The Afternoon Email

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Key Money Rates

11/13/2007 13:59

	Libor$ ^	Tbill	CP ^^
1M	4.652	3.768	4.590
3M	4.869	3.446	4.770
6M	4.738	3.723	4.640

	TSY	Swap	ED Pks ^^^
2y	3.520	79.00	4.208
5y	3.821	79.50	4.997
10y	4.252	73.75	5.270

	Libor$ ^	Repos
0/N	4.623	4.250
1week	4.628	4.150
2week	4.635	4.150

Notes

^Quoted in US Dollars

^^CP = Commercial Paper

^^^ED Pks are colored for pack identifications. Exanple, 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.

MarketNews International

All times Eastern

15:22 11/13 **US TSYS/RECAP:** Tsys ratcheted lower Tues, pressured somewhat by US stocks strength, some earlier asset-allocation out of bonds to US stocks. Tsys traders said US stocks said underpinned by strong Wal-Mart results: Q3 profits +8% to $2.86B. DJIA up 2.04%. Some noted hedge funds asset allocation out of bonds into US stocks and steepener unwinds, with 3 banks agreeing to start super-SIV M-LEC entity and reports billionaire investor Warren Buffet could eye potential investmt in bd insurers. Real, lvrgd money took profits on US, European bd steepeners. Foreign central bks sold Tsys earlier and then bought similar Tsys. There was earlier corporate rate-lock selling as deals prepared in 5Y, 10Y, 30Ys. 2Y/10Y, 2Y/30Y curves flatter amid steepener unwinds. But swap spreads had steepening bias; CDS wider (such as homebuilders) tho fincl. CDS did better;some feel Tsys' weakness Tue cd be 1-day affair.Tsys traders felt same, expected turbulent Wed resumption of ABCP trading from Canadian SIVS. Some eyed Nov 15 45-day notice pd for yrnd hedge fund redemptions.

15:19 11/13 **US EURODLR FUTURES**: Eurodlr futures finished at or near session lows with the curve continuing to unwind recent steepener move, the Red/Gold pack spd in 1.875 bps at 104.25 by the bell, -1.875 bps from Friday. In the Fronts (Dec07-Sep08), the Dec07 was in 4.0 bps at 95-22.55 on combined Globex and pit volume of 198,000, the Mar08 in 6.0 bps at 95-70.5 on volume of 258,000, the Jun08 in 7.0 bps at 95-93 on volume of 275,000, while the Sep08 contract was 7.0 bps lower at 96-03.5 on volume of 310,000. The 2yr proxy Red pack (Dec08-Sep09), settled 4.0 to 6.0 bps lower across the pack with 626,000 contracts traded.

15:10 11/13 **US SWAPS:** Spds improvement picks up steam late in the session, strong positive performance in equities a sign of oversold conditions after multiple sessions of punishment, credit-tied anxieties taking back seat for the moment. Flow light and 2way in front end early after better payers in 2s and 5s out of London overnight. Accts still maintaining steepener positions despite curve unwinds elsewhere. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Tue 3:00	-4.25/78.75	-2.75/79.50	-2.50/73.50	-1.75/66.75
1:30	-3.50/79.50	-2.50/79.75	-2.25/73.75	-1.50/67.00
11:30	-2.75/80.25	-2.50/79.75	-2.50/73.50	-2.00/66.50
10:20	-2.75/80.25	-2.50/79.75	-2.25/73.75	-1.75/66.75
9:25	-2.50/80.50	-2.00/80.25	-2.00/74.00	-1.50/67.00
Tue Open	-2.50/80.50	-1.75/80.50	-1.50/74.50	-1.00/67.50
Tue 7:55	-2.25/80.75	-1.50/80.75	-1.50/74.50	-1.00/67.50
Fri 1:00	+0.75/83.00	+0.50/82.25	-1.00/76.00	-0.50/68.50

(cont)

15:14 11/13 **US AGENCIES**: "You do the hokey-pokey and you turn yourself around," or words to that effect from a trader noting today's take back of some of last week's widening. "Not all, just a start. Maybe." Indications as follows - Fannie July'09 +58.5 (vs Friday's 3PM mark of +57.5); Freddie Nov'09 +57 (+58) Freddie Aug'10 +66.5 (+68); Fannie Sept'10 +65 (+66.5); Freddie Oct'12 +64 (+65); Fannie Nov'12 +65.5 (+66); Fannie June'17 +64 (+64.5); Freddie Nov'17 +66 (+66.5); Fannie Nov 2030 +59.5 (+60.5); Freddie Jul'32 +57.5 (+59). Supply tomorrow from Fannie Mae. All options, as always, are open. Best bet? The calendar would suggest a new 2-year, but with Freddie having just done one, some think a 3-year will be the answer.

