



## 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							
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME	
TUAZ7	103.155	0.0	103.157	103.130	103.150	31,469	293,446	2y Futures	<b>US Futures Market</b>
FVAZ7	107.065	0.0	107.070	107.005	107.045	54,177	715,052	5y Futures	
TYAZ7	109.200	0.0	109.210	109.130	109.170	124,925	1,558,534	10y Futures	
USAZ7	111.250	0	111.270	111.130	111.160	22,436	505,909	30y Futures	



		32 nds							
	Last	Net	Hi	Low	Open	Volume			
BUS02P	100.017	0.7	100.017	99.317	100.010	2y		<b>US Cash Treasury Market</b>	
BUS05P	100.075	2.5	100.077	100.017	100.050	5y			
BUS10P	101.220	5.0	101.230	101.130	101.170	10y			
BUS30P	103.020	12	103.050	102.200	102.235	30y			

	Last	Net	Hi	Low	Open	Volume		
BUS02Y	3.966	(1.30)	4.012	3.962	4.008	2y Yield		
BUS05Y	4.195	(1.60)	4.241	4.192	4.23	5y Yield		
BUS10Y	4.532	(2.00)	4.574	4.527	4.564	10y Yield		
BUS30Y	4.803	(1.90)	4.838	4.796	4.83	30y Yield		

		Decimal							
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME	
DGZ7	103.14	45.00	103.15	103.06	103.06	305,511	668,059	Schatz(2Y)	<b>German Futures Markets</b>
DLZ7	107.29	145.00	107.31	107.08	107.08	262,329	703,497	Bobl(5Y)	
DBZ7	112.32	21.00	112.33	112.01	112.05	497,750	1,295,028	Bund(10Y)	



	Price	Yield				
	Last	Last	Coupon	Maturity	SYM NAME	
T.US.DE040P0909***	99.77	4.108	4.000	9/11/2009	2 yr CTD	<b>German Cash Treasury Market</b>
T.US.DE050P0712***	103.17	4.227	5.000	7/4/2012	5 yr CTD	
T.US.DE040P0716*	97.56	4.333	4.000	7/4/2016	10 yr CTD	
DEP2P	99.80	4.108	4.000	9/11/2009	2yr OTR	
DEP5P	100.10	4.227	4.250	10/12/2012	5yr OTR	
DEP10P	99.18	4.353	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	#VALUE!	103.14	103.14	103.15	103.06	45.00
DLZ7	107.29	107.29	107.29	107.31	107.08	145.00
DBZ7	112.31	112.32	112.32	112.33	112.01	21.00

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo
DGZ7		4.327	4.327	4.369	4.322
DLZ7	4.348	4.346	4.346	4.392	4.343
DBZ7	4.448	4.447	4.448	4.483	4.446

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng
T.US.DE040P0909***	4.102	4.164	4.108	4.108	4.125	
T.US.DE050P0712***	4.222	4.279	4.227	4.227	4.236	
T.US.DE040P0716*	4.323	4.377	4.333	4.333	4.340	
DEP2P	4.125	4.108	4.108	4.164	4.102	7
DEP5P	4.236	4.227	4.227	4.279	4.222	20
DEP10P	4.359	4.353	4.353	4.398	4.344	28

	Decimal					
	Bid	Ask	Last	Hi	Low	Chng
T.US.DE040P0909***	99.77	99.80		99.81	99.70	7.00
T.US.DE050P0712***	103.17	103.21		103.23	102.99	19.00
T.US.DE040P0716*	97.56	97.61		97.68	97.30	25.00
DEP2P	99.77	99.80	99.80	99.81	99.70	7.00
DEP5P	100.06	100.10	100.10	100.12	99.87	20.00
DEP10P	99.13	99.18	99.18	99.25	98.83	28.00

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

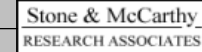
SYM NAME	
Schatz(2Y)	German Futures
Bobl(5Y)	
Bund(10Y)	

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

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- \* OTR
- \*\* CTD
- \*\*\* CTD & OTR



**Euro Mkt Summary: EGBs Higher on Weak US Housing Starts**  
by Charanjeev Chana

EGBs were trading higher on Wednesday afternoon with long dates lagging, in turn steepening the Bund curve. The market pared losses in afternoon trade on weaker than expected September US housing starts, whilst shrugging off stronger than expected September headline CPI data. EGBs opened higher on safe haven buying overnight in JGBs and USTs, spurred by losses in financial stocks on renewed subprime fears. Indian stocks led the decline following SEBI proposals to restrict foreign capital inflows through the participatory note route, which would mean no new issuance of participatory notes or unwinding of existing positions in sub-accounts. Bunds pared gains and the curve reversed its early steepening bias on hawkish comments from ECB official Klaus Liebscher, who noted "significant" upside inflation risks and "rather robust" euro-region growth, whilst adding that the ECB did not "rule out any option" on rates.

