10/31/2007 5:36

The Morning Email: US & Germany

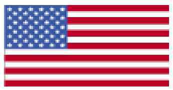
Table of Contents

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

Jim Goulding, jgoulding@ghco.com

Quotes 1

	32 nds								
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME	
TUAZ7	103.240	(0.0)	103.255	103.237	103.252	13,203	162,505	2y Futures	US Futures Market
FVAZ7	107.240	(0.0)	107.275	107.235	107.270	22,901	327,417	5y Futures	
TYAZ7	110.170	(0.0)	110.220	110.160	110.215	71,054	702,769	10y Futures	
USAZ7	113.130	(0)	113.200	113.120	113.190	9,941	227,021	30y Futures	



	Last	Net	Hi	Low	Open	Volume	
BUS02P	99.197	(1.0)	99.212	99.197	99.207	2y	US Cash Treasury Market
BUS05P	99.040	(2.7)	99.070	99.040	99.067	5y	
BUS10P	102.235	(4.5)	102.295	102.240	102.280	10y	
BUS30P	104.300	(6)	105.090	104.300	105.040	30y	
	Last	Net	Hi	Low	Open	Volume	
BUS02Y	3.823	1.70	3.835	3.781	3.827	2y Yield	
BUS05Y	4.069	2.00	4.074	4.039	4.055	5y Yield	
BUS10Y	4.398	1.70	4.404	4.375	4.385	10y Yield	
BUS30Y	4.687	1.10	4.691	4.667	4.674	30y Yield	

	Decimal								
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME	
DGZ7	103.32	(70.00)	103.45	103.31	103.39	275,857	560,332	Schatz(2Y)	German Futures Markets
DLZ7	107.87	(245.00)	108.20	107.85	108.09	354,052	444,378	Bobl(5Y)	
DBZ7	113.57	(27.00)	113.95	113.52	113.78	476,750	835,985	Bund(10Y)	

	Price	Yield				
	Last	Last	Coupon	Maturity	SYM NAME	
T.US.DE040P0909***	99.97	3.994	4.000	9/11/2009	2 yr CTD	German Cash Treasury Market
T.US.DE050P0712***	103.67	4.104	5.000	7/4/2012	5 yr CTD	
T.US.DE040P0716*	98.64	4.181	4.000	7/4/2016	10 yr CTD	
DEP2P	100.00	3.994	4.000	9/11/2009	2yr OTR	
DEP5P	100.67	4.096	4.250	10/12/2012	5yr OTR	
DEP10P	100.32	4.207	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**

10/31/2007 5:36

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	103.32	103.33	103.32	103.45	103.31	-70.00	Schatz(2Y)	German Futures
DLZ7	107.87	107.88	107.87	108.20	107.85	-245.00	Bobl(5Y)	
DBZ7	113.56	113.57	113.57	113.95	113.52	-27.00	Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo		
DGZ7	4.234	4.231	4.234	4.239	4.169	Schatz(2Y)	German Futures
DLZ7	4.221	4.220	4.221	4.225	4.151	Bobl(5Y)	
DBZ7	4.303	4.302	4.303	4.307	4.258	Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng		
T.US.DE040P0909***	3.920	4.017	3.994	3.994	4.011		2 yr CTD	German Cash
T.US.DE050P0712***	4.027	4.118	4.104	4.104	4.114		5 yr CTD	
T.US.DE040P0716*	4.136	4.199	4.181	4.181	4.188		10 yr CTD	
DEP2P	4.011	3.994	3.994	4.017	3.920	-10	2yr OTR	
DEP5P	4.105	4.096	4.096	4.110	4.024	-22	5yr OTR	
DEP10P	4.213	4.207	4.207	4.224	4.162	-17	10yr OTR	

	Decimal							
	Bid	Ask	Last	Hi	Low	Chng	SYM NAME	
T.US.DE040P0909***	99.97	100.00		100.13	99.96	-10.00	2 yr CTD	German Cash
T.US.DE050P0712***	103.67	103.71		104.04	103.65	-24.00	5 yr CTD	
T.US.DE040P0716*	98.64	98.69		99.01	98.56	-15.00	10 yr CTD	
DEP2P	99.97	100.00	100.00	100.13	99.96	-10.00	2yr OTR	
DEP5P	100.63	100.67	100.67	100.99	100.61	-22.00	5yr OTR	
DEP10P	100.27	100.32	100.32	100.67	100.18	-17.00	10yr OTR	

Notes

Y = Yield

DE = German Country Code

CTD = Cheapest to Deliver

OTR = On the Run

* OTR

** CTD

*** CTD & OTR

MarketNews international

Stone & McCarthy RESEARCH ASSOCIATES

Euro Mkt Summary: EGBs Lower on Position Squaring, Hawkish ECB
by Charanjeev Chana