15:14 11/13 **US TSY FUTURES:** Tsys closed lower backing off Friday's contract high settlements across the board with Dec bonds finishing off 9/32 at 114-12 with 280K traded while the Dec 10-yr settled down 8.5/32 at 111-23 with 1.08M traded. The Dec 5-yr notes settled off 10/32 at 108-22 with 507K traded while the Dec 2-yr closed down 3.5/32 at 104-07.75 with 204K changing hands.

15:11 11/13 **US SWAPTION VOLS**: OTC vols drifted lower throughout session, After some light gamma pressure last Friday, specifically 1-year/1-year and 1-month/10-year, flows were very light. Liquidity issues as to option volume remained with many accounts positioned neutral and reluctant to add risk ahead of fiscal year end. One desk said they priced "very little today," while the 1-month sector "certainly trades as if someone has it to go." According to GovPX:

Time (ET)	GAMMA, 3M/2Y	INTERMEDIATE, 2Y/10Y	VEGA, 5Y/5Y
Tue 3:00	83.8 bps	740.8 bps	582.8 bps
1:05	83.6 bps	740.6 bps	588.8 bps
12:00	83.8 bps	742.4 bps	586.8 bps
10:30	84.8 bps	746.2 bps	590.8 bps
9:30	85.6 bps	745.6 bps	589.2 bps
Tue Open	86.6 bps	755.2 bps	594.6 bps
Fri 1:00	86.2 bps	752.6 bps	593.6 bps

MarketNews international

Stone & McCarthy RESEARCH ASSOCIATES

13:43 11/13 **US TSY FUTURES:** Barclays research says according to the latest CFTC COT report dated for Nov 6, combined futures and options total bond long positions reached the highest level in 3 years as total Tsy positions increased from 6.47% to 7.84% and total rate positions were increased from 5.45% to 6.20%. On net, 10-year note long positions were increased by 132k to 574k contracts while 30-year bond shorts were cut by 33k to long 25k. Speculators continue to hover near record levels in 3m Euro$ long positions. The latest report shows that Euro$ longs were increased by 29k contracts to 973k. Record levels of 1,192k had been reached just a few weeks ago. Combined 30 day fed funds shorts were increased by 16k to short 25k. Meanwhile, 2-year note longs were cut by 12k contracts to short 8.5k and 5-yr note longs were pared back sharply by 77k to 16k contracts, just 0.76% of open interest.

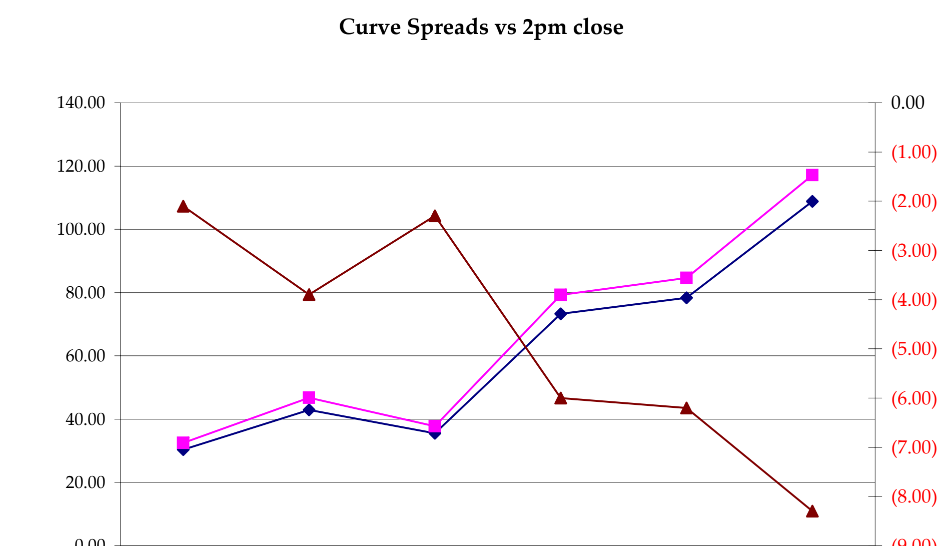
12:30 11/13 **US STOCKS/BONDS/BANKS**: Goldman Sachs CEO Lloyd Blankfein had said the firm would not take any significant writedowns on MBS-tied assets, and that firm was still expecting that MBS, CDOs would decline in value so GS was "net short in these markets" (Bloomberg.) The remarks were made in response to a question at a Merrill Lynch conference.

