



The Morning Email: US & Germany



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 bg . cs . da . de . el . en . es . et . fi . fr . hu . it . lt . lv . mt . nl . pl . pt . ro . sk . sl . sv



ЕВРОПЕЙСКА ЦЕНТРАЛНА БАНКА
 BANCO CENTRAL EUROPEO
 EVROPSKÁ CENTRÁLNÍ BANKA
 DEN EUROPÆISKE CENTRALBANK
 EUROPÄISCHE ZENTRALBANK
 EUROOPA KESKRAHK
 ΕΥΡΩΠΑΪΚΗ ΚΕΝΤΡΙΚΗ ΤΡΑΠΕΖΑ
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 BANCA CENTRALE EUROPEA
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 EUROPEISKA CENTRALBANKEN

EUROSYSTEM

Want something added? Let me know: 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.

Jim Goulding, jgoulding@ghco.com

The Morning Email, US&GER



Quotes 1

| | 32 nds | | | | | Volume | Yest Volume | SYM NAME | |
|-------|---------|-------|---------|---------|---------|--------|-------------|-------------|----------------------------------|
| | Last | Net | Hi | Low | Open | | | | |
| TUAZ7 | 103.142 | (0.0) | 103.175 | 103.137 | 103.150 | 25,084 | 173,390 | 2y Futures | US Futures Market |
| FVAZ7 | 107.095 | (0.0) | 107.155 | 107.085 | 107.110 | 46,536 | 496,233 | 5y Futures | |
| TYAZ7 | 110.010 | (0.0) | 110.100 | 110.000 | 110.040 | 97,305 | 1,113,475 | 10y Futures | |
| USAZ7 | 113.060 | (0) | 113.170 | 113.040 | 113.110 | 15,763 | 300,117 | 30y Futures | |



| | 32 nds | | | | | Volume | |
|--------|---------|-------|---------|---------|---------|--------|--|
| | Last | Net | Hi | Low | Open | | |
| BUS02P | 100.012 | (1.5) | 100.040 | 100.012 | 100.030 | 2y | US Cash Treasury Market |
| BUS05P | 100.000 | (1.5) | 100.062 | 100.000 | 100.035 | 5y | |
| BUS10P | #VALUE! | (3.0) | 102.285 | 102.180 | 102.245 | 10y | |
| BUS30P | 104.270 | (5) | 105.090 | 104.240 | 105.060 | 30y | |

| | 32 nds | | | | | Volume | |
|--------|--------|------|-------|-------|-------|-----------|--|
| | Last | Net | Hi | Low | Open | | |
| BUS02Y | 3.975 | 2.50 | 3.992 | 3.925 | 3.971 | 2y Yield | US Cash Treasury Market |
| BUS05Y | 4.121 | 1.40 | 4.128 | 4.078 | 4.107 | 5y Yield | |
| BUS10Y | 4.420 | 1.00 | 4.431 | 4.385 | 4.406 | 10y Yield | |
| BUS30Y | 4.694 | 0.90 | 4.703 | 4.663 | 4.68 | 30y Yield | |

| | Decimal | | | | | Volume | Yest Volume | SYM NAME | |
|------|---------|----------|--------|--------|--------|---------|-------------|------------|---------------------------------------|
| | Last | Net | Hi | Low | Open | | | | |
| DGZ7 | 103.51 | (110.00) | 103.65 | 103.50 | 103.63 | 320,630 | 637,269 | Schatz(2Y) | German Futures Markets |
| DLZ7 | 108.33 | (195.00) | 108.62 | 108.29 | 108.55 | 263,091 | 501,220 | Bobl(5Y) | |
| DBZ7 | 114.21 | (25.00) | 114.62 | 114.18 | 114.50 | 457,673 | 998,067 | Bund(10Y) | |



| | Price | Yield | | | SYM NAME | |
|-----------------|--------|-------|--------|-----------|-----------|--|
| | Last | Last | Coupon | Maturity | | |
| T.US.DE034P1009 | 99.04 | 3.978 | 3.500 | 10/9/2009 | 2 yr CTD | German Cash Treasury Market |
| T.US.DE040P0412 | 104.16 | 4.016 | 5.000 | 7/4/2012 | 5 yr CTD | |
| T.US.DE040P0716 | 99.13 | 4.111 | 4.000 | 7/4/2016 | 10 yr CTD | |
| DEP2P | 100.79 | 4.009 | 4.500 | 6/12/2009 | 2yr OTR | |
| DEP5P | 99.88 | 4.025 | 4.000 | 4/13/2012 | 5yr OTR | |
| DEP10P | 100.79 | 4.148 | 4.250 | 7/4/2017 | 10yr OTR | |

