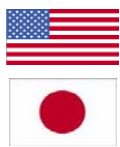




## The Morning Email: US & Germany



### 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's & 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, 11** The ECB **Updated** 10/10/2007

Pg 13, 14 The BOE

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	103.085	0.0	103.102	103.055	103.057	25,353	197,657	2y Futures	<b>US Futures Market</b>
FVAZ7	106.215	0.0	106.260	106.170	106.185	47,618	460,567	5y Futures	
TYAZ7	108.285	0.0	109.020	108.240	108.255	125,718	1,033,125	10y Futures	
USAZ7	110.200	0	110.260	110.130	110.150	15,935	290,667	30y Futures	



32 nds							SYM NAME	
Last	Net	Hi	Low	Open	Volume			
BUS02P	99.255	1.5	99.275	99.240	99.240	2y	<b>US Cash Treasury Market</b>	
BUS05P	99.212	2.0	99.252	99.177	99.180	5y		
BUS10P	100.275	4.0	101.005	100.225	100.235	10y		
BUS30P	101.170	4	101.240	101.135	101.135	30y		

32 nds							SYM NAME	
Last	Net	Hi	Low	Open	Volume			
BUS02Y	4.105	(2.10)	4.151	4.067	4.135	2y Yield	<b>US Cash Treasury Market</b>	
BUS05Y	4.322	(1.80)	4.354	4.294	4.338	5y Yield		
BUS10Y	4.637	(1.60)	4.663	4.615	4.647	10y Yield		
BUS30Y	4.899	(1.00)	4.918	4.881	4.902	30y Yield		

Decimal								SYM NAME	
Last	Net	Hi	Low	Open	Volume	Yest Volume			
DGZ7	103.04	40.00	103.08	103.00	103.03	277,497	682,923	Schatz(2Y)	<b>German Futures Markets</b>
DLZ7	107.01	70.00	107.06	106.96	106.98	249,039	544,255	Bobl(5Y)	
DBZ7	111.85	12.00	111.90	111.76	111.80	388,091	1,247,223	Bund(10Y)	



	Price	Yield			SYM NAME	
	Last	Last	Coupon	Maturity		
T.US.DE040P0909***	99.67	4.164	4.000	9/11/2009	2 yr CTD	<b>German Cash Treasury Market</b>
T.US.DE050P0712***	102.89	4.293	5.000	7/4/2012	5 yr CTD	
T.US.DE040P0716*	97.15	4.392	4.000	7/4/2016	10 yr CTD	
DEP2P	99.70	4.164	4.000	9/11/2009	2yr OTR	
DEP5P	99.81	4.293	4.250	10/12/2012	5yr OTR	
DEP10P	98.72	4.413	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	103.04	103.04	103.04	103.08	103.00	40.00
DLZ7	107.00	107.01	107.01	107.06	106.96	70.00
DBZ7	111.84	111.85	111.85	111.90	111.76	12.00

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo
DGZ7	4.382	4.379	4.379	4.400	4.361
DLZ7	4.409	4.408	4.408	4.419	4.396
DBZ7	4.503	4.502	4.502	4.513	4.496

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng
T.US.DE040P0909***	4.142	4.203	4.164	4.164	4.181	
T.US.DE050P0712***	4.279	4.314	4.293	4.293	4.302	
T.US.DE040P0716*	4.384	4.410	4.392	4.392	4.399	
DEP2P	4.181	4.164	4.164	4.203	4.142	4
DEP5P	4.302	4.293	4.293	4.313	4.279	11
DEP10P	4.419	4.413	4.413	4.431	4.406	19

	Decimal					
	Bid	Ask	Last	Hi	Low	Chng
T.US.DE040P0909***	99.67	99.70		99.74	99.63	4.00
T.US.DE050P0712***	102.89	102.93		102.99	102.84	10.00
T.US.DE040P0716*	97.15	97.20		97.25	97.07	17.00
DEP2P	99.67	99.70	99.70	99.74	99.63	4.00
DEP5P	99.77	99.81	99.81	99.87	99.72	11.00
DEP10P	98.67	98.72	98.72	98.77	98.58	19.00

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

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

SYM NAME	
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
- DE = German Country Code
- CTD = Cheapest to Deliver
- OTR = On the Run
- \* OTR
- \*\* CTD
- \*\*\* CTD & OTR



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

**EMU Bonds Mixed; Short Dates Outperform, Risk-Aversion Bid** by Market News

LONDON, Oct. 16 (MNI) - European bond prices are mixed on Tuesday, with the short-dated issues outperforming on risk-aversion buying as stocks traded under pressure.

