10/29/2007 5:56

The Morning Email: US & Germany

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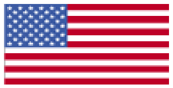
Want something added? Let me know: jgoulding@ghco.com

Quotes 1



	32 nds								
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME	
TUAZ7	103.255	(0.0)	103.275	103.255	103.272	18,088	169,965	2y Futures	US Futures Market
FVAZ7	107.250	(0.0)	107.285	107.245	107.280	26,450	525,736	5y Futures	
TYAZ7	110.160	(0.1)	110.195	110.150	110.190	70,104	1,086,166	10y Futures	
USAZ7	113.100	(0)	113.150	113.090	113.120	15,309	316,414	30y Futures	

	Last	Net	Hi	Low	Open	Volume	
BUS02P	#VALUE!	(1.5)	99.230	99.217	99.225	2y	US Cash Treasury Market
BUS05P	99.045	(2.5)	99.075	99.047	99.060	5y	
BUS10P	102.225	(1.0)	102.260	102.225	102.235	10y	
BUS30P	104.265	(1)	104.310	104.270	104.280	30y	
	Last	Net	Hi	Low	Open	Volume	
BUS02Y	3.789	3.20	3.802	3.753	3.773	2y Yield	
BUS05Y	4.064	2.00	4.069	4.041	4.055	5y Yield	
BUS10Y	4.404	0.70	4.41	4.389	4.405	10y Yield	
BUS30Y	4.693	(0.10)	4.699	4.682	4.695	30y Yield	

	Decimal								
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME	
DGZ7	103.42	(25.00)	103.47	103.39	103.45	190,136	475,065	Schatz(2Y)	German Futures Markets
DLZ7	108.09	(65.00)	108.20	108.04	108.14	147,381	456,622	Bobl(5Y)	
DBZ7	113.73	(11.00)	113.92	113.68	113.82	252,835	1,198,888	Bund(10Y)	

	Price	Yield				
	Last	Last	Coupon	Maturity	SYM NAME	
T.US.DE040P0909***	100.04	3.955	4.000	9/11/2009	2 yr CTD	German Cash Treasury Market
T.US.DE050P0712***	103.90	4.053	5.000	7/4/2012	5 yr CTD	
T.US.DE040P0716*	98.79	4.160	4.000	7/4/2016	10 yr CTD	
DEP2P	100.07	3.955	4.000	9/11/2009	2yr OTR	
DEP5P	100.87	4.051	4.250	10/12/2012	5yr OTR	
DEP10P	100.48	4.186	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	SYM NAME	
DGZ7	103.41	103.42	103.42	103.47	103.39	-25.00	Schatz(2Y)	German Futures
DLZ7	108.08	108.09	108.09	108.20	108.04	-65.00	Bobl(5Y)	German Futures
DBZ7	113.73	113.74	113.73	113.92	113.68	-11.00	Bund(10Y)	German Futures

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo		
DGZ7	4.187	4.185	4.185	4.198	4.159	Schatz(2Y)	German Futures
DLZ7	4.176	4.175	4.175	4.186	4.150	Bobl(5Y)	German Futures
DBZ7	4.283	4.282	4.283	4.289	4.261	Bund(10Y)	German Futures

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng		
T.US.DE040P0909***	3.927	3.995	3.955	3.955	3.972		2 yr CTD	German Cash
T.US.DE050P0712***	4.025	4.071	4.053	4.053	4.062		5 yr CTD	German Cash
T.US.DE040P0716*	4.137	4.175	4.160	4.160	4.167		10 yr CTD	German Cash
DEP2P	3.972	3.955	3.955	3.995	3.927	-4	2yr OTR	German Cash
DEP5P	4.060	4.051	4.051	4.070	4.027	-11	5yr OTR	German Cash
DEP10P	4.193	4.186	4.186	4.200	4.162	-22	10yr OTR	German Cash

	Decimal							
	Bid	Ask	Last	Hi	Low	Chng	SYM NAME	
T.US.DE040P0909***	100.04	100.07		100.12	100.00	-4.00	2 yr CTD	German Cash
T.US.DE050P0712***	103.90	103.94		104.06	103.86	-12.00	5 yr CTD	German Cash
T.US.DE040P0716*	98.79	98.84		99.00	98.73	-18.00	10 yr CTD	German Cash
DEP2P	100.04	100.07	100.07	100.12	100.00	-4.00	2yr OTR	German Cash
DEP5P	100.83	100.87	100.87	100.98	100.79	-11.00	5yr OTR	German Cash
DEP10P	100.43	100.48	100.48	100.67	100.37	-22.00	10yr OTR	German Cash

