11/16/2007 5:30

# The Morning Email: US & Germany

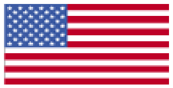
**Table of Contents**

## Quotes 1



32 nds

| | Last | Net | Hi | Low | Open | Volume | Yest Volume | SYM NAME | |
|---|---|---|---|---|---|---|---|---|---|
| TUAZ7 | 104.172 | 0.0 | 104.200 | 104.162 | 104.182 | 50,326 | 297,630 | 2y Futures | US Futures Market |
| FVAZ7 | 109.090 | 0.0 | 109.130 | 109.050 | 109.110 | 76,943 | 743,303 | 5y Futures | |
| TYAZ7 | 112.155 | 0.0 | 112.200 | 112.090 | 112.165 | 162,761 | 1,508,228 | 10y Futures | |
| USAZ7 | 115.180 | 0 | 115.220 | 115.060 | 115.170 | 38,073 | 421,815 | 30y Futures | |



| | Last | Net | Hi | Low | Open | Volume | |
|---|---|---|---|---|---|---|---|
| BUS02P | 100.172 | (1.5) | 100.200 | 100.167 | 100.182 | 2y | US Cash Treasury Market |
| BUS05P | 100.265 | (3.0) | 100.305 | 100.225 | 100.297 | 5y | |
| BUS10P | 100.270 | (2.0) | 100.310 | 100.195 | 100.280 | 10y | |
| BUS30P | 107.230 | 1 | 107.255 | 107.070 | 107.190 | 30y | |

| | Last | Net | Hi | Low | Open | Volume |
|---|---|---|---|---|---|---|
| BUS02Y | 3.329 | 2.40 | 3.353 | 3.287 | 3.349 | 2y Yield |
| BUS05Y | 3.685 | 2.20 | 3.722 | 3.656 | 3.668 | 5y Yield |
| BUS10Y | 4.142 | 0.60 | 4.179 | 4.127 | 4.152 | 10y Yield |
| BUS30Y | 4.521 | 0.30 | 4.555 | 4.516 | 4.525 | 30y Yield |

Decimal

| | Last | Net | Hi | Low | Open | Volume | Yest Volume | SYM NAME | |
|---|---|---|---|---|---|---|---|---|---|
| DGZ7 | 103.69 | 25.00 | 103.72 | 103.66 | 103.67 | 328,461 | 623,306 | Schatz(2Y) | German Futures Markets |
| DLZ7 | 108.77 | 70.00 | 108.85 | 108.69 | 108.73 | 293,438 | 614,376 | Bobl(5Y) | |
| DBZ7 | 114.65 | 7.00 | 114.76 | 114.43 | 114.58 | 511,344 | 1,170,657 | Bund(10Y) | |

| | Price | Yield | | | | |
|---|---|---|---|---|---|---|
| | Last | Last | Coupon | Maturity | SYM NAME | |
| T.US.DE040P0909*** | 100.32 | 3.789 | 4.000 | 9/11/2009 | 2 yr CTD | German Cash Treasury Market |
| T.US.DE050P0712*** | 104.53 | 3.895 | 5.000 | 7/4/2012 | 5 yr CTD | |
| T.US.DE040P0716* | 99.58 | 4.049 | 4.000 | 7/4/2016 | 10 yr CTD | |
| DEP2P | 100.35 | 3.789 | 4.000 | 9/11/2009 | 2yr OTR | |
| DEP5P | 101.58 | 3.887 | 4.250 | 10/12/2012 | 5yr OTR | |
| DEP10P | 101.35 | 4.075 | 4.250 | 7/4/2017 | 10yr OTR | |

Notes

Y = Yield

DE = German Country Code

CTD = Cheapest to Deliver

OTR = On the Run

* OTR

** CTD

*** CTD & OTR

## Quotes 2

This page provided a more detailed look at the quotes for the German Bonds

German Bonds are quoted in decimal, not 32nds.

| | Decimal | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Bid | Ask | Last | Hi | Low | Chng | SYM NAME | | |
| DGZ7 | 103.69 | #VALUE! | 103.69 | 103.72 | 103.66 | 25.00 | Schatz(2Y) | German Futures | |
| DLZ7 | 108.77 | 108.78 | 108.77 | 108.85 | 108.69 | 70.00 | Bobl(5Y) | | |
| DBZ7 | 114.65 | 114.66 | 114.65 | 114.76 | 114.43 | 7.00 | Bund(10Y) | | |

