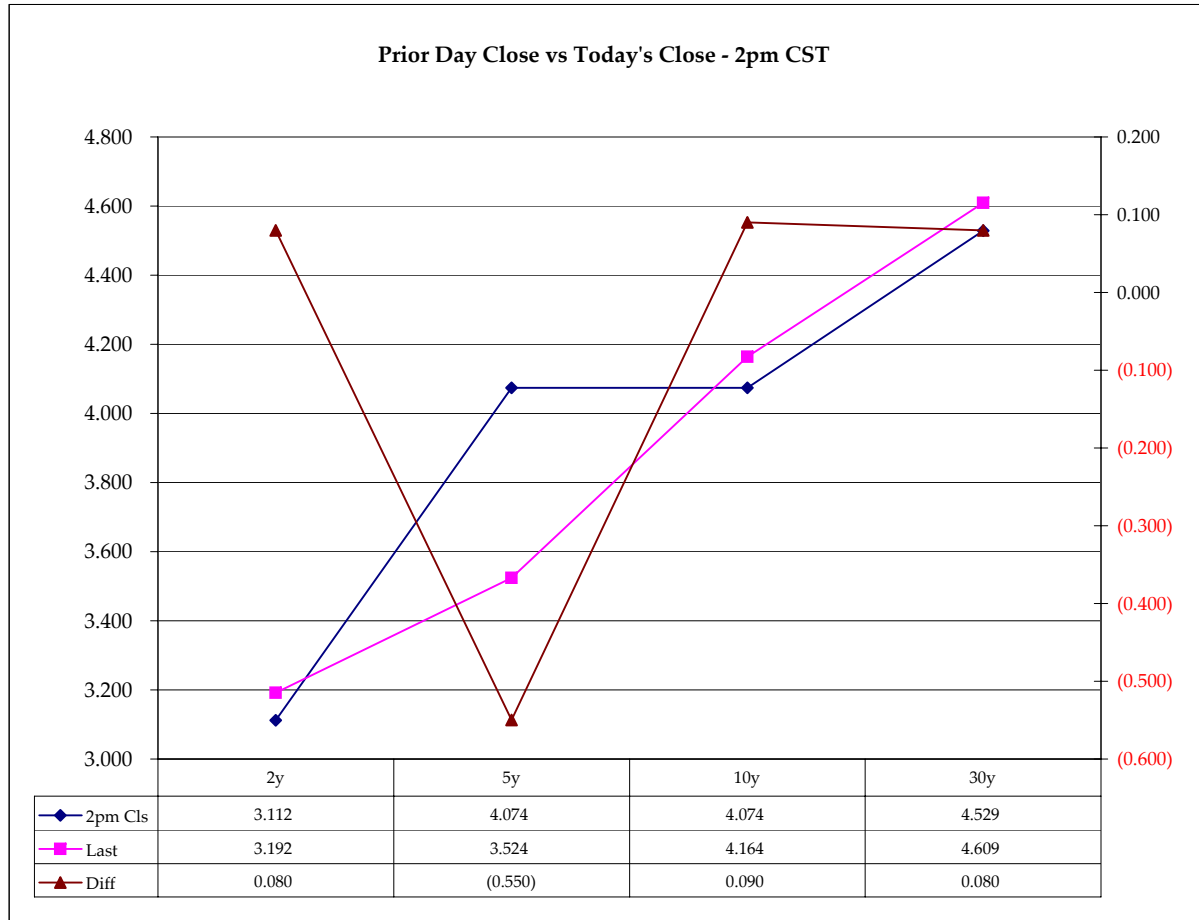


Notes:
 TC = Today's Close at 2pm
 PDC = Prior Day's Close at 2pm

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	100.0075	3.112	3.192	0.080		
5y	3.375	11/30/12	99.2125	4.074	3.524	(0.550)	-34.26	-34.98
10y	4.250	11/17/17	101.135	4.074	4.164	0.090	83.90	74.70
30y	5.000	5/15/37	107.20	4.529	4.609	0.080	248.43	235.51

March Contracts		
	PDC 32	TC
ZF	109.315	109.200
ZN	112.305	112.130
ZB	115.21	114.170