EGBs were trading lower on Tuesday with the short end of the Bund curve outperforming. In the afternoon session, Bunds bounced off lows following the release of the August S&P/Case Shiller home prices index, which came in below expectations. The market drew further support from weaker than expected October US consumer confidence data. Bunds then hit session lows, following an MNI report citing ECB sources, who said the ECB would remain on hold in light of conflicting concerns over inflation and risks of weaker growth. Sources added that a rate hike was still possible, although more data was needed. The market extended losses on hawkish comments by ECB uber-hawk Axel Weber, who said the ECB would do whatever is necessary to preserve price stability. EGBs opened lower on position squaring ahead of key economic releases, Q3 earnings and more significantly, the 2-day October FOMC meeting. Prices spiked higher in morning trade on comments by ECB official Nout Wellink, who said the ECB continues to worry about upside inflation risks in the Eurozone but is in the unenviable position of facing downside risks to growth at the same time. In supply news, Italy sold E2.5bln of the 4.50% Aug 2010 BTP and E2.5bln of the 4.50% Feb 2018 BTP, covered 1.416 times and 1.475 times respectively. The Tesoro also allotted E1.5bln of the Mar 2014 CCT, covered 1.47 times.

On Wednesday, Europe sees the release of German retail sales on the open. Attention will then turn to French consumer confidence data. Eurozone confidence data is also expected ahead of midday trade. The Eurozone HICP estimate is likely to weigh on the front end of the curve if our estimates of a stronger than expected outcome are realised. On the supply front, Germany tops up the 4.25% Oct 2012 Bobl for E5.0bln. ECB official Vitor Constancio speaks on Wednesday morning whilst comments from ECB governing council member Axel Weber are expected on Wednesday afternoon.

In the forex markets, the dollar traded mixed against the major currencies. The EUR/USD was at 1.443 (0.000), cable at 2.068 (+0.006) and USD/JPY at 114.66 (0.00).

European equities were weaker in afternoon trade. The DAX was trading -0.46%, CAC 40 -0.67% and the FTSE -0.74% on the day. US stocks were also weaker with the S&P 500 -0.59% and the NASDAQ -0.22%.

Gilts were also trading lower, underperforming trade in Europe. Short dated Gilts underperformed on hawkish comments by MPC official Kate Barker, who said that there had not been much change in attitudes within the MPC since the disruption started in financial markets on August 9. Her comments dismissed expectations of a rate cut by the BOE at next week's meeting.

The UK sees the release of Nationwide house prices ahead of the Gilt market open. Attention will then turn to the release of GFK consumer confidence data for the UK. Speaker wise, BOE chief economist Charles Bean speaks at the London City Club on Wednesday evening.

[Times for Market News International stories are ET]

06:05 10/31 **GERMAN BOBL AUCTION RESULTS:** Germany alloted E4.508bln in the top-up auction of the 4.25% Oct 2012 BOBL 151 issue on Wednesday at average yield 4.05%, covered 1.7 times.
06:05 10/31 **BUNDS**: Stop loss selling now triggered in Dec Bunds, with around 95k contracts sold in the last 5 minutes.
06:00 10/31 **BUNDS**: Dec Bunds extend weakness by 7 ticks following release of eurozone flash HICP data, which came in much stronger than expectations of 2.3% and also earlier rumours.

06:00 10/31 **EMU DATA:** Unemployment fell in September to 7.3% after two months at 7.4%, thus reaching a new all-time low since the series began in 1993, Eurostat reported Wednesday, citing seasonally adjusted data. Most analysts surveyed by Market News International had not expected a change in the rate, with the others forecasting a move up or down of 0.1 point. However, their median forecast read 6.9%, as September's data were the first to reflect Eurostat's switch to using the continuous Labour Force Survey (LFS) to calculate monthly harmonised unemployment for Germany, thus bringing Germany in line with the methods used for the rest of the EU.

03:44 10/31 **BONDS: EGBs** are opening little changed on Wednesday and treading water ahead of the key FOMC rate decision later this session. The Federal Reserve concludes its 2-day meeting today and markets are fully priced for a 25bps rate cut in the key Fed Funds rate to 4.50% -- the second cut in as many months and comes after the 50bps cut at the September 18 FOMC meeting, amid return of credit crunch jitters and liquidity fears after major investment banks announced large writedowns. However, as usual the accompanying statement will be key to signal any further rate cuts, which are also implied in the Fed funds futures strip -- 42% chance of another 25bps rate cut by year-end to 4.25%. The recent weak US housing data -- the S&P/Case-Shiller housing index showed U.S. home prices fell in August for the eighth consecutive month, and consumer confidence yesterday which fell to 95.6 in Oct -- lowest rate since October 2005. Overnight, the BoJ policy board voted 8-1 to leave call rate unchanged, as expected, with Mizuno once again dissenting.