Notes

Y = Yield

DE = German Country Code

CTD = Cheapest to Deliver

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*** OTR**

**** CTD**

***** CTD & OTR**

MarketNews international

Stone & McCarthy RESEARCH ASSOCIATES

[From Friday]

EMU Long-Dated Issues Outperform On Extension Buying by Market News 26 October 2007

LONDON Oct. 26 (MNI) - European bond prices are mixed on Friday, with the long-dated issues outperforming amid duration-extension buying, in turn flattening the Bund yield curve.
Bunds opened lower on continued profit-taking amid asset-allocation trades back into stocks.However, prices recovered off their worst levels, inspired by strong buying in long-dated issues amid duration-extension demand, given that early estimates for month-end extensions in European government bonds are large.

The iBoxx Euro sovereign index extends by +0.10 yrs into November, which is higher than the historical average for this time of the year (+0.08 yrs).

Traders reported a real-money buyer of 30-year Principle Only (POs) in decent size. Long-dated issues were was underpinned by the further rise in crude oil, as WTI Nymex crude hit record highs above $92.22 per barrel amid geo-political jitters, supply worries ahead of the winter season and the continued weakness in the dollar.The move comes after Bush administration tightened financial sanctions on Iran and issued new warnings about Tehran's nuclear program. Tensions between Turks and Kurds in northern Iraq are also supporting the safe-haven bid. Traders also reported strong buying of European breakevens this morning, which has been a theme over the last few days, amid continued rise in oil and food prices. Traders say that most of the structural short positions in breakevens have been unwound.

Safe-haven buying was also reported on back of large selling in Argentinian bonds on reports that the currrent president had manipulated inflation data to increase chances for his wife to succeed him. Italian BTP issue continued to underperform as political jitters return to Italian politics after Justice Minister Mastella of the Centrist Catholic Party is being investigated for embezzlement. This is seen impacting on Prime Minister Romano Prodi's majority of one in the Senate. There is also a slew of supply next week from Italy -- 7-year CCT, 3 & 10-year BTP issues -- which weighed on Italian debt. Traders also note Italian public sector workers are going on strike today over pension reforms. The 10-year BTP/Bund yield spread is around 1.5bps wider at +33.6bps. In supply news, Italy sold E2.0bln of 2-year zero's June 2009 CTZ issue on Friday at average yield of 4.092% and covered 1.96 times.

Bunds paid little attention to eurozone M3 data, where the annual growth rate of the broad M3 aggregate decelerated to a seasonally adjusted 11.3% in September from an unrevised 11.6% in August. The latest result was in line with the median forecast in an MNI survey of 16 analysts.

In the UK, Gilts are trading little changed amid a dearth of domestic data releases.

The short-dated issues continued to outperform in the wake of the Bank of England's latest Financial Stability Report this week, which warned that the financial system remains vulnerable to market turmoil and to new shocks from such things as the falling dollar and fragile equity markets. However, the report also said that the UK economic outlook remains "robust" despite the stress inflicted on the financial system by recent market turmoil.

Traders noted lack of duration-buying given the iBoxx sterling index extends by only a small +0.03 years. The Gilt 2-/10-year yield spread was 0.9 bp steeper at -21.8 bps, whilst the 10-/30-year yield spread was 1.3 bps flatter at -34.3 bps. Dec Gilts are up 1 tick at 107.92.

In cross-border flows, US Treasuries are little changed against Bunds, as the 10-year UST/Bund yield spread trades at +27 bps. This yield spread narrowed to +21.2 bps last week, the narrowest level since October 2004.

European equity markets are little changed. In London the FTSE-100 was up 0.02%. In Paris the CAC was lower by 0.11.% and in Frankfurt the DAX was flat. U.S. index futures are higher, but trading around fair value, indicating a flat open. The S&P Dec contract was lower by 1.8 points at 1523.3 and the Nasdaq Dec contract was up 4.5 points at 2197.75.

