

**All times Eastern**

15:16 07/23 **US TSYS/RECAP:** US Tsys end Mon slightly lower, curves flattening slightly, after quiet muted day; did not give back much of Fri rally gains though stocks rebounded from Fri weakness. There early on was mild corporate rate-lock selling, German Bunds pressure, pressure amid stronger US stocks, MBS-tied pressure in Tsys (US 2Y, 10Y, 30Y futures by real money) after MBS selling earlier by hedge funds originators, (though was MBS buying at the wiles later cited by some). There also was US supply short-setting to prepare for the US\$6B 20Y TIPS reopening Tues and the US\$18B 2Y auction Wed, US\$13B 5Y auction Thurs. There was talk of small CMBS bid list around this morning, said traders, who eyed 4 CMBS deals that could go ahead this week. And in corporates, issuance could soon surface: could be benchmark-sized Wachovia Corp. (Aa3/AA-) 3Y FRN SEC-Reg Sr FRN 3ML+. US stocks gained. In US Eurodlr options, sources say NY dealer sold 2,000 short Sep 47 puts at 8.0. Eurodlr futures had light buying in morn by UK shop, some selling of 1Y spreads.

15:13 07/23 **EURODLR FUTURES:** Eurodlr futures finished the session lower in the front end, the curve giving back all of Fri's steepening and then some. The Red/Gold pack spd (Sep08-Jun09) vs (Sep11-Jun12) a 2s/10s proxy, flattened 2.875 bps to 50.875. In the Fronts (Sep07-Jun08), the Sep07 were steady at 94-66.5 on combined Globex and pit volume of 102,000, the Dec07 in 2.5 bps at 94-71 on volume of 193,000, the Mar08 in 3.0 bps at 94-80 on volume of 226,000, while the Jun08 was 2.5 bps lower at 94-87 on volume of 173,000. The Red pack (Sep08-Jun09) a 2yr proxy, settled 2.0 to 2.5 bps lower across the pack with 489,000 contracts traded.

15:03 07/23 **US SWAPS:** Spreads see-sawed to steady levels by close, 0.75 bps range, amid light swap-tied flow. After reports of heavy paying in fronts to intermediates on Friday, sources said some mortgage-tied real money spread selling persisted in the intermediates. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Mon 3:02	+0.00/53.00	+0.25/60.50	+0.00/68.75	-0.25/74.00
12:45	-0.25/52.75	+0.00/60.25	-0.25/68.50	-0.25/74.00
11:30	-0.50/52.50	+0.75/61.00	+0.50/69.25	+0.50/74.75
10:15	+0.00/53.00	+0.75/61.00	+0.50/69.25	+0.50/74.75
9:30	+0.00/53.00	+0.75/61.00	+0.50/69.25	+0.50/74.75
Mon Open	+0.00/53.00	+0.75/61.00	+0.75/69.50	+0.50/74.75
Fri 3:05	+2.75/53.00	+2.25/60.25	+2.00/68.75	+1.25/74.25

(continued)

15:06 07/23 **US Tsy Futures:** Tsy futures finished marginally lower as U.S. equities remain firm. The Sep T-bonds settled 3/32 lower at 108-10, the Sep 10yr notes in 2.5/32 at 106-05, the Sep 5yr note 2.5/32 lower at 104-12.5, while the Sep 2yr note settled 1.5/32 lower at 102-00.5.

