

The Afternoon Email

Table of Contents

- Pg 1 News: Today's Recap for the United States
- Pg 2 News: Snapshots throughout the day
- Pg 3 Curve Spreads
- Pg 4 Prior Day Close vs Today's Close - 2pm CST
- Pg 5 Eurodollar Packs & Fed Funds - Treasuries
- Pg 6 Fed Funds - Eurodollars

Key Money Rates

10/30/2007 14:00

	Libor\$ ^	Tbill	CP ^^
1M	4.716	3.931	4.660
3M	4.911	3.961	4.780
6M	4.818	4.061	4.610
	TSY	Swap	ED Pks ^^^
2y	3.805	64.75	4.377
5y	4.053	65.75	5.060
10y	4.379	63.50	5.308

	Libor\$ ^	Repos
0/N	4.935	4.750
1week	4.751	4.550
2week	4.735	4.500

Notes

^Quoted in US Dollars

^^CP = Commercial Paper

^^^ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.

Lastly, SYM = Symbol

Any stories from wire services are EST.
Otherwise, times are CST.



All times Eastern

15:22 10/30 **US TSYS/RECAP:** US Tsys ended Tues in upper end of day's range amid 1) late safe-haven bid, short-covering, Asian T-bill bid; was 2) earlier range trade amid morning gains on weaker US stocks; 3) weaker Oct. Conf Bd consumer confidence; 4) cross-border selling of Bunds/buying US Tsys; 5) earlier weak 197.16 Aug. S&P/Case Shiller home prices (off -0.7 vs. July). 6) But Tsys also had a back-and-forth tug-of-war with German Bunds pressuring Tsys amid speculation on unchanged ECB policy or rate hike; MNI ECB sources story said conflicting concerns over inflation and slower growth stayed ECB policy hand for now though another rate hike possible but unlikely soon. And 7) ECB's Weber said very important long-term inflation expectations stay anchored. 8) That followed early Tsys weakness amid corp rate-lock selling, Street selling 2Ys, 3Y, intermediates; buy- and-hold selling 5Ys. 10) All await 2:15pm ET-ish FOMC mtg end Wed, also 8:15am Wed ADP private payrolls, 9am ET Wed Refunding Tsy annt (small?); some set shorts Tue to prepare, then buy Wed.

15:12 10/30 **US EURODLR FUTURES:** Eurodlr futures finished session lower in the front end, near middle of the range as the curve see-sawed flatter again, the Red/Gold pack spd was 1.25 bps flatter at 88.375 by the bell. In the Fronts (Dec07-Sep08), the Dec07 was in 1.5 bps at 95-30 on combined Globex and pit volume of 189,000, the Mar08 in 2.0 bps at 95-61.5 on volume of 256,000, the Jun08 in 2.0 at 95-75 on volume of 261,000, while the Sep08 contract was 1.5 bps lower at 95-83 on volume of 279,000. The 2yr proxy Red pack (Dec08-Sep09), settled mixed across the pack with 559,000 contracts traded.

15:05 10/30 **US SWAPS:** Spds ended the session off tight amid light 2-way/position square flow in second half. Early, some light front end paying, interest in steepener unwinds. Sources cited ongoing mkt factors for front end move as 2s/10s spd of spd close to being off inversion: easing credit anxieties, or more likely accts becoming inured to the summer's credit issues as they bleed into the fall months, FI markets giving back "aggressive" Fed ease opinion, and ongoing LIBOR compression. Longer dated spreads reacted to a modest squeeze in overnight repo, sources added.

