

## The Afternoon Email

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### Key Money Rates

11/5/2007 14:00

|     | Libor\$ ^ | Tbill | CP ^^      |
|-----|-----------|-------|------------|
| 1M  | 4.668     | 3.875 | 4.560      |
| 3M  | 4.875     | 3.645 | 4.670      |
| 6M  | 4.811     | 3.91  | 4.640      |
|     | TSY       | Swap  | ED Pks ^^^ |
| 2y  | 3.654     | 75.00 | 4.314      |
| 5y  | 3.941     | 73.50 | 5.023      |
| 10y | 4.318     | 70.25 | 5.279      |

|       | Libor\$ ^ | Repos |
|-------|-----------|-------|
| 0/N   | 4.629     | 4.430 |
| 1week | 4.646     | 4.450 |
| 2week | 4.649     | 4.450 |

### 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.

Lastly, SYM = Symbol

Any stories from wire services are EST.  
Otherwise, times are CST.

**All times Eastern**

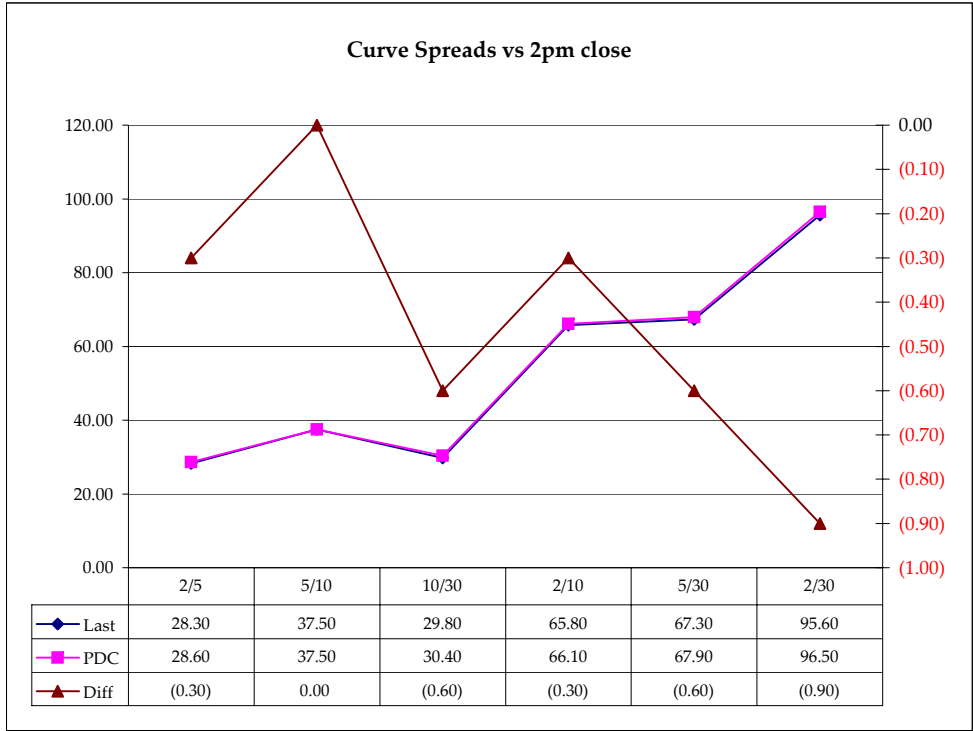
15:20 11/05 **US TSYS/RECAP:** US Tsys had a topsy-turvy Monday amid on-and-off US weak stocks but afternoon Tsys weakness as stocks trimmed loss. Morning had fast, real money sales in Tsys. Despite move lower, sources said flows in Tsys, swaps and MBS light as many awaited fiscal year-end. Swap spreads were wider, reflecting concerns. But swaps widening kept the convexity bid at bay, which weighed on Tsys. Into Treasury downtick, sources reported fast money selling on profit-taking and new shorts by those that believe the economic data is not all that weak. Fast money took profit mostly in 10Ys but there were reports of supply-linked selling ahead of the Treasury auctions this week. Earlier, there was some Tsys buying vs German Bunds and reports of ongoing foreign buying in Treasury bills. But into weakness, dealers bought 10YS, hedge funds bought both 3Y, 5S; portfolios bought 5-year notes. There was talk of some general receiving in 3Y and receiving in 10Y swaps versus sold MBS. Fed fund options saw more plays that benefit from 50-bps Dec ease.