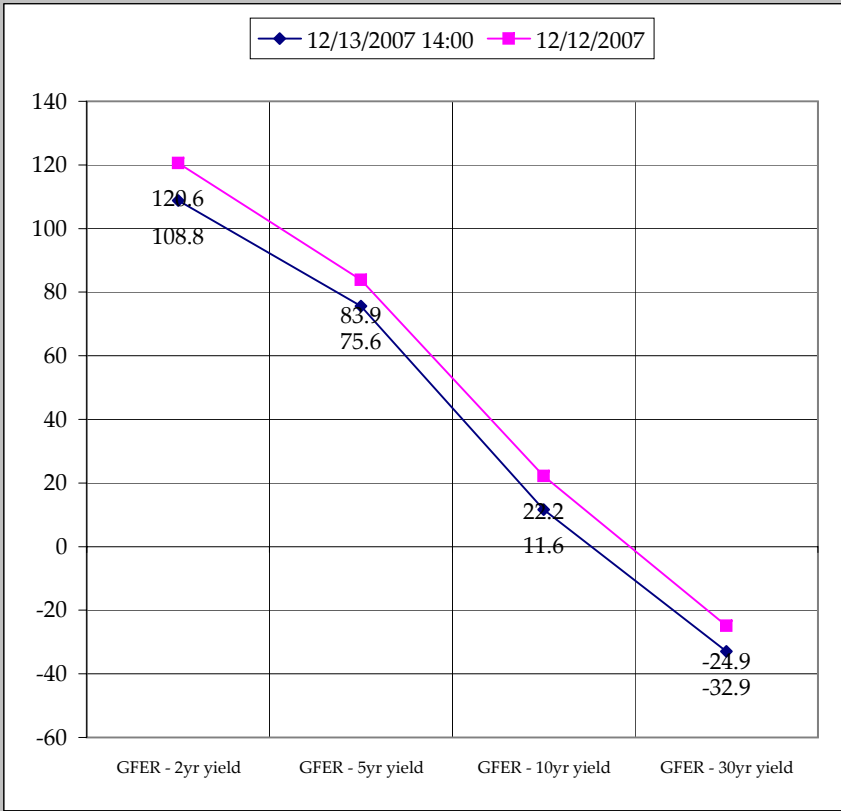
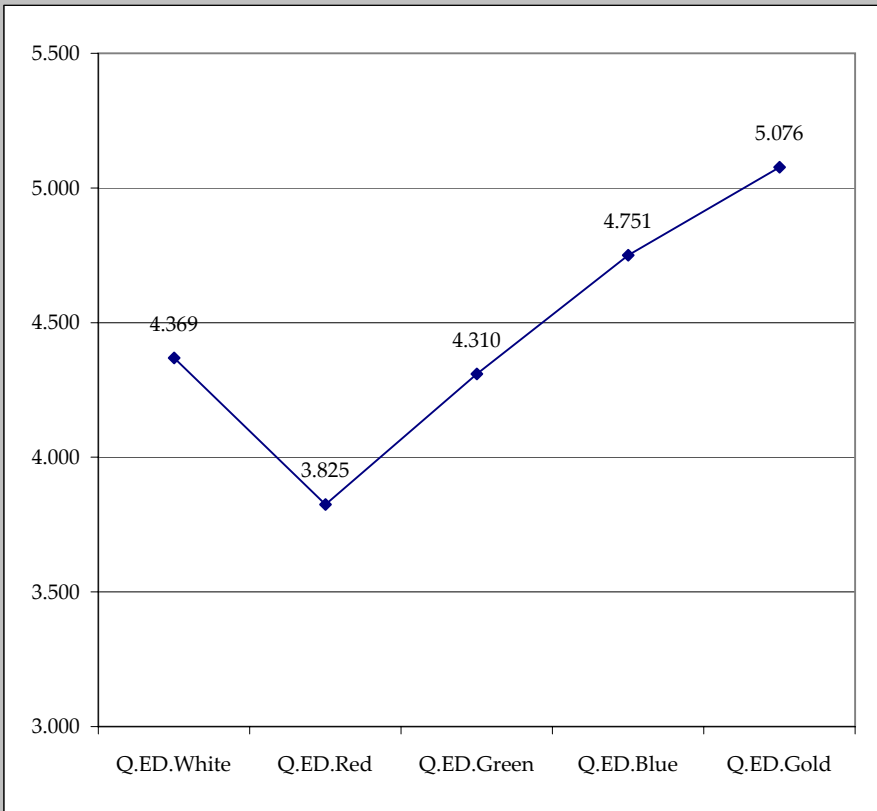
Notes:
 Basis = (Cash Decimal - (Futures Decimal * CF))*32
 32 = price is quoted in 32nds
 TC = Today's Close at 2pm
 PDC = Prior Day's Close at 2pm

Eurodollar Packs			
	Last Yield	Net Yield	Last Price
Q.ED.White	4.369	-5.813	9573.688
Q.ED.Red	3.825	-8.375	9626.250
Q.ED.Green	4.310	-7.250	9579.375
Q.ED.Blue	4.751	-7.875	9536.875
Q.ED.Gold	5.076	-7.125	9505.500

