The Afternoon Email

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

MarketNews international

All times Eastern

15:33 09/13 **US TSYS/RECAP**: US Tsys mkt weakens Thurs amid 1) dealer short-setting into US$8B10Y reopening auction, which drew better than expected 22.5% indirect bid. Tsys 2) pressured from firmer stocks, DJIA up 132 pts to 13,427; 3) earlier German Bund stop-loss selling this morning; 4) corporate rate-lock selling out of Europe ahead of big bond deal; 5) some cautious giveback of safe-haven buying of credit crunch; And 6) some exited curve steepeners as hopes moved from 50-bps cut Tue to 25-bps cut; Fed Chairman Bernanke meanwhile sets Sep 20 speech. And 7) Tsys had leveraged account selling in 2Ys; this occurs as 2Y/10Y, 2Y/30Y curves flatten. 8) Leveraged accounts buying in 10Ys, buy- and-hold account buying in 5Ys. 9) Fed data showed total C/P had US$8.2B overall decline (SA) on week ended Sept. 12, -21.6B decline in ABCP but data showed US$11.1B gain in financial C/P issuance; suggests bks use own credit to guarantee short-term financg. 10) Goldman's Global Alpha hedge fund fell 22.5% in Aug amid FX, stock losses.

15:10 09/13 **EURODLR FUTURES**: Save the very front end, Eurodlr futures finished broadly lower, at or near session lows while the curve came off earlier flatter levels. On the bell the Red/Gold pack spd (Sep08-Jun09) vs (Sep11-Jun12), steepened 0.125 bps at 67.875. In the Fronts (Sep07-Jun08), the Sep07 were 5.5 bps higher at 94-36.75 on combined Globex and pit volume of 327,000, the Dec07 higher 2.5 bps at 95-05.5 on volume of 414,000, the Mar08 3.5 bps lower at 95-45.5 on volume of 297,000, while the Jun08 were 8.0 bps lower at 95-57.5 on volume of 340,000. The Red pack (Sep08-Jun09) a 2yr proxy, settled 10.0 to 10.5 bps lower across the pack with 978,000 contracts traded.

(continued)

15:21 09/13 **US TSY FUTURES**: Tsys closed lower on the day with the Dec T-bond ended off 23/32 at 112-26 with 314K traded while the Dec 10-yr settled softer by 16/32 at 109-21 with 1.13M traded. The Dec 5-yr notes settled down 12/32 at 107-00.5 with 552K traded while the Dec 2-yr closed softer by 5.25/32 at 103-10.5 with 228K changing hands.

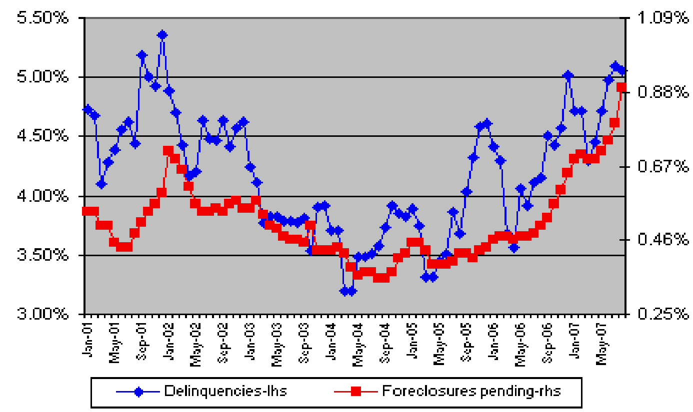
15:04 09/13 **US EURODLR/SWAPS**: Spds ended session tighhter in the front end, the spd of spds curve steepening because of the lower LIBOR set. Flows were relaively light but some early front end paying, Reds and Greens was reported amid some rate locking as well. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Thu 3:00	-4.75/72.50	-0.50/68.00	+1.25/66.25	+1.75/62.75
1:30	-4.75/72.50	-0.50/68.00	+1.25/66.25	+2.00/63.00
12:00	-4.50/72.75	-0.50/68.00	+1.50/66.50	+2.00/63.00
10:50	-4.25/73.00	-1.25/67.25	+0.75/66.00	+1.00/62.00
10:10	-4.25/73.00	-1.50/67.00	-0.25/65.00	+0.25/61.25
9:30	-3.75/73.50	-1.75/66.75	-0.25/65.00	+0.00/61.00
Thu Open	-5.00/72.25	-2.25/66.25	-1.25/64.00	-1.00/60.00
Thu 8:00	-4.00/73.25	-2.00/66.50	-1.00/64.25	-1.00/60.00
Wed 3:00	-0.50/77.25	-1.25/68.50	-0.75/65.25	-0.75/61.00