15:00 11/13 U.S. STOCKS: Dow up 253 points after 3 pm data surprised with strength. Nasdaq is up 69.

Goldman Shares Rally 5.5% As CEO Says No Plans For Sign >>
*GOLDMAN SACHS SHARES GAIN $11.79, OR 5.5%, TO $226.50
*BLANKFEIN SAYS GOLDMAN HAS `GOOD GRIP' ON LEVEL 3 ASSET VALUES
*BLANKFEIN COMMENTS AT MERRILL LYNCH BANKING CONFERENCE
*GOLDMAN'S BLANKFEIN SAYS NO PLANS FOR `SIGNIFICANT WRITEDOWN'
*GOLDMAN SACHS IS `NET SHORTING' MORTGAGE CDO MAREKTS, CEO SAYS
*GOLDMAN'S BLANKFEIN COMMENTS ON CDO MARKETS

BofA Headlines:
*BANK OF AMERICA SEES FOURTH QUARTER `MARK' ABOUT $3B PRETAX
*BANK OF AMERICA TARGETS LONG-TERM EPS GROWTH AVG. 10% PER YEAR
*BANK OF AMERICA SEES EXPENSE ABOUT $230M FROM VISA SETTLEMENT
*BANK OF AMERICA SEES IMPAIRMENT $300M ON MEZZANINE INVESTMENT
*BANK OF AMERICA SAW IMPAIRMENT ON 1 MEZZANINE INVESTMENT
*BANK OF AMERICA MAY SEE GAIN OVER $30B ON PAPER ON CCB :BAC US
*BANK OF AMERICA CONSOLIDATING 1,200 JOBS ON SALES FORCE PLANS
*BANK OF AMERICA SAYS PART OF ANNOUNCED JOB CUTS INCLUDE SALES
*BAC BOOSTING RESERVES ON HOME EQUITY PORTFOLIO GROWTH :BAC US
*BANK OF AMERICA SAYS SUPPORT PACT ON UNCERTAINTY AROUND SIVS
*BANK OF AMERICA SAYS PROVIDED SUPPORT PACT TO CASH FUND $300M
*BANK OF AMERICA TARGETS LONG-TERM REV GROWTH AVG. 6-9% PER YR

	Yield Curve Spreads		
	TC	PDC	Diff
2/5	30.40	32.50	(2.10)
5/10	42.90	46.80	(3.90)
10/30	35.50	37.80	(2.30)
2/10	73.30	79.30	(6.00)
5/30	78.40	84.60	(6.20)
2/30	108.80	117.10	(8.30)



	2/5	5/10	10/30	2/10	5/30	2/30
Last	30.40	42.90	35.50	73.30	78.40	108.80
PDC	32.50	46.80	37.80	79.30	84.60	117.10
Diff	(2.10)	(3.90)	(2.30)	(6.00)	(6.20)	(8.30)

Notes:

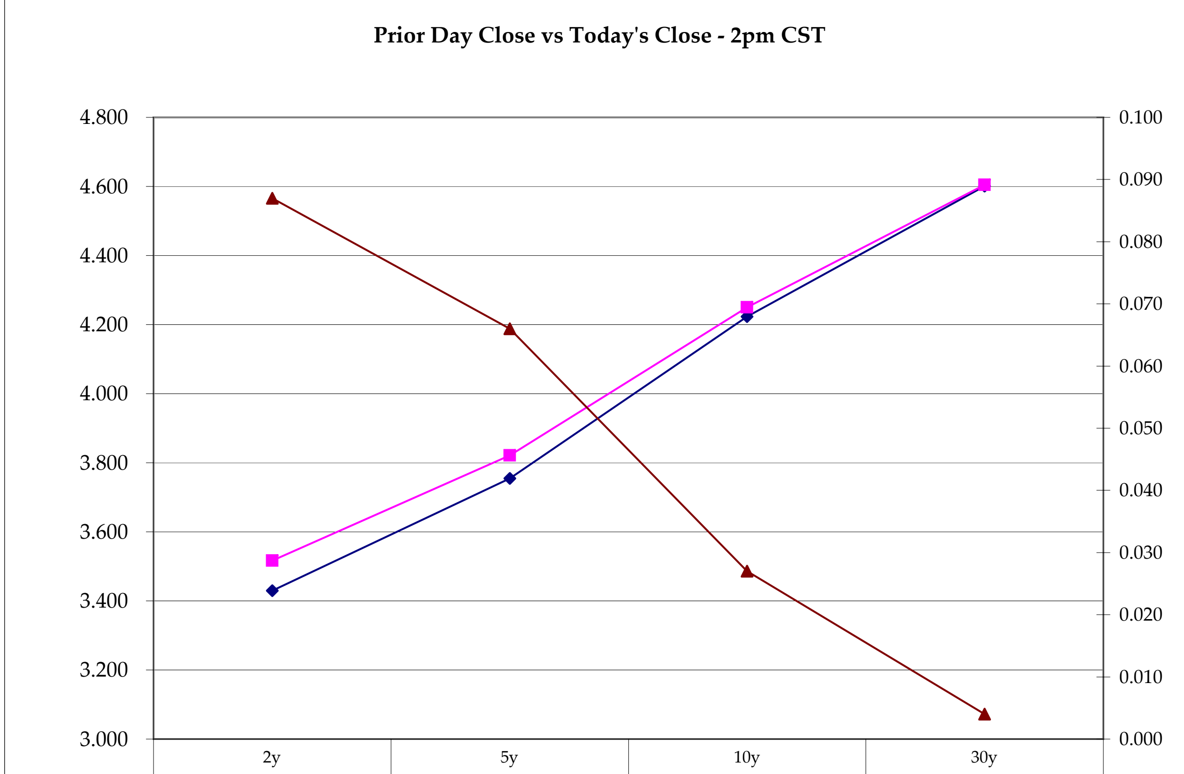
TC = Today's Close at 2pm

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	Basis TC
2y	3.625	10/31/09	100.1175	3.430	3.517	0.087		
5y	3.875	10/30/12	100.1725	3.755	3.821	0.066	36.54	35.20
10y	4.250	11/17/17	100.070	4.223	4.250	0.027	81.83	81.31
30y	5.000	5/15/37	106.13	4.601	4.605	0.004	238.52	243.43

	PDC 32	TC
ZF	109.000	108.230
ZN	111.315	111.235
ZB	114.22	114.140



	2y	5y	10y	30y
2pm Cls	3.430	3.755	4.223	4.601
Last	3.517	3.821	4.250	4.605
Diff	0.087	0.066	0.027	0.004

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 & Fed Funds - Treasuries

Eurodollar Packs

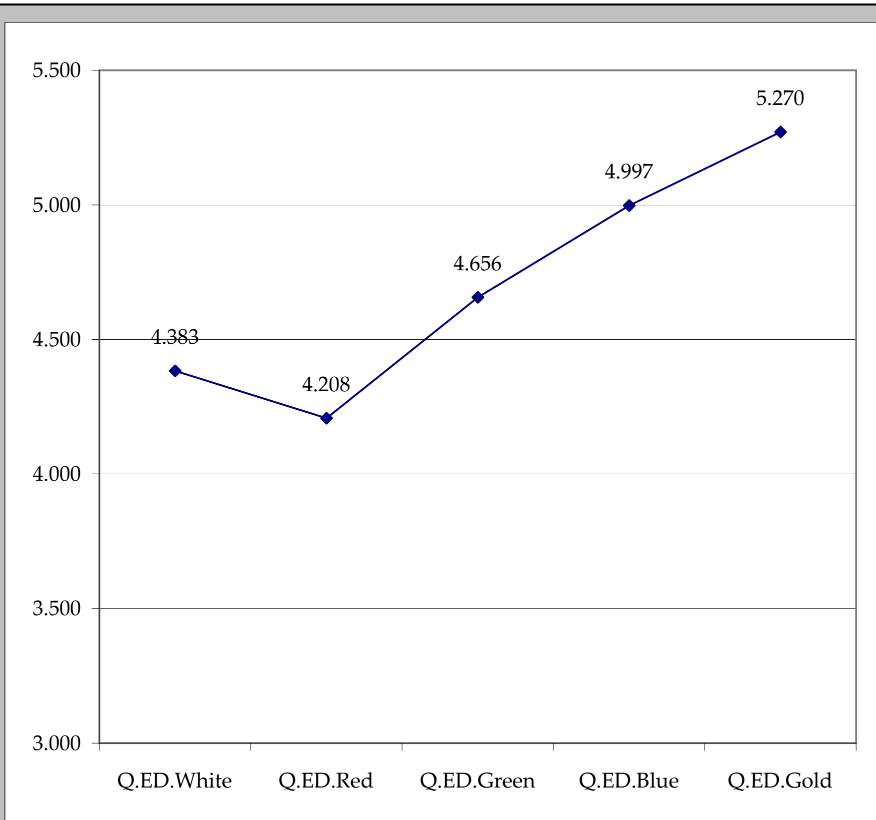
	Last Yield	Net Yield	Last Price
Q.ED.White	4.383	-6.000	9572.375
Q.ED.Red	4.208	-4.750	9589.250
Q.ED.Green	4.656	-3.500	9546.000
Q.ED.Blue	4.997	-1.500	9513.125
Q.ED.Gold	5.270	-1.000	9486.875

