

The Afternoon Email

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Key Money Rates

11/15/2007 14:00

	Libor\$ ^	Tbill	CP ^^
1M	4.686	3.754	4.660
3M	4.905	3.287	4.870
6M	4.791	3.546	4.720
	TSY	Swap	ED Pks ^^^
2y	3.340	84.00	4.027
5y	3.699	80.50	4.893
10y	4.157	73.50	5.205

	Libor\$ ^	Repos
0/N	4.955	4.250
1week	4.714	4.250
2week	4.705	4.200

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**

14:55 11/15 **US TSYS**: Tsys rallied this afternoon amid weaker stocks, DJIA -0.77%:

- 1) Leveraged accounts buying long end on screens, hoping to catch dealers still short off guard;
- 2) Risk aversion buying too as many different small bid lists floating around to prepare for year-end.
- 3) Today is final 45-day notice deadline for hedge fund redemptions.
- 4) 10-year yields hit 2-year low; still going lower still;
- 5) Tsys futures saw momentum buyers in size (pls see 14:43 bullet).
- 6) New longs had come in on 5Y, 10Y notes, with some of those system traders, but others real money buyers who had sought better entry levels but never got them (please see 14:41 bullet.)
- 7) Also likely was brisk reinvestment today of matured coupons, coupon interest payments as was US\$57B that could have come into Tsys amid big cash flows.
- 8) CPI came out as expected earlier today too.

15:16 11/15 **US EURODLR FUTURES**: Eurodlr futures finished sharply higher, save the lower Dec07 contract, curve bull steepening as credit crunch fears contribute to pick up in rate cut expectations. By the bell, the Red/Gold pack spd steepened 9.25 bps to 110.75. In the Fronts (Dec07-Sep08), the Dec07 was in 7.5 bps at 95-11.5 on combined Globex and pit volume of 405,000, the Mar08 up 8.5 bps at 95-76.5 on volume of 332,000, the Jun08 up 15.5 bps at 96-07.5 on volume of 423,000, while the Sep08 contract was 18.5 bps higher at 96-21 on volume of 441,000. The 2yr proxy Red pack (Dec08-Sep09), settled 18.5 to 20.0 bps higher across the pack with 961,000 contracts traded.

15:07 11/15 **US SWAPS**: Spreads march wider throughout session, ending on wides while 2s/10s spd of spds moves further into inversion w/front end underperforming on return of credit-crunch fears. Overall flow light though sources did note some "counter trend trading" amid widening, some swap accts took profits on front end steepeners, "doing some small unwinds" after three consecutive sessions of flattening. Bigger flows are likely to come next month when more companies close yr-end books, sources said. Overnight repo squeeze, bounce in US LIBOR adds to move. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Thu 3:00	+6.50/84.00	+3.50/80.50	+2.25/73.50	+1.50/66.75
1:35	+5.50/83.00	+2.75/79.75	+1.75/73.25	+1.25/66.50
10:15	+4.75/82.25	+2.50/79.50	+1.50/73.00	+1.25/66.50
9:15	+4.75/82.25	+3.00/80.00	+2.25/73.75	+1.50/66.75
Thu Open	+4.00/81.50	+2.25/79.25	+1.25/72.75	+1.00/66.25
Wed 3:00	-1.25/77.50	-2.50/77.00	-2.25/71.50	-1.50/65.25

(cont)

15:15 11/15 **US TSY FUTURES**: Tsys closed at contract high settlements after establishing contract high closes across the curve. Dec T-bonds finished up 1-full point at 115-13 with 392K traded while the Dec 10-yr settled up 15/32 at 112-12 with 1.399M traded. The Dec 5-yr notes settled higher by 20/32 at 109-04.5 with 704K traded while the Dec 2-yr closed up 10.5/32 at 104-17 with 274K changing hands.

15:11 11/15 **US AGENCIES**: "As nasty a day as I can remember," said a salesman taking in the wondrous moves in the curve, yields, spreads and not in the least - attitudes. Buying heard early on, but nothing that transpired could counter the flows to Treasuries and the beating of equities. Indications as follows - Fannie July'09 +60 (vs Wednesday's 3PM mark of +54.5); Freddie Nov'09 +59.5 (+54.5) Freddie Aug'10 +67 (+63.5); Fannie Sept'10 +66 (+62); Freddie Oct'12 +65 (+61.5); Fannie Nov'12 +66 (+62.5); Fannie June'17 +64.5 (+61.5); Freddie Nov'17 +67 (+64); Fannie Nov 2030 +60 (+58.5); Freddie Jul'32 +58.5 (+56.5). Also, for what it is worth, we continue to hear the idea that sometimes you sell 'what' you can sell, not what you 'want' to sell. GSEs, for all the spread widening and flailing around, can still be traded.