The yield on the 4.00% Sept 2009 Schatz was up 0.6 bp at 3.93%. The yield on the 4.25% Oct 2012 Series 151 Bobl was up 0.2 bp at 4.03%. The yield on the benchmark 4.25% July 2017 Bund was up 0.2 bp at 4.16%. The yield on the 4.25% July 2039 Bund unchanged at 4.44%.

Subsequently, the Bund curve traded flatter from Thursday's close, with the 2-/10-year yield spread at +23 bps vs +24 bps, whilst the 10-/30-year yield spread was unchanged at +27 bps.

[Times for Market News International stories are ET]
06:35 10/29 **UK DMO CHIEF:** UK Gilt issuance likely to fall in FY2008/09
-- UK Gilt issuance fall due to lower redemption in FY2008/09
-- UK DMO to ensure 5, 10-year area remains liquid
-- Downplays need for new ong Gilt in 2008/09
-- UK DMO chief says annual consultation meeting to be in Dec
-- Committed to index-linked issuance in FY2008/09
-- No decision taken yet on use of swaptions;await budget
-- UK DMO has no plans to issue bonds via syndication

06:23 10/29 **SHORT-STERLING:** As well as large liquidation trade going through the market this morning, traders also cite report in the FT titled "UK pay figures may underplay rise". Last week MNI wrote a report suggesting that UK pay growth may not be as muted as official data show, according to data released by National Statistics today. Although official data show subdued increases in earnings, the NS's experimental weekly average earnings data shows that pay growth could be stronger. Average weekly earnings rose 5.0% year-on-year in August, compared with official average earnings growth of 4.3% in the same period. Excluding bonuses, average weekly earnings were up 4.8% year-on-year, compared with official figures of just 3.8%. The NS experimental Average Weekly Earnings release for August showed private-sector AWE ex-bonuses growth rose from 5.1% year-on-year to 5.2%, the strongest since February 2002 and in contrast to the benign official private-sector average earnings series released for the same period last week.

04:24 10/29 **BONDS: EGBs** are opening higher on Monday, taking its cue from short-covering in JGBs overnight, amid duration extension buying. The iBoxx Euro sovereign index extends by +0.10 yrs into November and is higher than the historical average for this time of the year (+0.08 yrs), whilst the Lehman Euro Treasury index extends by +0.11 year, which is above average of +0.05 years. The key focus this week is on the 2-day FOMC meeting, where the rate decision is expected on Wednesday. The market is expecting the Federal Reserve to opt for a cut the Fed funds rate by 25bps on Halloween to 4.50%, amid return of credit crunch jitters and liquidity fears after major investment banks announced large writedowns. The Fed funds furtures market has fully priced in a 25bps rate cut and the strip is pricing in around 50% chance a further cut by year-end. Also eyed this week are key economic data releases, with US advanced Q3 GDP, core PCE, Q3 ECI, Oct ISM manufacturing, ADP private employment and Oct payrolls data.

(Cont.)

05:30 10/29 **UK DATA:** Mortgage Approvals Slump To Lowest Since Jul 2005
--BOE: UK Sep House Approvals 102,000 Vs 108,000 Aug
--BOE: Sept Mortgage Approvals Lowest Since July 2005
--UK Sep Net Mortgage Lending Up Stg9.804 Bln v Stg8.512 Bln Aug
--UK Sep Net Consumer Credit Up Stg1.350bln Vs Stg1.114 bln Aug
--BOE: Sep M4 Up 1.0% m/m; Up 12.8% y/y
--BOE: UK Sept. M4 Lending Up 1.2% m/m; Up 13.2% y/y
02:42 10/29 **JGB SUMMARY:** Japanese government bonds ended Monday's session modestly higher, rallying back from weakness seen early in the session. However, traders said overall volumes remained modest. Prices were lower from the getgo, weighed by the strong opening by domestic stock indices. However, short-covering in the lead futures contract soon helped pull prices off their lows and prices ended the day unchanged to modestly higher. Longer-dated paper also found support from life and pension funds continuing their month-end duration buying.
-- Benchmark 10-year yield was 1 bps lower at 1.615%.
-- Benchmark 5-year yield was 2 bps lower at 1.095%.
-- Benchmark 20-year yield was unchanged at 2.195%.
-- Benchmark 30-year yield was unchanged at 2.450%.
-- Lead Sept JGB futures contract was up 0.21 at 135.99.