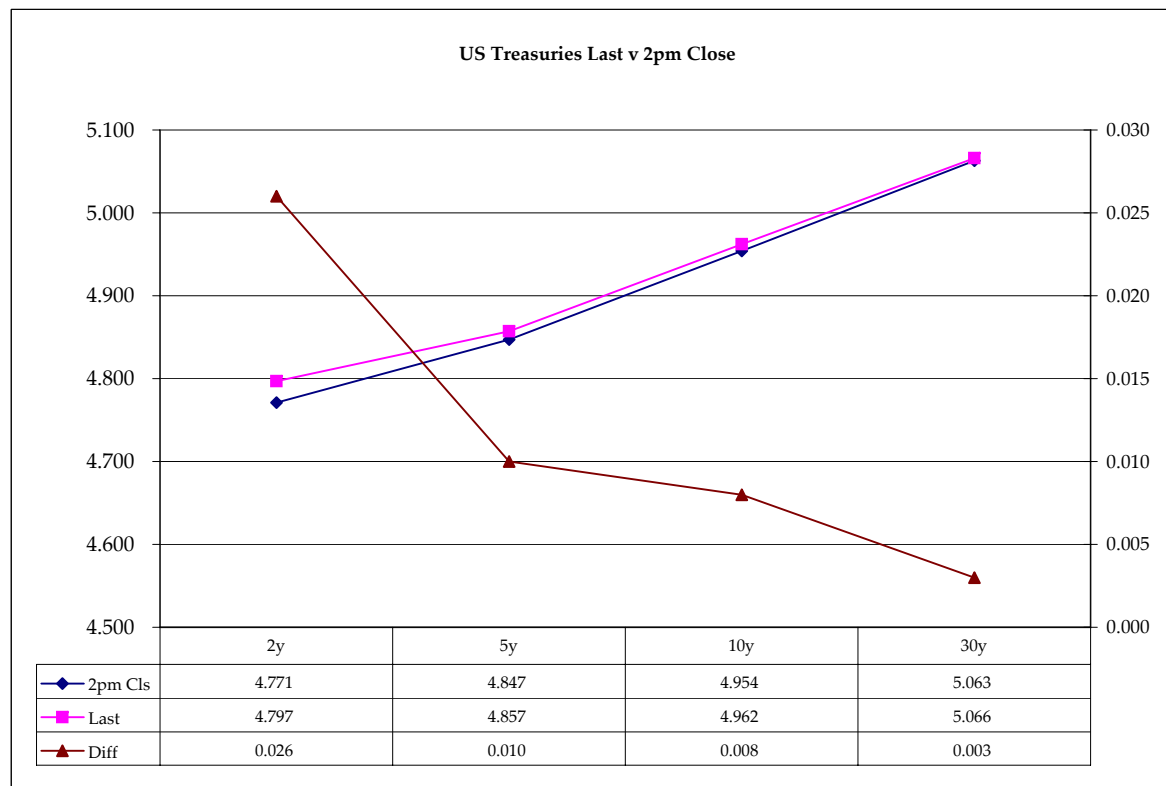
14:59 07/23 **US ABX/CDOS:** Fitch Ratings put 12 classes from 12 Structured Finance (SF) CDOS on Rating Watch Negative for potential downgrades; it also maintains 41 clases of 23 Structured Finance CDOS on WAtch negative. It cited the "direct result of collateral deterioration, specifically subprime RMBS, wherein significant portions of the portfolio have been downgraded, placed Rating Watch negative or 'Under Analysis' by either Fitch, Moody's or S&P in recent weeks."

- Today's Fitch actions affect about US\$603M in CDO Notes issued from US\$4.8B of mezzanine SF CDOS issues between 2001 and 2006.

	Cpn	Mty	Close 32	Close	Last	Diff	Basis		Roll
							Close	Last	
2y	4.875	6/30/09	100.0600	4.771	4.797	0.026			-0.75 / +1
5y	4.875	6/30/12	100.0375	4.847	4.857	0.010	14.53	15.16	-0.50 / 0.75
10y	4.500	5/15/17	96.160	4.954	4.962	0.008	53.61	53.34	
30y	4.750	2/15/37	95.07	5.063	5.066	0.003	172.93	172.26	

	Close 32	Last
ZF	104.150	104.125
ZN	106.075	106.050
ZB	108.13	108.120

Curve Spreads		
	Close bps	Last bps
2/5	7.6	6.0
5/10	10.7	10.5
10/30	10.9	10.4
2/10	18.3	16.5
5/30	21.6	20.9
2/30	29.2	26.9



Notes:
 Basis = (Cash Decimal - (Futures Decimal * CF))*32
 MDuration for Curve Spreads:
 Longer duration minus shorter duration
 32 = price is quoted in 32nds