Y = Yield
 CTD = Cheapest to Deliver
 DE = German Country Code

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! | 103.51 | 103.51 | 103.65 | 103.50 | -110.00 |
| DLZ7 | 108.33 | 108.33 | 108.33 | 108.62 | 108.29 | -195.00 |
| DBZ7 | 114.20 | 114.21 | 114.21 | 114.62 | 114.18 | -25.00 |

| | Y Bid | Y Ask | Y Last | Y Hi | Y Lo |
|------|-------|-------|--------|-------|-------|
| DGZ7 | | 4.138 | 4.138 | 4.143 | 4.066 |
| DLZ7 | 4.123 | 4.122 | 4.122 | 4.131 | 4.061 |
| DBZ7 | 4.229 | 4.228 | 4.229 | 4.232 | 4.181 |

| | Y Bid | Y Ask | Y Last | Y Hi | Y Lo | Chng |
|-----------------|-------|-------|--------|-------|-------|------|
| T.US.DE034P1009 | 3.993 | 3.978 | 3.978 | 3.998 | 3.905 | |
| T.US.DE040P0412 | 4.025 | 4.016 | 4.016 | 4.032 | 3.955 | |
| T.US.DE040P0716 | 4.118 | 4.111 | 4.111 | 4.121 | 4.057 | |
| DEP2P | 4.021 | 4.009 | 4.009 | 4.027 | 3.948 | -9 |
| DEP5P | 4.034 | 4.025 | 4.025 | 4.042 | 3.964 | -16 |
| DEP10P | 4.155 | 4.148 | 4.148 | 4.162 | 4.098 | -18 |

| 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 | |

| | Decimal | | | | | |
|-----------------|---------|--------|--------|--------|--------|--------|
| | Bid | Ask | Last | Hi | Low | Chng |
| T.US.DE034P1009 | 99.04 | 99.07 | 99.07 | 99.21 | 99.03 | -8.00 |
| T.US.DE040P0412 | 104.16 | 104.20 | 104.20 | 104.47 | 104.13 | -17.00 |
| T.US.DE040P0716 | 99.13 | 99.18 | 99.18 | 99.57 | 99.11 | -21.00 |
| DEP2P | 100.77 | 100.79 | 100.79 | 100.89 | 100.76 | -9.00 |
| DEP5P | 99.84 | 99.88 | 99.88 | 100.13 | 99.81 | -16.00 |
| DEP10P | 100.74 | 100.79 | 100.79 | 101.19 | 100.68 | -18.00 |

| SYM NAME | |
|-----------|-------------|
| 2 yr CTD | German Cash |
| 5 yr CTD | |
| 10 yr CTD | |
| 2yr OTR | |
| 5yr OTR | |
| 10yr OTR | |

Y = Yield
 CTD = Cheapest to Deliver
 DE = German Country Code
 OTR = On the Run

10:20 09/11 ECB TRICHET: Pricing models for fin. products not always robust
 10:19 09/11 ECB TRICHET: Degree of complexity of fin products overwhelming
 10:18 09/11 ECB TRICHET: Must be very prudent in drawing conclusions on FM crisis
 - But number of lessons to be drawn
 10:16 09/11 ECB TRICHET: Mkt correction phases often hectic, volatile
 10:15 09/11 ECB TRICHET: Nothing new to say on int rates after last week
 10:14 09/11 ECB TRICHET: Current situation is a market correction.
 10:14 09/11 ECB TRICHET: Need more info before drawing monpol conclusions
 - Experiencing significant reappraisal of risk
 10:13 09/11 ECB TRICHET: ECB has shown its capacity to act promptly, effectively
 -- Price stability remains subject to upside risks
 -- Monetary policy still on the accomodative side
 -- Financial market volatility has led to rise in uncertainty.
 10:03 09/11 ECB TRICHET: Begins EU Parliamentary testimony.
 09:59 09/11 EU ALMUNIA: Haven't yet reached point of talking US recession
 09:57 09/11 EU ALMUNIA: Important to respect independence of the ECB
 - ECB has played useful role in dealing with market crisis

