

The Afternoon Email

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Key Money Rates

11/9/2007 12:00

	Libor\$ ^	Tbill	CP ^^
1M	4.659	3.394	4.620
3M	4.879	3.253	4.780
6M	4.763	3.693	4.700
	TSY	Swap	ED Pks ^^^
2y	3.430	81.75	4.153
5y	3.756	80.75	4.969
10y	4.231	74.75	5.249

	Libor\$ ^	Repos
0/N	4.560	4.270
1week	4.626	4.300
2week	4.638	4.250

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

13:04 11/09 **US TSYS/RECAP:** Tsys rallied in short Fri session on 1) broad safe-haven buying amid selling in stocks, riskier debt; 2) big rumored big curve unwinds (so exit buy 2Y/sell 10Y trades); 3) DJIA off nearly 1%, S&P 500 off 0.71%, Nasdaq off 1.73%; 4) Very weak Mich. consumer sentiment at 75 Nov. vs. 80.9 Oct; 5) Fannie Mae shrs slid as various earnings came out, hurt stock view. 6) Huge T-bill bid: 3m bill yield fell 27 bp earlier; 7) Central bank buying in shorter Tsys; 8) Street profit-taking in intermediates; 9) lvrgrd accts buy 2s. 10) bid lists (US\$183M CMBS list ET, 1 ARMS list, 1 Credit Card ABS list (few hundred mln); 8) Risk aversion: Accts sell weaker debt, stocks, to buy US Tsys; 9) Some bks ratchet down trading before off-cycle qtr- or Fyr-ends late Nov. 10) Bk buying in 2Ys, 5Y. 11) Lvrgrd accts bought 2Ys. 12) 3M OIS/Libor high: 56 bps; vs 50 Nov. 2, 38 Oct. 31. 13) CDX indexes hit all-time contract wide for Series9 again. 14) Wkend risk spurs Tsys bid too. 15) Real money buying MBS. 16) Central bk buying shorter Tsys.

13:15 11/09 **US SWAPS:** Spds see-sawed to marginally tighter levels, the front end back to steady and well off early tights. Sources had reported ongoing light volume amid early interest in steepeners and receiver support in the front end. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
1:00	+0.00/82.25	-0.25/81.50	-0.50/76.50	-0.50/68.50
11:00	-1.25/81.00	-1.25/80.50	-1.50/75.50	-1.50/67.50
10:15	-0.75/81.50	-1.25/80.50	-1.50/75.50	-0.25/68.75
9:40	+0.25/82.50	-0.25/81.50	-0.50/75.50	-0.25/68.75
9:10	-1.50/80.75	-1.00/80.75	-1.25/74.75	-1.00/68.00
Fri 8:30	-0.25/82.00	-0.25/81.50	-0.50/75.50	-0.50/68.50
Fri 7:30	-0.25/82.00	+0.00/81.75	-0.50/75.50	-0.50/68.50
Thu 3:00	+1.75/82.25	+2.25/81.75	+2.50/76.00	-0.50/69.00

(cont)

13:28 11/09 **US TSY FUTURES:** Tsys closed at contract high settlements across the board with Dec bonds finishing up 19/32 at 114-21 with 326K traded while the Dec 10-yr settled up 11.5/32 at 111-31.5 with a light 1.06M traded. The Dec 5-yr notes settled up 5.5/32 at 109-00 with 611K traded while the Dec 2-yr closed flat at 104-11.25 with 286K changing hands.

13:12 11/09 **US SWAPTION VOL:** ATM straddle swaption premiums ended session steady to mixed, off early session highs on light volume. Vols dipped in last hour as sources noted sellers of 1y/1y and 1m/10y vol. According to GovPX:

Time (ET)	GAMMA, 3M/2Y	INTERMEDIATE, 2Y/10Y	VEGA, 5Y/5Y
Fri 1:05	86.2 bps	751.4 bps	596.0 bps
12:05	86.2 bps	752.6 bps	593.6 bps
11:15	86.4 bps	754.0 bps	595.2 bps
10:15	86.6 bps	754.8 bps	594.7 bps
9:15	86.8 bps	755.2 bps	593.2 bps
Fri Open	87.0 bps	756.6 bps	594.2 bps
Fri 8:00	86.6 bps	755.2 bps	594.2 bps
Thu 3:00	86.0 bps	756.8 bps	593.2 bps

10:21 11/09 **US DATA REACT:** From economist Steve Wood at Insight Economics: "Consumer sentiment plunged in early November because of higher gasoline prices, stagnant (or falling) home prices, the turmoil in the subprime market, and the volatility in the stock market. The index is just above recessionary levels. With the exception of the months following Hurricane Katrina, this is the lowest level of sentiment since 1993."

