The Afternoon Email

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Key Money Rates

11/20/2007 14:00

	Libor$ ^	Tbill	CP ^^
1M	4.780	3.528	4.670
3 M	5.000	3.223	4.850
6M	4.856	3.473	4.710

	TSY	Swap	ED Pks ^^^
2y	3.155	97.75	3.901
5y	3.494	95.75	4.844
10y	4.054	80.50	5.187

	Libor$ ^	Repos
0/N	4.646	4.300
1week	4.748	4.250
2week	4.755	4.200

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.
SYM = Symbol

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

MarketNews international

All times Eastern

15:21 11/20 **US TSYS/RECAP:** Tsys gained Tues. amid ongoing 1) safe-haven buying; 2) short-covering 3) tight 5-year note special: 0.30% in O/N RP; 4) yr-end funding fear; 5) 2) only brief dip in 2Ys after Oct 30-31 FOMC mins release, which had bond-bullish talk of dnside econ. risk; FOMC mins: Oct rate cut "close call"; 3) ongoing tight funding for end-Nov, end-Dec yrends; 6) US stks weak: DJIA -0.62%; 7) PIMCO's Paul McCulley: growth concern makes Fed biased to ease; 8) talk of 3:30pm ET US$2B prime non-agency hybrid ARMs bid list; 8) high-grade ABX indexes mainly severely smacked lower except BBB-; 9) 10Y/30Y swaps saw flatteners; 10) swaps: some ongoing fading of 2Y widening, which not working out too well. 11) central banks did 2-way flow in 5Y zone; better selling in off-run 5Ys; 12) brisk selling in older 3Ys as current 3YS hot in cash, RP; current 3Y was at 2.50% earlier in O/N RP. 13) brisk buying in 3M T-bills by money fnds, dealrs. 14) accts move shorts from 3s to 5s. 15) Light 10Y convexity swaps recvg but big swaps widening lessens need bit.

15:19 11/20 **US SWAPS:** []: Near 20Y wides, spds moved off session wides post-FOMC minutes, lack of liquidity significant factor while credit crunch, fiscal/year end risk aversion, holiday illiquidity, ongoing repo squeeze and higher US LIBOR sets ongoing factors. Sources had reported front end paying and 2way curve flow in intermediates early followed by 10s/30s flatteners late while some still tried to fade the move in the front end. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Tue 3:10	+5.50/99.50	+8.50/96.50	+4.50/81.75	+3.50/72.25
1:55	+5.50/98.50	+8.00/94.50	+4.50/81.75	+3.50/70.50
12:40	+4.50/98.50	+6.50/94.50	+3.50/80.75	+1.75/70.50
10:40	+1.50/95.50	+3.00/91.00	+1.50/78.75	+1.25/70.00
9:40	+2.50/96.50	+2.25/90.25	+1.50/78.75	+0.75/69.50
Tue Open	+0.50/94.50	+1.50/89.50	+1.00/78.25	+1.25/70.00
Tue 8:00	+3.00/97.00	+1.50/89.50	+1.25/78.50	+1.25/70.00
Mon 3:00	+6.50/94.00	+8.50/88.00	+3.50/77.25	+2.00/68.75

(cont)

15:19 11/20 **US TSY FUTURES**: Tsys closed at contract high settlements after establishing contract highs across the curve. Dec T-bonds finished up 1/32 at 116-08 with 333K traded while the Dec 10-yr settled up 4.5/32 at 113-05 with 1.452M traded. The Dec 5-yr notes settled higher by 2/32 at 109-25.5 with 786K traded while the Dec 2-yr closed up .25/32 at 104-26.25 with 285K changing hands.

15:01 11/20 **US CMBS/ABS:** This morning's release of housing starts data may have been of particular interest to structured credit investors, namely in CMBS and CDOs backed by subprime ABS. (Housing starts surprised the market with a 3% jump in Oct.) 1) Most all of this increase was in multi-family, which implies more supply - the last thing a mezz investors in a CRE CDO structure wants to hear if there is significant multifamily collateral exposure. 2) unsold inventory of single-family existing homes have has now hit a 2-decade high of 10.5 months' supply. According to Merrill Lynch, "This suggests to us that this market does not hit bottom until housing starts decline to 850,000 units for another 30% slide AND home prices decline at least another 10% on top of the 5% YoY drop already posted in the Case Shiller indices." HPA, which analysts had put at a worse case estimate of -5%, is a key driver in estimating subprime losses. A -10% HPE would substantially steepen current subprime loss estimates.

