



## 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.

Quotes 1

32 nds								SYM NAME	
Last	Net	Hi	Low	Open	Volume	Yest Volume			
TUAZ7	103.050	0.0	103.052	103.002	103.010	30,891	192,679	2y Futures	<b>US Futures Market</b>
FVAZ7	106.150	0.0	106.160	106.075	106.100	39,494	462,214	5y Futures	
TYAZ7	108.235	0.0	108.245	108.145	108.170	114,413	841,257	10y Futures	
USAZ7	110.170	0	110.220	110.080	110.140	19,027	204,461	30y Futures	



US Cash Treasury Market						
Last	Net	Hi	Low	Open	Volume	
BUS02P	99.222	3.2	99.225	99.177	99.180	2y
BUS05P	99.152	4.5	99.160	99.090	99.090	5y
BUS10P	100.220	4.0	100.240	100.145	100.150	10y
BUS30P	101.170	8	101.220	101.080	101.080	30y

Last	Net	Hi	Low	Open	Volume	
BUS02Y	4.160	(5.00)	4.248	4.151	4.231	2y Yield
BUS05Y	4.367	(3.20)	4.418	4.36	4.404	5y Yield
BUS10Y	4.659	(1.80)	4.695	4.649	4.681	10y Yield
BUS30Y	4.898	(1.40)	4.924	4.889	4.909	30y Yield

Decimal								SYM NAME	
Last	Net	Hi	Low	Open	Volume	Yest Volume			
DGZ7	103.01	45.00	103.03	102.94	102.94	368,474	672,087	Schatz(2Y)	<b>German Futures Markets</b>
DLZ7	106.97	35.00	107.05	106.90	106.91	249,519	483,806	Bobl(5Y)	
DBZ7	111.76	(5.00)	111.91	111.69	111.78	530,371	902,938	Bund(10Y)	



	Price	Yield			SYM NAME	
	Last	Last	Coupon	Maturity		
T.US.DE040P0909***	99.65	4.175	4.000	9/11/2009	2 yr CTD	<b>German Cash Treasury Market</b>
T.US.DE050P0712***	102.87	4.299	5.000	7/4/2012	5 yr CTD	
T.US.DE040P0716*	97.06	4.404	4.000	7/4/2016	10 yr CTD	
DEP2P	99.68	4.175	4.000	9/11/2009	2yr OTR	
DEP5P	99.79	4.297	4.250	10/12/2012	5yr OTR	
DEP10P	98.63	4.424	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
DGZ7	103.01	103.01	103.01	103.03	102.94	45.00
DLZ7	106.97	106.97	106.97	107.05	106.90	35.00
DBZ7	111.76	111.77	111.76	111.91	111.69	-5.00

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo
DGZ7	4.398	4.395	4.395	4.432	4.385
DLZ7	4.417	4.416	4.416	4.431	4.400
DBZ7	4.513	4.512	4.513	4.521	4.495

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng
T.US.DE040P0909***	4.164	4.225	4.175	4.175	4.192	
T.US.DE050P0712***	4.283	4.325	4.299	4.299	4.308	
T.US.DE040P0716*	4.383	4.421	4.404	4.404	4.411	
DEP2P	4.192	4.175	4.175	4.225	4.164	7
DEP5P	4.306	4.297	4.297	4.325	4.281	7
DEP10P	4.431	4.424	4.424	4.441	4.407	0

	Decimal					
	Bid	Ask	Last	Hi	Low	Chng
T.US.DE040P0909***	99.65	99.68		99.70	99.59	7.00
T.US.DE050P0712***	102.87	102.91		102.98	102.80	6.00
T.US.DE040P0716*	97.06	97.11		97.26	96.99	0.00
DEP2P	99.65	99.68	99.68	99.70	99.59	7.00
DEP5P	99.75	99.79	99.79	99.86	99.67	7.00
DEP10P	98.58	98.63	98.63	98.76	98.50	0.00

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

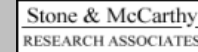
Schatz(2Y)	German Futures
Bobl(5Y)	
Bund(10Y)	

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

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

Notes

- Y = Yield
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- CTD = Cheapest to Deliver
- OTR = On the Run
- \* OTR
- \*\* CTD
- \*\*\* CTD & OTR



[Posted 8:11 am ET, on SMRA.com]

**EMU Bonds Come Off Lows; Long-End Buying Flattens Curve**, by Market News, 15 October 2007

LONDON Oct. 15 (MNI) - European bond prices are lower on Monday, but off their worst levels on back of buying in long-dated issues which flattened the **Bund yield curve**. Attention turns to comments from Federal Reserve Chairman Ben Bernanke, who speaks at dinner hosted by the Economic Club of New York at 2300GMT. Bunds opened lower on Monday after weakness in Japanese government bonds overnight following declines in U.S. Treasuries on Friday. Short-dated issues underperformed, in turn flattening the Bund curve.