According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Tue 3:00	+0.25/64.75	+0.25/65.50	+1.00/63.75	+0.75/59.75
1:45	+0.50/65.00	+0.50/65.75	+1.00/63.75	+1.00/60.00
11:35	-0.25/64.25	+0.00/65.25	+0.75/63.50	+0.75/59.75
10:10	-0.75/63.75	+0.00/65.25	+0.75/63.50	+0.50/59.50
Tue Open	-0.75/63.75	-0.25/65.00	+0.00/62.75	+0.25/59.25
Mon 3:00	-1.50/64.50	-1.00/65.25	-1.25/62.75	-1.25/59.00

(cont)

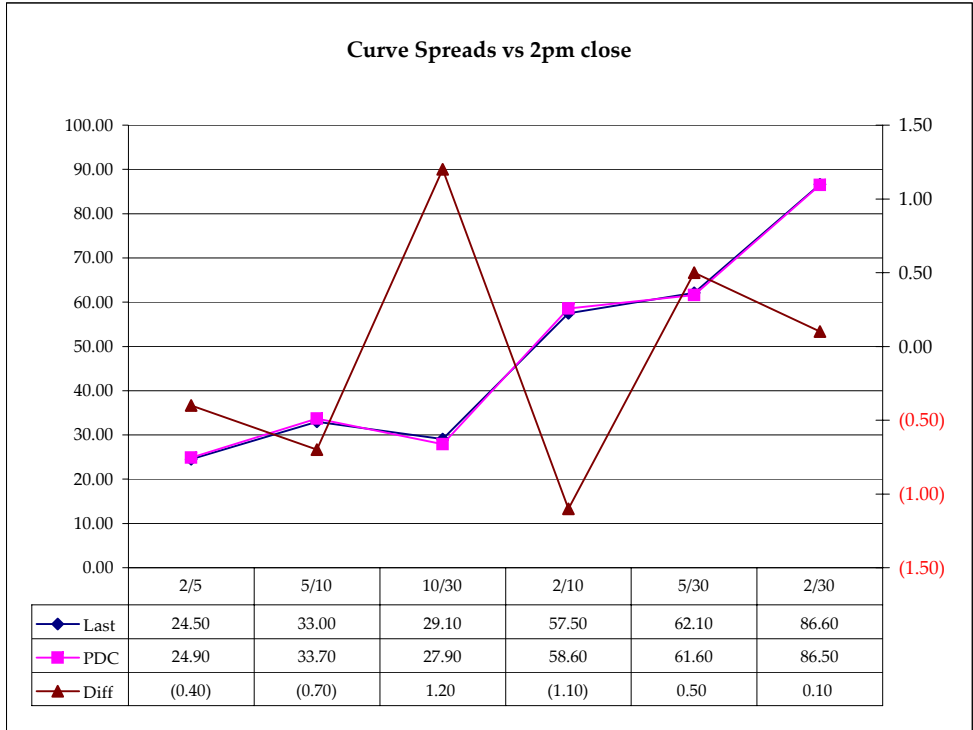
15:23 10/30 **US AGENCIES:** Front-end leads, again, with buying noted from players who usually would not know what GSEs were doing. Shops large and small see very good flows. In fact, considering FOMC, surprisingly strong flows. All centered in short maturities. Indications as follows - Freddie June'09 +42.5 according to TradeWeb and other screens (vs Monday's 3PM mark of +43.5); Fannie July'09 +41.5 (+42); Freddie Aug'10 +50 (+50); Fannie Sept'10 +49.5 (+49); Freddie Oct'12 +50.5 (+49.5); Fannie Nov'12 +51.5 (+51); Fannie June'17 +48 (+47.5); Freddie Nov'17 +51 (+50); Fannie Nov 2030 +48.5 (+48); Freddie Jul'32 +47 (+46.5). Tomorrow expected to be quiet as FOMC decision and language is awaited. We remind, with a tip of the cap to Jim Bianco - He looks at the absolute level of the miss, which in the last 10 Octobers was 95,500, larger than average and thus making Oct very uncertain. In case you wanted to worry about something else.