15:22 11/20 **US SWAPTION VOLS:** ATM straddle swaption premiums ended session on their
highs, marching higher in orderly fashion amid light custy/interdealer flow. Many sidelined for shortened holiday week, Oct minutes, while not many other wanting to step out of line ahead fiscal year end. According to GovPX:

Time (ET)	GAMMA, 3M/2Y	INTERMEDIATE, 2Y/10Y	VEGA, 5Y/5Y
Tue 3:10	88.6 bps	770.8 bps	608.8 bps
2:10	88.4 bps	767.6 bps	606.2 bps
12:27	87.8 bps	762.8 bps	604.4 bps
11:50	87.4 bps	762.0 bps	603.6 bps
11:00	87.8 bps	763.6 bps	603.0 bps
10:10	87.4 bps	763.6 bps	603.0 bps
9:15	86.6 bps	765.2 bps	602.8 bps
Tue Open	87.6 bps	761.0 bps	600.6 bps
Mon 3:00	87.2 bps	763.0 bps	607.8 bps

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10:53 11/20 **US TSYS**: Sources say one major theme today in addition to sell-stops, profit taking and trading off gyrations in Freddie Mac has been waves of short covering, which generally support prices briefly only for them to back off once this flow is done. Sources note this has happened several times today.

10:51 11/20 **US TSYS:** Sources at one big shop say for the past 2-days, guys have been trading Tsys off movement in Freddie Mac shares in anticipation of their report. Stock off now 25.28% or $9.48 per share and there has been talk of a big buyer of 2Y cash with traders noting the basis widened with cash outperforming futures. Still, on net, the above flow has mostly been in house type stuff or proprietary in nature as customer flows remain stalled.

10:49 11/20 **US CMBS:** Bottom fishers hovering around the CMBS secondary market, where spreads have blown out to hover near historic wides, may still want to wait a while before diving in as there still is potential for further volatility and even more widening, according to CMBS strategists at JP Morgan. On the upside: 1) Q4 issuance is extremely light and Q1'08 might be the same, thus perhaps creating a technical new supply shortage, 2) 10Y SS AAAs, which enjoy relatively high liquidity and 30% subordination, are at their widest levels since the early '90s, which was effectively the beginning of the market. On downside: 1) general credit market weakness, 2) tighter future credit standards amidst a system-wide de-levering, 3) typical end-of-year slowing of demand, 4) pipeline still contains aggressively underwritten collateral which may add to bearish risk aversion sentiment. "Spreads are currently near the cheapest level in years, but technical pressures will continue to weigh on spreads over the near term causing them to continue to move wider as the path of least resistance," JP says.

MarketNews international

Stone & McCarthy RESEARCH ASSOCIATES

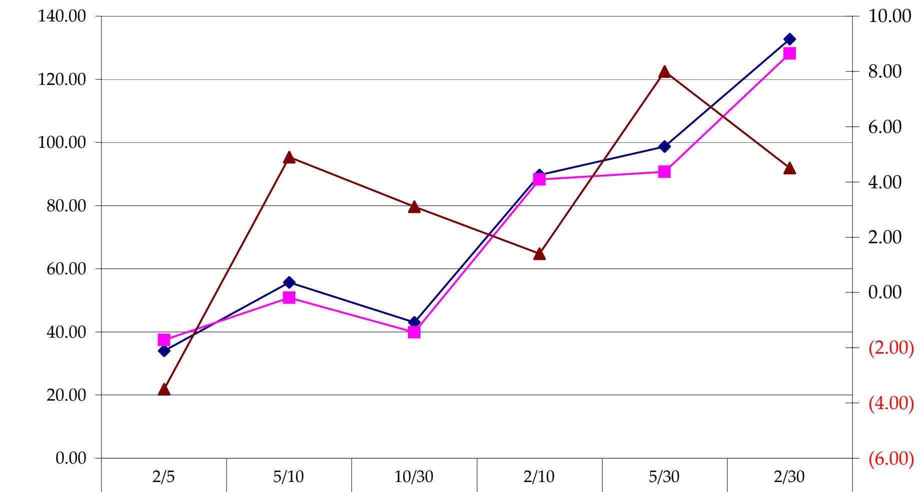
Repo Follow-up: 5s Tighten Further
by Tom Simons
--Stone & McCarthy (Princeton)-- As was mentioned in our previous repo update, current 5-year notes are trading extremely tight this morning. In fact, since that update the issue is not trading even tighter at 0.30%. According to our colleagues at MNI, primary dealers and hedge funds are short the issue, with perhaps another party holding some back. Apparently there are few sellers in the market as the risk aversion bid gains strength. We will monitor the situation throughout the rest of the morning.