(Cont.)

05:45 10/31 **MONTH-END EXTENSIONS:** Month-end extensions in EGBs are large, but slight for the US and the UK, according to estimates from iBoxx sovereign and Lehman Brothers indicies. 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), according to strategists. In the UK, the iBoxx sterling index extends by around +0.03 yrs, given the auction of the new 4.75% Dec 2030 Gilt and no Gilts left the index. In the US, advanced estimates of Lehman Bros month-end extensions indicate slight extensions in Treasuries as at +0.04 years, while Agency index have a large +0.12 years. Credit is +0.06 years, Aggregate +0.05 years, MBS +0.03 years and High Yield +0.05 years. The TIPS index meanwhile decline -0.02 years. The Euro Treasury index extends by +0.11 year, which is above average of +0.05 years. The sterling Gilt index extends by +0.04 years (average) and the Japanese index by +0.04 years (average).
03:28 10/31 **BOJ FUKUI:** Longer term risk of keeping rates low
- Must not overstress near-term downside risks
- Public's inflation expectations rising
- Watching both CPI, public inflation expectations
- Downside risks to global economy growing
- Uncertainties not necessarily slowing rate hike pac
- Board member Mizuno calls for 25bp rate hike
- No major discord among board on economic outlook
- Must monitor smaller firms hit by high costs
- Japan jobless rate still on downtrend on average
- Most likely scenario is sustained Japan growth

03:05 10/31 **JGB SUMMARY**: Japanese government bonds ended Wednesday's session narrowly mixed, with the longer-end of the curve rallying modestly in the wake of the Bank of Japan's rate decision. Although the BOJ took the widely anticipated decision to leave monetary policy unchanged, ultralong paper staged a modest relief rally. Continued month-end duration weighted demand also helped boost the longer dated paper. However, traders said volumes remained modest, with many players awaiting the outcome of the Federal Reserve's rate decision. Traders also noted that the upside appeared capped ahead of the 10-year auction due Thursday. The coupon was likely to be set at 1.60% - the lowest level since the BOJ ended its ultra-easy monetary policy in March 2006.
-- Benchmark 10-year yield was 1 bps lower at 1.610%.
-- Benchmark 5-year yield was 1 bps higher at 1.100%.
-- Benchmark 20-year yield was 1.5 bps lower at 2.190%.
-- Lead Sept JGB futures contract was down 0.05 at 135.99.

Intrinsics & Tic for Tic Matrix'

US Intrinsic's ^

	M Duration	DV01 32	DV01 $	DV01(€)
30y	15.60	5.29	$1,654	€ 2,391
10y	7.72	2.56	$801	€ 1,158
5y	4.50	1.43	$446	€ 644
2y	1.92	0.62	$194	€ 280
ZB	9.88	3.64	$114	€ 164
ZN	5.80	2.07	$65	€ 93
ZF	3.87	1.35	$42	€ 61
ZT	1.82	0.61	$19	€ 27

^Futures are Based on CTD

German Intrinsic's ^

	M Duration	DV01(€)	DV01($)	CF
Bund	7.09	€ 236	$163	0.874919
Bobl	4.06	€ 129	$89	0.960712
Schatz	1.75	€ 53	$37	0.957701
DE10Y	7.70	€ 1,131	$783	
DE5Y	4.06	€ 617	$427	
DE2Y	1.75	€ 254	$176	

^Futures are Based on CTD

	Last
EURUSD	144.52

Tic for Tic Matrix ($)

	Bund	Bobl	Schatz
30y	10.13	18.60	45.05
10y	4.91	9.01	21.83
5y	2.73	5.01	12.14
2y	1.19	2.18	5.27
ZB	0.70	1.28	3.10
ZN	0.40	1.34	1.76
ZF	0.26	0.47	1.15
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

	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

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

Yields & Spreads

	US Cash Treasuries (OTR)		
	Bid	Ask	Last
US2y	3.827	3.823	3.823
US5y	4.071	4.069	4.069
US10y	4.402	4.398	4.398