FROM HOWARD:**ECB's Liebscher(a tad hawkish,but generally towing the ECB line)**

- european growth is very good
- inflation risks lie to the upside
- ecb will monitor developments closely
- ecb has no precommitment on interest rates
- price risks haven't abated
- ecb will assess data to decide on rates
- euro 13 growth tend hasn't changed
- still sees positive economic growth trend
- banks should say what their subprime exposure is

Euro Mkt Summary: EGBs Lower on Stocks, Hawkish ECB**by Charanjeev Chana**

EGBs were trading lower on Tuesday afternoon with short dates underperforming, in turn flattening the Bund curve. Bunds remained lower following the release of US trade balance data and posted little reaction on comments by ECB President Trichet who offered little fresh thoughts on ECB monetary policy. EGBs opened lower on profit taking as US Treasuries pared gains overnight, weighed further by JGBs, which declined on the surprise rebound in Japanese machinery orders in July. Hawkish comments by ECB official Juergen Stark weighed on the front end of the curve in morning trade, after he said the September 6th decision to leave interest rates unchanged was "no abandonment of a further interest rate move." Bunds then squeezed higher after the successful digestion of supply from the Netherlands. The Dutch DSTA sold at the upper end of its E2.5-3.5bln target range, issuing E3.52bln of the 4.50% July 2017 DSL. Bunds however remained lower ahead of midday trade weighed by strength in European equity bourses.

In the forex markets, the dollar was mixed against the major currencies. The EUR/USD was at 1.385 (+0.003), cable at 2.032 (+0.002) and USD/JPY at 113.84 (+0.20).

European equities were stronger in afternoon trade. The DAX was trading +1.08%, CAC 40 +1.62% and the FTSE +2.14% on the day.

Gilts traded mixed on Tuesday afternoon with long dated Gilts underperforming on disappointing auction results for the 4.50% 2042 Gilt. The 4.50% Dec 2042 Gilt was met with lacklustre demand, covered 1.32 times - the lowest cover ratio for a conventional Gilt since July 2005. The tail of this issue was further indicative of poor demand, rising to 3.1bps versus 1bps previously - the longest tail for a conventional Gilt auction since December 1995. Short dated Gilts were underpinned by UK trade balance data, which reported a greater than expected widening of the UK total trade deficit on July.



06:20 09/13 **BOE** (recap): The Bank of England acted today to inject extra liquidity into the money markets, supplying over Stg38 billion to the banking system in its weekly Open Market Operation. Markets welcomed the move, with short-sterling rallying on the announcement. The Bank also widened the target range for bank reserves held at the BOE, effectively making more funds available to the banking system at the prevailing Bank Rate of 5.75%. RBS Chief Rates Strategist John Wraith said that the financial markets had been reassured by the move and said that the steps had been "quite successful". Wraith said that the Stg38.390bln compares with the Stg33bn to 34bn the BOE had been supplying in recent past weeks. Wraith explained that by reassuring the banks that they would have access to cash at the BOE's weekly OMO, they in turn would become more confident about lending money at longer maturities, so helping to bring down high 3-month LIBOR. "There is now an incentive. Banks can be more certain they can get better access to funds at Bank Rate".

06:17 09/13 **SHORT-STERLING**: Front-end short-sterling continues to trade bid after today's Bank of England Open Market Operation -- adding Stg38.39bln liquidity. Traders report unwinding of spread plays, where buying of front months and selling back dated issues. This is also have impact on other short-end markets, including euribor and euro-dollar futures as the "crisis trade" fades. Dec short-sterling is up 8 ticks at 93.68.