[MNI running way behind today. I'll recap these tomorrow. ]

(cont)

15:17 11/05 **US AGENCIES:** For the first time in a while we had reports of some real selling. That was just a counterweight to the buying that continued in the short end of the curve with callables and bullets leaving dealer hands - both Home Loan new issuance mentioned as was old trader inventory being taken off the shelves and leaving the Street. Swap and GSE spreads widen significantly again. Indications as follows - Freddie June'09 +49 according to TradeWeb and other screens (vs Friday's 3PM mark of +45.5); Fannie July'09 +48 (+45); Freddie Aug'10 +58.5 (+54.5); Fannie Sept'10 +56.5 (+53.5); Freddie Oct'12 +57 (+54.5); Fannie Nov'12 +58 (+55.5); Fannie June'17 +55.5 (+52); Freddie Nov'17 +57.5 (+54.5); Fannie Nov 2030 +54.5 (+51.5); Freddie Jul'32 +53 (+50.5). Freddie Reference Notes in the morning - the world expects \$3-4 billion of a new 2-year. Literally no dealer polled mentioned a three-year. Wild-card possibility suggested by two analysts - no new issuance.

| Yield Curve Spreads |       |       |        |
|---------------------|-------|-------|--------|
|                     | TC    | PDC   | Diff   |
| 2/5                 | 28.30 | 28.60 | (0.30) |
| 5/10                | 37.50 | 37.50 | 0.00   |
| 10/30               | 29.80 | 30.40 | (0.60) |
| 2/10                | 65.80 | 66.10 | (0.30) |
| 5/30                | 67.30 | 67.90 | (0.60) |
| 2/30                | 95.60 | 96.50 | (0.90) |