15:03 11/15 **US SWAPTION VOLS**: OTC vols while higher all session, wait for the last hour and sharp upleg in underlying as equities come unglued. Risk aversion remains theme, interest by recent shorts in gamma to buy back 1m/10y and 1y/1y. According to GovPX:

Time (ET)	GAMMA, 3M/2Y	INTERMEDIATE, 2Y/10Y	VEGA, 5Y/5Y
Thu 3:00	86.0 bps	742.6 bps	591.4 bps
1:25	82.4 bps	734.0 bps	585.8 bps
12:00	80.0 bps	731.4 bps	583.0 bps
11:10	81.2 bps	732.0 bps	583.6 bps
10:10	81.2 bps	731.8 bps	583.8 bps
9:15	80.8 bps	732.0 bps	584.2 bps
8:45	80.6 bps	731.0 bps	582.6 bps
Thu Open	80.6 bps	730.8 bps	585.2 bps
Wed 3:00	79.2 bps	722.8 bps	575.8 bps

11/15/2007

News: Snapshots throughout the day

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MarketNews
international

Stone & McCarthy
RESEARCH ASSOCIATES

06:50 11/15 **MONEY MARKET:** US dollar and sterling money market rates were squeezed up this morning as concerns over year-end funding reignited jitters in the credit markets. As a result, the spreads between overnight and 1-month term rates widened appreciably this morning, traders said. Dollar money market rates are being squeezed, with no offers above 1-month amid fears that over \$1.0 trillion worth of funds need to be rolled over into year-end. Funding issues also helped pile the pressure on front-month European short-term interest rate futures, in particular Dec short-sterling. Traders said some banks are opting to do their year-end funding for the turn of year now, rather than wait and be exposed to a potential rate cut from the Bank of England in December. Dec short-sterling is down 9 ticks at 93.750, and the June 2009 contract is up 5 ticks at 94.660. The approach of the US quarterly tax payment deadline -- also helped push up US dollar money market rates.

12:04 11/15 **US DATA: Nov Philly Fed text** sees "a continuation of modest growth in the region's manufacturing sector in November. Forty-four percent of firms surveyed continued to report cost pressures, and 23 percent reported higher prices for their manufactured goods. Overall, firms expect improvement in manufacturing business over the next six months, although most six-month indicators were down dramatically from last month. Over one-quarter of the firms surveyed indicated that fourth-quarter production cutbacks are planned and that they are attributable to recent changes in business conditions."

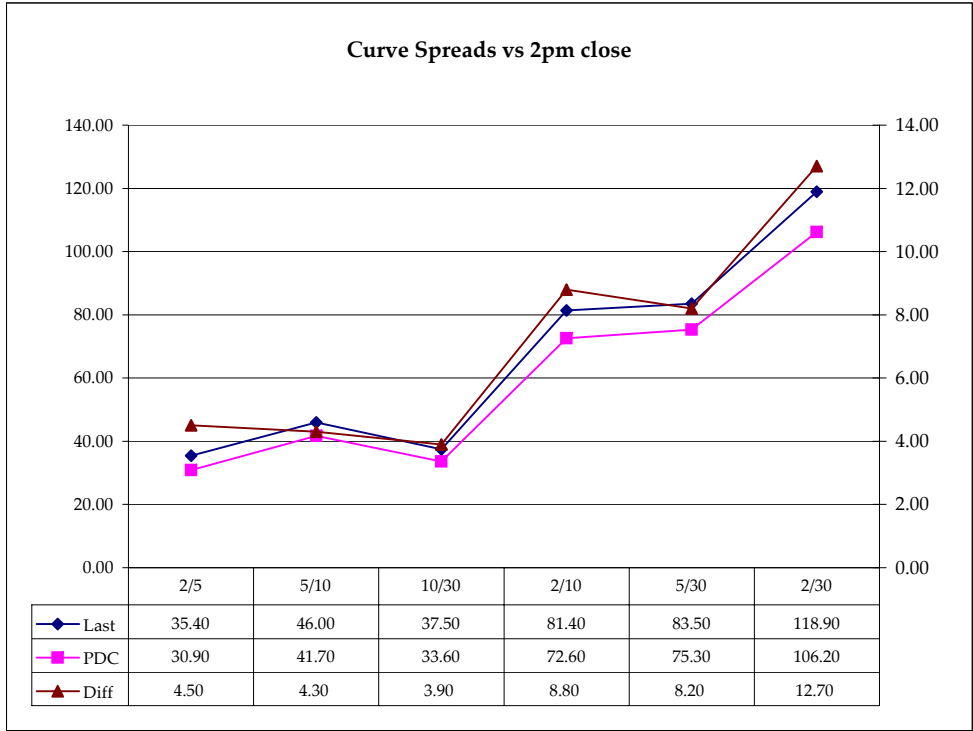
13:07 11/15 **US DATA REACT:** From Nomura: Philly "index has turned negative prior to each of the last five recessions, suggesting manufacturers in the Philly Fed district sense a developing economic contraction earlier than most others. We might take comfort from the still positive reading of this expectations index, but the marked deterioration in confidence about the outlook is a troubling sign that the housing slump might indeed be spreading."