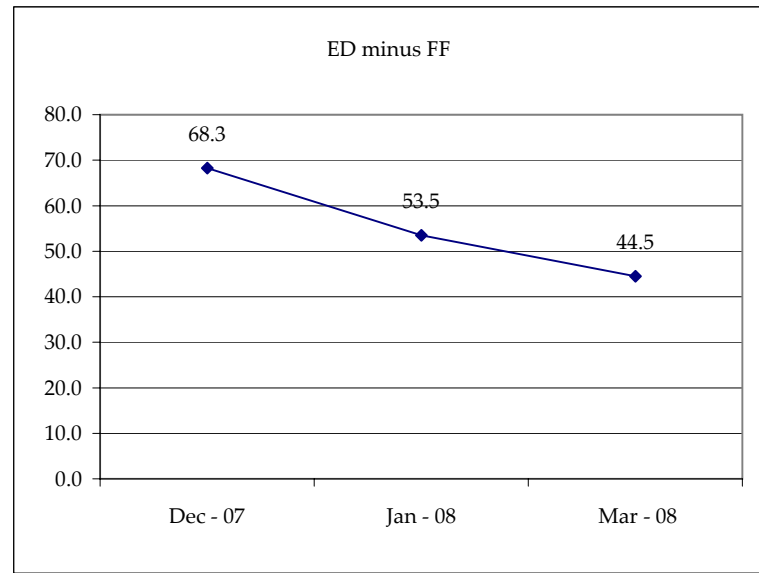
Fed Funds Daily Effective Rate Minus US Treasury Yields			
Spread Name	Diff bps	Net Chng	12/12/2007
GFER - 2yr yield	108.8	-7.3	120.6
GFER - 5yr yield	75.6	-7.6	83.9
GFER - 10yr yield	11.6	-9.8	22.2
GFER - 30yr yield	-32.9	-8.4	-24.9
GFER	4.28	-1.0	

GFER = Fed Funds Daily Effective Rate

12/12/2007??
Why this date? Day after the fed is a good benchmark. I'll keep this until next fed meeting in Jan 08.



Month	Fed Funds (FF)			ED	ED - FF
	Last	Net	Implied	Implied	bps
Dec-07	95.730	-0.050	4.270	4.953	68.3
Jan-08	95.825	0.100	4.175	4.710	53.5
Feb-08	95.995	-0.150	4.005	0.000	0.0
Mar-08	96.055	-0.200	3.945	4.390	44.5
Apr-08	96.115	-0.350	3.885	0.000	0.0
May-08	96.220	-0.450	3.780	0.000	0.0
Jun-08	96.235	-0.450	3.765	3.970	20.5
Jul-08	96.340	-0.450	3.660	0.000	0.0
Aug-08	96.460	-0.350	3.540	0.000	0.0
Sep-08	96.535	-0.250	3.465	3.740	27.5



USD LIBOR								
	Bid	Ask	Last Quote	Last Trade	Hi	Low	Net Chng	Open
USDLIBON			4.30000	4.30000	4.34000	4.30000	(0.04000)	4.34000
USDLIB1M			5.02750	5.02750	5.10250	5.02750	(0.07500)	5.10250
USDLIB3M			4.99063	4.99063	5.05750	4.99063	(0.06687)	5.05750
USDLIB6M			4.82875	4.82875	4.92875	4.82875	(0.10000)	4.92875
USDLIB1Y			4.43875	4.43875	4.50188	4.43875	(0.06313)	4.50188
GBP LIBOR								
	Bid	Ask	Last Quote	Last Trade	Hi	Low	Net Chng	Open
GBPLIBON			5.60875	5.60875	5.68500	5.60875	(0.07625)	5.68500
GBPLIB1M			6.60375	6.60375	6.74625	6.60375	(0.14250)	6.74625
GBPLIB3M			6.51375	6.51375	6.62688	6.51375	(0.11313)	6.62688
GBPLIB6M			6.29000	6.29000	6.35375	6.29000	(0.06375)	6.35375
GBPLIB1Y			5.98875	5.98875	6.03375	5.98875	(0.04500)	6.03375
GBP DEPOSITS								
	Bid	Ask	Last Quote	Last Trade	Hi	Low	Net Chng	Open
GBPDEP1M	6.480	6.580	6.580	6.580	6.700	6.380	(0.020)	6.400
GBPDEP3M	6.430	6.530	6.530	6.530	6.700	6.300	(0.070)	6.400
GBPDEP6M	6.190	6.290	6.290	6.290	6.400	6.050	(0.010)	6.100
GBPDEP1Y	5.890	5.990	5.990	5.990	6.090	5.760	0.010	5.780
EURIBOR DEPOSITS								
	Bid	Ask	Last Quote	Last Trade	Hi	Low	Net Chng	Open
EURLIBON			4.0463	4.0463	4.0550	4.0463	(0.0088)	4.0550
EUIBOR1M			4.9380	4.9380	4.9470	4.9380	(0.0090)	4.9470
EUIBOR3M			4.9480	4.9480	4.9530	4.9480	(0.0050)	4.9530
EUIBOR6M			4.8980	4.8980	4.9060	4.8980	(0.0080)	4.9060
EUIBOR1Y			4.8620	4.8620	4.8670	4.8620	(0.0050)	4.8670