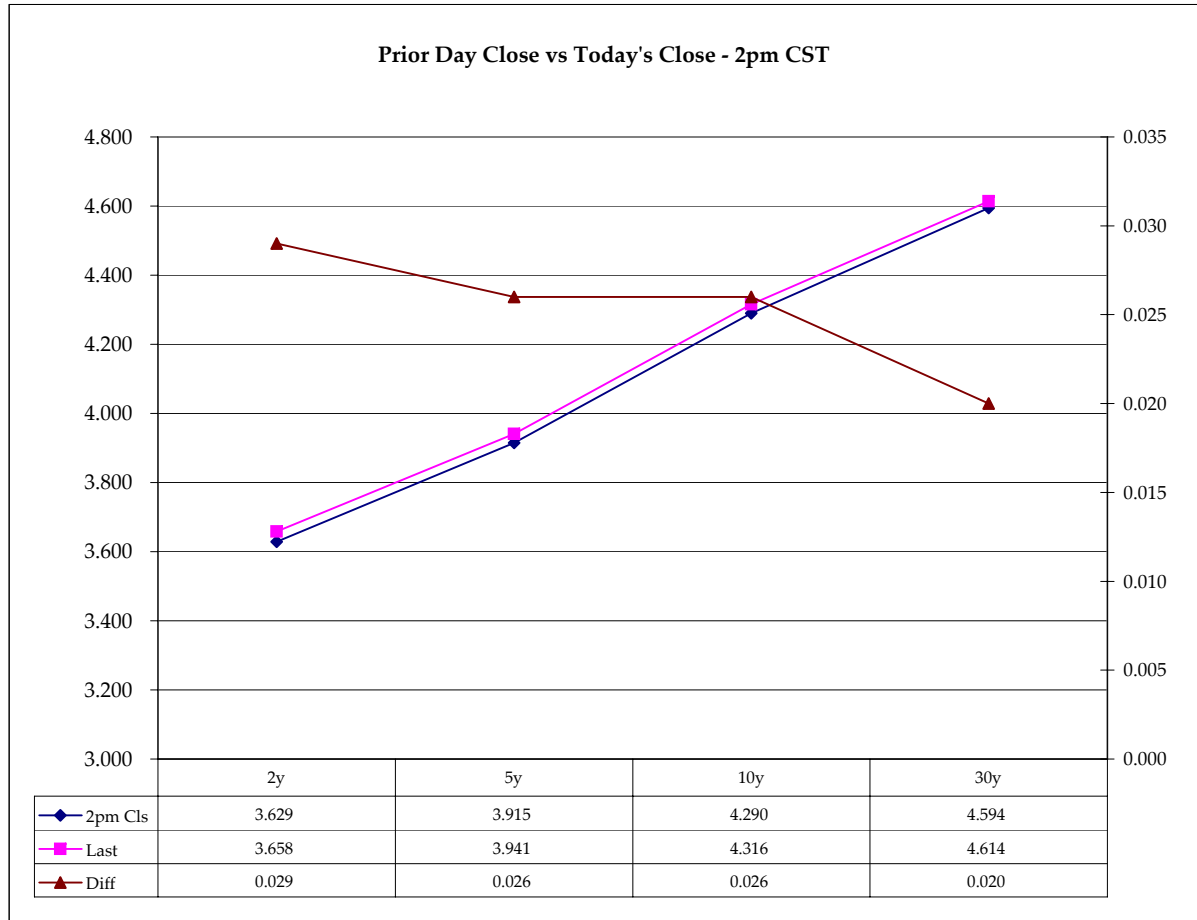


Notes:  
 TC = Today's Close at 2pm  
 PDC = Prior Day's Close at 2pm

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

|     | Cpn   | Mty      | PDC 32  | PDC   | TC    | Diff  | Basis   |         |
|-----|-------|----------|---------|-------|-------|-------|---------|---------|
|     |       |          |         |       |       |       | PDC     | TC      |
| 2y  | 3.625 | 10/31/09 | 99.3175 | 3.629 | 3.658 | 0.029 |         |         |
| 5y  | 3.875 | 10/30/12 | 99.2625 | 3.915 | 3.941 | 0.026 | 30.41   | 30.01   |
| 10y | 4.750 | 8/15/17  | 103.205 | 4.290 | 4.316 | 0.026 | 85.22   | 83.16   |
| 30y | 5.000 | 5/15/37  | 106.17  | 4.594 | 4.614 | 0.020 | -659.14 | -659.54 |

|    | PDC 32  | TC      |
|----|---------|---------|
| ZF | 108.135 | 108.095 |
| ZN | 111.110 | 111.050 |
| ZB | 114.16  | 114.060 |



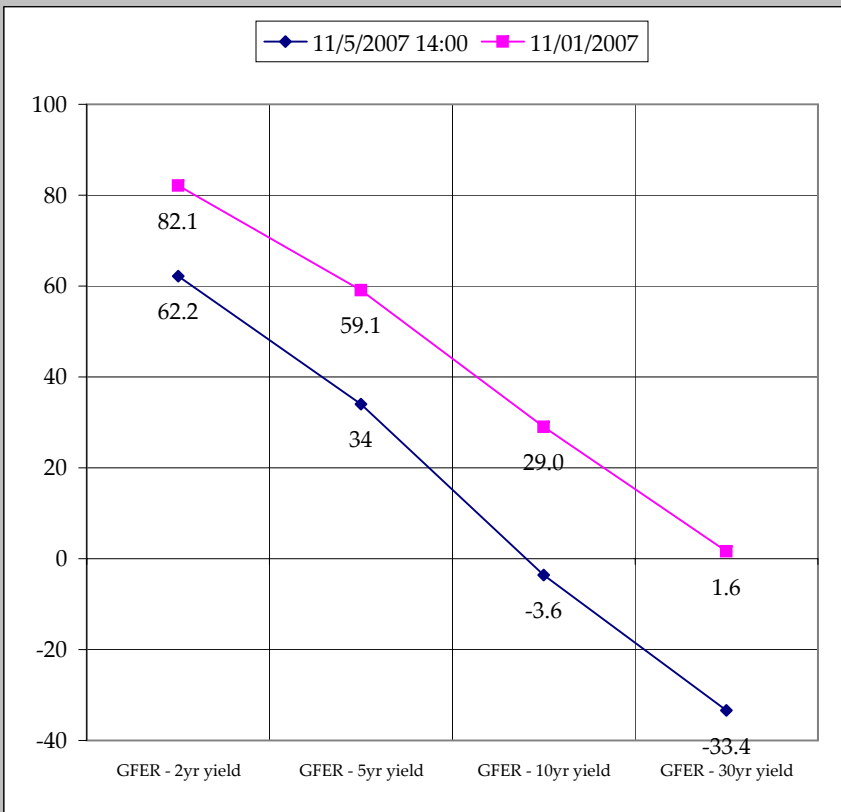
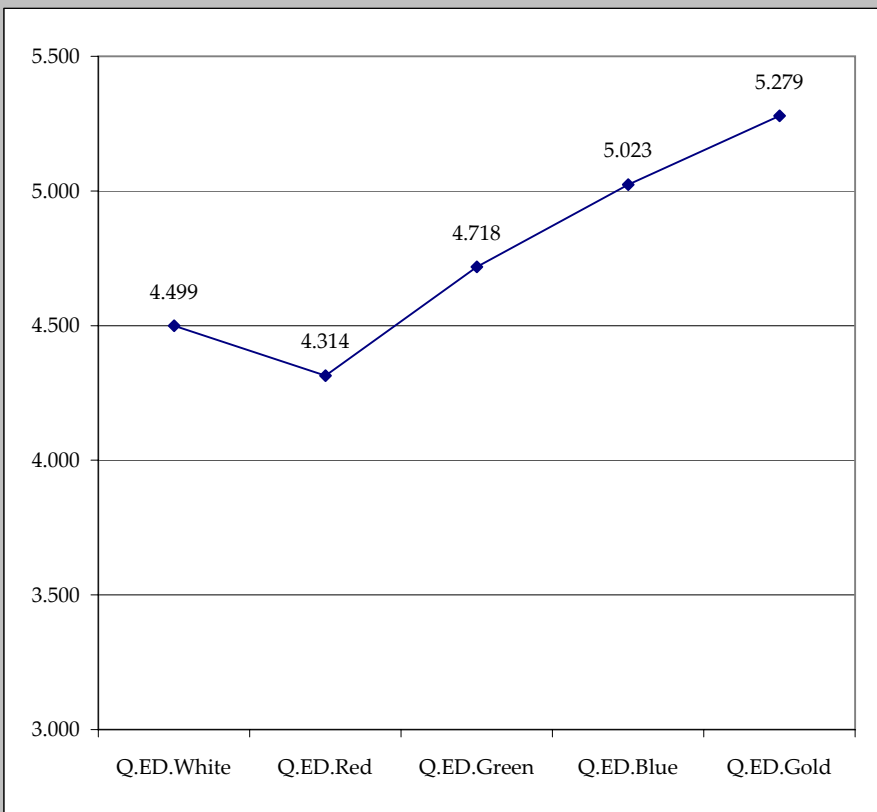
Notes:  
 Basis = (Cash Decimal - (Futures Decimal \* CF))\*32  
 32 = price is quoted in 32nds  
 TC = Today's Close at 2pm  
 PDC = Prior Day's Close at 2pm