The long-dated issues are weighed on the back of supply issues, with Ireland selling a new 2018 issue, Greece re-opening a 2017 bond and Italy due to price a new 30-year BTP issue.

Subsequently, the curve traded steeper, with the 2-/30-year Bund yield spread widening 6.0 bps to +47.0 bps.

Bunds opened higher, following safe-haven gains in US Treasuries towards the Chicago close after losses by stocks on Wall Street.

Bond prices eased off their best levels following the release of ZEW expectations data for the German economy, which came in at a better than expected -18.1 for October, the same level as in September.

However, that reading remained well below the long-term average, currently at 32.1 points, and is the lowest level since December 2006.

In supply news, the Republic of Ireland, (Aaa/AAA/AAA), priced E6.0bln new October 2018 issue at 99.314 re-offer, giving a spread of +15bps vs 4.25% July 2017 Bund. The coupon is 4.50%. Leads are Barclays Capital, Davy, Deutsche Bank and HSBC.

The Republic of Italy's (Aa2/A+/AA) new 30-year BTP issue guidance is now at +1bps vs February 2037 BTP issue, according to source at a lead bank familiar with the deal. The guidance has been refined from flat/+2bps at launch on Monday. The order book is now in excess of E9.0bln, added the source. The issue is expected to be priced later today at a benchmark size. Leads are ABN AMRO, BNP Paribas, Citigroup, MPS Capital Services and JP Morgan.

Elsewhere, Greece sold E1.5bln of the 4.30% July 2017 GGB issue on Tuesday at a weighted average yield of 4.63%, covered 3.78 times.

In the UK, Gilts are higher and outperforming Bunds in the wake of weaker than expected CPI data, where the core rate came in unchanged m/m, +1.5% y/y in September vs MNI median forecast of 1.8% y/y.

Traders said 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 a 24% chance of a 25bps cut at the November meeting vs -16.0% yesterday.

In addition, the long end is also weighed by supply, where Veolia Environnement is to issue a sterling 30-year benchmark. There is also continued talk of GE due to issue a sterling long-dated issue.

Attention turns to the UK 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 +69.7 bps vs +72.0 bps on Monday.

The Gilt 2-/10-year yield spread was 2.3 bps steeper at -21.1 bps, whilst the 10-/30-year yield spread was 1.9 bps steeper at -43.0 bps.

Dec Gilts are up 22 ticks at 106.36.

In cross-border flows, US Treasuries outperformed Bunds as the 10-year UST/Bund yield spread narrowed to +28.7 bps vs +30.5 bps Monday.

European equity markets are lower. In London, the FTSE-100 was down 0.56%. In Paris the CAC was lower by 0.87% and in Frankfurt, the DAX was down 0.34%. U.S. index futures are also trading lower. The S&P Dec contract was down 7.5 points at 1552.7 and the Nasdaq Dec contract was down 13.5 points at 2167.25.

The yield on the 4.00% Sept 2009 Schatz was down 4.5 bps at 4.19%. The yield on the 4.25% Oct 2012 Series 151 Bobl was down 1.6 bps at 4.31%. The yield on the benchmark 4.25% July 2017 Bund was down 0.1 bps at 4.43%. The yield on the 4.25% July 2039 Bund was up 1.6 bps at 4.67%.

Subsequently, the Bund curve traded steeper from Monday's close, with the 2-/10-year yield spread at +23 bps vs +19 bps, whilst the 10-/30-year yield spread was at +23 bps vs +21 bps.