| | Y Bid | Y Ask | Y Last | Y Hi | Y Lo | | |
|---|---|---|---|---|---|---|---|
| DGZ7 | 4.042 | | 4.042 | 4.058 | 4.027 | Schatz(2Y) | German Futures |
| DLZ7 | 4.028 | 4.027 | 4.028 | 4.047 | 4.011 | Bobl(5Y) | |
| DBZ7 | 4.178 | 4.177 | 4.178 | 4.203 | 4.165 | Bund(10Y) | |

| | Y Bid | Y Ask | Y Last | Y Hi | Y Lo | Chng | | |
|---|---|---|---|---|---|---|---|---|
| T.US.DE040P0909*** | 3.772 | 3.830 | 3.789 | 3.789 | 3.806 | | 2 yr CTD | German Cash |
| T.US.DE050P0712*** | 3.874 | 3.925 | 3.895 | 3.895 | 3.904 | | 5 yr CTD | |
| T.US.DE040P0716* | 4.034 | 4.084 | 4.049 | 4.049 | 4.056 | | 10 yr CTD | |
| DEP2P | 3.806 | 3.789 | 3.789 | 3.830 | 3.772 | 9 | 2yr OTR | |
| DEP5P | 3.896 | 3.887 | 3.887 | 3.917 | 3.867 | 21 | 5yr OTR | |
| DEP10P | 4.081 | 4.075 | 4.075 | 4.113 | 4.060 | 31 | 10yr OTR | |

| | Decimal | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Bid | Ask | Last | Hi | Low | Chng | SYM NAME | |
| T.US.DE040P0909*** | 100.32 | 100.35 | | 100.38 | 100.28 | 9.00 | 2 yr CTD | German Cash |
| T.US.DE050P0712*** | 104.53 | 104.57 | | 104.66 | 104.44 | 21.00 | 5 yr CTD | |
| T.US.DE040P0716* | 99.58 | 99.63 | | 99.74 | 99.38 | 28.00 | 10 yr CTD | |
| DEP2P | 100.32 | 100.35 | 100.35 | 100.38 | 100.28 | 9.00 | 2yr OTR | |
| DEP5P | 101.54 | 101.58 | 101.58 | 101.67 | 101.45 | 21.00 | 5yr OTR | |
| DEP10P | 101.30 | 101.35 | 101.35 | 101.47 | 101.05 | 31.00 | 10yr OTR | |

Notes

Y = Yield

DE = German Country Code

CTD = Cheapest to Deliver

OTR = On the Run

* OTR

** CTD

*** CTD & OTR

MarketNews international

Stone & McCarthy RESEARCH ASSOCIATES

**Euro Mkt Summary: EGBs Higher on Weaker Stocks, S/Dates Outperform**
**by Charanjeev Chana**

EGBs were trading higher on Thursday afternoon, with the short end outperforming, in turn steepening the Bund curve. Bunds posted moderate losses in afternoon trade, taking direction from stronger than expected November Empire manufacturing data. EGBs opened firmer after weaker stocks underpinned JGBs overnight. Bunds then squeezed higher after European stocks opened lower on Barclays' failure to make reference to any writedowns on its Stg19bln exposure to its own SIV conduits. The market was also supported by the latest forecasts by ECB professional forecasters who saw a decline in long term average HICP inflation at 1.9% (vs. 2.0%) and a moderation in expectations of 2007 and 2008 average EMU GDP Growth. Prices were unchanged following flash October EMU HICP data, which came inline with expectations. Short dates came under pressure after hawkish comments by ECB Governing Council member Juergen Stark who said that the monetary policy focus must remain on price stability, adding that EMU inflation risks were on the upside and had intensified recently. In supply news, Spain sold E1.66bln of the 3.8% Jan 2017 Bono issue at average yield 4.263%, covered 2.34 times.

Europe sees the release of the Eurozone trade balance on Friday morning.

In the forex markets, the dollar traded mixed against the major currencies. The EUR/USD was at 1.462 (-0.003), cable at 2.048 (-0.007) and USD/JPY at 110.67 (-0.70).

European equities were weaker in afternoon trade. The DAX was trading -1.67%, CAC 40 -1.21% and the FTSE -1.32% on the day. US stocks were also weaker with the S&P 500 -0.49% and the NASDAQ -0.26%.

Gilts were trading higher, with short dates outperforming, in turn steepening the Gilt curve. Gilts outperformed Bunds in the morning session following October UK retail sales data, which came on the weak side of expectations, posting the lowest monthly result since January this year. The latest figures further support the case for lower interest rates in the New Year.

No key data for the UK is expected on Friday.

