



## The Morning Email: US & Germany



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Want something added? Let me know: [jgoulding@ghco.com](mailto: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](mailto:jgoulding@ghco.com)**

The Morning Email, US&GER



Quotes 1

	32 nds					Volume	Yest Volume	SYM NAME	
	Last	Net	Hi	Low	Open				
TUAZ7	103.092	(0.0)	103.112	103.087	103.095	32,049	308,142	2y Futures	<b>US Futures Market</b>
FVAZ7	106.180	(0.0)	106.190	106.160	106.175	42,710	637,443	5y Futures	
TYAZ7	108.260	0.0	108.270	108.215	108.250	101,835	1,175,612	10y Futures	
USAZ7	110.290	0	110.310	110.180	110.220	23,651	381,890	30y Futures	



	32 nds					Volume	
	Last	Net	Hi	Low	Open		
BUS02P	99.265	(1.0)	99.280	99.245	99.267	2y	<b>US Cash Treasury Market</b>
BUS05P	99.195	(0.7)	99.207	99.180	99.182	5y	
BUS10P	100.295	1.5	100.310	100.240	100.245	10y	
BUS30P	102.060	(3)	102.090	101.250	101.250	30y	

	32 nds					Volume	
	Last	Net	Hi	Low	Open		
BUS02Y	4.083	1.20	4.133	4.058	4.096	2y Yield	<b>US Cash Treasury Market</b>
BUS05Y	4.333	0.40	4.359	4.324	4.338	5y Yield	
BUS10Y	4.630	(0.20)	4.659	4.622	4.638	10y Yield	
BUS30Y	4.857	0.00	4.891	4.851	4.861	30y Yield	

	Decimal					Volume	Yest Volume	SYM NAME	
	Last	Net	Hi	Low	Open				
DGZ7	103.29	(35.00)	103.31	103.26	103.30	221,793	290,714	Schatz(2Y)	<b>German Futures Markets</b>
DLZ7	107.54	(30.00)	107.58	107.46	107.55	174,360	245,755	Bobl(5Y)	
DBZ7	112.46	0.00	112.50	112.30	112.43	358,994	450,082	Bund(10Y)	



	Price	Yield			SYM NAME	
	Last	Last	Coupon	Maturity		
T.US.DE040P0909*	99.89	4.041	4.000	9/11/2009	2 yr CTD	<b>German Cash Treasury Market</b>
T.US.DE040P0412	103.41	4.176	5.000	7/4/2012	5 yr CTD	
T.US.DE040P0716	97.66	4.318	4.000	7/4/2016	10 yr CTD	
DEP2P	99.92	4.041	4.000	9/11/2009	2yr OTR	
DEP5P	103.45	4.176	5.000	7/4/2012	5yr OTR	
DEP10P	99.29	4.339	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	103.28	103.29	103.29	103.31	103.26	-35.00
DLZ7	#VALUE!	107.54	107.54	107.58	107.46	-30.00
DBZ7	112.45	112.46	112.46	112.50	112.30	0.00

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo
DGZ7	4.255	4.252	4.255	4.265	4.239
DLZ7		4.292	4.292	4.310	4.285
DBZ7	4.432	4.431	4.432	4.449	4.426

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng
T.US.DE040P0909*	4.030	4.074	4.041	4.041	4.057	
T.US.DE040P0412	4.167	4.202	4.176	4.176	4.185	
T.US.DE040P0716	4.312	4.347	4.318	4.318	4.325	
DEP2P	4.057	4.041	4.041	4.074	4.030	-1
DEP5P	4.185	4.176	4.176	4.202	4.167	1
DEP10P	4.345	4.339	4.339	4.368	4.332	8

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*	99.89	99.92		99.94	99.86	-1.00
T.US.DE040P0412	103.41	103.45		103.49	103.34	1.00
T.US.DE040P0716	97.66	97.71		97.75	97.51	6.00
DEP2P	99.89	99.92	99.92	99.94	99.86	-1.00
DEP5P	103.41	103.45	103.45	103.49	103.34	1.00
DEP10P	99.24	99.29	99.29	99.34	99.06	8.00

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 Lower on US Payrolls Data**  
by Charanjeev Chana

EGBs were trading sharply lower on Friday afternoon with the short end underperforming, in turn steepening the Bund curve. Bunds posted sharp losses in afternoon trade following the release of September US nonfarm payrolls data, which came in above expectations. Also fuelling the decline was upward revisions to August payrolls data. EGBs opened higher on Friday morning, extending previous session gains after ECB President Trichet cited growing uncertainty and increased downside risks in his ECB press statement. Trichet removed the "accommodative" phrase in the opening paragraphs of his statement when referring to current monetary conditions, to suggest that the ECB will leave interest rates on hold for the foreseeable future. Dec07 Bunds eased lower into negative territory in morning trade on the back of profit taking ahead of September US payrolls data.