11:04 11/09 **DOLLAR-YEN:** Retreating again, now around Y110.68 as trading remains choppy, liquidity at a premium and nerves frayed, not a good combination for a Friday. Dollar weighed by the recent downdraft in stocks and buy recent sales by a UK clearer and the dollar now clearly has Y110.50 area of morning lows in sight. Option strikes cited in that area, more around Y110.00 which retains a degree of 'psychological' importance.

11:26 11/09 **CDS:** Credit Derivatives Research says "concerns over the liquidation of ABS CDOs are very real," noting recent news of State Street Global Advisors, the first CDO asset manager being forced by the "controlling class" or senior note holders to sell all the assets in their Carina CDO Ltd., a \$1.5B CDO, after S&P downgraded the most senior class from AAA to BB. "This means is that any investor in the CDO other than the senior class will most likely receive ZERO as the assets are illiquid and being sold into an already depressed market," CDR said. Meanwhile, 14 other CDO's were all given an EOD (event of default) similar to the Carina CDO. "We believe these liquidations will continue adding downward pressure on the subprime mortgage market. The sales of assets will also force dealers to provide an actual market price for these assets that will be below the model-driven value currently being used. Writedowns will only get bigger due to this process and we suggest resetting shorts on banks and brokers ahead of this possibly dramatic turn of events," they say.

On balance, **the trade data** continue to reflect relative strength of US trading partners in comparison to domestic activity. The divergence of these international growth rates combined with the uncertainty associated with U.S. credit market instruments has been reflected in the precipitous decline in the dollar, which is making US exports less expensive, and imports more expensive. These data should result in a substantial upward revision to the contribution the net export sector will make to third quarter GDP growth which we now peg at 5% or so.--by Joe Liro, PhD

According to our model, **the probability of the U.S. being in recession** in the first quarter of 2008 is near 30%, which is not an insignificant number.

8:10 am CT from WSJ

Barclays shares fell as much as 9% amid rumors, which the bank denied, that the U.K.-based bank faced massive write-downs and a management shake-up

8:14 am CT from WSJ

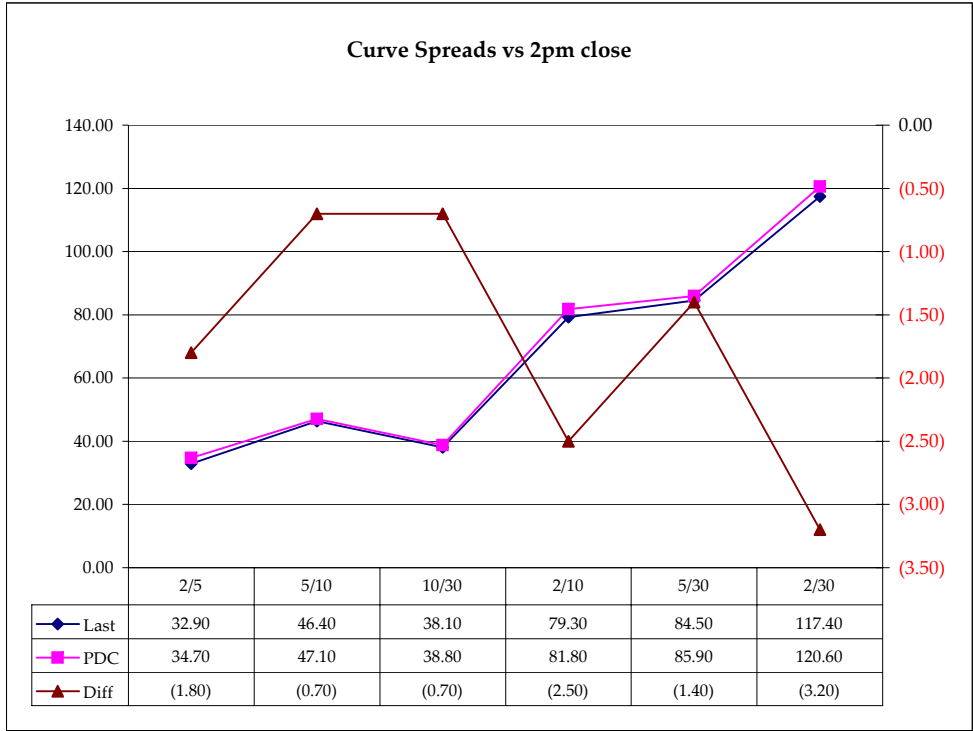
Stocks dropped on continued worry about the financial sector after **Wachovia** warned about subprime-related losses. A lackluster forecast from Qualcomm weighed on tech stocks. Markets were lower in Europe and mixed in Asia