□



[Times for Market News International stories are ET]

04:30 10/17 **UK DATA:** Sep Claimant Count Unemployment -12,800 m/m; Rate 2.6%  
 --UK Aug Headline Average Earnings 3.7% vs 3.5% In July --UK Jun-Aug ILO  
 Unemployment -5,000 Q/Q; Rate 5.4%

04:34 10/17 **REACTS:** Dec short-sterling fell 2 ticks and Dec Gilts are paring gains by 6 ticks after the BoE minutes -- noted "inflation expectations still elevated" and UK labour report -- showed strong fall in claims and stronger than expected rise in earnings. Cable fell 15 pips in knee-jerk reaction, but has since recovered to trade 15 pips higher at \$2.0367

04:15 10/17 **EGBS:** The Bund curve has reversed earlier steepening move on back of hawkish comments from ECB Governing Council member Klaus Liebscher, who notes "significant" upside inflation risks. The 2-/10-year yield curve is now 1bps flatter at +23bps, having traded as much as 2bps steeper earlier prior to Liebscher comments.

03:30 10/17 **BONDS:** **EGBs** are opening higher on Wednesday following overnight gains in US Treasuries and JGBs, amid continued safe-haven buying. The Nikkei 225 ended 1.07% lower, as financial stocks suffered under fresh concerns over the possible impact of sub-prime woes. The Indian stock market is one of the biggest casualties, with the benchmark Senex down around 4% on the back of tightening controls and plans to curb foreign investment. The Sanex index fell as much as 9.2%, which in turn triggered curb trading. Attention today turns to the minutes from the Bank of England Monetary Policy Committee's October meeting, which will be scrutinised more closely than ever given that there is still some lingering speculation over a November rate cut. Any split deeper than 8 - 1 would add fuel to that speculation, and even a 9-0 result may not fully extinguish it. Arch dove David Blanchflower is seen as the member most likely to break ranks, and if he votes for a cut it will be no surprise to anybody.

04:30 10/17 OCT. **BOE MINUTES:** MPC Voted 8-1 For Unchanged Rates  
 --Blanchflower Backed Cut, Arguing Growth Risks Had Increased  
 --BOE MPC Discussed "Precautionary" Rate Cut  
 --BOE MPC Worried Rate Cut Would Be Misinterpreted

02:51 10/17 **JGB SUMMARY:** Japanese government bonds ended Wednesday's session higher across the board, boosted by weaker Japanese stocks. The Nikkei 225 ended 1.07% lower, as financial stocks suffered under fresh concerns over the possible impact of sub-prime woes. JGBs opened higher, helped by an overnight U.S. Treasury rally. Prices extended gains throughout the day, helped by the slide in stocks. However, traders said despite the fall in yields, volumes were light across the board.  
 -- Benchmark 10-year yield was 5 bps lower at 1.655%.  
 -- Benchmark 5-year yield was 5 bps lower at 1.175%.  
 -- Benchmark 20-year yield was 2 bps lower at 2.195%.  
 -- Benchmark 30-year yield was 1.5 bps lower at 2.450%.  
 -- Lead Sept JGB futures contract was up 0.54 at 135.27



US Intrinsic's ^				
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	15.40	5.05	\$1,577	€ 2,235
10y	7.73	2.52	\$786	€ 1,114
5y	4.41	1.41	\$441	€ 624
2y	1.85	0.59	\$185	€ 263
ZB	9.84	3.53	\$110	€ 156
ZN	5.82	2.04	\$64	€ 91
ZF	3.90	1.34	\$42	€ 59
ZT	1.85	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	4.08	€ 126	\$89	0.960712
Schatz	1.78	€ 53	\$37	0.957701
DE10Y	7.70	€ 1,091	\$770	
DE5Y	4.08	€ 604	\$426	
DE2Y	1.78	€ 253	\$179	

^Futures are Based on CTD

Last

EURUSD 141.71

Tic for Tic Matrix (\$)			
	Bund	Bobl	Schatz
30y	9.81	17.78	42.31
10y	4.89	8.86	21.09
5y	2.74	4.97	11.82
2y	1.15	2.09	4.98
ZB	0.69	1.24	2.96
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	4.109	4.105	4.105
US5y	4.326	4.322	4.322
US10y	4.639	4.637	4.637