[Times for Market News International stories are ET]

05:14 11/16 **BUNDS**: The risk-aversion bid is fuelling the steepening bias in Bund yield curve. The 2-/10-year yield spread is now at +30 bps -- trading at its steepest level since October 8 vs +29 bps. The 10-/30-year yield spread was at +33 bps vs +32 bps.
05:18 11/16 **MNI BUND TECHS:** Resistance on Dec Bunds is now at 114.82 ahead of key pivotal level at 114.91/98, where former is the value of resistance line from September 2005 and latter the September high. For full support/resistance levels, please see MNI eurozone bond technicals page.

04:53 11/16 **CREDIT:** European CDS spreads have continued their widening trend into morning trade with most single names and indices at the wides seen since the credit crisis began during the summer months. The negative sentiment in the financial sector is weighing heavily on the credit markets with traders reporting that the tone is weak with very little liquidity. Financials are also the worst performers in the equity markets as a fresh round of funding concerns compounded by the ever approaching traditional year-end scramble for funds are further weakening the sector. The banks that are tarred with the over-reliance on wholesale funding brush are particularly under pressure, with CDS spreads for Alliance & Leicester out at the 175 bps, with the Irish banks out by 3 to 4 bps across the board. Allied Irish Bank and Bank of Ireland are both trading around the 80 bps level, whilst Anglo Irish Bank is out at the 125 bps level.

06:23 11/16 **GILT SUMMARY**: Gilts are higher, with the short-dated issues leading the charge higher following a report by Nationwide building society that UK house price growth will slow to zero in 2008 from this year's current annual growth rate of close to 10%. Nationwide said that slowing economic growth, tighter credit conditions and stretched affordability would all help slow house price inflation. It said that expected cuts in interest rates and tight supply would be unable to prevent a slowdown in the market. Elsewhere, December short-sterling contract traded lower on renewed year-end funding concerns. Traders attributed the move due to some banks chosing to do their year-end funding early for the turn of year, rather than wait and have exposure to a potential cut from the Bank of England in December. Dec short-sterling is down 9 ticks at 93.670, and March 2008 contract is up 5 ticks at 94.300. The Gilt 2-/10-year yield spread was 1.1 bps steeper at -4.1 bps, whilst the
10-/30-year yield spread was 2.4 bps steeper at -23.5 bps.

03:24 11/16 **BONDS: EGBs** are opening higher on Friday amid return of the risk-aversion bid following weakness in stocks overnight and on renewed year-end funding concerns. Money market rates are being squeezed higher, amid fears that over $1.0 trillion worth of funds need to be rolled over into year-end. In addition, Sterling 3-mth Libor surged to 6.35375% -- its biggest rise since Sept 6 on speculation that another bank has covertly borrowed from the BoE. Latest figures from the Bank suggest that Stg25.3bln has been borrowed since Northern Rock secured its emergency credit line. So far, Rock have only declared that it has borrowed at least Stg20bln. The banking sector was dealt a huge blow after an American judge prevented Deutsche Bank from repossessing 14 homes because the bank could not prove it owned the defaulting mortgages involved, according to a report in the Telegraph. Most in the market agree that the process of recovering losses from bad loans is already slow, and this legal ruling will slow it down it down even further.

01:57 11/16 **FX:** Early demand for yen crosses, Toushin fund issuance suggested, greeted the Asian market, the demand taking dollar-yen from Y110.25 to an early high of Y110.66, euro-yen from Y161.10 to Y161.80. Move reversed after the Tokyo fix, with downside momentum boosted as market reacted to news of a US fund in trouble. Dollar-yen broke below Y110.00 to Y109.87, but ran into decent demand below the figure. Euro-yen slipped to Y160.59 as yen crosses came under general pressure. Euro-dollar was pressure lower on these moves, but continued demand from a Swiss name around the $1.4610 level (same name a noted buyer in NY at $1.4610/05) kept rate buoyed. Realisation that the US fund news was old allowed for a correction, euro-dollar edging to $1.4633, while dollar-yen moved back above Y110.00, euro-yen above Y161.00.

01:39 11/16 **JGB SUMMARY:** Japanese government bonds ended Friday's session higher, extending gains as investors continue to seek safe havens as fears continue to grow over the state of the credit markets. Boosted by across the board gains in the U.S. Treasury market overnight, JGBs were higher from the getgo, eventually pushing yield s to fresh 18-month lows. Prices ended just shy of their best levels, as light profit-taking kicked in ahead of the weekend.
-- Benchmark 10-year yield was 2.5 bps lower at 1..480%.
-- Benchmark 5-year yield was 1.5 bps lower at 1.035%.
-- Benchmark 20-year yield was 2.5 bps lower at 2.045%.
-- Benchmark 30-year yield was 2.5 bps lower at 2.280%.
-- Lead Sept JGB futures contract was up 0.22 at 136.07.