We read Bernanke's comments as a rehash of the themes in last week's FOMC statement, elaborating on the fact the Committee expected growth to slow "noticeably" in the last quarter of '07, but rebound by late-2008. In addition, the Chairman again reiterated the risk of higher inflation that elevated energy prices currently pose to the market. Concerns about growth have continued to weigh on the stock market and supported Treasuries for much of the last week -- a recurring theme.

RBS GREENWICH CAPITAL

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Market Strategy Team

Yield Curve Spreads			
	TC	PDC	Diff
2/5	32.90	34.70	(1.80)
5/10	46.40	47.10	(0.70)
10/30	38.10	38.80	(0.70)
2/10	79.30	81.80	(2.50)
5/30	84.50	85.90	(1.40)
2/30	117.40	120.60	(3.20)

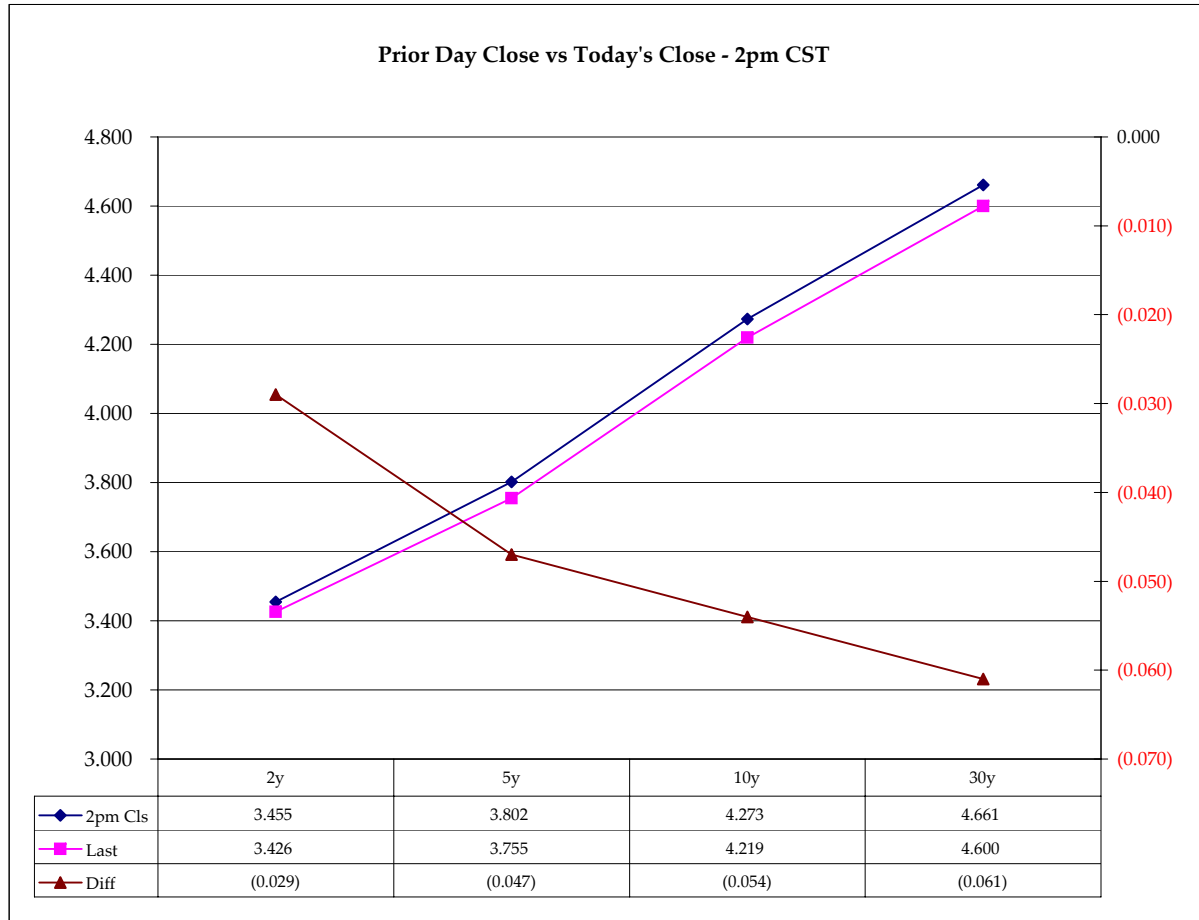


Notes:
 TC = Today's Close at 2pm
 PDC = Prior Day's Close at 2pm

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	100.1025	3.455	3.426	(0.029)		
5y	3.875	10/30/12	100.1050	3.802	3.755	(0.047)	34.81	36.75
10y	4.250	11/17/17	99.260	4.273	4.219	(0.054)	78.86	81.39
30y	5.000	5/15/37	105.13	4.661	4.600	(0.061)	223.78	239.02

