10/11/2007 5:50

The Morning Email: US & Germany

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Jim Goulding, jgoulding@ghco.com

MarketNews International

Stone & McCarthy RESEARCH ASSOCIATES

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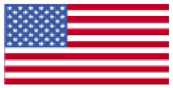
Quotes 1



	32 nds								
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME	
TUAZ7	103.057	0.0	103.065	103.047	103.060	13,984	183,165	2y Futures	US Futures Market
FVAZ7	106.130	(0.0)	106.150	106.110	106.140	37,883	437,822	5y Futures	
TYAZ7	108.185	(0.0)	108.230	108.165	108.225	94,452	928,379	10y Futures	
USAZ7	110.170	(0)	110.250	110.150	110.230	19,207	271,735	30y Futures	

	Last	Net	Hi	Low	Open	Volume	
BUS02P	99.230	0.2	99.237	99.222	99.227	2y	US Cash Treasury Market
BUS05P	99.132	(1.2)	99.157	99.122	99.147	5y	
BUS10P	100.205	(3.5)	100.260	100.195	100.245	10y	
BUS30P	101.240	(9)	102.030	101.225	102.025	30y	
	Last	Net	Hi	Low	Open	Volume	
BUS02Y	4.146	0.00	4.167	4.13	4.155	2y Yield	
BUS05Y	4.381	1.10	4.393	4.361	4.375	5y Yield	
BUS10Y	4.665	1.40	4.675	4.641	4.647	10y Yield	
BUS30Y	4.884	1.70	4.893	4.863	4.872	30y Yield	

	Decimal								
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME	
DGZ7	103.19	(55.00)	103.23	103.15	103.22	281,925	793,159	Schatz(2Y)	German Futures Markets
DLZ7	107.32	(125.00)	107.42	107.21	107.40	292,229	537,912	Bobl(5Y)	
DBZ7	112.24	(22.00)	112.39	112.08	112.37	486,857	1,055,486	Bund(10Y)	

	Price	Yield				
	Last	Last	Coupon	Maturity	SYM NAME	
T.US.DE040P0909***	99.80	4.091	4.000	9/11/2009	2 yr CTD	German Cash Treasury Market
T.US.DE050P0712***	103.19	4.225	5.000	7/4/2012	5 yr CTD	
T.US.DE040P0716*	97.49	4.343	4.000	7/4/2016	10 yr CTD	
DEP2P	99.83	4.091	4.000	9/11/2009	2yr OTR	
DEP5P	100.10	4.227	4.250	10/12/2012	5yr OTR	
DEP10P	99.10	4.363	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.

	Bid	Ask	Last	Hi	Low	Chng	SYM NAME	
	Decimal							
DGZ7	103.18	103.19	103.19	103.23	103.15	-55.00	Schatz(2Y)	German Futures
DLZ7	107.31	107.32	107.32	107.42	107.21	-125.00	Bobl(5Y)	
DBZ7	112.24	#VALUE!	112.24	112.39	112.08	-22.00	Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo		
DGZ7	4.307	4.304	4.307	4.322	4.281	Schatz(2Y)	German Futures
DLZ7	4.342	4.341	4.342	4.364	4.318	Bobl(5Y)	
DBZ7	4.456		4.456	4.475	4.439	Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng		
T.US.DE040P0909***	4.069	4.119	4.091	4.091	4.107		2 yr CTD	German Cash
T.US.DE050P0712***	4.200	4.256	4.225	4.225	4.235		5 yr CTD	
T.US.DE040P0716*	4.327	4.370	4.343	4.343	4.350		10 yr CTD	
DEP2P	4.107	4.091	4.091	4.119	4.069	-6	2yr OTR	
DEP5P	4.236	4.227	4.227	4.257	4.202	-16	5yr OTR	
DEP10P	4.370	4.363	4.363	4.390	4.350	-15	10yr OTR	