# Intrinsics & Tic for Tic Matrix'



| | US Intrinsic's ^ | | | |
|---|---|---|---|---|
| | M Duration | DV01 32 | DV01 $ | DV01(€) |
| 30y | 15.74 | 5.49 | $1,717 | € 2,509 |
| 10y | 8.08 | 2.61 | $815 | € 1,191 |
| 5y | 4.46 | 1.44 | $451 | € 659 |
| 2y | 1.91 | 0.61 | $191 | € 280 |
| ZB | 9.89 | 3.72 | $116 | € 170 |
| ZN | 5.77 | 2.10 | $66 | € 96 |
| ZF | 3.83 | 1.35 | $42 | € 62 |
| ZT | 1.78 | 0.60 | $19 | € 27 |

^Futures are Based on CTD

| | German Intrinsic's ^ | | | |
|---|---|---|---|---|
| | M Duration | DV01(€) | DV01($) | CF |
| Bund | 7.06 | € 240 | $164 | 0.874919 |
| Bobl | 4.02 | € 130 | $89 | 0.960712 |
| Schatz | 1.70 | € 53 | $36 | 0.957701 |
| DE10Y | 7.67 | € 1,153 | $789 | |
| DE5Y | 4.02 | € 625 | $428 | |
| DE2Y | 1.70 | € 252 | $172 | |

^Futures are Based on CTD

| | Last |
|---|---|
| EURUSD | 146.13 |

| | Tic for Tic Matrix ($) | | |
|---|---|---|---|
| | Bund | Bobl | Schatz |
| 30y | 10.45 | 19.28 | 47.72 |
| 10y | 4.96 | 9.16 | 22.66 |
| 5y | 2.74 | 5.06 | 12.53 |
| 2y | 1.16 | 2.15 | 5.32 |
| ZB | 0.71 | 1.31 | 3.23 |
| ZN | 0.40 | 1.34 | 1.82 |
| ZF | 0.26 | 0.48 | 1.18 |
| ZT | 0.11 | 0.21 | 0.52 |

## Notes

1) CF = Conversion Factor

2) MDuration = Modified Macaulay Duration

3) MDuration & DV01s for Futures are based on proxy issue (CTD)

Jim Goulding, jgoulding@ghco.com

# Hedge Ratio's - Bloomberg/GH Trader's LLC



### US Financial Futures / Eurex Bond

| | ZN | ZF | ZT |
|---|---|---|---|
| Bund (Z) | 1.700 | 2.700 | 3.000 |
| Bobl (Z) | 0.970 | 1.450 | 1.570 |
| Shatz (Z) | 0.400 | 0.620 | 0.680 |

Bloomberg Ratio's

### US Treasuries v Eurex Bonds

| | 2y | 5y | 10y |
|---|---|---|---|
| Bund (Z) | 1.7 | 3.9 | 7.1 |
| Bobl (Z) | 3.1 | 7.1 | 12.8 |
| Shatz (Z) | 7.8 | 15.9 | 28.8 |

Bloomberg Ratio's

| | Bund (Z) | Bobl (Z) | Shatz (Z) |
|---|---|---|---|
| Bund (Z) | 1.00 | 1.67 | 4.14 |
| Bobl (Z) | 0.60 | 1.00 | 2.48 |
| Shatz (Z) | 0.24 | 0.40 | 1.00 |

GH Trader's Ratio's

Note:
Bloomberg hedge ratio's are static. Meaning, I only update them once a week and on rolls. My hedge ratio's are live, meaning, they're updated in real-time. I've managed to get the Eurex to Eurex ratio's updating live as of 07/05/2007. I'll be working on Eurex to the USA ratio's soon. All matrixes are labeled GH  Trader's or Bloomberg.

# Yields & Spreads



| | US Cash Treasuries (OTR) Bid | Ask | Last |
|---|---|---|---|
| US2y | 3.333 | 3.329 | 3.329 |
| US5y | 3.689 | 3.685 | 3.685 |
| US10y | 4.146 | 4.142 | 4.142 |