MarketNews international

Stone & McCarthy RESEARCH ASSOCIATES

Countrywide: Delinquencies and Foreclosures



Raymond Stone, rstone@smra.com
--Stone & McCarthy (Princeton

"The drop in Asset-Backed CP outstanding, while slowing in recent weeks, still underscores the current strains in the credit markets. These strains are likely to intensify as the remaining $945 billion of outstanding Asset-back CP matures in the weeks ahead. How much of this will the markets allow to be rolled-over, and how much of this will require other sources of funding?

"The data of late would suggest that issuers have having somewhat better success in rolling over paper than a few weeks ago. Presumably, the Fed's lowering of the discount rate, encouragement to borrow from the window, extending the duration of discount window advances, and the advertising that asset back paper is eligible collateral for discount window advances have collectively improved issuers success in rolling over maturing paper."

It's important to remember that Countrywide's portfolio is made up predominantly of conventional and not subprime loans.**--Nancy Vanden Houten, Stone & McCarthy (Princeton)**

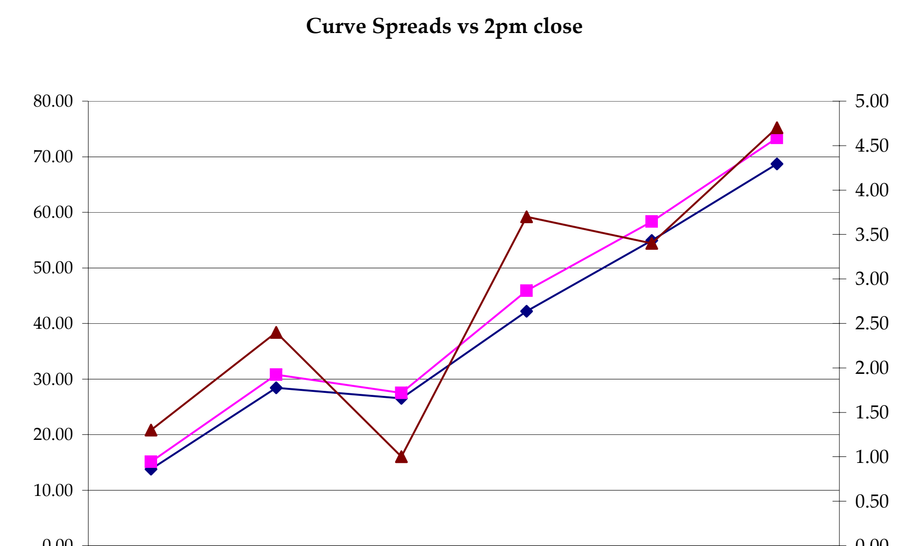
Countrywide Financial Corporation: Recent Mortgage Funding by Loan Type