	Bid	Ask	Last	Hi	Low	Chng	SYM NAME	
	Decimal							
T.US.DE040P0909***	99.80	99.83		99.87	99.78	-6.00	2 yr CTD	German Cash
T.US.DE050P0712***	103.19	103.23		103.34	103.10	-15.00	5 yr CTD	
T.US.DE040P0716*	97.49	97.54		97.65	97.35	-15.00	10 yr CTD	
DEP2P	99.80	99.83	99.83	99.87	99.78	-6.00	2yr OTR	
DEP5P	100.06	100.10	100.10	100.21	99.97	-16.00	5yr OTR	
DEP10P	99.05	99.10	99.10	99.20	98.89	-15.00	10yr OTR	

Notes

Y = Yield

CTD = Cheapest to Deliver

DE = German Country Code

*** OTR**

**** CTD**

***** CTD & OTR**

OTR = On the Run

Stone & McCarthy
RESEARCH ASSOCIATES

[Times for Market News International stories are ET]

05:51 10/11 **ECB TRICHET**: Sees robust growth in Eurozone, near potential
- ECB baseline scenario confirmed, but more uncertainty
- ECB must gather more data to make definitive judgement
- Repeats FX should reflect economic fundamentals
- Repeats excessive FX volatility undesirable
- Global growth remains very robust
- Mkts should see Japan economy is on solid growth path
- Markets must avoid one-way bets in FX
- Notes that US has said strong dollar is in its interest

06:41 10/11 GILT SUMMARY: Gilts are lower and extended losses in early trade on leverage account selling. However, the short-dated Gilts outperformed, amid corrective move following recent sharp losses in the wake of hawkish comments from Bank of England Governor Mervyn King on Tuesday. The short-dated Gilts also underpinned by latest RICS survey overnight showed UK house prices balance decline 14.6% in the 3 Months to September - the fastest pace for two years. The Gilt 2-/10-year yield spread was 2.2 bps steeper at -24.9 bps, whilst the 10-/30-year yield spread was 0.2 bps flatter at -44.6 bps. Dec Gilts are down 12 ticks at 106.91.

06:38 10/11 BUND SUMMARY: Bunds opened little changed, after US Treasuries traded steady overnight. However, prices fell sharply, with UK Gilts once again leading the charge on reported leverage account selling. In addition, European stocks gains also added to the downward pressure in December Bund futures, which hit 11-day lows at 112.08. Prices were also weighed ahead of supply from Italy, where E4.0bln of the new 4.25% Oct 2012 BTP issue was sold at an average yield of 4.32% and covered a disappointing 1.38 times. Traders said that the weak cover was attributed to fact that the 5-year sector is rich in asset-swap terms. Traders added that the price premium at 1 cent was also weaker than expected. Bunds then staged a recovery, led duration extension buying in long-dated issues, and short-covering by leverage accounts. In other supply news, Republic of Ireland's forthcoming long-dated syndicated euro benchmark issue is expected to be a 10 or a 15-year issue, said Oliver Whelan, the head of Funding & Debt Management at NTMA told MNI.

03:26 10/11 **BONDS: EGBs** are trading lower on Thursday, with UK Gilts once again leading the charge on leverage account selling. However, the risk is on a squeeze higher in EGBs, led higher by the short-dated issues on back of continued strength in the euro currency. Traders look for Italian BTPs to outperform after reports that the three biggest unions in Itay have backed the government's plans for a gradual increase in the retirement age starting from next year. The news comes ahead of the auction of the new 5-year BTP issue today and after strong demand for the German Schatz top-up auction and Portugal's re-opening of the 5-year issue yesterday. UK Gilts are also seen clawing back some of Wednesday's strong falls after RICs survey overnight showed UK house prices balance decline 14.6% in the 3 Months to September -- the fastest pace for two years. Overnight, the Bank of Japan's nine-member policy board voted 8-1 to maintain the target for the overnight call rate at 0.5%, with Mizuno once again voting against unchanged rates.