13:16 11/20 **DOLLAR**: Despite a handful of analysts calls for concerted intervention to prevent a larger dollar slide from current low levels, FX strategists at Credit Suisse maintain they odds are against direct intervention. History suggests the following conditions would need to exist:
"1) a clear cut one-way trend in the dollar
2) extreme levels of implied volatility combines with skew in the direction of the move
3) official assessment that the dollar was significantly away from fundamentals
4) US Tsy belief that dollar depreciation was having a significant negative effect on US financial markets" Credit Suisse puts the highest chances of unilateral intervention for the BOJ, "particularly if dollar-yen were to fall rapidly below Y104."

14:00 11/20 **FED/US DATA**: Oct 30-31 FOMC data: Our frank reading is bond-bullish as minutes are fraught with references to downside econ risks that belie the neutral statement. Text says financial mkts improved somewhat. Housing drop was anticipated, pers. consumption was holding up. Oct ease "was a close call" but with downside econ risks it was insurance because policy was still restrictive. KC Fed's Hoenig dissented for unch policy, saying Fed funds were close to neutral. Much discussion plus 8pg add-on on forecasts. Q3 econ growth upgraded, Q4 expected considerably slower; 2008 est a bit below potential; 2009 above potential. PCE infltn expectd little changed if energy has limited feed-thru. Headline CPI in same range as core in 2008-09 if energy levels off, then turns down assuming infl expectations remain anchored and resource util. is low. Unemploymnt to rise near-term; growth back to trend by '09. Risks are lower growth and more unemployment than est. Tables compare Oct to June ests.

Curve Spreads

	Yield Curve Spreads		
	TC	PDC	Diff
2/5	34.00	37.50	(3.50)
5/10	55.70	50.80	4.90
10/30	43.00	39.90	3.10
2/10	89.70	88.30	1.40
5/30	98.70	90.70	8.00
2/30	132.70	128.20	4.50



	2/5	5/10	10/30	2/10	5/30	2/30
Last	34.00	55.70	43.00	89.70	98.70	132.70
PDC	37.50	50.80	39.90	88.30	90.70	128.20
Diff	(3.50)	4.90	3.10	1.40	8.00	4.50

Notes:

TC = Today's Close at 2pm

PDC = Prior Day's Close at 2pm

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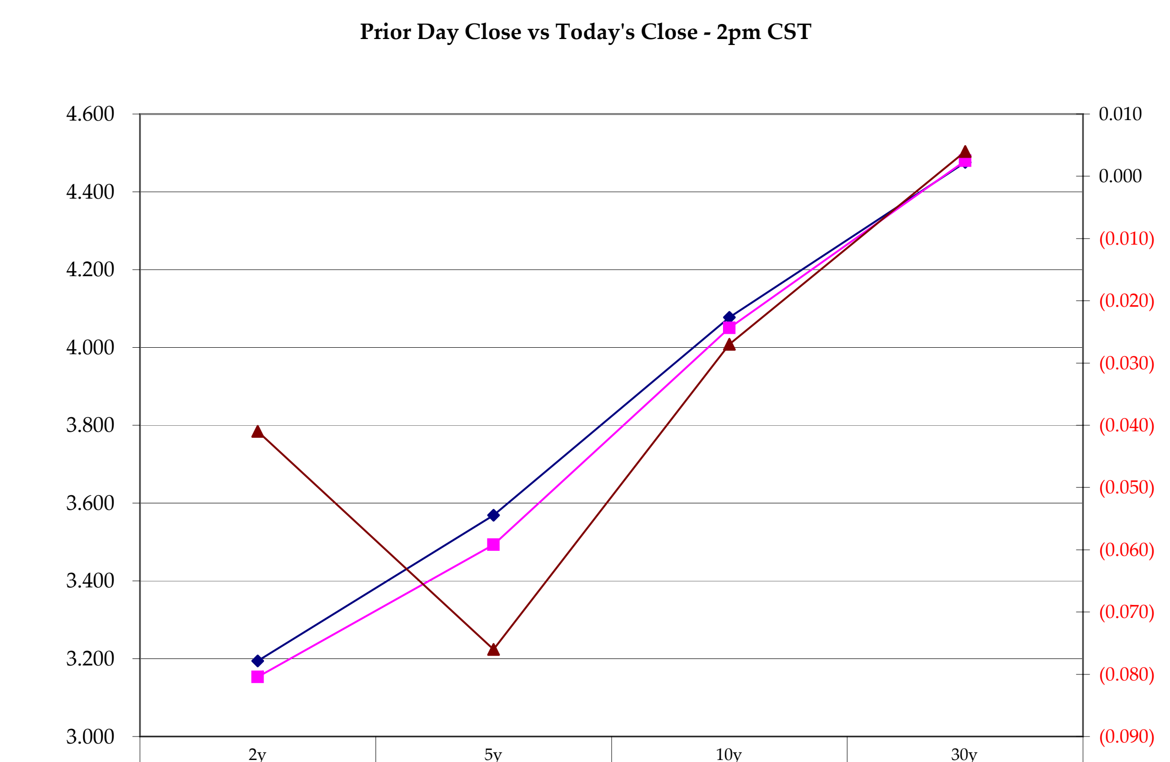
Prior Day Close vs Today's Close - 2pm CST

	Cpn	Mty	PDC 32	PDC	TC	Diff	Basis PDC	Basis TC
2y	3.625	10/31/09	100.2878	3.194	3.153	(0.041)		
5y	3.875	10/30/12	101.1200	3.569	3.493	(0.076)	41.86	50.74
10y	4.250	11/17/17	101.130	4.077	4.050	(0.027)	91.05	92.69
30y	5.000	5/15/37	108.17	4.476	4.480	0.004	264.25	260.38

	PDC 32	TC
ZF	109.235	109.255
ZN	113.005	113.055
ZB	116.07	116.080



	2y	5y	10y	30y
2pm Cls	3.194	3.569	4.077	4.476
Last	3.153	3.493	4.050	4.480
Diff	(0.041)	(0.076)	(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

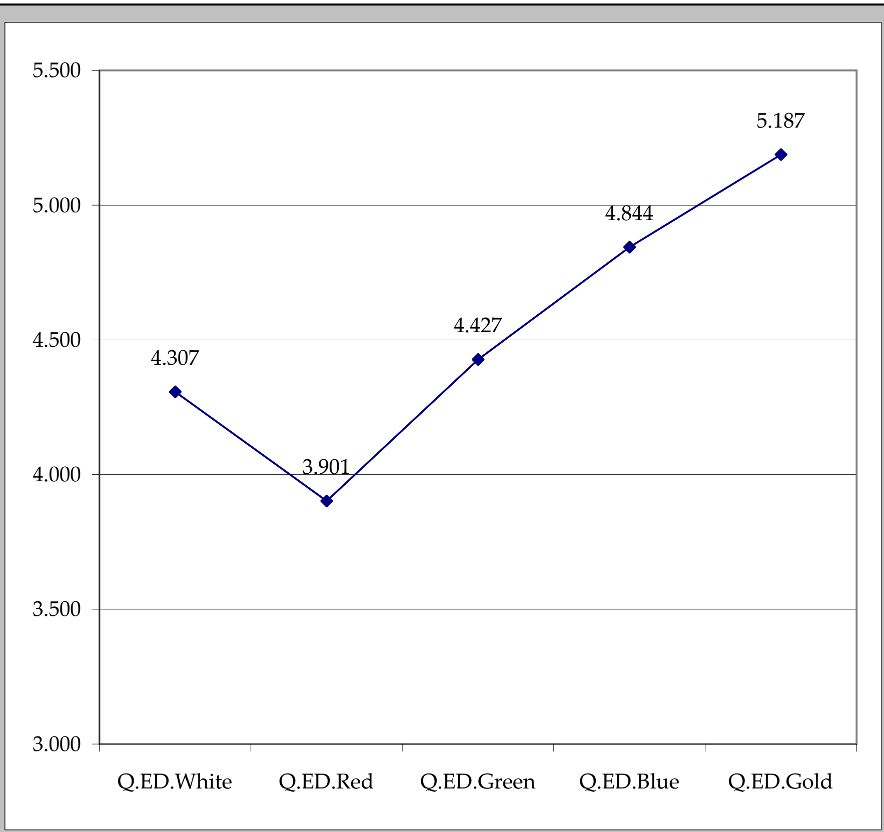
	Last Yield	Net Yield	Last Price
Q.ED.White	4.307	0.813	9579.750
Q.ED.Red	3.901	1.250	9618.875
Q.ED.Green	4.427	-0.750	9568.125
Q.ED.Blue	4.844	-1.750	9527.875
Q.ED.Gold	5.187	-4.875	9494.875

