



The Morning Email: US & Germany



Table of Contents

- Pg 1 Quotes 1
- Pg 2 Quotes 2
- Pg 3 News - Yesterday's Recap
- Pg 4 News - Overnight Recap for Euroland & Japan
- Pg 5 Intrinsic & Tic for Tic Matrix'
- Pg 6 Hedge Ratio's - Bloomberg/GH Trader's LLC
- Pg 7 Yields & Spreads
- Pg 8 Volume Questions & Global Bond Market Characteristics

Pg 9, 10 The ECB Updated

Pg 11, 12 The BOE Updated

12:34 10/04 **ECB:** European Central Bank President Jean-Claude Trichet read out a slightly modified opening statement at his latest press briefing, but the hawkish message was only marginally softened and continues to be that the ECB retains its tightening bias in view of inflation risks.

Want something added? Let me know: jgoulding@ghco.com

Disclaimer: All information within this newsletter is meant for internal use at GH Trader's LLC, only. All information has been recorded to the best of my ability. This material is based upon information that I consider reliable, but I do not represent that it is accurate or complete.

Jim Goulding, jgoulding@ghco.com

The Morning Email, US&GER



Quotes 1

32 nds								SYM NAME	
Last	Net	Hi	Low	Open	Volume	Yest Volume			
TUAZ7	103.142	(0.0)	103.157	103.135	103.155	16,174	178,285	2y Futures	US Futures Market
FVAZ7	107.020	(0.0)	107.055	107.010	107.045	28,272	382,375	5y Futures	
TYAZ7	109.175	(0.0)	109.225	109.170	109.215	47,489	730,330	10y Futures	
USAZ7	112.000	(0)	112.070	111.300	112.050	11,685	194,927	30y Futures	



32 nds						SYM NAME	
Last	Net	Hi	Low	Open	Volume		
BUS02P	100.000	(1.5)	100.012	99.315	100.012	2y	US Cash Treasury Market
BUS05P	100.042	(2.7)	100.072	100.040	100.072	5y	
BUS10P	101.220	(6.0)	101.280	101.220	101.280	10y	
BUS30P	103.170	(9)	103.225	103.165	103.220	30y	
Yield						SYM NAME	
Last	Net	Hi	Low	Open	Volume		
BUS02Y	3.996	2.90	4.017	3.963	4.009	2y Yield	US Cash Treasury Market
BUS05Y	4.217	1.90	4.225	4.189	4.213	5y Yield	
BUS10Y	4.531	1.90	4.539	4.508	4.519	10y Yield	
BUS30Y	4.774	1.70	4.779	4.754	4.766	30y Yield	

Decimal								SYM NAME	
Last	Net	Hi	Low	Open	Volume	Yest Volume			
DGZ7	103.43	(25.00)	103.50	103.43	103.46	181,362	673,085	Schatz(2Y)	German Futures Markets
DLZ7	107.88	(45.00)	108.02	107.87	107.91	166,212	563,980	Bobl(5Y)	
DBZ7	112.88	(10.00)	113.09	112.82	112.93	262,337	1,063,505	Bund(10Y)	



	Price	Yield			SYM NAME	
	Last	Last	Coupon	Maturity		
T.US.DE040P0909*	100.00	3.980	4.000	9/11/2009	2 yr CTD	German Cash Treasury Market
T.US.DE040P0412	103.74	4.101	5.000	7/4/2012	5 yr CTD	
T.US.DE040P0716	98.01	4.268	4.000	7/4/2016	10 yr CTD	
DEP2P	100.03	3.980	4.000	9/11/2009	2yr OTR	
DEP5P	99.55	4.106	4.000	4/13/2012	5yr OTR	
DEP10P	99.62	4.296	4.250	7/4/2017	10yr OTR	

Y = Yield
 CTD = Cheapest to Deliver
 DE = German Country Code

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
DGZ7	103.43	103.43	103.43	103.50	103.43	-25.00
DLZ7	107.88	107.88	107.88	108.02	107.87	-45.00
DBZ7	#VALUE!	112.88	112.88	113.09	112.82	-10.00

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo
DGZ7	4.179	4.177	4.179	4.179	4.141
DLZ7	4.220	4.219	4.219	4.222	4.190
DBZ7		4.382	4.382	4.389	4.357