Monday will see a number of appearances by ECB officials. ECB President Trichet, ECBs Liikanen and ECB official Hurley are all due to speak on Monday morning. On the data front, August German manufacturing orders are expected late Monday morning.

In the forex markets, the dollar traded mixed against the major currencies. The EUR/USD was at 1.415 (-0.001), cable at 2.040 (+0.001) and USD/JPY at 116.14 (+0.41).

European equities were mixed in afternoon trade. The DAX was trading +0.55%, CAC 40 +0.47% and the FTSE +0.61% on the day. US stocks were also stronger with the S&P 500 +0.33% and the NASDAQ +0.63%.



[Times for Market News International stories are ET]

06:43 10/09 **EUROZONE:** Reported comments from eurozone officials Tuesday,

\*\* FRANCE TRADE MINISTER: Undeniable that strong euro causes problems for French economy

\*\* S&P CHIEF ECONOMIST: Losses from subprime won't hit peak until 2009, though shock value wearing off.

\*\* EU ALMUNIA: Asian countries need more forex flexibility

- Forex flexibility is good for China itself

- Hope to visit China to talk FX before end of year

- EMU economy recovering but downside risks increased.

\*\* ECB TRICHET: To act firmly/timely so price risks don't materialise

- Exchange rate is important issue, must be disciplined

- To discuss FX issues at upcoming G7

- Will engage in dialog with Chinese authorities

- Will monitor FX rates closely

05:10 10/09 **BUNDS:** The Bund curve is trading flatter, amid continued reports of duration extension trades by real money accounts, along with recovery in the dollar. The 2-/10-year yield spread is 2 bps flatter at +29 bps and 10-/30-year yield spread 1 bps flatter at +22 bps.

05:04 10/09 **CREDIT:1)** Northern Rock is in the news following a statement this morning that the bank has agreed new guarantee arrangements with HM Treasury. HM Treasury, on behalf of the Tripartite Authorities, has confirmed that the guarantee arrangements previously announced to protect existing depositors of NR will be extended to cover all new retail deposits made after Sep. 19 2007. These arrangements will cover all retail deposits including future interest payments, movement of funds between accounts and term deposits for the duration of the term. These arrangements will remain in place during the current instability in the financial markets and NR will pay an appropriate fee for the extension of the guarantee to ensure it does not receive a commercial advantage.

(cont.)

03:17 10/09 **BONDS: EGBs** are opening higher on Tuesday in corrective mood following losses the previous session, induced in thin volume session, given US/Japan holidays. Sentiment is seen underpinned by a leak of an IMF draft report in The Times newspaper, which gives a gloomy outlook for the US economy. The IMF report due next week, shows that it will cut its forecast for US growth next year to 1.9% vs consensus forecasts of 2.0% this year. Focus now turns to the FOMC minutes for the Sept 18 meeting to see the Fed thinking about why it cut Fed funds rate by 50bps. Later this session, there are plenty of Fed speakers, which includes Poole (voter), Yellen (non-voter) and Pianalto (non-voter). ECB President Trichet testifies to EU Parliament at 0830GMT. EU finance ministers (Ecofin) also meet in Luxembourg today and any comments about the recent euro strength will be closely scrutinised. In the UK, attention turns to the UK Chancellor of the Exchequer Alistair Darling's first Pre-Budget Report and Comprehensive Spending Review at 1445GMT.

02:39 10/09 **JGB SUMMARY:** Longer-dated Japanese government bonds ended Tuesday's session lower across the board, as higher stocks and weaker U.S. Treasuries weighed on investor sentiment. JGBs were sharply lower from the getgo, playing catch-up with U.S. Treasuries. However, with a lack of fresh economic data and with Japanese stocks retreating from their best levels, JGBs bounced off their early lows. Shorter-dated stocks even managed to score light gains, with the 5-year ending in positive territory.