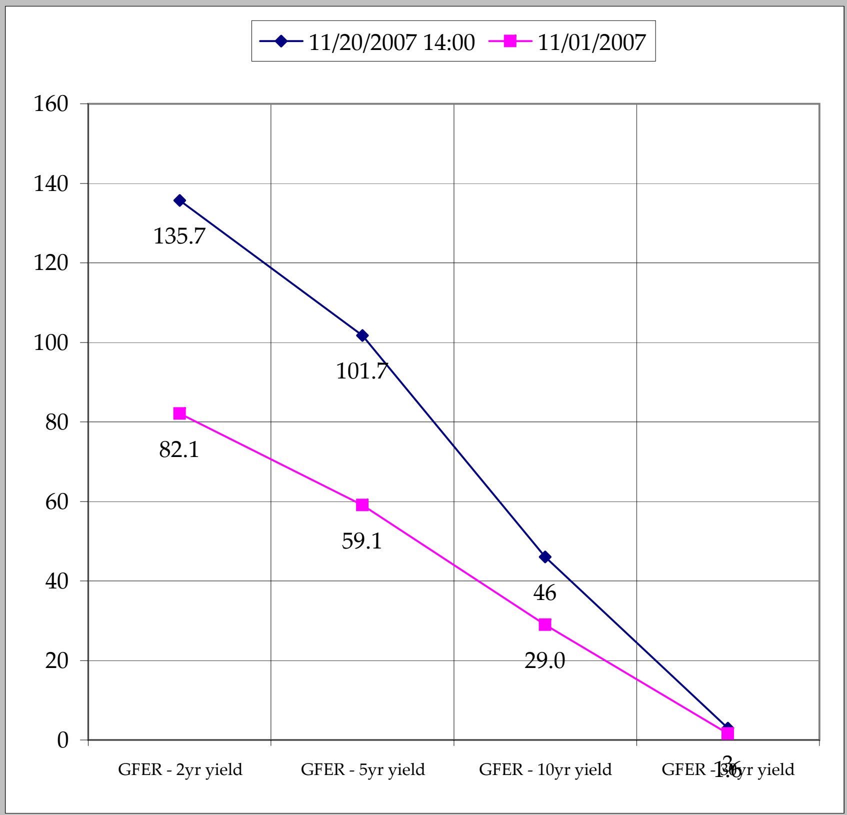
Fed Funds Daily Effective Rate Minus US Treasury Yields

Spread Name	Diff bps	Net Chng	11/01/2007
GFER - 2yr yield	135.7	0.0	82.1
GFER - 5yr yield	101.7	4.9	59.1
GFER - 10yr yield	46	2.3	29.0
GFER - 30yr yield	3	-1.0	1.6
GFER	**4.51**	0.0	