05:57 09/13 **ECB TUMPEL-GUGERELL**: Reported comments from ECB Gertude Tumpel-Gugerell

- Says ECB wants functioning money markets
- Says ECB will continue to support money market
- Says too early to gauge turmoil fallout
- Central banks divided over asset prices
- Says increased transparency warranted
- Says stable prices healthier for markets
- Says investors will regain confidence. (Bbg)

04:30 09/13 **UK Data: BOE**: Year-Ahead Inflation Expectations Steady In Aug
 --BOE/GfK NOP Survey Shows Aug Yr Ahead Inflation Expectations At 2.7%
 --Public Estimates Of Current Inflation Drop To 2.8% Vs 3.1% In May

 Inflation expectations held steady in August compared with three months ago, but public perceptions of the current rate of inflation have eased back somewhat. According to the latest Bank of England/GfK NOP Inflation Attitudes survey, median year-ahead inflation expectations remain at 2.7%, unchanged from the last survey taken in May. But public perceptions of the current rate of inflation fell back from the record high of 3.1% seen in the May survey to 2.8%, perhaps unsurprisingly given the sharp drop seen in official inflation rates. This latest survey was taken between Aug 16 and Aug 21, well within the period of market turbulence which started to seriously intensify in early August.

02:40 09/13 **JGB SUMMARY**: Japanese government bonds ended Thursday's session modestly lower, with political uncertainty and unease ahead of the upcoming Bank of Japan meeting weighing on prices. However, traders say volumes were light, with the upcoming holiday weekend also keeping players on the sideline. JGBs were lower from the getgo, taking their lead from the overnight weakness in the U.S. Treasury market and yields continued to edge higher as stocks rallied in afternoon trade. However, as stocks reversed course in the afternoon, JGBs pared losses.

- Benchmark 10-year yield was 2 bps higher at 1.540%.
- Benchmark 5-year yield was 1.25 bps higher at 1.0675%.
- Benchmark 20-year yield was 0.5 bps higher at 2.100%.
- Benchmark 30-year yield was 0.5 bps higher at 2.350%.
- Lead Sept JGB futures contract was down 0.11 at 136.22



| US Intrinsic's ^ | | | | |
|------------------|------------|---------|---------|---------|
| | M Duration | DV01 32 | DV01 \$ | DV01(€) |
| 30y | 15.72 | 5.30 | \$1,655 | € 2,299 |
| 10y | 7.85 | 2.59 | \$808 | € 1,123 |
| 5y | 4.44 | 1.42 | \$445 | € 618 |
| 2y | 1.87 | 0.60 | \$187 | € 260 |
| ZB | 10.01 | 3.66 | \$114 | € 159 |
| ZN | 5.92 | 2.10 | \$66 | € 91 |
| ZF | 4.00 | 1.38 | \$43 | € 60 |
| ZT | 1.88 | 0.63 | \$20 | € 27 |

^Futures are Based on CTD

| German Intrinsic's ^ | | | | |
|----------------------|------------|---------|----------|----------|
| | M Duration | DV01(€) | DV01(\$) | CF |
| Bund | 7.23 | € 231 | \$166 | 0.868738 |
| Bobl | 4.19 | € 127 | \$92 | 0.960712 |
| Schatz | 1.88 | € 56 | \$40 | 0.957701 |
| DE10Y | 7.83 | € 1,105 | \$796 | |
| DE5Y | 4.51 | € 660 | \$475 | |
| DE2Y | 2.30 | € 336 | \$242 | |

^Futures are Based on CTD

Last

EURUSD 138.90

| Tic for Tic Matrix (\$) | | | |
|-------------------------|------|-------|--------|
| | Bund | Bobl | Schatz |
| 30y | 9.95 | 18.05 | 41.21 |
| 10y | 4.86 | 8.82 | 20.12 |
| 5y | 2.67 | 4.85 | 11.07 |
| 2y | 1.12 | 2.04 | 4.66 |
| ZB | 0.69 | 1.25 | 2.84 |
| ZN | 0.39 | 1.34 | 1.63 |
| ZF | 0.26 | 0.47 | 1.07 |
| ZT | 0.12 | 0.22 | 0.49 |



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 | 3.76 |
| Bobl (Z) | 0.61 | 1.00 | 2.29 |
| Shatz (Z) | 0.27 | 0.44 | 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 | 3.979 | 3.975 | 3.975 |
| US5y | 4.125 | 4.121 | 4.121 |
| US10y | 4.428 | 4.420 | 4.420 |