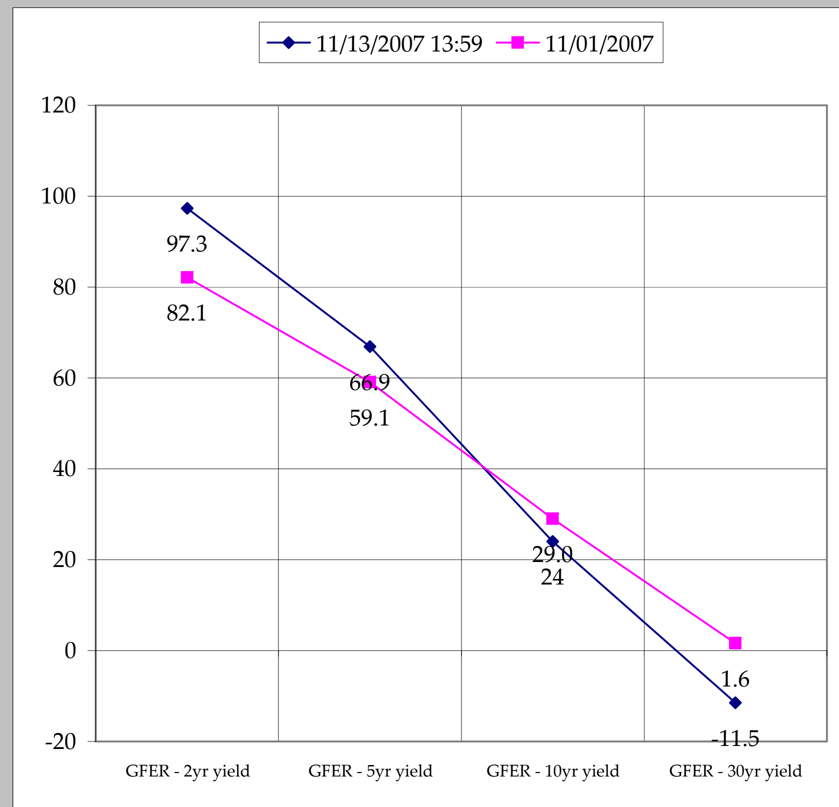
Fed Funds Daily Effective Rate Minus US Treasury Yields

Spread Name	Diff bps	Net Chng	11/01/2007
GFER - 2yr yield	97.3	-20.6	82.1
GFER - 5yr yield	66.9	-17.0	59.1
GFER - 10yr yield	24	-13.4	29.0
GFER - 30yr yield	-11.5	-10.3	1.6
GFER	**4.49**	-9.0	

GFER = Fed Funds Daily Effective Rate

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





Fed Funds - Eurodollars

	Fed Funds (FF)			ED	ED - FF
Month	Last	Net	Implied	Implied	bps
Nov-07	95.555	-0.200	4.445	4.855	41.0
Dec-07	95.650	-0.400	4.350	4.780	43.0
Jan-08	95.700	-0.450	4.300	4.575	27.5
Feb-08	95.860	-0.700	4.140	0.000	0.0
Mar-08	95.915	-0.700	4.085	4.290	20.5
Apr-08	95.990	-0.700	4.010	0.000	0.0
May-08	96.100	-0.450	3.900	0.000	0.0
Jun-08	96.120	-0.750	3.880	4.065	18.5
Jul-08	#VALUE!	#VALUE!	#VALUE!	0.000	0.0
Aug-08	#VALUE!	#VALUE!	#VALUE!	0.000	0.0
Sep-08	#VALUE!	#VALUE!	#VALUE!	3.965	#VALUE!