Key data for the Eurozone remains limited on Thursday. On the supply front, France is the sole issuer of Eurozone primary government debt on Thursday. The AFT taps the 4.00% Sept 2009 BTAN and the 4.50% July 2012 BTAN for between E3.0-3.5bln. The AFT will also tap linker issues, including the 1.25% July 2010 BTANei and the 1.00% July 2017 OATi for between E800m-1.3bln.

In the forex markets, the dollar traded mixed against the major currencies. The EUR/USD was at 1.422 (+0.002), cable at 2.041 (+0.004) and USD/JPY at 116.80 (+0.03).

European equities were stronger in afternoon trade. The DAX was trading +0.28%, CAC 40 +0.95% and the FTSE +0.98% on the day. US stocks were also stronger with the S&P 500 +0.63% and the NASDAQ +1.11%.

Gilts also traded higher in Wednesday afternoon trade, with little bias. In morning trade, prices slipped lower on the release of below expected UK claimant count data and stronger than expected UK average earnings. However Gilts soon pared losses, as traders eyed the outcome of the BOE October MPC meeting minutes, which revealed an 8-1 vote to keep interest rates on hold in October, with MPC official David Blanchflower voting for a cut in interest rates. The outcome fuelled speculation that the MPC committee has not quite ruled out a rate cut in coming months.

Attention in the UK on Thursday will turn to UK official retail sales data, which may pressure the front end of the Gilt curve in morning trade if our expectations of an above expected outcome is realised. Alongside retail sales data, the CML, BBA and BSA release mortgage lending figures, and public finances are also due.



[Times for Market News International stories are ET]

03:16 10/18 **BONDS: EGBs** are opening moderately higher on Thursday, amid switch trades out of US Treasuries, as the 10-year UST/Bund yield spread widens to +22.8bps vs +21.2bps -- the narrowest level seen since October 2004. Prices are also supported by strong reinvestment flows, given redemption of Ireland's 4.25% Oct 2007 IGB issue is today for E6.11bln. However, much of this positive cash flow may have already been reinvested given Ireland's pricing of E6.0bln new 4.50% October 2018 issue on Tuesday at a spread of +15bps vs 4.25% July 2017 Bund -- making it the largest sovereign issue in the euro market this year Attention, now turns to supply, where France is due to tap the 2 & 5-year BTAN issues for reduced size of E3.0-3.5bln after France cut its 2007 borrowing needs by about E5bln. Also eyed are comments from Fed Chairman Ben Bernanke at 2130GMT, who makes remarks at an award ceremony honoring European Central Bank President Jean-Claude Trichet. However, neither are expected to make any key market moving comments ahead of the G7 meeting.

05:00 10/18 **EMU DATA:** The eurozone's seasonally adjusted foreign trade surplus widened sharply in August, as exports rebounded and import growth slowed, Eurostat said Thursday.

--sa trade balance +E4.3 bln, July revised to +E0.8 bln (-E0.6 bln)  
 --nsa trade balance +E1.3 bln vs August 2006 balance -E5.2 bln  
 --sa exports +4.9% m/m after -0.9% in July  
 --sa imports +2.0% m/m after +2.4% in July  
 --For detailed information see MNI MainWire.

04:30 10/18 **UK DATA:** Sept. retail sales volumes +0.6% m/m; +6.3% y/y  
 --Annual Increase In Sales Highest Since Sept. 2004  
 --Sept retail sales well above median forecast for +0.1%; +5.6% y/y  
 --Jul-Sep Sales Rise 1.7% Vs Apr-Jun -- Highest Since Jul 2006  
 --August Sales Revised Up To 0.7% m/m Vs Previous 0.6%

Retail sales in September have come in well above analysts' expectations, registering growth of 0.6% on the month and 6.3% on the year, compared with analysts' expectations for a 0.1% rise and 5.6% yy rise.

04:33 10/18 **REACTS:** Dec short-sterling is down 2 ticks and Dec Gilts pare gains by 8 ticks following release of stronger than expected UK retail sales data. Cables is up 35 pips at \$2.0445.

(Cont.)