03:31 10/11 **FUKUI**: Reported comments from BOJ head.
-- Upwrad price pressure gradually rising.
-- To gradually raise rates in line with economic conditions.
-- Global, Japan economies highly likley to move in line with BOJ expectation.
-- Public's view on prices changing significantly.
-- Japan CPI to turn positive in not too distant future.

02:34 10/11 **JGB SUMMARY**: Japanese government bonds ended Thursday's session flat to modestly lower, having spent the entire session in a narrow range either side of the previous day's close. JGBs initially traded modestly higher along the curve, but volumes were light, with many players awaiting the Bank of Japan's rate decision. But prices pushed lower as stocks started to rally straight after the lunch-break, helped by Moody's Investor Services upgrading Japan's sovereign rating to A1 from A2. Moody's said the move was on expectations of continued fiscal reforms under Prime Minister Shinzo Abe. However, JGBs bounced off their lows after the BOJ decided to leave rates unchanged, as widely expected by the market. Despite the rally, prices ended largely unchanged, with the ultralong end marginally lower.
-- Benchmark 10-year yield was unchanged at 1.735%.
-- Benchmark 30-year yield was 1.5 bps higher at 2.495%.
-- Lead Sept JGB futures contract was up 0.01 at 134.32.

Intrinsics & Tic for Tic Matrix'

	US Intrinsic's ^			
	M Duration	DV01 32	DV01 $	DV01(€)
30y	15.43	5.07	$1,584	€ 2,250
10y	7.74	2.51	$785	€ 1,116
5y	4.43	1.41	$441	€ 626
2y	1.87	0.60	$187	€ 265
ZB	9.85	3.53	$110	€ 157
ZN	5.83	2.04	$64	€ 91
ZF	3.92	1.34	$42	€ 60
ZT	1.87	0.62	$19	€ 27

^Futures are Based on CTD

	German Intrinsic's ^			
	M Duration	DV01(€)	DV01($)	CF
Bund	7.13	€ 230	$162	0.874919
Bobl	4.10	€ 127	$89	0.960712
Schatz	1.80	€ 54	$38	0.957701
DE10Y	7.73	€ 1,100	$774	
DE5Y	4.10	€ 610	$429	
DE2Y	1.80	€ 256	$180	

^Futures are Based on CTD

	Last
EURUSD	142.10

	Tic for Tic Matrix ($)		
	Bund	Bobl	Schatz
30y	9.79	17.73	42.04
10y	4.86	8.79	20.85
5y	2.72	4.93	11.70
2y	1.15	2.09	4.96
ZB	0.68	1.23	2.93
ZN	0.39	1.34	1.69
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)

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

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	3.90
Bobl (Z)	0.61	1.00	2.38
Shatz (Z)	0.26	0.42	1.00

GH Trader's Ratio's

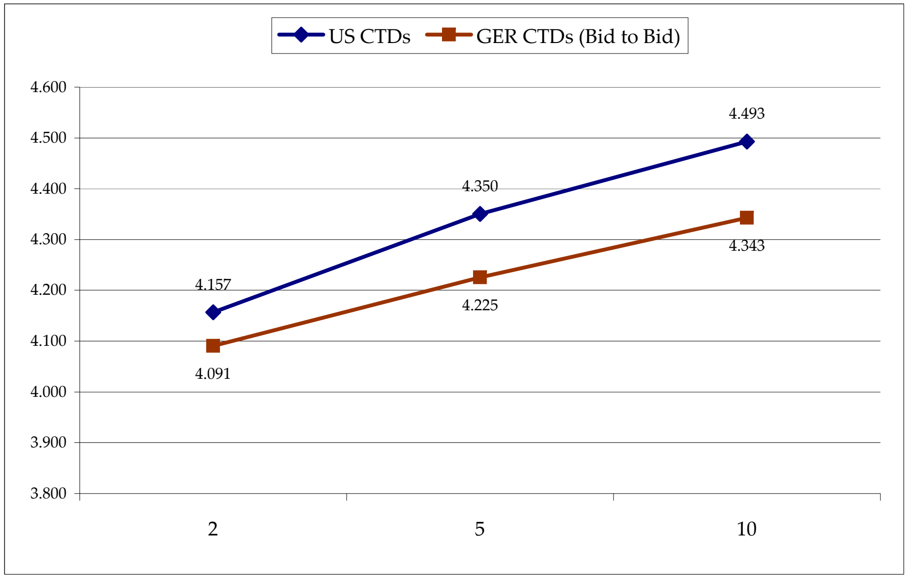
Note:
Bloomberg hedge ratio's are static. Meaning, I only update them once a week and on rolls. My hedge ratio's are live, meaning, they're updated in real-time. I've managed to get the Eurex to Eurex ratio's updating live as of 07/05/2007. I'll be working on Eurex to the USA ratio's soon. All matrixes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