Traders reported **unwinding of safe-haven trades** amid reports that Citigroup, Bank of America and JP Morgan are expected today to announce plans for a fund to buy mortgage-backed securities. The U.S. banks are expected to put up credit guarantees worth around \$75 bln for the Single-Master Liquidity Enhancement Conduit fund, which will evolve and may only be as large as demand requires. Traders also reported buying of long-dated issues by real money accounts and pension funds, with higher commodity prices impacting. WTI Nymex crude oil hit fresh record highs above \$85.00, with gains attributed to rising tensions between Turkey and Iraq, ongoing concerns about winter supplies and the dollar's weakness.

In supply news, the Republic of **Italy** (Aa2/A+/AA) has opened books for its new 30-year BTP with maturity in August 2039, according to a source familiar with the deal. The guidance is at flat/+2bps compared to the February 2037 BTP, the source added. Leads are ABN AMRO, BNP Paribas, Citigroup, MPS Capital Services and JP Morgan. The Republic of **Ireland's** new October 2018 issue guidance has been revised to +15/16bps vs the 4.25% July 2017 Bund, according to a source familiar with the deal. Initial guidance was at +16bps over the 10-year Bund. The order book is now around E10 billion and expected to close in the "early" afternoon. The issue is now expected to be sold for E5.0bln.

Last week, Oliver Whelan, the head of Funding & Debt Management at the National Treasury Management Agency (NTMA) told MNI that the size of the issue is likely to be for a minimum of E3 billion. "If the market is 'hot' we can go for more," he added.

The syndicated deal had been anticipated by traders, given that E6.399 billion worth of bond redemptions are coming up this fall, with a 4.25% Treasury bond maturing on Oct. 18.

Ireland has never sold a bond via syndication and this will mark the first bond sale since October 2005, when the 4.5% Apr 2020 was last tapped.

In other supply news, the Belgium Financing Agency announced results of its buyback. This included E335mln of the 5.75% Mar 2008 OLO 16 issue at weighted average price of 100.706, E134mln of the 7.50% July 2008 OLO 28 issue at weighted average price of 102.520, and E40mln of the 3.00% Sept 2008 OLO 42 issue at weighted average price of 98.960.

In the UK, **Gilts** are lower, with the 10-year benchmark outperforming at the expense of short-dated issues, as traders continue to pare back expectations of a **Bank of England** rate cut.

The **SONIA** (Sterling Over-Night Index Average) Swap curve is now implying reduced chances of a rate cut from the BoE in coming months, after last week's hawkish BoE Governor King speech. In addition, the strip isn't fully pricing in a 25bps rate cut until end 2008, having previously priced this in by January 2008.

Focus in the UK market turns to plethora of UK economic data releases this week, which include CPI on Tuesday, the employment report and Bank of England minutes for the October meeting on Wednesday, retail sales on Thursday and advance Q3 GDP data on Friday. The 10-year Gilt/Bund yield spread narrowed to +71.3 bps vs +72.0 bps Friday.

The Gilt 2-/10-year yield spread was 2.5 bps flatter at -23.6 bps, whilst the 10-/30-year yield spread was 0.3 bps steeper at -45.6 bps. Dec Gilts are down 7 ticks at 106.17.

In cross-border flows, US Treasuries outperformed German Bunds, as the 10-year UST/Bund yield spread narrowed 1 bp from Friday's levels, with the spread trading at 30.5 bps.

European equity markets are mixed. In London the **FTSE-100** was up 0.16%. In Paris the **CAC** was higher by 0.38% and in Frankfurt the DAX was down 0.09%. U.S. index futures are trading higher. The S&P Dec contract was up 0.6 points at 1575.2 and the Nasdaq Dec contract was up 1.75 points at 2201.00.

The yield on the 4.00% Sept 2009 **Schatz** was up 4.0 bps at 4.24%. The yield on the 4.25% Oct 2012 Series 151 **Bobl** was up 2.3 bps at 4.33%. The yield on the benchmark 4.25% July 2017 **Bund** was up 1.4 bps at 4.44%. The yield on the 4.25% July 2039 Bund up 1.2 bps to 4.64%.

Subsequently, the **Bund curve** traded flatter from Friday's close, with the 2-/10-year yield spread at +20 bps vs +23 bps, whilst the 10-/30-year yield spread was unchanged at +21 bps.