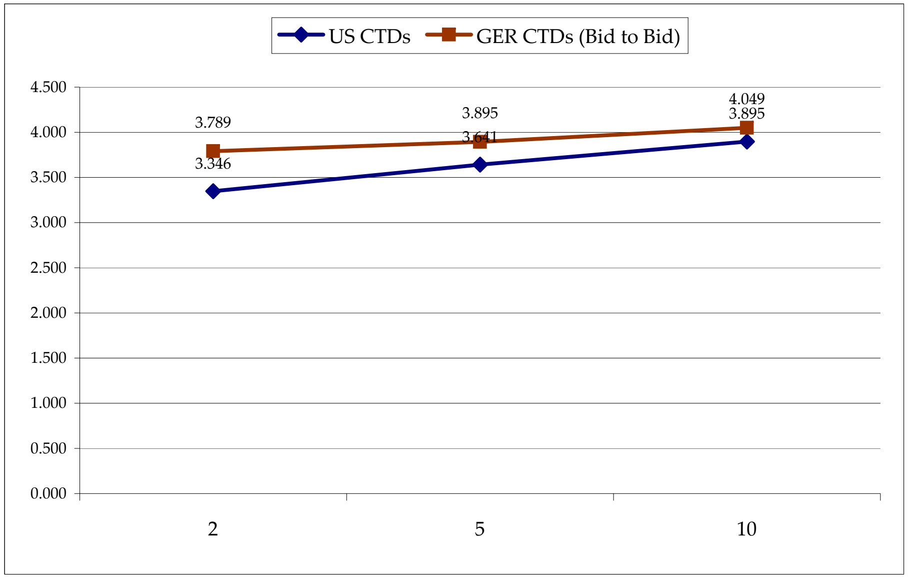
| | German Cash Treasuries (OTR) Bid | Ask | Last |
|---|---|---|---|
| DE2y | 3.806 | 3.789 | 3.789 |
| DE5y | 3.896 | 3.887 | 3.887 |
| DE10y | 4.081 | 4.075 | 4.075 |

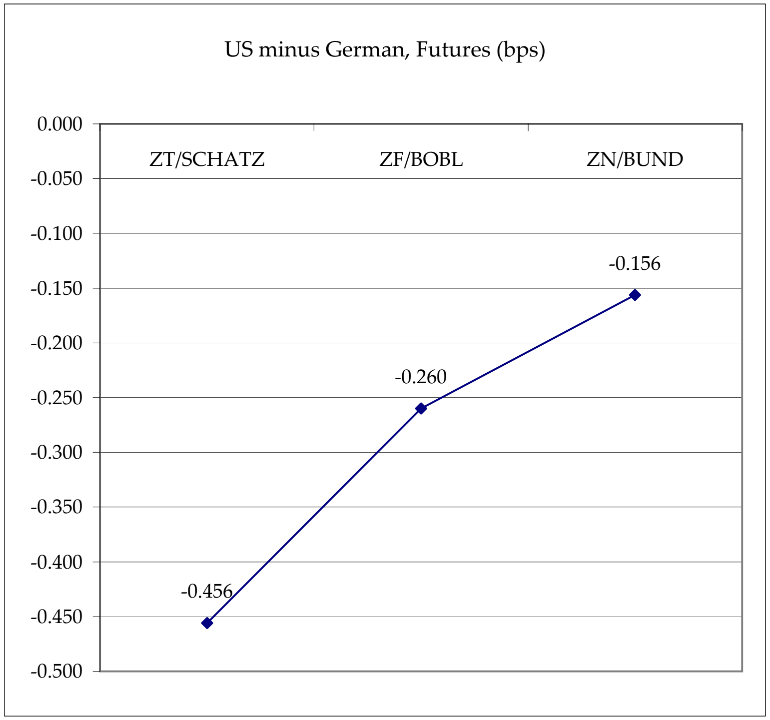
| | Spreads Bps |
|---|---|
| ZT/SCHATZ | -0.456 |
| ZF/BOBL | -0.260 |
| ZN/BUND | -0.156 |

| | US Cash Treasuries (CTD) Bid | Ask | Last |
|---|---|---|---|
| 4 of 09/09 | 3.346 | 3.333 | 3.333 |
| 4.625 of 02/12 | 3.641 | 3.635 | 3.635 |
| 4.25 of 08/14 | 3.895 | 3.893 | 3.893 |

| | German Futures (CTD) Bid | Ask | Last |
|---|---|---|---|
| 4.000 of 09/09 | 3.772 | 3.830 | 3.789 |
| 5.000 of 07/12 | 3.874 | 3.925 | 3.895 |
| 4.000 of 07/16 | 4.034 | 4.084 | 4.049 |

This chart shows the US futures, ZT, ZF, and ZN as a yield compared to the German Futures, the Schatz (2yr), Bobl (5yr), and Bund (10yr). Cheapest to Deliver (CTD) are used as proxies for the yields.