	Purchase	Non-Purchase	ARM	Nonprime	Fixed Rate	Fixed Rate %	Nonprime %
Aug-06	$19,605	$21,921	$19,323	$3,722	$22,203	53%	9%
Sep-06	$17,677	$20,410	$15,778	$3,058	$22,309	59%	8%
Oct-06	$17,403	$24,493	$16,259	$3,254	$25,637	61%	8%
Nov-06	$15,960	$22,318	$14,303	$3,058	$23,975	63%	8%
Dec-06	$17,147	$24,583	$15,222	$3,739	$26,508	64%	9%
Jan-07	$13,268	$23,845	$13,748	$2,939	$23,365	63%	8%
Feb-07	$12,633	$21,936	$12,533	$2,587	$22,036	64%	7%
Mar-07	$17,265	$26,017	$14,677	$2,355	$28,605	66%	5%
Apr-07	$15,866	$24,614	$11,424	$1,682	$29,056	72%	4%
May-07	$18,642	$25,778	$10,667	$2,186	$33,753	76%	5%
Jun-07	$20,739	$24,524	$12,599	$1,853	$32,664	72%	4%
Jul-07	$18,711	$20,350	$10,972	$1,804	$28,089	72%	5%
Aug-07	$17,193	$17,158	$8,687	$1,267	$25,664	75%	4%
Aug 07 vs Jul 07:	-8.1%	-15.7%	-20.8%	-29.8%	-8.6%		
Aug 07 vs Aug 06:	-12.3%	-21.7%	-55.0%	-66.0%	15.6%		
3-month average	$18,881	$20,677	$10,753	$1,641	$28,806	73%	4%
12-month average	$16,875	$23,002	$13,072	$2,482	$26,805	67%	6%

Source: Countrywide Financial Corporation. In billions.

Curve Spreads

	Yield Curve Spreads		
	TC	PDC	Diff
2/5	13.80	15.10	1.30
5/10	28.40	30.80	2.40
10/30	26.50	27.50	1.00
2/10	42.20	45.90	3.70
5/30	54.90	58.30	3.40
2/30	68.70	73.40	4.70



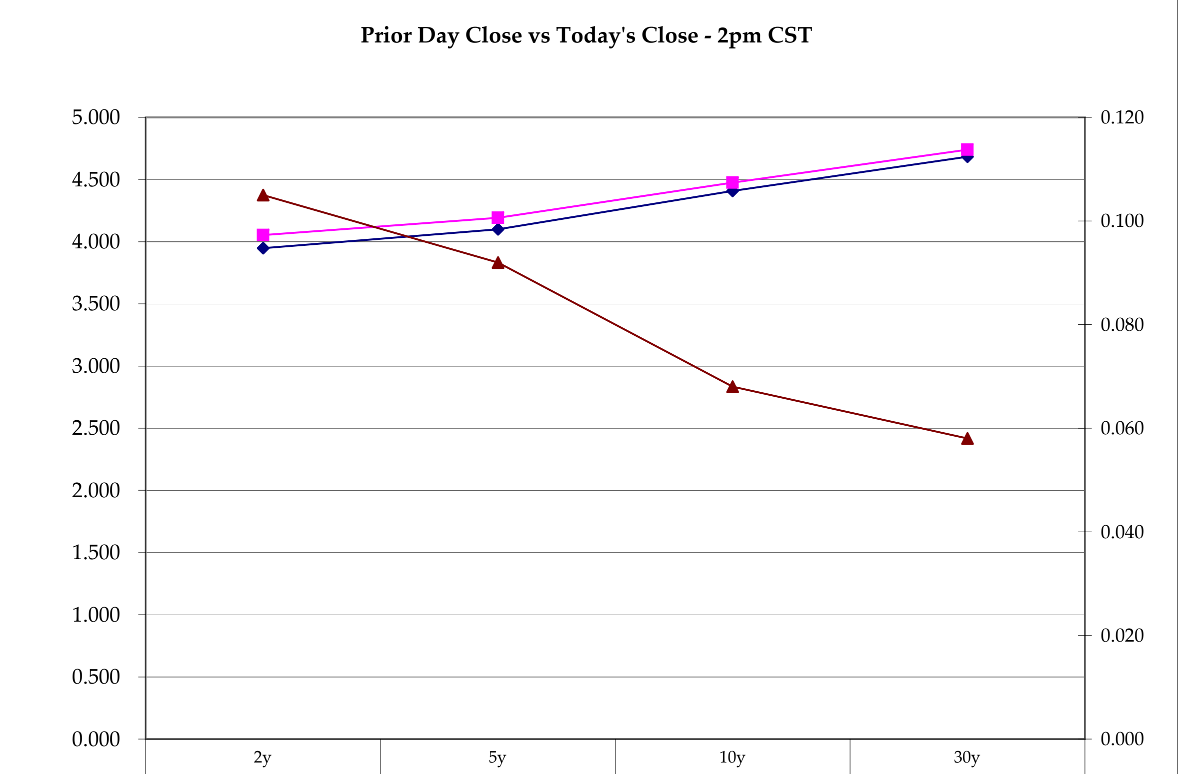
	2/5	5/10	10/30	2/10	5/30	2/30
Last	13.80	28.40	26.50	42.20	54.90	68.70
PDC	15.10	30.80	27.50	45.90	58.30	73.40
Diff	1.30	2.40	1.00	3.70	3.40	4.70