	PDC 32	TC
ZF	108.265	108.315
ZN	111.200	112.000
ZB	114.02	114.220



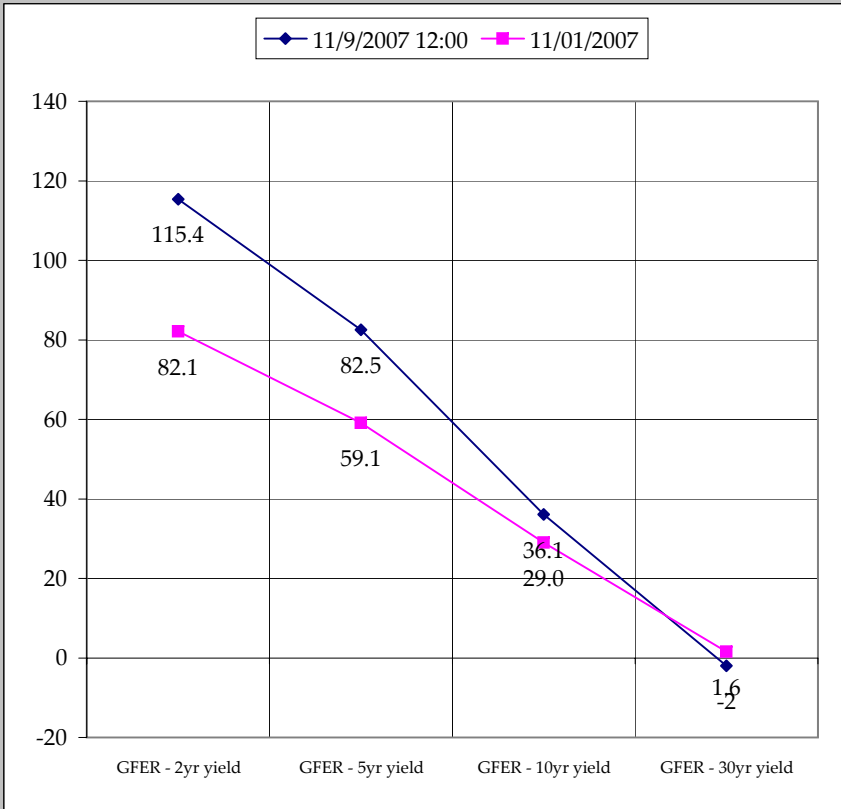
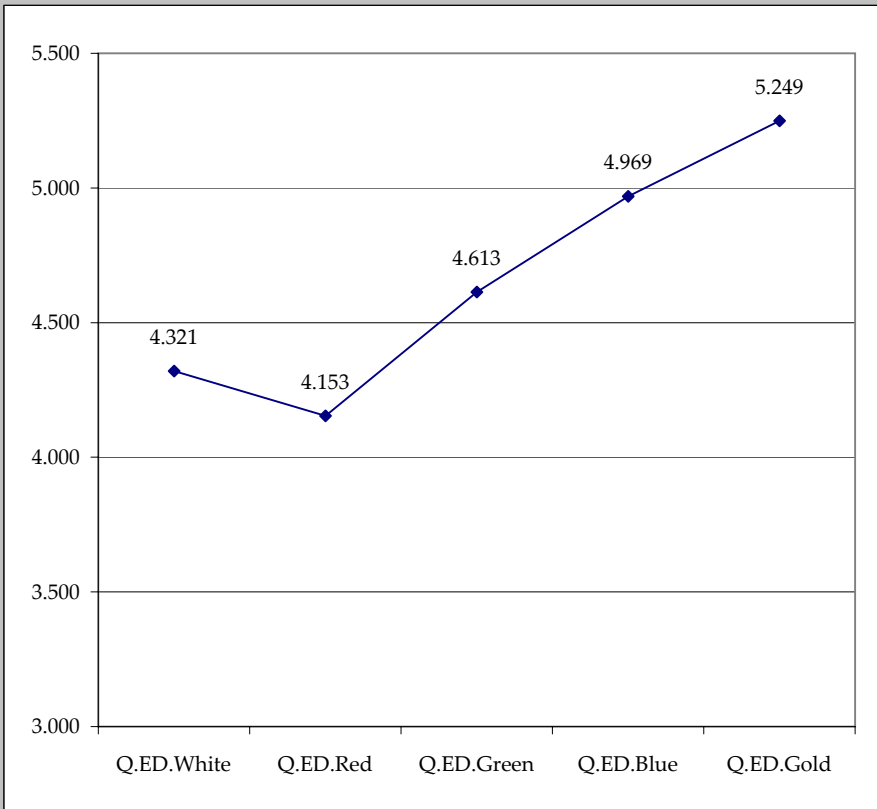
Notes:
 Basis = (Cash Decimal - (Futures Decimal * CF))*32
 32 = price is quoted in 32nds
 TC = Today's Close at 2pm
 PDC = Prior Day's Close at 2pm

Eurodollar Packs			
	Last Yield	Net Yield	Last Price
Q.ED.White	4.321	3.125	9578.375
Q.ED.Red	4.153	2.500	9594.500
Q.ED.Green	4.613	4.875	9550.125
Q.ED.Blue	4.969	7.125	9515.875
Q.ED.Gold	5.249	8.000	9488.875

Fed Funds Daily Effective Rate Minus US Treasury Yields			
Spread Name	Diff bps	Net Chng	11/01/2007
GFER - 2yr yield	115.4	24.1	82.1
GFER - 5yr yield	82.5	24.6	59.1
GFER - 10yr yield	36.1	25.6	29.0
GFER - 30yr yield	-2	24.9	1.6
GFER	4.58	19.0	

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	95.575	-0.050	4.425	4.843	41.8
Dec-07	95.695	0.200	4.305	4.735	43.0
Jan-08	95.750	0.250	4.250	4.525	27.5
Feb-08	95.930	0.250	4.070	0.000	0.0
Mar-08	95.980	0.350	4.020	4.235	21.5
Apr-08	96.055	0.350	3.945	0.000	0.0
May-08	96.190	0.850	3.810	0.000	0.0
Jun-08	96.165	0.250	3.835	4.000	16.5
Jul-08	#VALUE!	#VALUE!	#VALUE!	0.000	0.0
Aug-08	#VALUE!	#VALUE!	#VALUE!	0.000	0.0
Sep-08	#VALUE!	#VALUE!	#VALUE!	3.895	#VALUE!