# Volume Questions & Global Bond Market Characteristics



When does the volume trade? Between what ours of the day? These are the two questions most frequently asked, by new traders to this contract. Of course number releases pertaining to the German economy will produce volume. Past that we can look at a chart of the Bund as determine when volume occurs.

| Time | Volume Rises | Volume Drops |
|---|---|---|
| 1:00 AM CST | x | |
| 7:00 AM CST | x | |
| 10:00 AM CST | | x |
| 11:00 AM CST | | x |
| German Econ Release | x | |
| US Econ Release | x | |

**Bond Market Characteristics**

**From The Treasury Bond Basis Book 3rd Edition, by Galen Burghardt**

| Accrued Interest | Germany | Japan | UK |
|---|---|---|---|
| Coupon (date) | Annual | semi (20th) | semi |
| Ex-dividend (days) | no | no | yes (7) |
| Accrual basis | actual | actual | actual |
| Year Basis | actual | 365 | actual |
| **Settlement time frame** | | | |
| Domestic | T+2 | T+3 | T+3 |
| International | T+3 | na | na |
| **Trading Basis** | | | |
| Quotation | price | simple yield | price |
| Tick | decimal | bp | decimal |
| Tax (resident) | 0 | 0 | 0 |
| Price/Yield Method | ISMA | Simple | DMO |
| **Repo** | | | |
| Accrual basis | actual | actual | actual |
| Year basis | 360 | 0 | 365 |

<u>The Governing Council</u>
Jean-Claude Trichet , President of the ECB
Lucas D. Papademos, Vice-President of the ECB
Lorenzo Bini Smaghi, Member of the Executive Board of the ECB
José Manuel González-Páramo, Member of the Executive Board of the ECB
Jürgen Stark, Member of the Executive Board of the ECB
Gertrude Tumpel-Gugerell, Member of the Executive Board of the ECB
Axel A. Weber, President, Deutsche Bundesbank
Nout Wellink, President, De Nederlandsche Bank
Guy Quaden,Governor, Nationale Bank van België/Banque Nationale de Belgique
Nicholas C. Garganas, Governor, Bank of Greece
Miguel Fernández Ordóñez, Governor, Banco de España
Christian Noyer, Governor, Banque de France
John Hurley, Governor, Central Bank and Financial Services Authority of Ireland
Mario Draghi, Governor, Banca d'Italia
Yves Mersch, Governor, Banque centrale du Luxembourg
Klaus Liebscher, Governor, Oesterreichische Nationalbank
Vítor Manuel Ribeiro Constâncio, Governor, Banco de Portugal
Marko Kranjec, Governor, Banka Slovenije
Erkki Liikanen, Governor, Suomen Pankki - Finlands Bank

**The Governing Council usually meets twice a month at the Eurotower in Frankfurt am Main, Germany.**

At its first meeting each month, the Governing Council assesses monetary and economic developments and takes its monthly monetary policy decision. At its second meeting, the Council discusses mainly issues related to other tasks and responsibilities of the ECB and the Eurosystem.

The minutes of the meetings are not published, but the monetary policy decision is announced at a press conference held shortly after the first meeting each month. The President, assisted by the Vice-President, chairs the press conference.

**The primary objective of the ECB's monetary policy is to maintain price stability. The ECB aims at inflation rates of below, but close to, 2% over the medium term.**

**EU Central Banks**
Austria, Oesterreichische Nationalbank
Belgium, Nationale Bank van België/Banque Nationale de Belgique
Bulgaria, Bulgarian National Bank
Czech, Republic Česká národní banka
Cyprus, Central Bank of Cyprus
Denmark, Danmarks Nationalbank
Estonia, Eesti Pank
Éire/Ireland, Central Bank and Financial Services Authority of Ireland
Finland, Suomen Pankki - Finlands Bank
France, Banque de France
Germany, Deutsche Bundesbank
Greece, Bank of Greece
Hungary, Magyar Nemzeti Bank
Italy, Banca d´Italia
Latvia, Latvijas Banka
Lithuania, Lietuvos bankas
Luxembourg, Banque centrale du Luxembourg
Malta, Central Bank of Malta
The Netherlands, De Nederlandsche Bank
Poland, Narodowy Bank Polski
Portugal, Banco de Portugal
Romania, Banca Naţională a României
Slovakia, Národná banka Slovenska
Slovenia, Banka Slovenije
Spain, Banco de España
Sweden, Sveriges Riksbank
United Kingdom, Bank of England