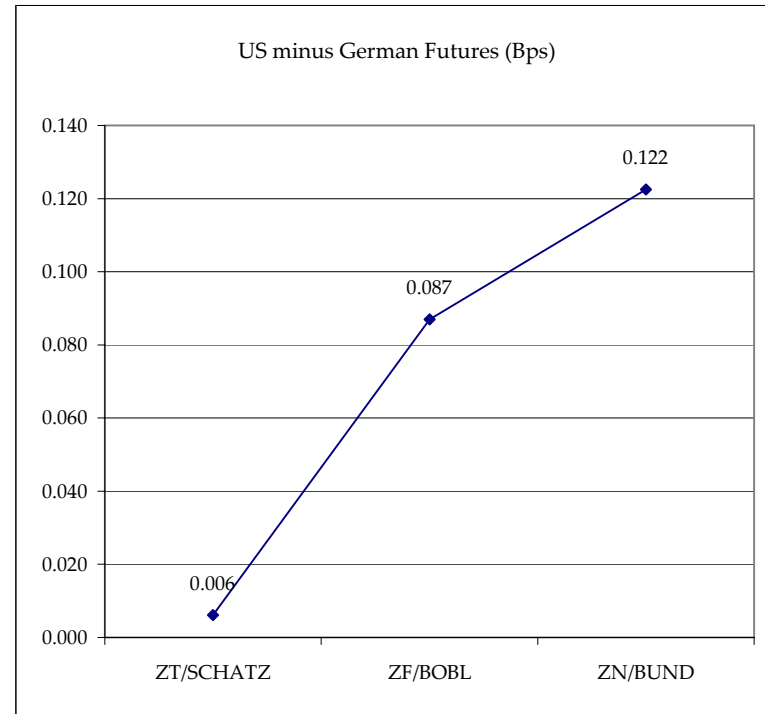
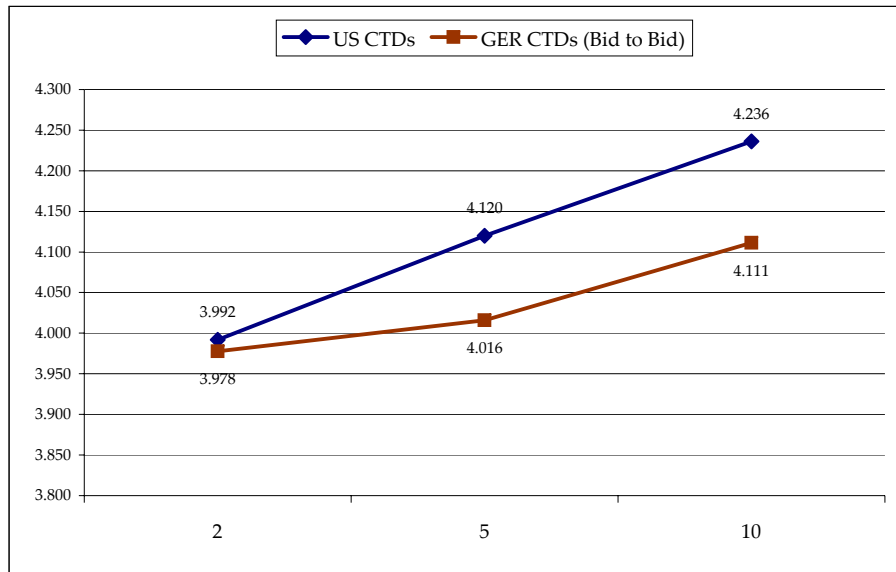
| German Cash Treasuries (OTR) | | | |
|------------------------------|-------|-------|-------|
| | Bid | Ask | Last |
| DE2y | 4.021 | 4.009 | 4.009 |
| DE5y | 4.034 | 4.025 | 4.025 |
| DE10y | 4.155 | 4.148 | 4.148 |

| Spreads | |
|-----------|-------|
| | Bps |
| ZT/SCHATZ | 0.006 |
| ZF/BOBL | 0.087 |
| ZN/BUND | 0.122 |