15:08 10/30 **US SWAPTION VOLS:** At-the-money straddle swaption premiums ended session on the lows amid light volume, typical for a range-trade session with lagging consumer confidence the only data available to assuage traders interest ahead of the Fed announcement. According to GovPX:

Time (ET)	GAMMA, 3M/2Y	INTERMEDIATE, 2Y/10Y	VEGA, 5Y/5Y
Tue 3:00	75.2 bps	698.8 bps	554.6 bps
12:45	75.4 bps	699.4 bps	553.2 bps
11:40	76.0 bps	699.2 bps	554.6 bps
10:15	77.2 bps	705.8 bps	556.6 bps
9:20	77.2 bps	703.2 bps	557.4 bps
8:50	77.8 bps	711.4 bps	560.2 bps
Tue Open	77.8 bps	710.0 bps	563.2 bps
Mon 3:00	77.6 bps	710.8 bps	563.4 bps

No snapshots of interest today.

Yield Curve Spreads			
	TC	PDC	Diff
2/5	24.50	24.90	(0.40)
5/10	33.00	33.70	(0.70)
10/30	29.10	27.90	1.20
2/10	57.50	58.60	(1.10)
5/30	62.10	61.60	0.50
2/30	86.60	86.50	0.10

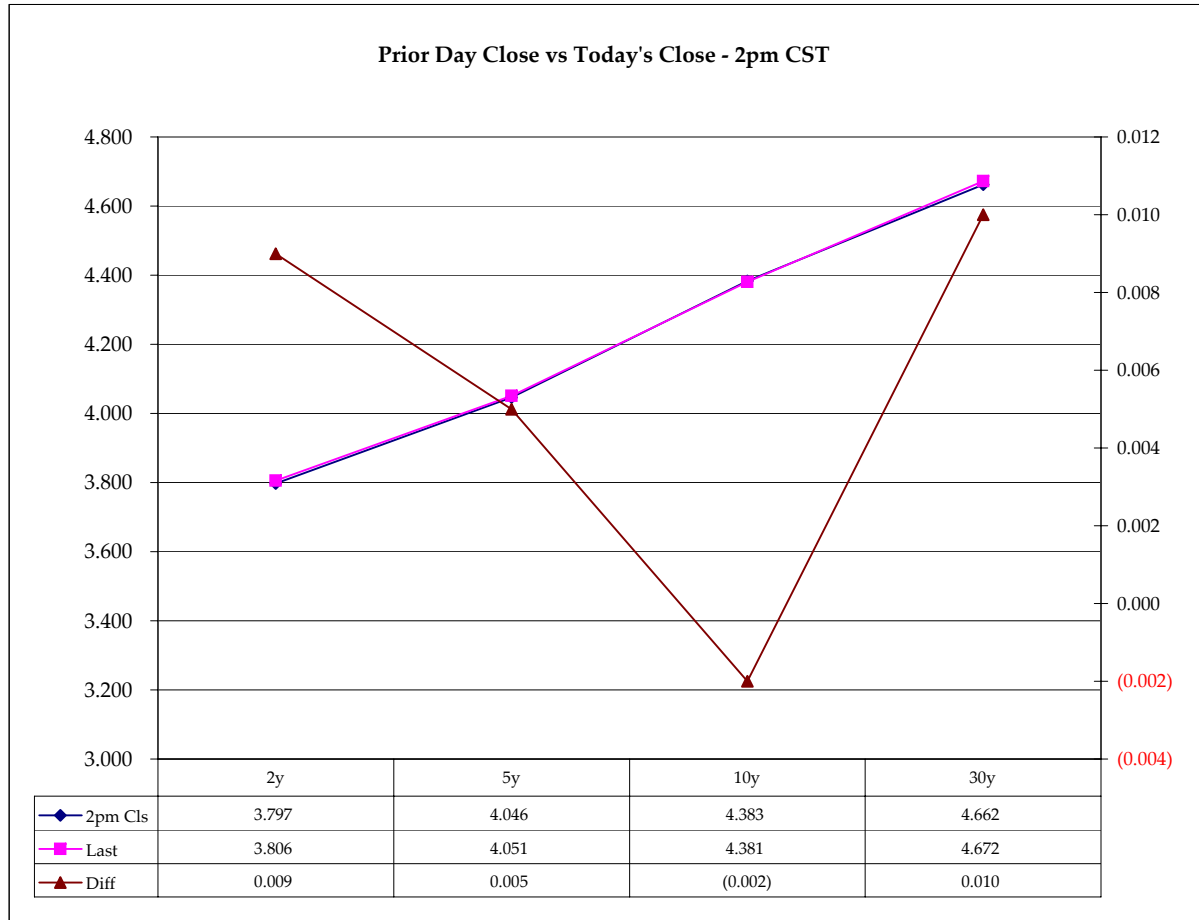


Notes:
 TC = Today's Close at 2pm
 PDC = Prior Day's Close at 2pm

Prior Day Close vs Today's Close - 2pm CST

	Cpn	Mty	PDC 32	PDC	TC	Diff	Basis	
							PDC	TC
2y	3.625	10/31/09	99.2150	3.797	3.806	0.009		
5y	3.875	10/30/12	99.0750	4.046	4.051	0.005	28.99	27.73
10y	4.750	8/15/17	102.285	4.383	4.381	(0.002)	81.17	81.21
30y	5.000	5/15/37	105.13	4.662	4.672	0.010	-665.66	-668.94

	PDC 32	TC
ZF	107.265	107.270
ZN	110.210	110.215
ZB	113.21	113.190



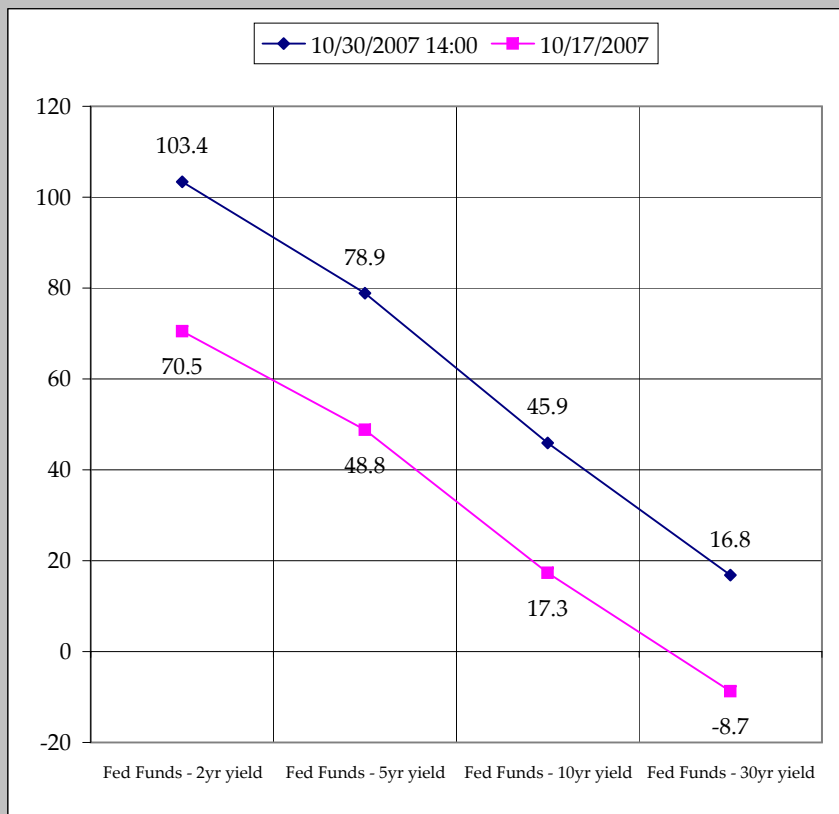
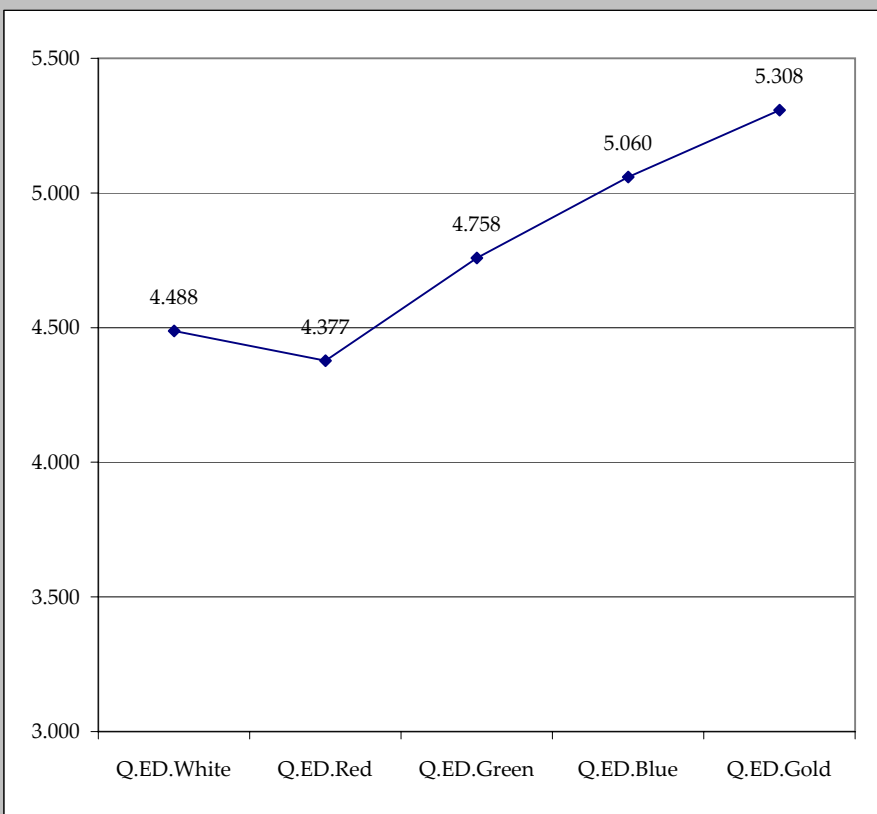
Notes:
 Basis = (Cash Decimal - (Futures Decimal * CF))*32
 32 = price is quoted in 32nds
 TC = Today's Close at 2pm
 PDC = Prior Day's Close at 2pm