- Benchmark 10-year yield was 1 bps higher at 1.715%.
- Benchmark 5-year yield was 1 bps lower at 1.230%.
- Benchmark 20-year yield was 2 bps higher at 2.225%.
- Benchmark 30-year yield was 3 bps higher at 2.485%.
- Lead Sept JGB futures contract was down 0.21 at 134.52.

Intrinsics & Tic for Tic Matrix'



US Intrinsic's ^				
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	15.47	5.10	\$1,593	€ 2,235
10y	7.75	2.52	\$788	€ 1,106
5y	4.43	1.41	\$442	€ 620
2y	1.88	0.60	\$188	€ 263
ZB	9.88	3.55	\$111	€ 156
ZN	5.84	2.05	\$64	€ 90
ZF	3.92	1.35	\$42	€ 59
ZT	1.88	0.62	\$19	€ 27

^Futures are Based on CTD

Tic for Tic Matrix (\$)			
	Bund	Bobl	Schatz
30y	9.82	17.77	42.12
10y	4.86	8.79	20.84
5y	2.73	4.93	11.69
2y	1.16	2.09	4.96
ZB	0.68	1.24	2.93
ZN	0.39	1.34	1.69
ZF	0.26	0.47	1.11
ZT	0.12	0.22	0.51

German Intrinsic's ^				
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.13	€ 228	\$162	0.868738
Bobl	4.11	€ 126	\$90	0.960712
Schatz	1.81	€ 53	\$38	0.957701
DE10Y	7.74	€ 1,090	\$777	
DE5Y	4.43	€ 652	\$465	
DE2Y	2.23	€ 330	\$235	

^Futures are Based on CTD

Last

EURUSD 140.33

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	4.092	4.083	4.083
US5y	4.338	4.333	4.333
US10y	4.632	4.630	4.630

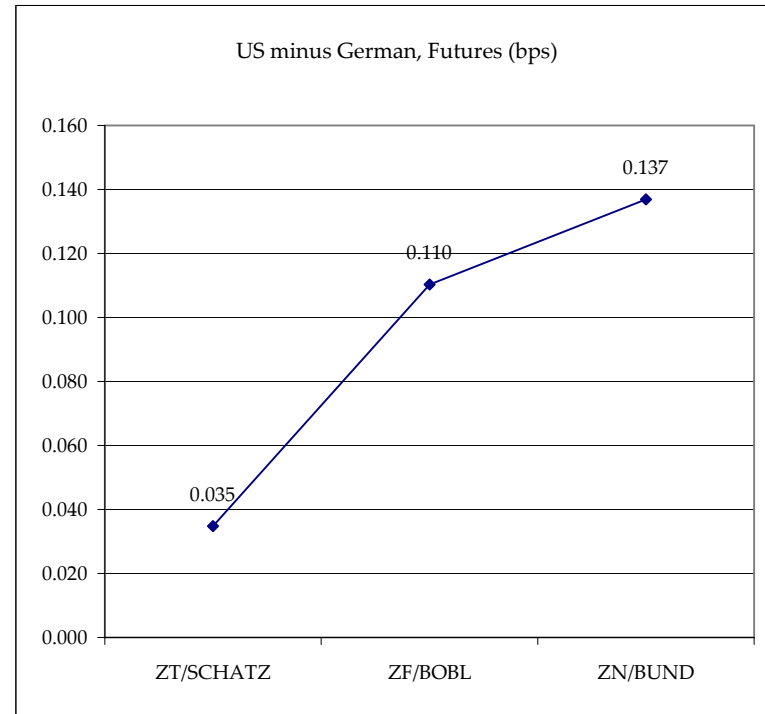
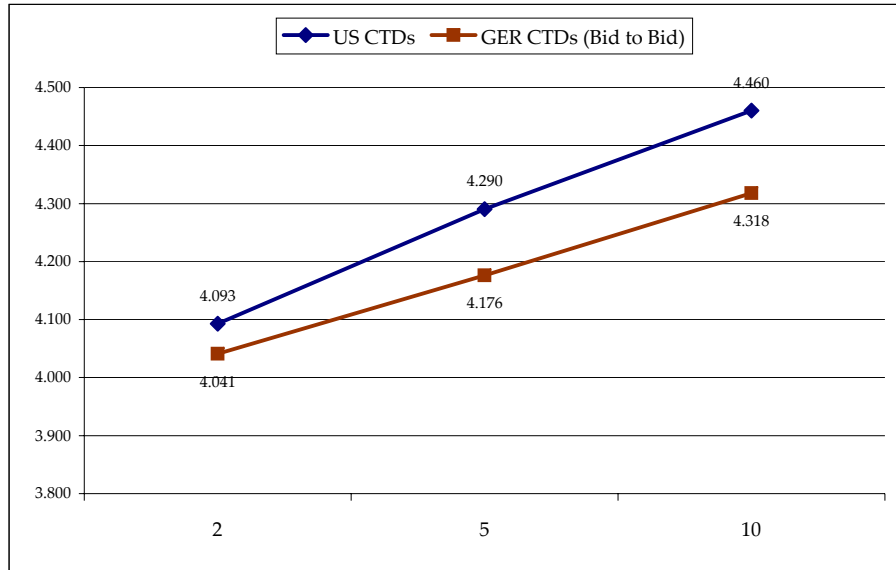
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	4.057	4.041	4.041
DE5y	4.185	4.176	4.176
DE10y	4.345	4.339	4.339