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng
T.US.DE040P0909*	3.931	3.997	3.980	3.980	3.997	
T.US.DE040P0412	4.071	4.112	4.101	4.101	4.110	
T.US.DE040P0716	4.246	4.281	4.268	4.268	4.276	
DEP2P	3.997	3.980	3.980	3.997	3.931	-5
DEP5P	4.116	4.106	4.106	4.119	4.074	-5
DEP10P	4.303	4.296	4.296	4.308	4.269	-9

SYM NAME	
Schatz(2Y)	German Futures
Bobl(5Y)	
Bund(10Y)	

Schatz(2Y)	German Futures
Bobl(5Y)	
Bund(10Y)	

2 yr CTD	German Cash
5 yr CTD	
10 yr CTD	
2yr OTR	
5yr OTR	
10yr OTR	

	Decimal					
	Bid	Ask	Last	Hi	Low	Chng
T.US.DE040P0909*	100.00	100.03		100.12	100.00	-5.00
T.US.DE040P0412	103.74	103.78		103.91	103.73	-4.00
T.US.DE040P0716	98.01	98.06		98.22	97.97	-6.00
DEP2P	100.00	100.03	100.03	100.12	100.00	-5.00
DEP5P	99.51	99.55	99.55	99.68	99.50	-5.00
DEP10P	99.57	99.62	99.62	99.83	99.53	-9.00

SYM NAME	
2 yr CTD	German Cash
5 yr CTD	
10 yr CTD	
2yr OTR	
5yr OTR	
10yr OTR	

Y = Yield
 CTD = Cheapest to Deliver
 DE = German Country Code
 OTR = On the Run

Euro Mkt Summary: EGBs Higher After Trichet Warns of Downside Risks
by Charanjeev Chana

EGBs were trading higher with little bias. In afternoon trade, Bunds came under pressure on initial comments by ECB President Trichet, who said in the opening remarks of his ECB press statement that the ECB would "monitor very closely" all developments and "act in a firm and timely manner" so price risks did not emerge. However prices soon reversed losses after Trichet warned of downside risks to growth. EGBs opened slightly lower on Thursday morning, extending weakness following the release of the US non-manufacturing ISM index in the previous session, which reported a strong rise in the employment index. Trading volumes were thin in morning trade ahead of key interest rate announcements from the ECB and BOE. Meanwhile, supply from France was well received. The AFT sold E1.842bln of 4.25% Oct 2017 OAT, covered 3.976 times and E1.16bln of 6.00% Oct 2025 OAT, covered 3.815 times. The auctions delivered decent price premiums of 7 cents for the 2017 OAT and 14 cents for the 2025 OAT.

Friday lacks any key macroeconomic data from the Eurozone, and attention will turn to the release of September US nonfarm payrolls data.

In the **forex markets**, the dollar traded mixed against the major currencies. The EUR/USD was at 1.408 (-0.001), cable at 2.038 (+0.006) and USD/JPY at 116.48 (-0.27).

European equities were mixed in afternoon trade. The DAX was trading -0.13%, CAC 40 +0.07% and the FTSE +0.66% on the day. US stocks were moderately stronger with the S&P 500 +0.13% and the NASDAQ +0.02%.

Gilts were trading mixed with short dated Gilts underperforming following the BOE decision to keep interest rates unchanged at 5.75%. Ahead of the Bank of England announcement, Gilts ticked higher on comments by ex-BOE MPC member Goodhart, who said he had a "sneaking suspicion" that the BOE would cut interest rates today. The market then pared gains following the BOE decision to keep interest rates unchanged at 5.75%. Gilts outperformed versus Bunds, amidst continued market speculation that UK banks are shunning funds offered by the Bank of England, and instead taking advantage of the much lower interest rates offered by the ECB. The borrowed euros have reportedly been switched into sterling, which in turn have been re-invested into Gilts.

ECB

4 October 2007 - Monetary policy decisions

At today's meeting, which was held in Vienna, 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.

BOE

[As of 10/04/2007 7:00 am CT]

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 minutes of the meeting will be published at 9.30am on Wednesday 17 October.



[Times for Market News International stories are ET]

06:13 10/05 **UK BROWN:** To make statement on Iraq Monday - (Rtrs)

06:19 10/05 **EGB FLOWS:** Traders report European and Asian central banks have been buying of non-core Europe vs core paper. In addition, real money accounts have also been notable buyers of non-core this morning. Trader also report buying 2-year Schatz and selling 2-year Note from real money.