02:43 10/18 **UK'S DARLING:** Comments from interview in Daily Mail  
 -- FSA needs to reassess bank regulation.  
 -- Will extend N Rock guarantees if takeover agreed.  
 -- However, N Rock g'tees cannot be indefinite.#  
 -- Would like N Rock deal agreed within matter of weeks.  
 -- G7 To concentrate o credit crunch, full disclosure and oil.  
 -- Oil price likely to be close to top of G7 agenda.  
 -- Sees oil price rise as supply problem.  
 -- Looks to OPEC to act to ensure adequate oil supply maintained.  
 -- Markets have relied to heavily on credit agencies  
 -- UK Growth will be hit by credit crunch.  
 -- UK growth seen at 2 to 2.5%, close to IMF 's 2.3% fcast.  
 -- UK housing market will slowdown.  
 -- Unsustainable UK house price inflation "not good" for economy,

**European Central Bank** council member Axel Weber said there's still a risk of inflation exceeding 2 percent this year and next, according to an interview with Frankfurter Rundschau newspaper. "Medium-term risks to price stability define our need to act," Weber, who is also president of Germany's Bundesbank, told the newspaper in an interview published today. "And they have increased in the recent past." While tension on money markets are temporary, "it's important that monetary policy keeps an eye on price stability," according to Weber. "Problems of some hedge funds have served as a catalyst" for turbulence on financial markets, he said, when calling for increased transparency. A surge in the euro against the dollar has "effects in both ways," by making imports more affordable while eroding exports' competitiveness, according to Weber. Currency moves should reflect fundamental data of an economy, he said. In Germany, we have continuous favorable conditions and solid growth," Weber told Frankfurter Rundschau.

03:11 10/18 **JGB SUMMARY:** Japanese government bonds ended Thursday's session barely change, reversing the previous session's gains. However, traders said volumes were light, with a lack of economic data of fresh news keeping many players sidelined.  
 -- Benchmark 10-year yield was unchanged at 1.645%.  
 -- Benchmark 5-year yield was unchanged at 1.175%.  
 -- Benchmark 20-year yield was 0.5 bps higher at 2.200%.  
 -- Benchmark 30-year yield was unchanged at 2.445%.  
 -- Lead Sept JGB futures contract was down 0.02 at 135.37.  
 -- The Nikkei 225 was higher by 150.78 points, or 0.89%, at 17106.09.



US Intrinsic's ^				
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	15.51	5.16	\$1,612	€ 2,299
10y	7.74	2.54	\$794	€ 1,132
5y	4.41	1.42	\$443	€ 632
2y	1.85	0.59	\$186	€ 265
ZB	9.87	3.58	\$112	€ 159
ZN	5.82	2.06	\$64	€ 92
ZF	3.90	1.35	\$42	€ 60
ZT	1.85	0.61	\$19	€ 27

^Futures are Based on CTD

German Intrinsic's ^				
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.11	€ 231	\$162	0.874919
Bobl	4.08	€ 127	\$89	0.960712
Schatz	1.78	€ 53	\$37	0.957701
DE10Y	7.71	€ 1,104	\$774	
DE5Y	4.08	€ 610	\$427	
DE2Y	1.78	€ 255	\$179	

^Futures are Based on CTD

Last

EURUSD 142.65

Tic for Tic Matrix (\$)			
	Bund	Bobl	Schatz
30y	9.98	18.12	43.23
10y	4.91	8.92	21.29
5y	2.74	4.98	11.89
2y	1.15	2.09	4.98
ZB	0.69	1.26	3.00
ZN	0.40	1.34	1.73
ZF	0.26	0.47	1.13
ZT	0.12	0.22	0.52

**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	3.93
Bobl (Z)	0.61	1.00	2.39
Shatz (Z)	0.25	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	3.970	3.966	3.966
US5y	4.197	4.195	4.195
US10y	4.534	4.532	4.532

