



## The Morning Email: US & Germany



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Want something added? Let me know: [jgoulding@ghco.com](mailto:jgoulding@ghco.com)

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The Morning Email, US&GER



Quotes 1

| 32 nds |         |       |         |         |         |             |           | SYM NAME    |                                  |
|--------|---------|-------|---------|---------|---------|-------------|-----------|-------------|----------------------------------|
| Last   | Net     | Hi    | Low     | Open    | Volume  | Yest Volume |           |             |                                  |
| TUAZ7  | 103.120 | (0.0) | 103.145 | 103.105 | 103.125 | 16,037      | 219,191   | 2y Futures  | <b>US<br/>Futures<br/>Market</b> |
| FVAZ7  | 107.040 | (0.0) | 107.080 | 106.310 | 107.050 | 29,922      | 622,984   | 5y Futures  |                                  |
| TYAZ7  | 109.275 | 0.0   | 110.000 | 109.195 | 109.270 | 75,489      | 1,312,004 | 10y Futures |                                  |
| USAZ7  | 112.300 | 0     | 113.020 | 112.190 | 112.250 | 9,289       | 355,875   | 30y Futures |                                  |



| 32 nds |         |        |         |         |         | SYM NAME  |  |
|--------|---------|--------|---------|---------|---------|-----------|--|
| Last   | Net     | Hi     | Low     | Open    | Volume  |           |  |
| BUS02P | 99.287  | (0.7)  | 99.315  | 99.280  | 99.280  | 2y        | <b>US Cash<br/>Treasury<br/>Market</b> |
| BUS05P | 99.245  | (0.7)  | 99.280  | 99.215  | 99.217  | 5y        |  |
| BUS10P | 102.110 | 2.0    | 102.145 | 102.035 | 102.080 | 10y       |  |
| BUS30P | 104.170 | 4      | 104.195 | 104.020 | 104.020 | 30y       |  |
| Last   | Net     | Hi     | Low     | Open    | Volume  |           |  |
| BUS02Y | 4.050   | 1.70   | 4.08    | 4       | 4.063   | 2y Yield  |  |
| BUS05Y | 4.176   | 0.50   | 4.208   | 4.15    | 4.185   | 5y Yield  |  |
| BUS10Y | 4.449   | (0.20) | 4.493   | 4.439   | 4.468   | 10y Yield |  |
| BUS30Y | 4.711   | (0.70) | 4.747   | 4.705   | 4.728   | 30y Yield |  |

| Decimal |        |        |        |        |        |             |           | SYM NAME   |                                       |
|---------|--------|--------|--------|--------|--------|-------------|-----------|------------|---------------------------------------|
| Last    | Net    | Hi     | Low    | Open   | Volume | Yest Volume |           |            |                                       |
| DGZ7    | 103.52 | 85.00  | 103.52 | 103.37 | 103.42 | 202,457     | 658,449   | Schatz(2Y) | <b>German<br/>Futures<br/>Markets</b> |
| DLZ7    | 108.39 | 170.00 | 108.43 | 108.11 | 108.19 | 165,652     | 541,593   | Bobl(5Y)   |                                       |
| DBZ7    | 114.30 | 21.00  | 114.37 | 113.91 | 113.99 | 380,993     | 1,117,992 | Bund(10Y)  |                                       |



|                 | Price  | Yield |        |           | SYM NAME  |  |
|-----------------|--------|-------|--------|-----------|-----------|--|
|                 | Last   | Last  | Coupon | Maturity  |           |  |
| T.US.DE034P1009 | 99.06  | 3.969 | 3.500  | 10/9/2009 | 2 yr CTD  | <b>German<br/>Cash<br/>Treasury<br/>Market</b> |
| T.US.DE040P0412 | 104.22 | 4.001 | 5.000  | 7/4/2012  | 5 yr CTD  |  |
| T.US.DE040P0716 | 99.23  | 4.097 | 4.000  | 7/4/2016  | 10 yr CTD |  |
| DEP2P           | 100.10 | 3.945 | 4.000  | 9/11/2009 | 2yr OTR   |  |
| DEP5P           | 99.91  | 4.017 | 4.000  | 4/13/2012 | 5yr OTR   |  |
| DEP10P          | 100.90 | 4.135 | 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 | 103.51  | 103.52 | 103.52 | 103.52 | 103.37 | 85.00  |
| DLZ7 | 108.39  | 108.40 | 108.39 | 108.43 | 108.11 | 170.00 |
| DBZ7 | 114.29  | 114.30 | 114.30 | 114.37 | 113.91 | 21.00  |

|      | Y Bid | Y Ask | Y Last | Y Hi  | Y Lo  |
|------|-------|-------|--------|-------|-------|
| DGZ7 | 4.135 | 4.133 | 4.133  | 4.208 | 4.130 |
| DLZ7 | 4.110 | 4.109 | 4.109  | 4.171 | 4.102 |
| DBZ7 | 4.219 | 4.218 | 4.219  | 4.263 | 4.210 |