□



[Times for Market News International stories are ET]

05:28 10/16 **GILTS:** The Gilt curve is steepening in line with moves in Bund and US Treasury curve, with the unexpectedly soft UK CPI data adding to the squeeze higher in the short-dated issues. Traders note that most recent bets for a November BoE rate cut have been taken off the table and fast money accounts are now scrambling to buy the short-end. The SONIA OIS curve is now pricing in 24% chance of a 25bps cut at the November meeting vs -16.0% yesterday. The long-end is also weighed by long-end supply, where Veolia Environnement is to issue a sterling 30-year benchmark and continued talk of GE due to issue a sterling long-dated issue. The 2-/10-year Gilt yield spread is 2.5bps steeper at -20.9bps and 10-/30-year Gilt spread also 2.5bps steeper at -42.4bps.

05:02 10/16 **GERMAN ZEW:** German ZEW Oct expectations index -18.1 vs Sept -18.1-- Current conditions +70.2 vs +74.4 in Sept.

05:04 10/16 **ZEW:** Most pressing market downward correction seems to have ended -- Greatest risk for German economy is exports due strong euro  
-- US slowdown also risks to Germany growth  
-- Cornerstone for Germany economy is robust labour market.

05:01 10/16 **REACTS:** Dec Bunds are 3 ticks lower following release of German ZEW data at -18.1 in Oct -- which came in better than expected and unchanged from Sept. Dec euribor has pared 0.5 tick gain. Euro-dollar is around 5 pips lower.

05:00 10/16 **EMU DATA:** September annual harmonized consumer price inflation (HICP) was left unrevised from its +2.1% flash estimate, up from +1.7% the previous month, according to final data released Tuesday by Eurostat. On the month, September final HICP rose 0.4%, after +0.1% in August. Both monthly and yearly figures matched MNI median forecasts. The latest result -- the highest since 2.3% in August 2006 -- represents the first time in 13 months that the headline HICP rate was at or above the ECB's 2% stability threshold, as oil price base effects, which had capped inflation over much of the previous year, have turned unfavorable. Price pressures also spurted in September on the back of more expensive oil and food.

05:42 10/16 **SONIA: SONIA** (Sterling Over-Night Index Average) Swap curve is now pricing higher chance of a rate cut from the BoE at the November meeting in the wake of today's unexpectedly soft UK CPI data. Interestingly, the strip is now fully pricing in a 25bps rate cut by June 2008 having been reduced from end 2008 yesterday.

Month	Rate	Probability (25bps cut)	Prob Monday (25bps cut)
November	5.734%	-24.0%	-16.0%
December	5.672%	-30.0%	-20.0%
January	5.618%	-50.0%	-40.0%
February	5.584%	-65.0%	-55.0%
March	5.554%	-80.0%	-60.0%

02:13 10/16 **FX:** (European Open) Major currencies go into European dealing trading within tight ranges after a subdued Asian session. A down day for US stocks fed into Asian equities, dampening risk sentiment a little, euro-yen now contained on a Y166 handle after pressing to the highest level since July on Monday. Euro-dollar sits in the middle of the \$1.4196-\$1.4216 range after making highs on Monday at \$1.4243, whilst dollar-yen remains rooted to a Y117 handle for the fourth consecutive trading day. Dollar-Canada has managed to consolidate recovery gains made on Monday after slipping to fresh lows at C\$0.9707, attention now switching to the BOC rate decision at 1300GMT, with analysts unanimous in expecting rates to be left unchanged at 4.50%.

Stone and McCarthy (Sydney) **The Japanese government bond market** was higher, but steady over the morning today, as players waited on the result to the auction. Prices then jumped, backed by the rise in US treasuries overnight and with the write-off of bad sub-prime loans by Nomura. The bid for the key Japanese government bond futures contract was fairly steady in offshore trading, after the modest fall in Tokyo dealings yesterday. The contract came under further selling pressure on the very strong US Empire State Manufacturing Index, but recovered as equity markets weakened. The contract ended mid range at 134.41, but that was just one point different to the earlier Tokyo close.



US Intrinsic's ^				
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	15.40	5.05	\$1,578	€ 2,234
10y	7.73	2.51	\$785	€ 1,111
5y	4.41	1.41	\$440	€ 623
2y	1.86	0.59	\$185	€ 263
ZB	9.84	3.52	\$110	€ 156
ZN	5.82	2.04	\$64	€ 90
ZF	3.90	1.34	\$42	€ 59
ZT	1.86	0.61	\$19	€ 27

^Futures are Based on CTD

German Intrinsic's ^				
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.10	€ 228	\$161	0.874919
Bobl	4.09	€ 126	\$89	0.960712
Schatz	1.79	€ 53	\$37	0.957701
DE10Y	7.70	€ 1,089	\$769	
DE5Y	4.09	€ 604	\$426	
DE2Y	1.79	€ 253	\$179	

^Futures are Based on CTD

Last

EURUSD 141.61

Tic for Tic Matrix (\$)			
	Bund	Bobl	Schatz
30y	9.82	17.78	42.28
10y	4.89	8.84	21.03
5y	2.74	4.96	11.79
2y	1.15	2.09	4.97
ZB	0.69	1.24	2.95
ZN	0.40	1.34	1.71
ZF	0.26	0.47	1.12
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	3.91
Bobl (Z)	0.61	1.00	2.39
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	4.164	4.160	4.160
US5y	4.369	4.367	4.367
US10y	4.661	4.659	4.659