--**Stone & McCarthy (Princeton)**-- **Initial Unemployment Claims** in the week ended November 10 rose 20,000 to 339,000. This was among the highest reading of 2007. The rise in claims may an indication of the long-awaited softening labor market conditions, but we should probably wait a couple weeks before attaching too much emphasis to the elevation in claims. The rise in claims could be an artifact of the timing of the Veteran's Day holiday, which was shifted by a week this year in comparison to 2006, a phenomena that often cuases quirky seasonal adjustment problems.

14:48 11/15 **US BONDS:** In addition to general risk aversion, year end etc, market sources say a main theme driving the flight to quality today is connected to the news of much earlier today that GE Asset Mgmt bought out some investors at \$.96 cents vs. 100. One market veteran said, "it is not the loss, it is the type of fund because it was offered in a pension fund." These types of stories "will make people less willing to put their money anywhere but under the pillow," he said. Another added, "there is fear the GE story will snowball, stinging 'mom and pop' accounts and huting their long-term investing confidence."

MarketNews
international

Yield Curve Spreads			
	TC	PDC	Diff
2/5	35.40	30.90	4.50
5/10	46.00	41.70	4.30
10/30	37.50	33.60	3.90
2/10	81.40	72.60	8.80
5/30	83.50	75.30	8.20
2/30	118.90	106.20	12.70