Spreads	
	Bps
ZT/SCHATZ	0.035
ZF/BOBL	0.110
ZN/BUND	0.137

US Cash Treasuries (CTD)			
	Bid	Ask	Last
4 of 09/09	4.093	4.076	4.076
4.625 of 02/12	4.290	4.286	4.286
4.25 of 08/14	4.460	4.455	4.455

German Futures (CTD)			
	Bid	Ask	Last
4.000 of 09/09	4.030	4.074	4.041
5.000 of 07/12	4.167	4.202	4.176
4.000 of 07/16	4.312	4.347	4.318

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			<b>+25bps</b>	4.75%	<b>6-1</b>	no chg
Sep-06	unch	unch	unch	unch	unch	unch	unch	unch		<b>unch</b>	4.75%	<b>8-0</b>	none
Oct-06	unch	unch	unch	unch	unch	unch	unch	+25bps	+25bps	<b>unch</b>	4.75%	<b>7-2</b>	tightening
Nov-06	+25bps	unch	+25bps	+25bps	+25bps	+25bps	unch	+25bps	+25bps	<b>+25bps</b>	5.00%	<b>7-2</b>	no chg
Dec-06	unch	unch	unch	unch	unch	unch	unch	unch	unch	<b>unch</b>	5.00%	<b>9-0</b>	none
Jan-07	+25bps	unch	+25bps	unch	unch	+25bps	unch	+25bps	+25bps	<b>+25bps</b>	5.25%	<b>5-4</b>	no chg
Feb-07	unch	unch	unch	unch	unch	unch	unch	+25bps	+25bps	<b>unch</b>	5.25%	<b>7-2</b>	tightening
Mar-07	unch	unch	unch	unch	unch	unch	-25bps	unch	unch	<b>unch</b>	5.25%	<b>8-1</b>	easing
Apr-07	unch	unch	unch	unch	unch	unch	unch	+25bps	+25bps	<b>unch</b>	5.25%	<b>7-2</b>	tightening
May-07	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	<b>+25bps</b>	5.50%	<b>9-0</b>	none
Jun-07	+25bps	unch	+25bps	unch	unch	unch	unch	+25bps	+25bps	<b>unch</b>	5.50%	<b>5-4</b>	tightening
Jul-07	+25bps	unch	+25bps	unch	+25bps	+25bps	unch	+25bps	+25bps	<b>+25bps</b>	5.75%	<b>6-3</b>	no chg
Aug-07	unch	unch	unch	unch	unch	unch	unch	unch	unch	<b>unch</b>	5.75%	<b>9-0</b>	none
Sep-07	unch	unch	unch	unch	unch	unch	unch	unch	unch	<b>unch</b>	5.75%	<b>9-0</b>	none

Stone & McCarthy  
RESEARCH ASSOCIATES

**BOE HAWKOMETER (to September meeting)**

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

**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.**