05:44 10/05 **BUNDS:** Dec Bunds easing into negative territory on back of profit-taking ahead of the key US payrolls data. The move comes following gains yesterday post ECB President Trichet comments. Dec Bunds are down 2 ticks at 112.86.

05:08 10/05 **BUNDS:** The Bund curve is trading steeper, as the front-end continues to rally in the wake of dovish comments from ECB President Jean-Claude Trichet at Thursday's ECB press conference -- after he removed reference to policy being "on the accommodative side". The 2-/10-year yield spread is at +32bps vs +31pbs and 10-/30-year yield spread is at +24bps vs +23bps.

04:16 10/05 **ECB:** Consumer credit demand is seen remaining unchanged in the fourth quarter, the central banks says.

04:10 10/05 **ECB:** The ECB's credit report goes on to say that the net tightening reflects the turbulence in the global credit markets, hampering access to wholesale funding in Q3. Home and business lending tightened, but consumer lending eased.

04:08 10/05 **ECB:** Banks tightened credit standards in Q3; sees more in Q4

(cont.)

22:41 10/04 **JGBS:** Japanese bonds were higher across the board in Tokyo trade Friday, boosted by overnight UST gains. However, traders said despite light short-covering ahead of the long holiday weekend, volumes were muted. The lead Dec futures contract was 22 sen higher at 134.80, with the benchmark 10Y yield 2 bps lower at 1.700%. Tye 5Y yield was 2.5 bps lower at 1.235%.

22:33 10/04 **JAPAN STOCKS:** Japanese stock indices ended the morning session narrowly mixed Friday, as investors stayed sidelined ahead of the US employment report and a long holiday weekend in Japan. The benchmark Nikkei 225 was 28.78 points, or 0.17%, lower at 17063.79. The broader-based TOPIX edged higher, up 1.29 points, or 0.08%, at 1656.89.

00:34 10/05 **JAPAN:** Japan's Fukoku Life says it increased net foreign bond holdings in H1 by Y100 bln, with most of the increase seen in euro denominated debt. Fukoku adds it is likely to trim dollar bond holdings in H2, but look to add to euro holdings.



US Intrinsic's ^				
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	15.57	5.19	\$1,623	€ 2,293
10y	7.77	2.55	\$796	€ 1,124
5y	4.44	1.42	\$445	€ 629
2y	1.88	0.60	\$188	€ 266
ZB	9.90	3.59	\$112	€ 158
ZN	5.85	2.07	\$65	€ 91
ZF	3.93	1.35	\$42	€ 60
ZT	1.88	0.62	\$19	€ 28

^Futures are Based on CTD

German Intrinsic's ^				
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.15	€ 230	\$163	0.868738
Bobl	4.12	€ 127	\$90	0.960712
Schatz	1.81	€ 54	\$38	0.957701
DE10Y	7.75	€ 1,102	\$780	
DE5Y	4.44	€ 660	\$467	
DE2Y	2.23	€ 333	\$236	

^Futures are Based on CTD

Last

EURUSD 141.23

Tic for Tic Matrix (\$)			
	Bund	Bobl	Schatz
30y	9.96	18.01	42.73
10y	4.88	8.83	20.95
5y	2.73	4.94	11.72
2y	1.16	2.09	4.96
ZB	0.69	1.24	2.95
ZN	0.40	1.34	1.70
ZF	0.26	0.47	1.11
ZT	0.12	0.22	0.51

Notes

1) CF = Conversion Factor

2) MDuration = Modified Macaulay Duration

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

US Financial Futures / Eurex Bond

	ZN	ZF	ZT
Bund (Z)	1.700	2.600	2.800
Bobl (Z)	0.960	1.450	1.570
Shatz (Z)	0.424	0.644	0.690

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	1.64	3.89
Bobl (Z)	0.61	1.00	2.38
Shatz (Z)	0.26	0.42	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.