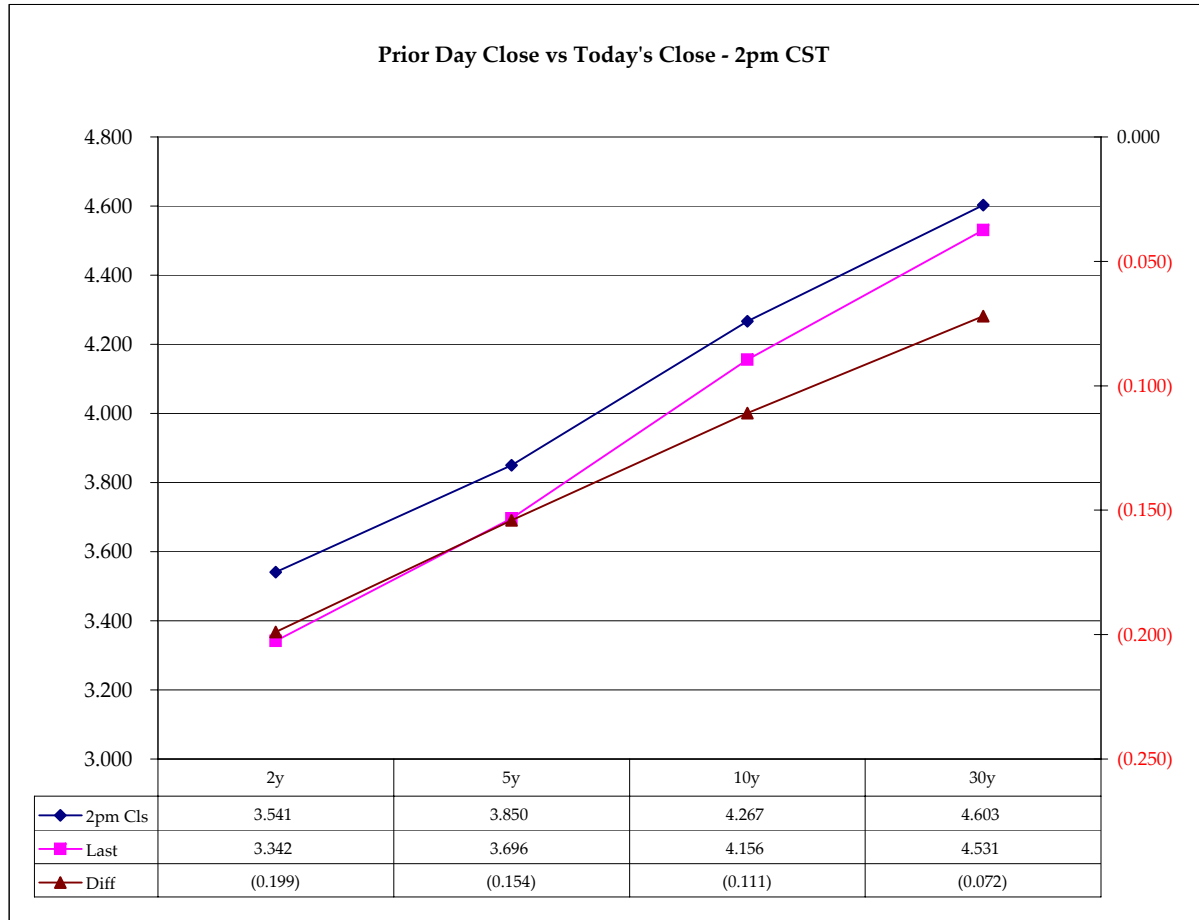


Notes:
 TC = Today's Close at 2pm
 PDC = Prior Day's Close at 2pm

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	100.0500	3.541	3.342	(0.199)		
5y	3.875	10/30/12	100.0350	3.850	3.696	(0.154)	34.19	37.65
10y	4.250	11/17/17	99.275	4.267	4.156	(0.111)	81.23	87.86
30y	5.000	5/15/37	106.12	4.603	4.531	(0.072)	245.29	254.82