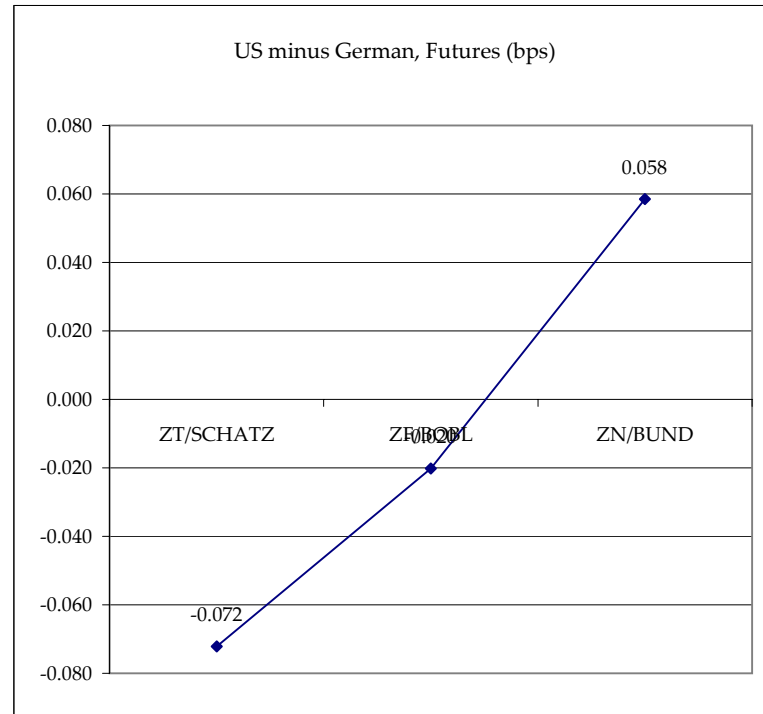
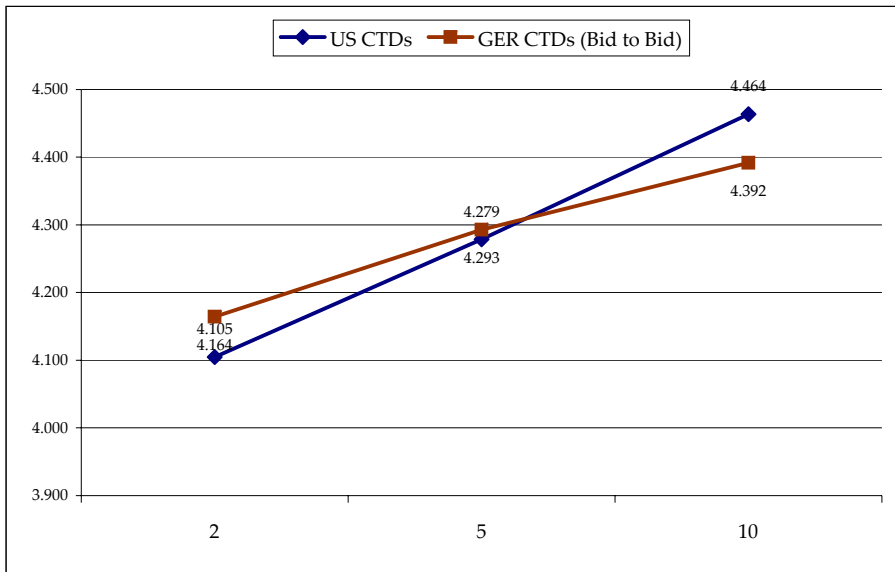
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	4.181	4.164	4.164
DE5y	4.302	4.293	4.293
DE10y	4.419	4.413	4.413

Spreads	
	Bps
ZT/SCHATZ	-0.072
ZF/BOBL	-0.020
ZN/BUND	0.058

US Cash Treasuries (CTD)			
	Bid	Ask	Last
4 of 09/09	4.105	4.092	4.092
4.625 of 02/12	4.279	4.273	4.273
4.25 of 08/14	4.464	4.450	4.450

German Futures (CTD)			
	Bid	Ask	Last
4.000 of 09/09	4.142	4.203	4.164
5.000 of 07/12	4.279	4.314	4.293
4.000 of 07/16	4.384	4.410	4.392

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.**