All times Eastern

15:20 07/16 **US TSYS/RECAP:** US Tsys gain Mon esp. long end amid 1) 10Y scarcity, big 10Y RP special; 2) talk of Tsy buyback at some eventual point (tho 9:59 ET MNI Main Wire story downplays odds) 2)short-covering;3)subprime/ safe-haven bid too as ABXs fall; 4) some mull if is sell US stks/buy Tsys trade as stocks high; 3) some feel Bernanke will hurt front end if reiterates inflation concern; 3) strong July NY Fed Empire State index hurt front end; 4) 2Y/10Y steepener unwinds; 4) some buy Tsys/sell Canadian debt as US$ hits 30-yr low vs C$. 5) Modest Street bid, lg-term buy-and-hold accts bid in 10s earlier, other intermediates, later real- money selling of 10s, deal-tied; Street buying in 10Ys, front end in p.m. 7) front-end selling earlier; 8) Agency rate-lock unwind late. 9) NY-based French shop up to 12,000 March 47 calls bought at 16.5 on covered basis, 0.48% delta. 10) Some buy US Tsys 10Y vs. swaps paying. 12) EGBs:safe- haven bid amid new Bin Laden terror video,positive net cash flow,Quaden:ECB not yet decided on Sep rate hike.

15:08 07/16 **US SWAPS:** Spreads finished wider by Mon's closing bell, Tsy ylds lower as risk aversion bias provides more impetus for disconnection. In line with the wider spds, sources reported modest paying in 10s, said to be tied to ongoing heavy corporate supply, while Tsy 10s gained on support from the Street and long-term buy-and-hold accounts. Euroddlr sources reported light paying in the front end, one seller of Red packs (Sep08-Jun09). Light two-way in the intermediates in second half.

According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Mon 3:05	+0.75/49.75	+0.75/56.75	+0.75/65.50	+1.25/72.25
1:25	+0.25/49.25	+0.50/56.50	+0.50/65.25	+1.25/72.25
11:00	-0.50/48.50	+0.25/56.25	+0.25/65.00	+1.00/72.00
9:30	-0.25/48.75	+0.50/56.50	+0.25/65.00	+1.00/72.00
Mon Open	+0.00/49.00	+0.50/56.50	+0.25/65.00	+0.75/71.75
Fri 3:05	+0.25/49.00	-0.75/56.00	-0.50/64.75	-0.75/71.00

15:18 07/16 **EURODLR FUTURES:** Eurodlr futures finished the session at or near session highs, the curve bull steepened as the front end outpaced. The Red/Gold pack spd (Sep08-Jun09) vs (Sep11-Jun12) a 2s/10s proxy, expanded 2.625 bps to 50.875. In the Fronts (Sep07-Jun08), the Sep07 was steady at 94-66 on combined Globex and pit volume of 114,000, the Dec07 up 2.5 bps at 94-69 on volume of 190,000, the Mar08 up 5.5 bps at 94-76.5 on volume of 221,000, while the Jun08 was 7.0 bps higher at 94-81.5 on volume of 218,000. The Red pack (Sep08-Jun09) a 2yr proxy, settled steady to 1.0 bps higher across the pack with 491,000 contracts traded.

(continued)

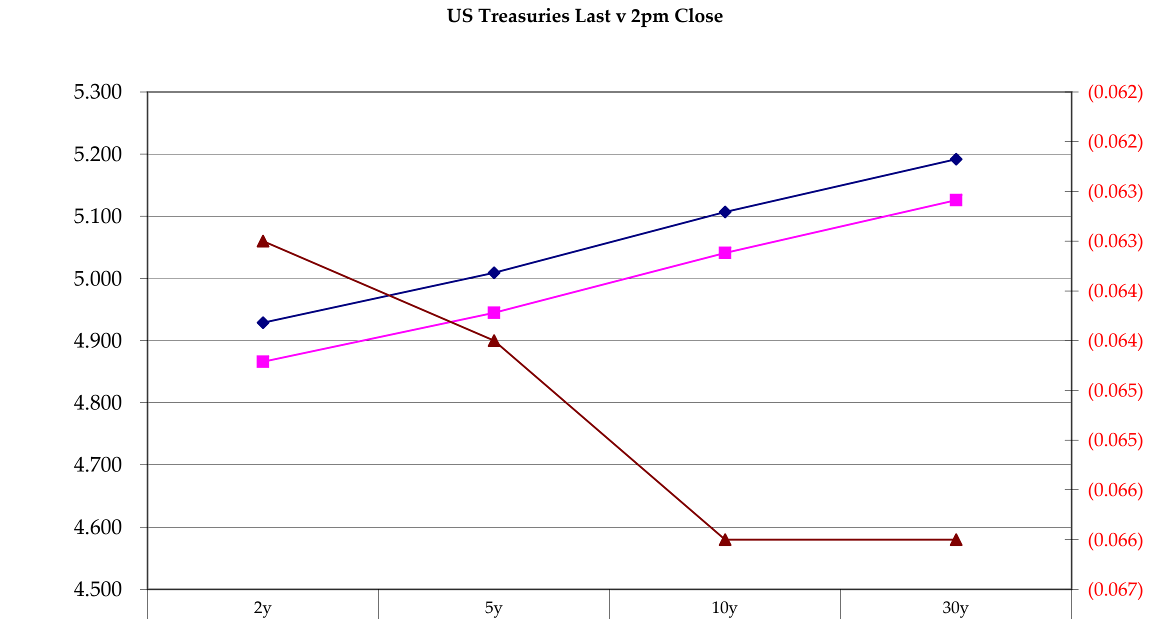
Closes - 2pm CST

	Cpn	Mty	Close 32	Close	Last	Diff	Basis Close	Basis Last	Roll
2y	4.875	6/30/09	99.2875	4.929	4.866	(0.063)			
5y	4.875	6/30/12	99.1325	5.009	4.945	(0.064)	12.54	13.38	
10y	4.500	5/15/17	95.110	5.107	5.041	(0.066)	47.40	50.46	
30y	4.750	2/15/37	93.11	5.192	5.126	(0.066)	151.04	161.99	

	Close 32	Last
ZF	103.255	104.020
ZN	105.050	105.195
ZB	106.31	107.220

Curve Spreads

	Close bps	Last bps
2/5	8.0	7.9
5/10	9.8	9.6
10/30	8.5	8.5
2/10	17.8	17.5
5/30	18.3	18.1
2/30	26.3	26.0



	2y	5y	10y	30y
2pm Cls	4.929	5.009	5.107	5.192
Last	4.866	4.945	5.041	5.126
Diff	(0.063)	(0.064)	(0.066)	(0.066)

Notes:

Basis = (Cash Decimal - (Futures Decimal * CF))*32

Mduration for Curve Spreads:

Longer duration minus shorter duration

32 = price is quoted in 32nds