US Cash Treasuries (OTR)			
	Bid	Ask	Last
US2y	4.000	3.996	3.996
US5y	4.224	4.217	4.217
US10y	4.535	4.531	4.531

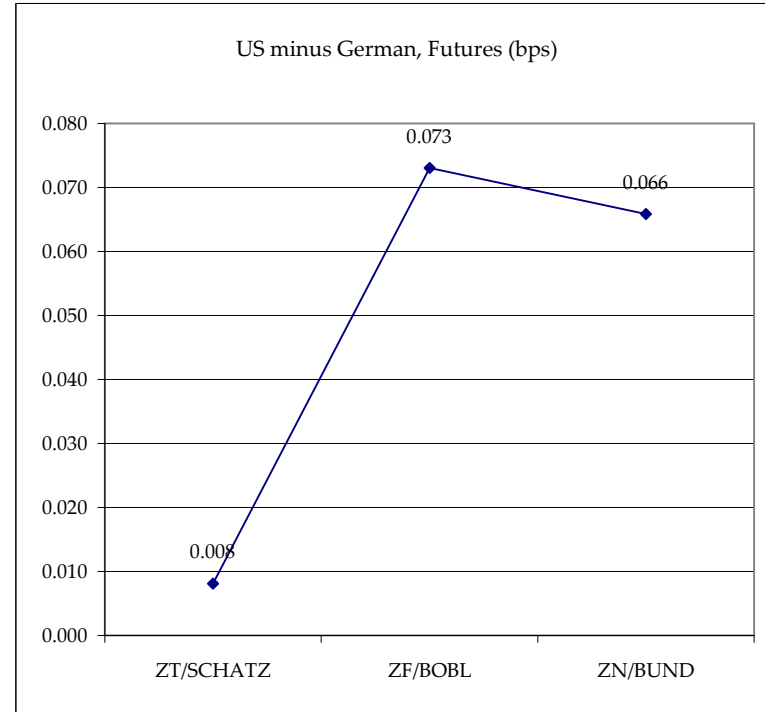
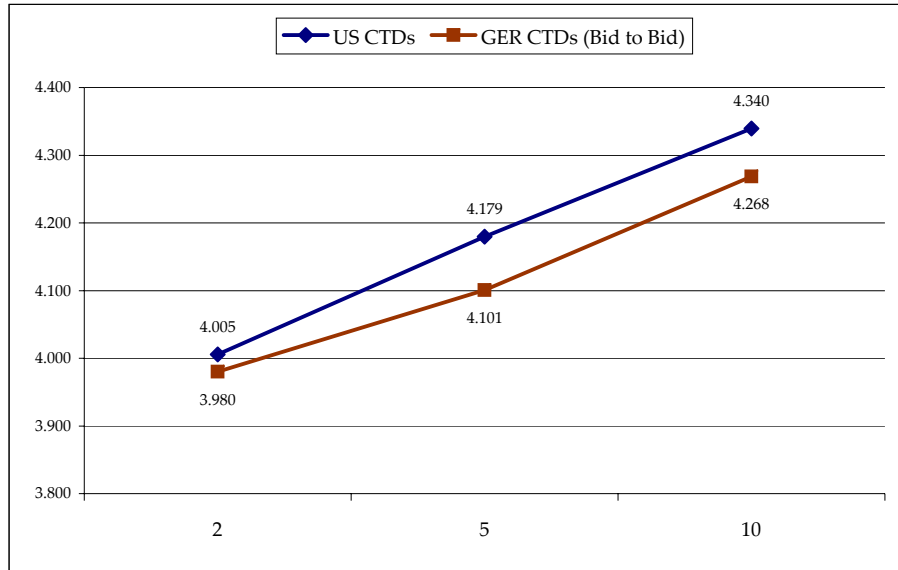
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	3.997	3.980	3.980
DE5y	4.116	4.106	4.106
DE10y	4.303	4.296	4.296

Spreads	
	Bps
ZT/SCHATZ	0.008
ZF/BOBL	0.073
ZN/BUND	0.066

US Cash Treasuries (CTD)			
	Bid	Ask	Last
4 of 09/09	4.005	3.988	3.988
4.625 of 02/12	4.179	4.174	4.174
4.25 of 08/14	4.340	4.334	4.334

German Futures (CTD)			
	Bid	Ask	Last
4.000 of 09/09	3.931	3.997	3.980
5.000 of 07/12	4.071	4.112	4.101
4.000 of 07/16	4.246	4.281	4.268

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.