03:25 10/29 **FX: European open;** Demand in early Sydney trade provided the impetus to trigger the reported option barriers at $1.4400 and $1.4425, the momentum taking the rate up to post fresh life highs at $1.4426. Rate then drifted back toward $1.4400 as it filled the early gap. Rate currently trades around $1.4413 in early Europe. Aussie too posted new highs, with real money and corporates providing the main demand as it hit $0.9246. System accounts said to have provided the main supply on the move up, with traders noting decent demand interest keeping rate buoyed. Kiwi kept pace with the Aussie dollar, traded to a $0.7718 high and boosted by improved trade data. The Canadian dollar also reflected the demand for commodity currencies, extending recent losses to C$0.9582. Dollar-yen trade restricted by strong importer demand placed below Y114.00 versus exporter and CTA offers between Y114.30/50. Major data week in the US, though main focus will be on Wednesday's FOMC meeting with market forecasting another cut in interest rates of 25bp.

Intrinsics & Tic for Tic Matrix'

	US Intrinsic's ^			
	M Duration	DV01 32	DV01 $	DV01(€)
30y	15.60	5.29	$1,652	€ 2,382
10y	7.73	2.56	$801	€ 1,155
5y	4.42	1.41	$439	€ 633
2y	1.92	0.62	$194	€ 280
ZB	9.88	3.63	$114	€ 164
ZN	5.80	2.07	$65	€ 93
ZF	3.88	1.35	$42	€ 61
ZT	1.83	0.61	$19	€ 27

^Futures are Based on CTD

	German Intrinsic's ^			
	M Duration	DV01(€)	DV01($)	CF
Bund	7.10	€ 236	$164	0.874919
Bobl	4.06	€ 129	$89	0.960712
Schatz	1.76	€ 53	$37	0.957701
DE10Y	7.70	€ 1,131	$785	
DE5Y	4.06	€ 618	$429	
DE2Y	1.76	€ 254	$177	

^Futures are Based on CTD

	Last
EURUSD	144.16

	Tic for Tic Matrix ($)		
	Bund	Bobl	Schatz
30y	10.10	18.50	44.81
10y	4.90	8.98	21.74
5y	2.69	4.92	11.92
2y	1.19	2.18	5.27
ZB	0.69	1.27	3.08
ZN	0.39	1.34	1.75
ZF	0.26	0.47	1.14
ZT	0.12	0.21	0.52

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

Bloomberg Ratio's

	ZN	ZF	ZT
Bund (Z)	1.700	2.700	3.000
Bobl (Z)	0.970	1.450	1.570
Shatz (Z)	0.400	0.620	0.680

US Treasuries v Eurex Bonds

Bloomberg Ratio's

	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

GH Trader's Ratio's

	Bund (Z)	Bobl (Z)	Shatz (Z)
Bund (Z)	1.00	1.66	4.03
Bobl (Z)	0.60	1.00	2.43
Shatz (Z)	0.25	0.41	1.00

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)		
	Bid	Ask	Last
US2y	3.798	3.789	3.789
US5y	4.067	4.064	4.064
US10y	4.406	4.404	4.404

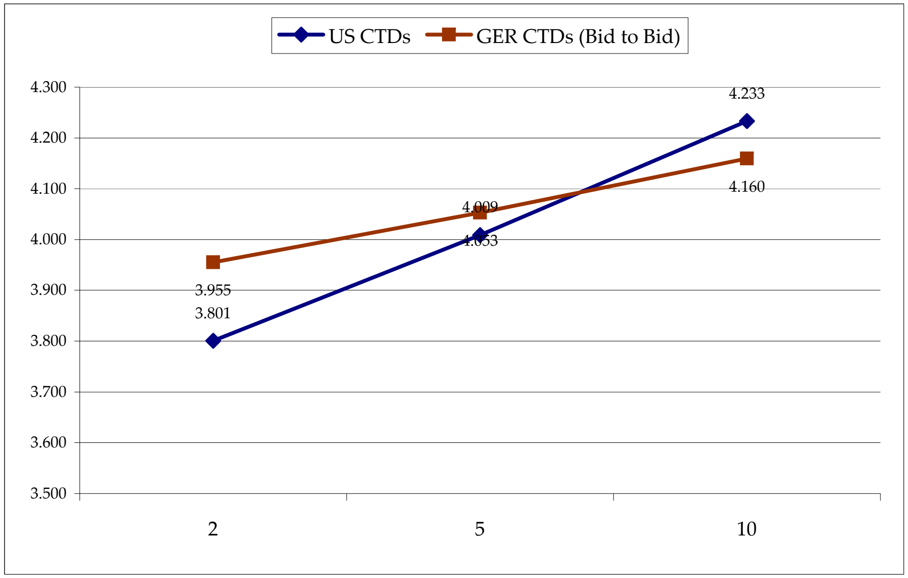
	German Cash Treasuries (OTR)		
	Bid	Ask	Last
DE2y	3.972	3.955	3.955
DE5y	4.060	4.051	4.051
DE10y	4.193	4.186	4.186