	PDC 32	TC
ZF	108.195	109.075
ZN	111.190	112.115
ZB	114.13	115.140



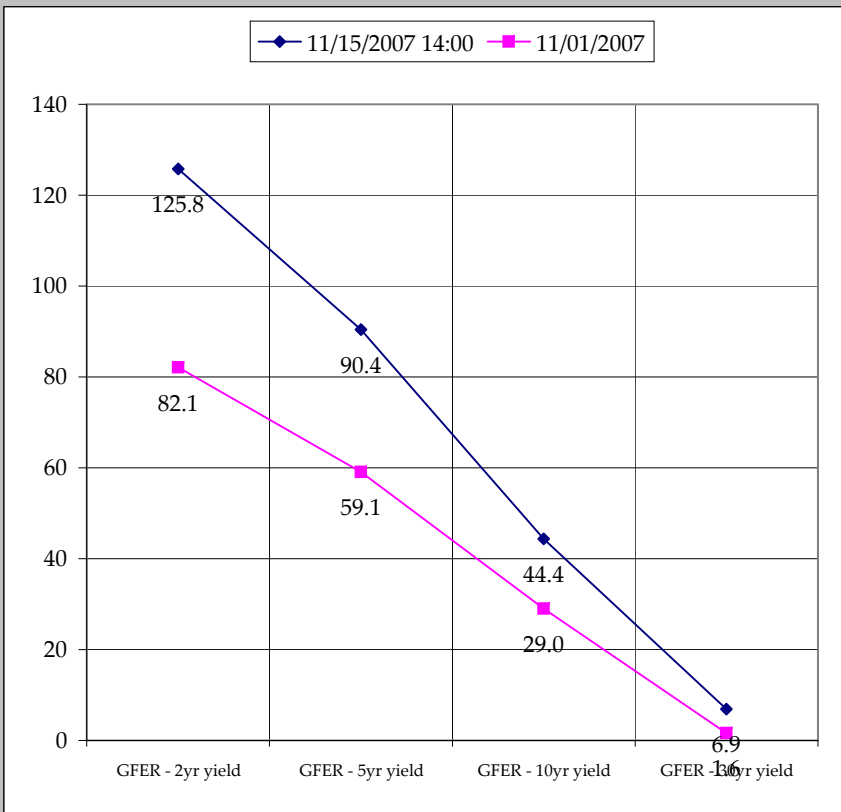
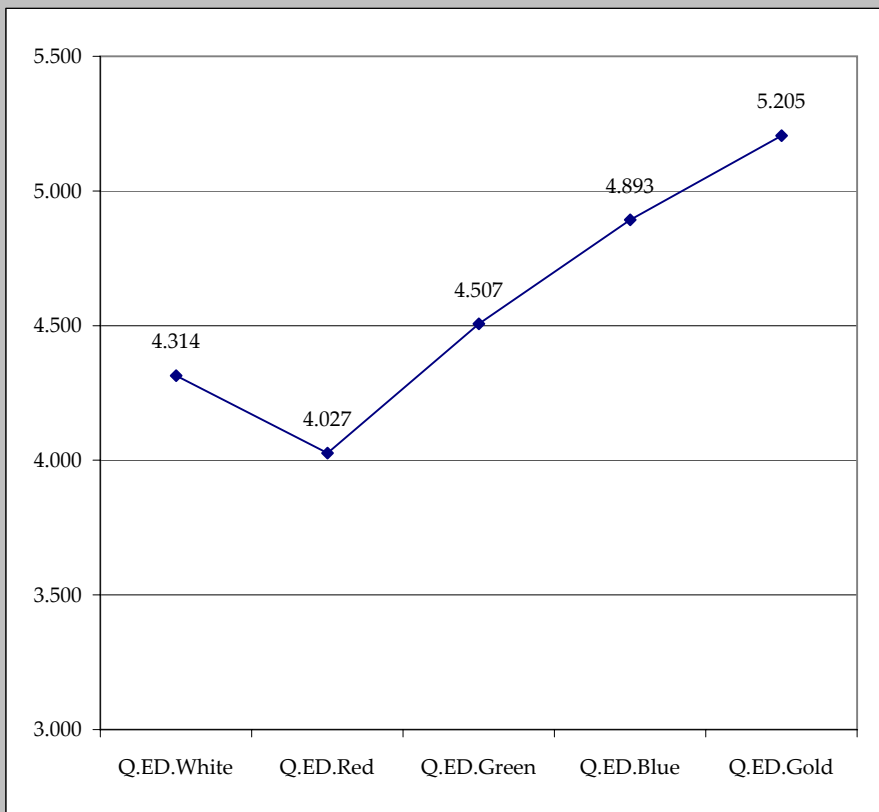
Notes:
 Basis = (Cash Decimal - (Futures Decimal * CF))*32
 32 = price is quoted in 32nds
 TC = Today's Close at 2pm
 PDC = Prior Day's Close at 2pm

Eurodollar Packs			
	Last Yield	Net Yield	Last Price
Q.ED.White	4.314	8.750	9579.125
Q.ED.Red	4.027	19.500	9606.750
Q.ED.Green	4.507	16.125	9560.375
Q.ED.Blue	4.893	11.875	9523.125
Q.ED.Gold	5.205	7.500	9493.125