**EU Central Banks**

| | |
|---|---|
| Austria, Oesterreichische Nationalbank | Klaus Liebscher, Governor, Oesterreichische Nationalbank |
| Belgium, Nationale Bank van België/Banque Nationale de Belgique | Guy Quaden,Governor, Nationale Bank van België/Banque Nationale de Belgique |
| Bulgaria, Bulgarian National Bank | Ivan Iskrov |
| Czech, Republic Česká národní banka | Zdeněk Tůma |
| Cyprus, Central Bank of Cyprus | Athanasios Orphanides |
| Denmark, Danmarks Nationalbank | Nils Bernstein |
| Estonia, Eesti Pank | Andres Lipstok |
| Éire/Ireland, Central Bank and Financial Services Authority of Ireland | John Hurley, Governor, Central Bank and Financial Services Authority of Ireland |
| Finland, Suomen Pankki - Finlands Bank | Erkki Liikanen, Governor, Suomen Pankki - Finlands Bank |
| France, Banque de France | Christian Noyer, Governor, Banque de France |
| Germany, Deutsche Bundesbank | Axel A. Weber, President, Deutsche Bundesbank |
| Greece, Bank of Greece | Nicholas C. Garganas, Governor, Bank of Greece |
| Hungary, Magyar Nemzeti Bank | András Simor |
| Italy, Banca d´Italia | Mario Draghi, Governor, Banca d'Italia |
| Latvia, Latvijas Banka | Ilmārs Rimšēvičs |
| Lithuania, Lietuvos bankas | Reinoldijus Šarkinas |
| Luxembourg, Banque centrale du Luxembourg | Yves Mersch, Governor, Banque centrale du Luxembourg |
| Malta, Central Bank of Malta | Michael C. Bonello |
| The Netherlands, De Nederlandsche Bank | Nout Wellink, President, De Nederlandsche Bank |
| Poland, Narodowy Bank Polski | Sławomir Skrzypek |
| Portugal, Banco de Portugal | Vítor Manuel Ribeiro Constâncio, Governor, Banco de Portugal |
| Romania, Banca Naţională a României | Mugur Isărescu |
| Slovakia, Národná banka Slovenska | Marko Kranjec, Governor, Banka Slovenije |
| Slovenia, Banka Slovenije | Marko Kranjec |
| Spain, Banco de España | Miguel Fernández Ordóñez, Governor, Banco de España |
| Sweden, Sveriges Riksbank | Stefan Ingves |
| United Kingdom, Bank of England | Mervyn King |

Jean-Claude Trichet , President of the ECB, Came from Banque de France, BIS, and World Bank
Lucas D. Papademos, Vice-President of the ECB, Came from Bank of Greece
Lorenzo Bini Smaghi, Member of the Executive Board of the ECB, Came from Banca d'Italia
José Manuel González-Páramo, Member of the Executive Board of the ECB, Came from Banco de España
Jürgen Stark, Member of the Executive Board of the ECB, Came from Deutsche Bundesbank
Gertrude Tumpel-Gugerell, Member of the Executive Board of the ECB, Came from Oesterreichische Nationalbank

**Notes for shaded and unshaded cells**

Represented on the Governing Council
Represented on the General Council

**8 November 2007 - Monetary policy decisions**
**At today's meeting the Governing Council of the ECB decided that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.00%, 5.00% and 3.00% respectively.** [SOURCE: The ECB]

**ECB Introductory Statement [ First paragraph only. You can view the full statement at www.ecb.int ]**
On the basis of our regular economic and monetary analyses, we decided at today's meeting to leave the key ECB interest rates unchanged. The information that has become available since our previous meeting fully confirms that the outlook for price stability over the medium term is subject to upside risks. Against this background, and with money and credit growth vigorous in the euro area, our monetary policy stands ready to counter upside risks to price stability, as required by our mandate. The economic fundamentals of the euro area remain sound and support a favourable medium-term outlook for economic activity. However, the ongoing reappraisal of risk in financial markets has led to continued uncertainty.

This warrants a thorough examination of additional information before drawing further conclusions for monetary policy in the context of our medium term-oriented monetary policy strategy focused on maintaining price stability. Accordingly, the Governing Council will monitor very closely all developments. By acting in a firm and timely manner on the basis of our assessment, we will ensure that risks to price stability over the medium term do not materialise and that medium and long-term inflation expectations remain firmly anchored in line with price stability, which is all the more important at times of financial market volatility and increased uncertainty. This will favour an environment conducive to sustained economic growth, well-functioning markets and job creation. As regards the financial markets, we will continue to pay great attention to developments over the period to come.