| Eurodollar Packs |            |           |            |
|------------------|------------|-----------|------------|
|                  | Last Yield | Net Yield | Last Price |
| Q.ED.White       | 4.499      | -7.125    | 9561.125   |
| Q.ED.Red         | 4.314      | -5.375    | 9579.000   |
| Q.ED.Green       | 4.718      | -5.750    | 9540.000   |
| Q.ED.Blue        | 5.023      | -4.250    | 9510.625   |
| Q.ED.Gold        | 5.279      | -5.125    | 9486.000   |

| Fed Funds Daily Effective Rate<br>Minus US Treasury Yields |          |          |            |
|--|----------|----------|------------|
| Spread Name  | Diff bps | Net Chng | 11/01/2007 |
| GFER - 2yr yield   | 62.2     | -2.9     | 82.1       |
| GFER - 5yr yield   | 34       | -3.0     | 59.1       |
| GFER - 10yr yield  | -3.6     | -3.1     | 29.0       |
| GFER - 30yr yield  | -33.4    | -3.1     | 1.6        |
| GFER   | 4.28     | -3.1     |            |

GFER = Fed Funds Daily Effective Rate

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



Fed Funds - Eurodollars

| Month  | Fed Funds (FF) |         |         | ED      | ED - FF |
|--------|----------------|---------|---------|---------|---------|
|        | Last           | Net     | Implied | Implied | bps     |
| Nov-07 | 95.550         | 0.250   | 4.450   | 4.918   | 46.8    |
| Dec-07 | 95.620         | 0.000   | 4.380   | 4.855   | 47.5    |
| Jan-08 | 95.655         | -0.150  | 4.345   | 4.655   | 31.0    |
| Feb-08 | 95.800         | -0.350  | 4.200   | 0.000   | 0.0     |
| Mar-08 | 95.835         | -0.400  | 4.165   | 4.395   | 23.0    |
| Apr-08 | 95.885         | -0.400  | 4.115   | 0.000   | 0.0     |
| May-08 | 95.980         | -0.350  | 4.020   | 0.000   | 0.0     |
| Jun-08 | #VALUE!        | #VALUE! | #VALUE! | 4.205   | #VALUE! |
| Jul-08 | 96.035         | -0.450  | 3.965   | 0.000   | 0.0     |
| Aug-08 | 96.100         | -0.350  | 3.900   | 0.000   | 0.0     |
| Sep-08 | #VALUE!        | #VALUE! | #VALUE! | 4.105   | #VALUE! |