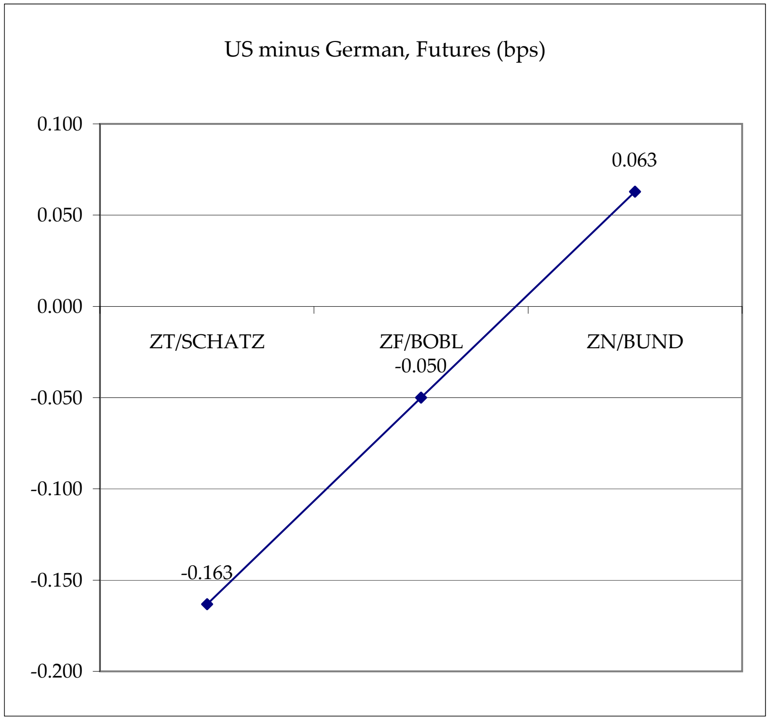
	Spreads
	Bps
ZT/SCHATZ	-0.163
ZF/BOBL	-0.050
ZN/BUND	0.063

	US Cash Treasuries (CTD)		
	Bid	Ask	Last
4 of 09/09	3.801	3.792	3.792
4.625 of 02/12	4.009	4.003	4.003
4.25 of 08/14	4.233	4.222	4.222

	German Futures (CTD)		
	Bid	Ask	Last
4.000 of 09/09	3.927	3.995	3.955
5.000 of 07/12	4.025	4.071	4.053
4.000 of 07/16	4.137	4.175	4.160

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 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	Sławomir Skrzypek
Portugal, Banco de Portugal	Vítor Manuel Ribeiro Constâncio, Governor, Banco de Portugal
Romania, Banca Naţională 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:

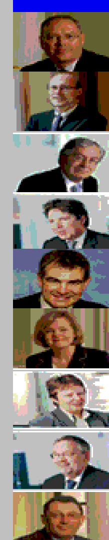
	King (Gov)	Lomax (Dep Gov)	Gieve (Dep Gov)	Bean	Tucker	Barker	Blanch-flower	Besley	Sent-ance	Result	Level	Vote	Dis-sent bias
Aug-06	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	unch			+25bps	4.75%	6-1	no chg
Sep-06	unch	unch	unch	unch	unch	unch	unch	unch		unch	4.75%	8-0	none
Oct-06	unch	unch	unch	unch	unch	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
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 [Stone & McCarthy]

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.