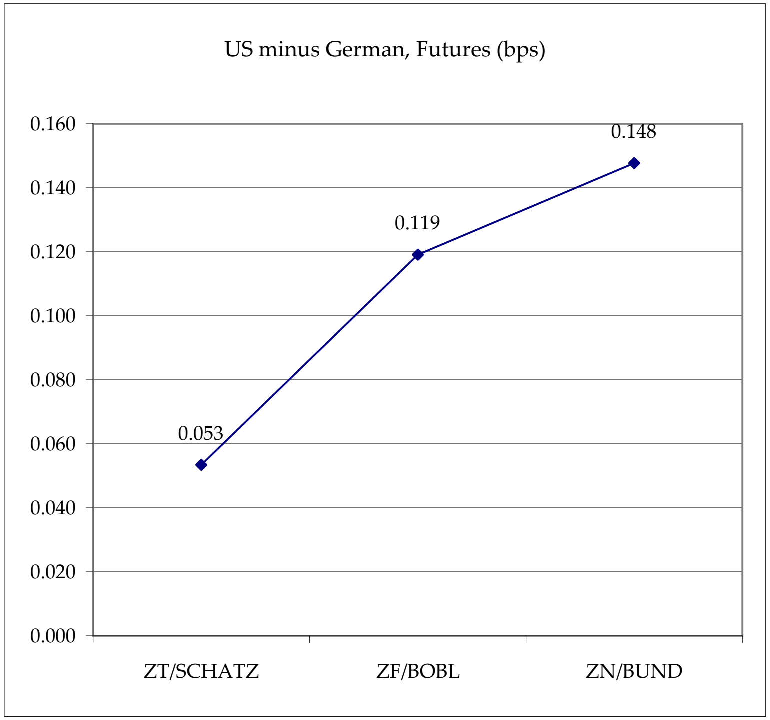
Yields & Spreads

	US Cash Treasuries (OTR)				German Cash Treasuries (OTR)				Spreads
	Bid	Ask	Last		Bid	Ask	Last		Bps
US2y	4.150	4.146	4.146	DE2y	4.107	4.091	4.091	ZT/SCHATZ	0.053
US5y	4.383	4.381	4.381	DE5y	4.236	4.227	4.227	ZF/BOBL	0.119
US10y	4.667	4.665	4.665	DE10y	4.370	4.363	4.363	ZN/BUND	0.148

	US Cash Treasuries (CTD)				German Futures (CTD)		
	Bid	Ask	Last		Bid	Ask	Last
4 of 09/09	4.157	4.144	4.144	4.000 of 09/09	4.069	4.119	4.091
4.625 of 02/12	4.350	4.344	4.344	5.000 of 07/12	4.200	4.256	4.225
4.25 of 08/14	4.493	4.490	4.490	4.000 of 07/16	4.327	4.370	4.343

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

The ECB 1

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 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 Națională 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

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]

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

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.