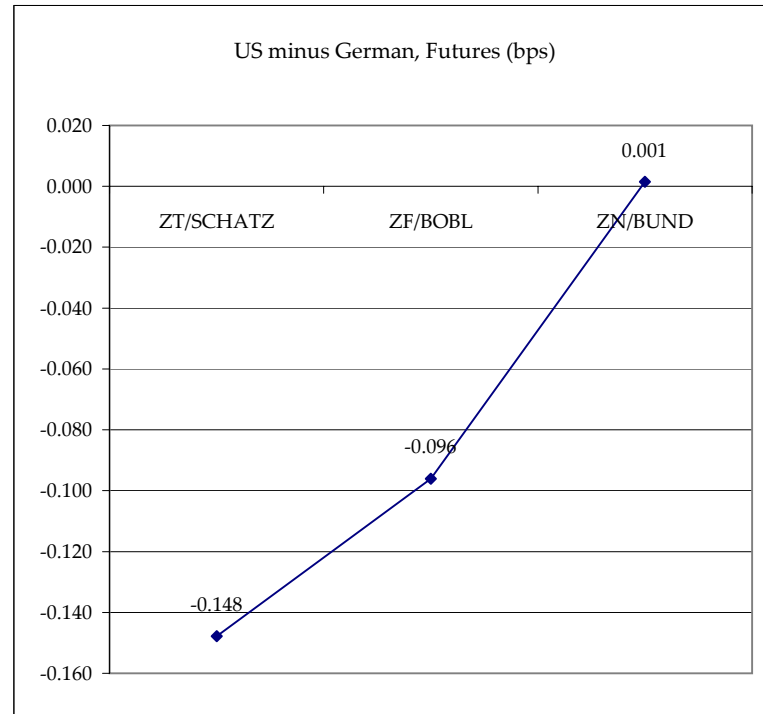
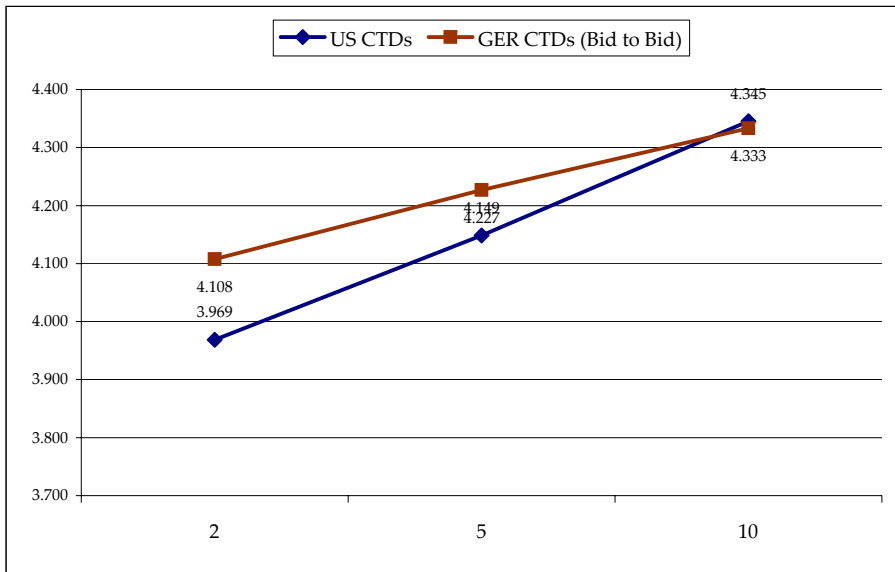
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	4.125	4.108	4.108
DE5y	4.236	4.227	4.227
DE10y	4.359	4.353	4.353

Spreads	
	Bps
ZT/SCHATZ	-0.148
ZF/BOBL	-0.096
ZN/BUND	0.001

US Cash Treasuries (CTD)			
	Bid	Ask	Last
4 of 09/09	3.969	3.960	3.960
4.625 of 02/12	4.149	4.131	4.131
4.25 of 08/14	4.345	4.335	4.335

German Futures (CTD)			
	Bid	Ask	Last
4.000 of 09/09	4.102	4.164	4.108
5.000 of 07/12	4.222	4.279	4.227
4.000 of 07/16	4.323	4.377	4.333

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 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	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]

Stone & McCarthy  
RESEARCH ASSOCIATES










**Most Recent MPC Meetings:**

	King (Gov)	Lomax (Dep Gov)	Gieve (Dep Gov)	Bean	Tucker	Barker	Blanchflower	Besley	Sentance	Result	Level	Vote	Dissent 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
Oct-07	unch	unch	unch	unch	unch	unch	-25bps	unch	unch	unch	5.75%	8-1	easing

**BOE Hawkometer - Blanchflower Voted for an October Rate Cut by Niraj Shah**

8-1  
The Bank of England minutes showed that the Monetary Policy Committee had voted 8:1 to leave rates on hold at the October meeting. The sole dissenter was Blanchflower who voted for an immediate rate cut. The arch dove argued for a cut on the basis that the BOE's August growth forecast had been a "little high" anyway and that since then growth risks had "increased or even crystallised". The Committee as a whole discussed the case for a "precautionary" cut in rates given the shift in the balance of risks to growth. However, the MPC noted that some slowdown in the economy was needed anyway to meet the inflation target and that there was also a danger that an easing would be "misinterpreted". The November Inflation Report will be instrumental in seeing how far CPI and growth forecasts are revised. However, unless there is a sharp revision lower in growth projections, we still do not envisage the Bank cutting rates before 2008.  
[10/17/2007]

**BOE HAWKOMETER (October)**

	Dissenting Hawkish Votes	Dissenting Dovish Votes	Non-Dissenting Votes	Total Votes	Hawkishness Rating
 Sentance	4	0	9	13	31%
 Besley	4	0	10	14	29%
 King (Gov)	14	0	112	126	11%
 Tucker	6	1	58	65	8%
 Gieve (Dep Gov)	1	0	20	21	5%
 Lomax (Dep Gov)	2	3	47	52	-2%
 Barker	1	4	73	78	-4%
 Bean	0	5	81	86	-6%
 Blanchflower	0	6	11	17	-35%

[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.**