[SOURCE: The ECB]

Stone & McCarthy
RESEARCH ASSOCIATES

**Most Recent MPC Meetings:**

| | King (Gov) | Lomax (Dep Gov) | Gieve (Dep Gov) | Bean | Tucker | Barker | Blanch-flower | Besley | Sent-ance | Result | Level | Vote | Dis-sent bias |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Aug-06 | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | unch | | | +25bps | 4.75% | 6-1 | no chg |
| Sep-06 | unch | unch | unch | unch | unch | unch | unch | unch | | unch | 4.75% | 8-0 | none |
| Oct-06 | unch | unch | unch | unch | unch | unch | unch | +25bps | +25bps | unch | 4.75% | 7-2 | tightening |
| Nov-06 | +25bps | unch | +25bps | +25bps | +25bps | +25bps | unch | +25bps | +25bps | +25bps | 5.00% | 7-2 | no chg |
| Dec-06 | unch | unch | unch | unch | unch | unch | unch | unch | unch | unch | 5.00% | 9-0 | none |
| Jan-07 | +25bps | unch | +25bps | unch | unch | +25bps | unch | +25bps | +25bps | +25bps | 5.25% | 5-4 | no chg |
| Feb-07 | unch | unch | unch | unch | unch | unch | unch | +25bps | +25bps | unch | 5.25% | 7-2 | tightening |
| Mar-07 | unch | unch | unch | unch | unch | unch | -25bps | unch | unch | unch | 5.25% | 8-1 | easing |
| Apr-07 | unch | unch | unch | unch | unch | unch | unch | +25bps | +25bps | unch | 5.25% | 7-2 | tightening |
| May-07 | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | 5.50% | 9-0 | none |
| Jun-07 | +25bps | unch | +25bps | unch | unch | unch | unch | +25bps | +25bps | unch | 5.50% | 5-4 | tightening |
| Jul-07 | +25bps | unch | +25bps | unch | +25bps | +25bps | unch | +25bps | +25bps | +25bps | 5.75% | 6-3 | no chg |
| Aug-07 | unch | unch | unch | unch | unch | unch | unch | unch | unch | unch | 5.75% | 9-0 | none |
| Sep-07 | unch | unch | unch | unch | unch | unch | unch | unch | unch | unch | 5.75% | 9-0 | none |
| Oct-07 | unch | unch | unch | unch | unch | unch | -25bps | unch | unch | unch | 5.75% | 8-1 | easing |

**BOE Hawkometer - Blanchflower Voted for an October Rate Cut by Niraj Shah [Stone & McCarthy]**

8-1

The Bank of England minutes showed that the Monetary Policy Committee had voted 8:1 to leave rates on hold at the October meeting. The sole dissenter was Blanchflower who voted for an immediate rate cut. The arch dove argued for a cut on the basis that the BOE's August growth forecast had been a "little high" anyway and that since then growth risks had "increased or even crystallised". The Committee as a whole discussed the case for a "precautionary" cut in rates given the shift in the balance of risks to growth. However, the MPC noted that some slowdown in the economy was needed anyway to meet the inflation target and that there was also a danger that an easing would be "misinterpreted". The November Inflation Report will be instrumental in seeing how far CPI and growth forecasts are revised. However, unless there is a sharp revision lower in growth projections, we still do not envisage the Bank cutting rates before 2008.

[10/17/2007]

**BOE HAWKOMETER (October)**

| | | Dissenting Hawkish Votes | Dissenting Dovish Votes | Non-Dissenting Votes | Total Votes | Hawkishness Rating |
|---|---|---|---|---|---|---|
|  | Sentance | 4 | 0 | 9 | 13 | 31% |
|  | Besley | 4 | 0 | 10 | 14 | 29% |
|  | King (Gov) | 14 | 0 | 112 | 126 | 11% |
|  | Tucker | 6 | 1 | 58 | 65 | 8% |
|  | Gieve (Dep Gov) | 1 | 0 | 20 | 21 | 5% |
|  | Lomax (Dep Gov) | 2 | 3 | 47 | 52 | -2% |
|  | Barker | 1 | 4 | 73 | 78 | -4% |
|  | Bean | 0 | 5 | 81 | 86 | -6% |
|  | Blanchflower | 0 | 6 | 11 | 17 | -35% |

[As of 11/08/2007 7:00 am CT]

Current Bank Rate 5.75%
Next due: 6 Dec '07

Current Inflation (CPI) 1.8%
Next due: 13 Nov '07
Inflation Target 2.0%

Latest Inflation Report: Aug '07
Next due: 14 Nov '07

[As of 11/08/2007 7:00 am CT]

**News Release**
**Bank of England Maintains Bank Rate at 5.75%**
**8 November 2007**

**The Bank of England's Monetary Policy Committee today voted to maintain the official Bank Rate paid on commercial bank reserves at 5.75%.**

**The Committee's latest inflation and output projections will appear in the Inflation Report to be published on Wednesday 14 November.**

**The minutes of the meeting will be published at 9.30am on Wednesday 21 November.**