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	Basis TC
2y	4.000	8/31/09	100.0300	3.949	4.054	0.105		
5y	4.125	7/31/09	100.0350	4.100	4.192	0.092	26.11	23.45
10y	4.750	8/15/17	102.230	4.408	4.476	0.068	90.18	86.19
30y	5.000	5/15/37	105.02	4.683	4.741	0.058	-665.56	-672.13

	PDC 32	TC
ZF	107.125	107.010
ZN	110.050	109.210
ZB	113.11	112.210



	2y	5y	10y	30y
2pm Cls	3.949	4.100	4.408	4.683
Last	4.054	4.192	4.476	4.741
Diff	0.105	0.092	0.068	0.058

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 & Fed Funds - Treasuries

	Eurodollar Packs		
	Last Yield	Net Yield	Last Price
Q.ED.White	5.018	-1.000	9511.188
Q.ED.Red	4.570	-10.250	9554.250
Q.ED.Green	4.826	-11.375	9529.625
Q.ED.Blue	5.048	-10.625	9508.250
Q.ED.Gold	5.277	-10.500	9486.250
Q.ED.Purple	5.277	-10.500	9486.250

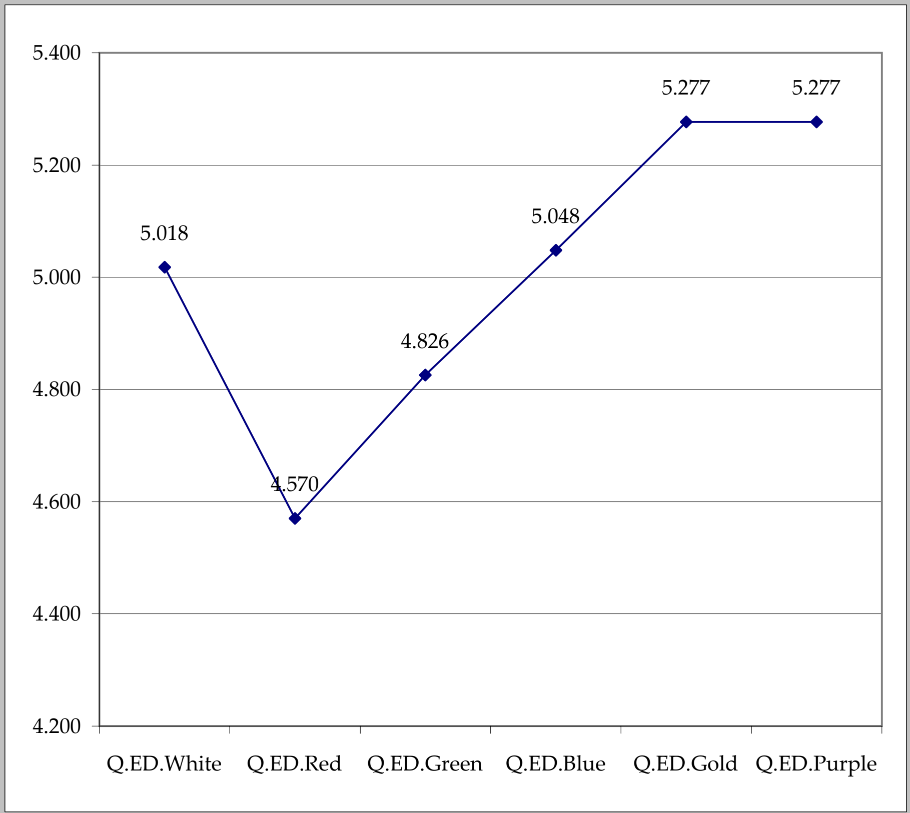
Fed Funds Daily Effective Rate
Minus US Treasury Yields