| US Cash Treasuries (CTD) | | | |
|--------------------------|-------|-------|-------|
| | Bid | Ask | Last |
| 3.375 of 09/09 | 3.992 | 3.984 | 3.984 |
| 4.625 of 02/12 | 4.120 | 4.103 | 4.103 |
| 4.250 of 08/14 | 4.236 | 4.234 | 4.234 |

| German Futures (CTD) | | | |
|----------------------|-------|-------|-------|
| | Bid | Ask | Last |
| 3.500 of 10/09 | 3.993 | 3.978 | 3.978 |
| 5.000 of 07/12 | 4.025 | 4.016 | 4.016 |
| 4.000 of 07/16 | 4.118 | 4.111 | 4.111 |

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
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 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

Sept 06, 2007**Introductory statement**Jean-Claude Trichet, President of the ECB, Lucas Papademos, Vice President of the ECB Frankfurt am Main, 6 September 2007

"Ladies and gentlemen, let me welcome you to our press conference and report on the outcome of today's meeting of the ECB's Governing Council. The meeting was also attended by the President of the Eurogroup, Prime Minister Juncker, and Commissioner Almunia.

"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 medium-term outlook for price stability remains subject to upside risks, as identified by both our economic and monetary analyses. Incoming macroeconomic data also confirm the strong fundamentals of the euro area economy and support a favourable medium-term outlook for real GDP growth. Against this background, our monetary policy stance is still on the accommodative side with, inter alia, money and credit growth vigorous in the euro area. At the same time, the financial market volatility and reappraisal of risk of recent weeks have led to an increase in uncertainty. Given this high level of uncertainty, it is appropriate to gather additional information and to examine new data before drawing further conclusions for monetary policy in the context of our medium-term-oriented monetary policy strategy aimed at delivering 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-term inflation expectations remain firmly anchored in line with price stability. This 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.

"...To sum up, a cross-check of the information identified under the economic analysis with the outcome of the monetary analysis has confirmed the existence of upside risks to price stability over the medium term – against the background of the strong fundamentals of the euro area economy. Accordingly, our monetary policy stance is still on the accommodative side with, inter alia, money and credit growth vigorous in the euro area. At the same time, given the high level of uncertainty, additional information is needed before further conclusions for monetary policy can be drawn. 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-term inflation expectations remain firmly anchored in line with price stability. In the current context, it is all the more important that inflation expectations remain firmly anchored in line with price stability. As regards the financial markets, we will continue to pay great attention to developments over the period to come."

[SOURCE: The ECB]

PRESS RELEASE**6 September 2007 - Pre-announcement of supplementary longer-term refinancing operation**

The Governing Council of the European Central Bank has today decided to conduct a supplementary liquidity-providing longer-term refinancing operation with a maturity of three months.

This operation aims to support a normalisation of the functioning of the euro money market. It will be conducted in addition to the regular monthly longer-term refinancing operations, which remain unaffected.

The operation will be carried out as a variable rate tender, with no preset allotment amount. A standard tender procedure will be applied, with announcement on Tuesday, 11 September 2007, allotment on Wednesday, 12 September 2007, and settlement on Thursday, 13 September 2007. The operation will mature on Tuesday, 11 December 2007.










[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 |

BOE HAWKOMETER (to August 2007 meeting)

| | Dissenting Hawkish Votes | Dissenting Dovish Votes | Non- Dissenting Votes | Total Votes | Hawkishness Rating |
|--|--------------------------------|-------------------------------|-----------------------------|----------------|-----------------------|
|  Sentance | 4 | 0 | 7 | 11 | 36% |
|  Besley | 4 | 0 | 8 | 12 | 33% |
|  King (Gov) | 14 | 0 | 110 | 124 | 11% |
|  Tucker | 6 | 1 | 56 | 63 | 8% |
|  Gieve (Dep Gov) | 1 | 0 | 18 | 19 | 5% |
|  Lomax (Dep Gov) | 2 | 3 | 45 | 50 | -2% |
|  Barker | 1 | 4 | 71 | 76 | -4% |
|  Bean | 0 | 5 | 79 | 84 | -6% |
|  Blanchflower | 0 | 5 | 10 | 15 | 33% |

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]