GFER = Fed Funds Daily Effective Rate

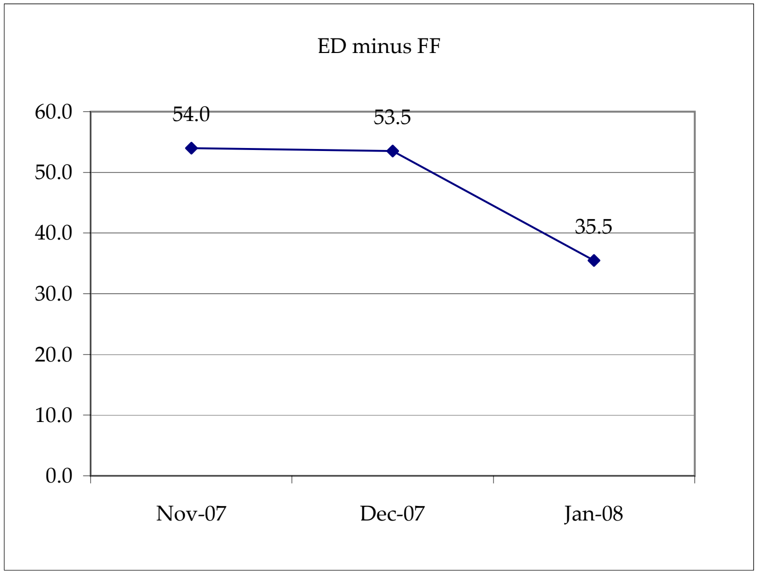
Why 11/01/2007?
The morning after the FOMC is a good benchmark.





Fed Funds - Eurodollars

	Fed Funds (FF)			ED	ED - FF
Month	Last	Net	Implied	Implied	bps
Nov-07	95.555	-0.100	4.445	4.985	54.0
Dec-07	95.675	-0.100	4.325	4.860	53.5
Jan-08	95.735	-0.050	4.265	4.620	35.5
Feb-08	95.935	-0.050	4.065	0.000	0.0
Mar-08	96.015	0.000	3.985	4.300	31.5
Apr-08	96.090	-0.150	3.910	0.000	0.0
May-08	96.220	-0.300	3.780	0.000	0.0
Jun-08	96.250	-0.050	3.750	3.925	17.5
Jul-08	96.310	-0.600	3.690	0.000	0.0
Aug-08	#VALUE!	#VALUE!	#VALUE!	0.000	0.0
Sep-08	96.450	-0.400	3.550	3.725	17.5



Money Rates

USD LIBOR	Bid	Ask	Last Quote	Last Trade	Hi	Low	Net Chng	Open
USDLIBON			4.64625	4.64625	4.64875	4.64625	(0.00250)	4.64875
USDLIB1M			4.78000	4.78000	4.78000	4.76750	0.01250	4.76750
USDLIB3M			5.00000	5.00000	5.00000	4.98188	0.01812	4.98188
USDLIB6M			4.85625	4.85625	4.85625	4.84500	0.01125	4.84500
USDLIB1Y			4.51000	4.51000	4.51000	4.50250	0.00750	4.50250
GBP LIBOR	**Bid**	**Ask**	**Last Quote**	**Last Trade**	**Hi**	**Low**	**Net Chng**	**Open**
GBPLIBON			5.91375	5.91375	5.91375	5.90750	0.00625	5.90750
GBPLIB1M			6.03375	6.03375	6.03375	6.01000	0.02375	6.01000
GBPLIB3M			6.48625	6.48625	6.48625	6.44750	0.03875	6.44750
GBPLIB6M			6.25750	6.25750	6.25750	6.24625	0.01125	6.24625
GBPLIB1Y			6.00875	6.00875	6.01250	6.00875	(0.00375)	6.01250
GBP DEPOSITS	**Bid**	**Ask**	**Last Quote**	**Last Trade**	**Hi**	**Low**	**Net Chng**	**Open**
GBPDEP1M	5.910	6.010	6.010	6.010	6.110	5.750	0.060	5.850
GBPDEP3M	6.320	6.420	6.420	6.420	6.520	6.130	0.090	6.230
GBPDEP6M	6.060	6.160	6.160	6.160	6.300	5.930	0.030	6.030
GBPDEP1Y	5.730	5.830	5.830	5.830	5.980	5.610	(0.030)	5.760
EURIBOR DEPOSITS	**Bid**	**Ask**	**Last Quote**	**Last Trade**	**Hi**	**Low**	**Net Chng**	**Open**
EURLIBON			4.0875	4.0875	4.0875	4.0650	0.0225	4.0650
EUIBOR1M			4.1690	4.1690	4.1690	4.1690	0.0120	4.1690
EUIBOR3M			4.6360	4.6360	4.6360	4.6360	0.0170	4.6360
EUIBOR6M			4.6170	4.6170	4.6170	4.6170	0.0030	4.6170
EUIBOR1Y			4.5950	4.5950	4.5950	4.5950	(0.0020)	4.5950