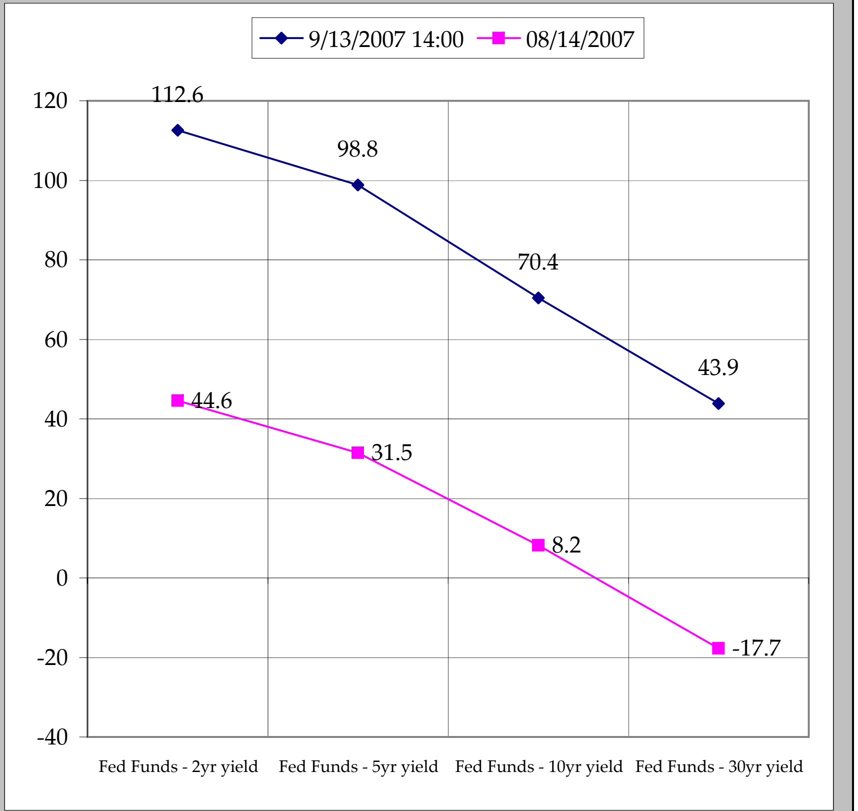
Spread Name	Diff bps	Net Chng	08/14/2007
Fed Funds - 2yr yield	112.6	1.6	44.6
Fed Funds - 5yr yield	98.8	3.5	31.5
Fed Funds - 10yr yield	70.4	5.4	8.2
Fed Funds - 30yr yield	43.9	6.4	-17.7
GFER	**5.18**	12.0	

GFER = Fed Funds Daily Effective Rate

Why 8/14/2007?

Pre-CPI (& Post PPI) is a good benchmark when the FED is focused on inflation.





Fed Funds - Eurodollars

	Fed Funds (FF)			ED	ED - FF
Month	Last	Net	Implied	Implied	bps
Sep-07	95.050	-0.300	4.950	5.632	68.2
Oct-07	95.145	-0.400	4.855	0.000	0.0
Nov-07	95.330	-0.550	4.670	0.000	0.0
Dec-07	95.425	-0.600	4.575	4.945	37.0
Jan-08	95.475	-0.550	4.525	0.000	0.0
Feb-08	95.570	-0.750	4.430	0.000	0.0
Mar-08	95.615	-0.750	4.385	4.550	16.5
Apr-08	95.690	-0.700	4.310	0.000	0.0
May-08	95.740	-0.800	4.260	0.000	0.0
Jun-08	95.750	-0.600	4.250	4.425	17.5
Jul-08	#VALUE!	#VALUE!	#VALUE!	0.000	0.0