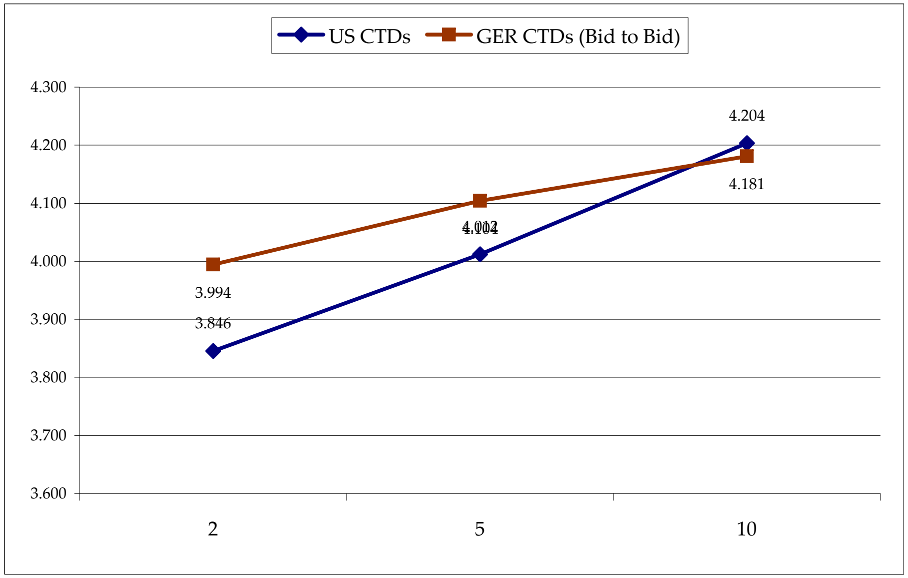
	German Cash Treasuries (OTR)		
	Bid	Ask	Last
DE2y	4.011	3.994	3.994
DE5y	4.105	4.096	4.096
DE10y	4.213	4.207	4.207

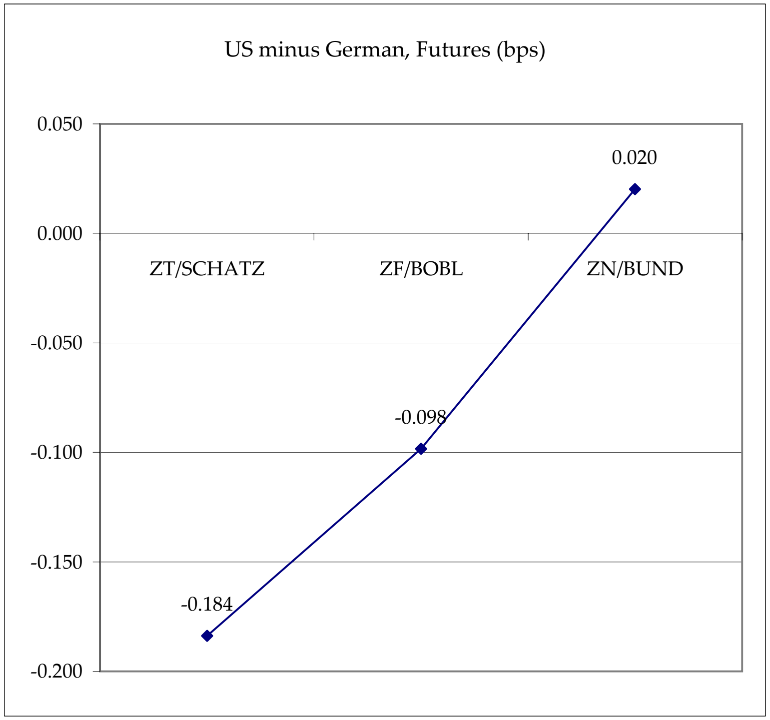
	Spreads
	Bps
ZT/SCHATZ	-0.184
ZF/BOBL	-0.098
ZN/BUND	0.020

	US Cash Treasuries (CTD)		
	Bid	Ask	Last
4 of 09/09	3.846	3.811	3.811
4.625 of 02/12	4.012	4.006	4.006
4.25 of 08/14	4.204	4.201	4.201

	German Futures (CTD)		
	Bid	Ask	Last
4.000 of 09/09	3.920	4.017	3.994
5.000 of 07/12	4.027	4.118	4.104
4.000 of 07/16	4.136	4.199	4.181

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

	Germany	Japan	UK
Domestic	T+2	T+3	T+3
International	T+3	na	na

Trading Basis

	Germany	Japan	UK
Quotation	price	simple yield	price
Tick	decimal	bp	decimal
Tax (resident)	0	0	0
Price/Yield Method	ISMA	Simple	DMO

Repo

	Germany	Japan	UK
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 Naţională 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]

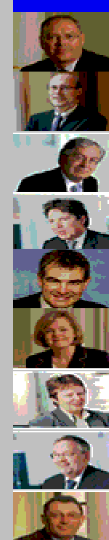
Stone & McCarthy
RESEARCH ASSOCIATES

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.