When does the volume trade? Between what hours 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	Volume
	Rises	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

The Governing Council

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 Națională a României
 Slovakia, Národná banka Slovenska
 Slovenia, Banka Slovenije
 Spain, Banco de España
 Sweden, Sveriges Riksbank
 United Kingdom, Bank of England

4 October 2007 - Monetary policy decisions

At today's meeting, which was held in Vienna, 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.

The President of the ECB will comment on the considerations underlying these decisions at a press conference starting at 2.30 p.m. (CEST) today.

[SOURCE: The ECB]

ECB Introductory Statement

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 has confirmed 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 primary objective. >>>

The fundamentals of the euro area economy support a favourable medium-term outlook for economic activity. In particular, corporate earnings and profitability have been sustained, employment growth has been robust and unemployment has fallen. However, given the financial market volatility and the reappraisal of risk seen in recent weeks, this assessment is surrounded by heightened uncertainty. In view of the only limited range of new economic data that have become available since our meeting in early September, particular caution needs to be exercised when assessing any potential impact of the financial market developments on the real economy. Hence, it remains necessary to gather additional information and examine new data 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. On the basis of our assessment, and by acting in a firm and timely manner, 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, thereby favouring an environment conducive to sustained economic growth, well-functioning markets and job creation. Providing such an anchor for medium and long-term inflation expectations is all the more important at times of financial market volatility and increased uncertainty. As regards the financial markets, we will continue to pay great attention to developments over the period to come.










[SOURCE: The ECB]

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

Stone & McCarthy
RESEARCH ASSOCIATES

BOE HAWKOMETER (to September meeting)

	Dissenting Hawkish Votes	Dissenting Dovish Votes	Non- Dissenting Votes	Total Votes	Hawkishness Rating
 Sentance	4	0	8	12	33%
 Besley	4	0	9	13	31%
 King (Gov)	14	0	111	125	11%
 Tucker	6	1	57	64	8%
 Gieve (Dep Gov)	1	0	19	20	5%
 Lomax (Dep Gov)	2	3	46	51	-2%
 Barker	1	4	72	77	-4%
 Bean	0	5	80	85	-6%
 Blanchflower	0	5	11	16	-31%

Turbulent markets spark dovish tone Dovish noises made by ECB policy makers over the possible impact of the financial turbulence on Eurozone growth, weighed on the ECB hawkometer readings in September. ECB official Vitor Constancio noted that that the "risk concerning our main scenario [of Eurozone growth remaining near trend potential] has increased." Meanwhile ECB member Ordonez suggested that the ECB "must act with enormous caution" in light of the turmoil in financial markets.
--by Charanjeev Chana [smra.com, 10/03/07]

[September 6, 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%.

In its August Inflation Report, the Committee's central projection was for inflation to remain close to the 2% target over the forecast period and for output growth to ease, reflecting a slowing in both consumer spending and business investment.

In recent weeks, heightened concerns about a variety of asset-backed securities have led to disruption around the world, not only in markets for those financial instruments but also in money markets more generally. The MPC's mandate is to set interest rates to meet the Government's 2% target for CPI inflation. So the Committee discussed these developments and other economic data in terms of their implications for the outlook for inflation.

CPI inflation fell back to 1.9% in July and may remain around, or a little below, the 2% target for the next few months. Pay pressures remain muted. There are tentative signs of a slowing in consumer spending. But the recent solid pace of output growth has been sustained and the margin of spare capacity appears limited. Indicators of pricing pressure remain somewhat elevated.

It is too soon to tell how far the disruption in financial markets will impair the availability of credit to companies and households. As stated in its August Report, the MPC is monitoring closely the evolution of both credit spreads and the quantities of credit extended, alongside all other data relevant to the outlook for inflation.

Against that background, the Committee judged that no change in Bank Rate was necessary at this meeting to keep inflation on track to meet the target in the medium term.

The minutes of the meeting will be published at 9.30am on Wednesday 19 September.

Note to Editors

The previous change in Bank Rate was an increase of 0.25 percentage points to 5.75% on 5 July 2007. [SOURCE: The BOE]

As of 10/04/2007 7:00 am CT

Current Bank Rate 5.75

Next due: 8 Nov '07

Current Inflation (CPI) 1.8%

Next due: 16 Oct '07

Inflation Target 2.0%

[As of 10/04/2007 7:00 am CT]

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 minutes of the meeting will be published at 9.30am on Wednesday 17 October.