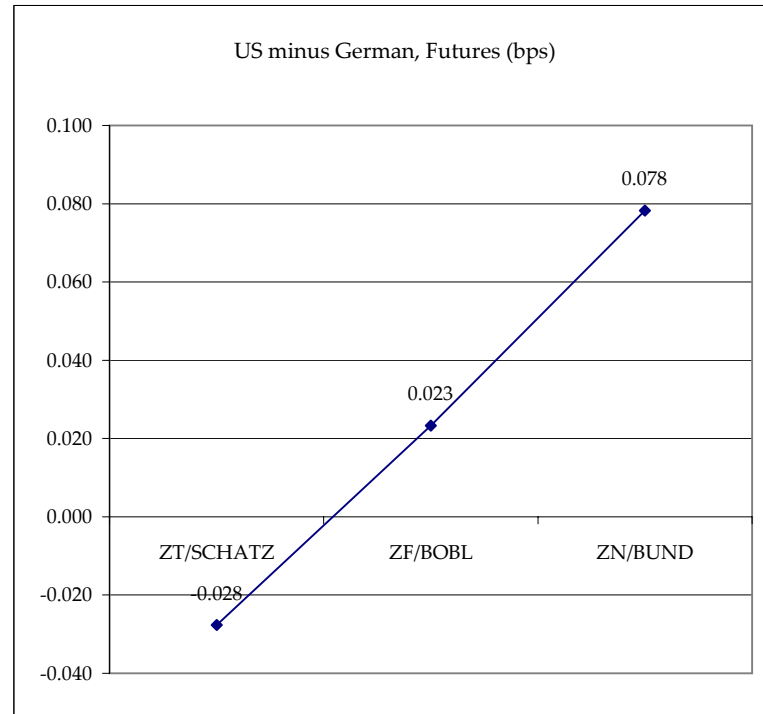
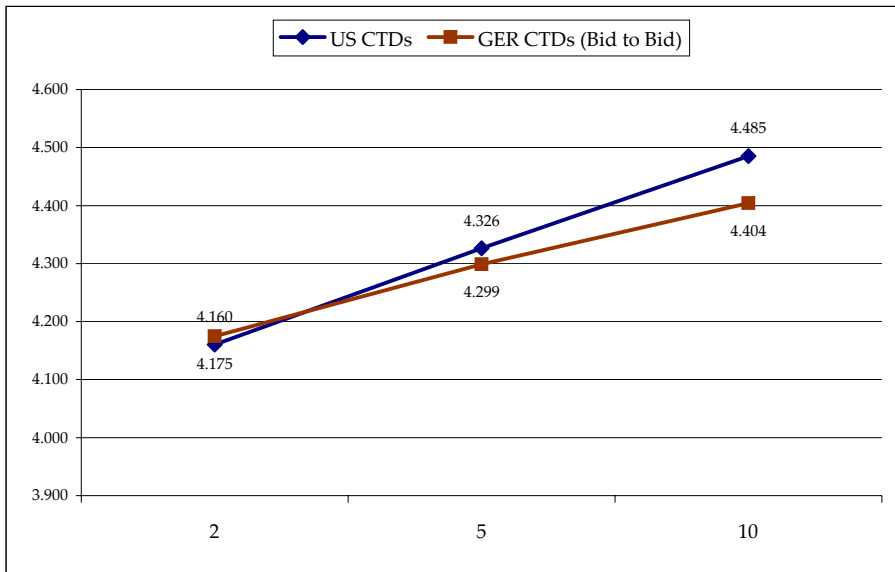
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	4.192	4.175	4.175
DE5y	4.306	4.297	4.297
DE10y	4.431	4.424	4.424

Spreads	
	Bps
ZT/SCHATZ	-0.028
ZF/BOBL	0.023
ZN/BUND	0.078

US Cash Treasuries (CTD)			
	Bid	Ask	Last
4 of 09/09	4.160	4.147	4.147
4.625 of 02/12	4.326	4.322	4.322
4.25 of 08/14	4.485	4.482	4.482

German Futures (CTD)			
	Bid	Ask	Last
4.000 of 09/09	4.164	4.225	4.175
5.000 of 07/12	4.283	4.325	4.299
4.000 of 07/16	4.383	4.421	4.404

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

**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	Ślawomir 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]

**Most Recent MPC Meetings:**

	King (Gov)	Lomax (Dep Gov)	Gieve (Dep Gov)	Bean	Tucker	Barker	Blanchflower	Besley	Sentance	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 Ordóñez 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.**