Eurodollar Packs			
	Last Yield	Net Yield	Last Price
Q.ED.White	4.488	-1.875	9562.250
Q.ED.Red	4.377	-0.125	9572.875
Q.ED.Green	4.758	0.500	9536.125
Q.ED.Blue	5.060	0.875	9507.125
Q.ED.Gold	5.308	-0.125	9483.250

Fed Funds Daily Effective Rate Minus US Treasury Yields			
Spread Name	Diff bps	Net Chng	10/17/2007
Fed Funds - 2yr yield	103.4	3.2	70.5
Fed Funds - 5yr yield	78.9	3.7	48.8
Fed Funds - 10yr yield	45.9	4.0	17.3
Fed Funds - 30yr yield	16.8	3.4	-8.7
GFER	4.80	4.0	

GFER = Fed Funds Daily Effective Rate

Why 10/17/2007?
The morning of the CPI release is a good benchmark. I marked them at 5:30am CT, which was 2 hours before the CPI release.



Fed Funds - Eurodollars

Month	Fed Funds (FF)			ED	ED - FF
	Last	Net	Implied	Implied	bps
Oct-07	95.250	-0.050	4.750	0.000	0.0
Nov-07	95.485	-0.100	4.515	4.787	27.2
Dec-07	95.605	-0.050	4.395	4.705	31.0
Jan-08	95.660	-0.050	4.340	4.560	22.0
Feb-08	95.765	-0.200	4.235	0.000	0.0
Mar-08	95.795	-0.250	4.205	4.385	18.0
Apr-08	95.855	-0.400	4.145	0.000	0.0
May-08	95.915	-0.400	4.085	0.000	0.0
Jun-08	95.920	-0.400	4.080	4.250	17.0
Jul-08	#VALUE!	#VALUE!	#VALUE!	0.000	0.0
Aug-08	#VALUE!	#VALUE!	#VALUE!	0.000	0.0