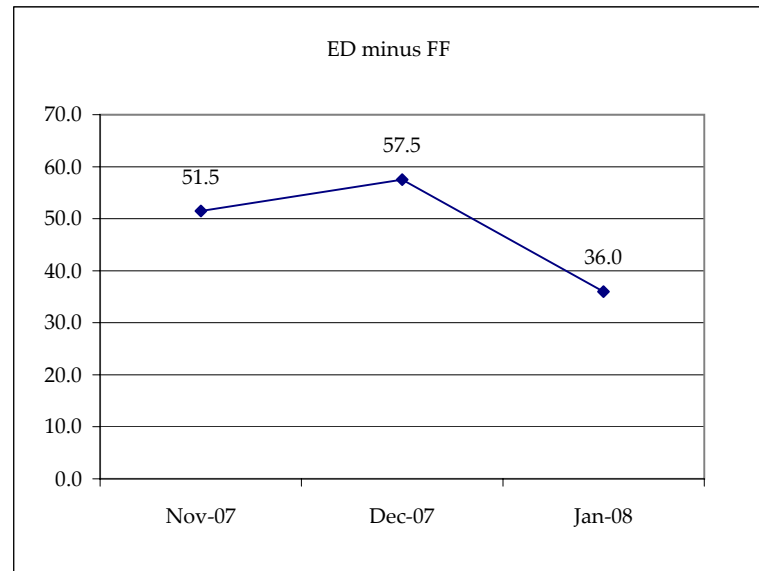
Fed Funds Daily Effective Rate Minus US Treasury Yields			
Spread Name	Diff bps	Net Chng	11/01/2007
GFER - 2yr yield	125.8	14.4	82.1
GFER - 5yr yield	90.4	11.0	59.1
GFER - 10yr yield	44.4	8.4	29.0
GFER - 30yr yield	6.9	6.0	1.6
GFER	4.75	-1.0	

GFER = Fed Funds Daily Effective Rate

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



Month	Fed Funds (FF)			ED	ED - FF
	Last	Net	Implied	Implied	bps
Nov-07	95.565	0.150	4.435	4.950	51.5
Dec-07	95.685	0.500	4.315	4.890	57.5
Jan-08	95.735	0.550	4.265	4.625	36.0
Feb-08	95.920	0.850	4.080	0.000	0.0
Mar-08	95.985	0.950	4.015	4.235	22.0
Apr-08	96.080	1.150	3.920	0.000	0.0
May-08	96.215	1.600	3.785	0.000	0.0
Jun-08	96.255	1.750	3.745	3.925	18.0
Jul-08	96.265	1.050	3.735	0.000	0.0
Aug-08	#VALUE!	#VALUE!	#VALUE!	0.000	0.0
Sep-08	#VALUE!	#VALUE!	#VALUE!	3.785	#VALUE!



USD LIBOR								
	Bid	Ask	Last Quote	Last Trade	Hi	Low	Net Chng	Open
USDLIBON			4.95500	4.95500	4.95500	4.77438	0.18062	4.77438
USDLIB1M			4.68625	4.68625	4.68625	4.65813	0.02812	4.65813
USDLIB3M			4.90500	4.90500	4.90500	4.87750	0.02750	4.87750
USDLIB6M			4.79125	4.79125	4.79125	4.77500	0.01625	4.77500
USDLIB1Y			4.51375	4.51375	4.53000	4.51375	(0.01625)	4.53000
GBP LIBOR								
	Bid	Ask	Last Quote	Last Trade	Hi	Low	Net Chng	Open
GBPLIBON			5.84875	5.84875	5.84875	5.84375	0.00500	5.84375
GBPLIB1M			5.95750	5.95750	5.95750	5.95000	0.00750	5.95000
GBPLIB3M			6.34250	6.34250	6.34250	6.29875	0.04375	6.29875
GBPLIB6M			6.19313	6.19313	6.20375	6.19313	(0.01062)	6.20375
GBPLIB1Y			6.01250	6.01250	6.05250	6.01250	(0.04000)	6.05250
GBP DEPOSITS								
	Bid	Ask	Last Quote	Last Trade	Hi	Low	Net Chng	Open
GBPDEP1M	5.820	5.920	5.920	5.920	6.020	5.680	0.020	5.700
GBPDEP3M	6.140	6.240	6.240	6.240	6.350	5.930	0.050	5.990
GBPDEP6M	5.970	6.070	6.070	6.070	6.170	5.810	0.030	5.840
GBPDEP1Y	5.710	5.810	5.810	5.810	5.950	5.570	0.000	5.610
EURIBOR DEPOSITS								
	Bid	Ask	Last Quote	Last Trade	Hi	Low	Net Chng	Open
EURLIBON			4.0556	4.0556	4.0556	4.0550	0.0006	4.0550
EUIBOR1M			4.1420	4.1420	4.1420	4.1420	0.0020	4.1420
EUIBOR3M			4.5800	4.5800	4.5800	4.5800	0.0040	4.5800
EUIBOR6M			4.5860	4.5860	4.5860	4.5860	0.0070	4.5860
EUIBOR1Y			4.5770	4.5770	4.5770	4.5770	0.0030	4.5770