|                 | Y Bid | Y Ask | Y Last | Y Hi  | Y Lo  | Chng |
|-----------------|-------|-------|--------|-------|-------|------|
| T.US.DE034P1009 | 3.984 | 3.969 | 3.969  | 4.062 | 3.958 |      |
| T.US.DE040P0412 | 4.010 | 4.001 | 4.001  | 4.069 | 3.994 |      |
| T.US.DE040P0716 | 4.104 | 4.097 | 4.097  | 4.151 | 4.089 |      |
| DEP2P           | 3.961 | 3.945 | 3.945  | 4.031 | 3.940 | 5    |
| DEP5P           | 4.027 | 4.017 | 4.017  | 4.086 | 4.007 | 12   |
| DEP10P          | 4.141 | 4.135 | 4.135  | 4.189 | 4.126 | 21   |

| 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 | 99.06   | 99.09  | 99.09  | 99.11  | 98.91  | 6.00  |
| T.US.DE040P0412 | 104.22  | 104.26 | 104.26 | 104.29 | 103.96 | 14.00 |
| T.US.DE040P0716 | 99.23   | 99.28  | 99.28  | 99.34  | 98.89  | 21.00 |
| DEP2P           | 100.07  | 100.10 | 100.10 | 100.11 | 99.94  | 5.00  |
| DEP5P           | 99.87   | 99.91  | 99.91  | 99.95  | 99.63  | 12.00 |
| DEP10P          | 100.85  | 100.90 | 100.90 | 100.97 | 100.47 | 21.00 |

| 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

Stone & McCarthy  
RESEARCH ASSOCIATES**Euro Mkt Summary: EGBs Lower On Supply, Stocks & BOE**  
by Charanjeev Chana

**EGBs** were trading mixed on Friday afternoon with short dated issues underperforming. The market ticked higher following the release of weaker than expected August US retail sales data. Bunds then pared earlier risk aversion gains as equity bourses traded higher on M&A speculation, weighed further by stronger than expected Michigan consumer sentiment data. EGBs opened higher on risk aversion following reports that the Bank of England gave aid to one of the UK's largest mortgage lenders, Northern Rock. This was the first time the BOE acted as an emergency lender since 1998. The market extended gains, led higher by Gilts following after a report from property website Rightmove was leaked, which reported UK house prices declining by 2.6%mom in September - the largest fall in 3 years. The short end was further underpinned by final EMU HICP data, which was revised lower to 1.7%yoy in August. Bunds posted slight losses after the Peoples Bank of China hiked its 1-year deposit and lending rate by 27 basis points.

On Monday, Japanese markets will be closed with market participants observing the respect for the Aged public holiday. Data for Europe is limited to the release of the July Eurozone trade balance and the Bundesbank monthly report. On the supply front, Austria will launch its new 10-year benchmark issue via syndication

**In the forex markets**, the dollar was mixed against the major currencies. The EUR/USD was at 1.386 (-0.002), cable at 2.013 (-0.014) and USD/JPY at 115.17 (-0.05).

**European equities** were stronger in afternoon trade. The DAX was trading -0.26%, CAC 40 -0.36% and the FTSE -0.90% on the day.

**Gilts** were trading higher and outperforming trade in Europe on risk aversion after the UK Treasury this morning confirmed that it had authorised the Bank of England to provide emergency liquidity to bail out troubled mortgage lender Northern Rock. In a statement issued along with the FSA and the Bank of England, the Treasury said that the funds had been provided at an "interest rate premium" and against "appropriate collateral". Gilts extended gains on a leaked report from property website Rightmove, which reported UK house prices declining by 2.6%mom in September - the largest fall in 3 years. Prices made moderate concession ahead of midday trade after the Sterling 3-mth Libor rate fixed lower at 6.8237% vs. 6.88000% - a third consecutive fall and the lowest since September 5th.



Yasuo Fukuda secured a big lead in the race to become **Japan's next prime minister**, after garnering support from three major LDP factions. --SOURCE: WSJ

06:48 09/17 **LIBOR FIXINGS:** 3-mth sterling Libor fixed at 6.75125% vs 6.82375% Friday -- 3-mth euro Libor fixed at 4.73188% vs 4.72750% Friday.

04:21 09/17 **EGBs:** Greek bonds are opening positive and outperforming Italian BTPs after news that Greek Prime Minister Kostas Karamanlis has won a second 4-year term. Karamanlis's New Democracy party won 41.9% of the votes, which gives it 152 seats in the 300-member Parliament. The New Democracy party are seen as business-friendly, where most analysts expect further economic reforms.

04:07 09/17 **BANK OF SPAIN:** No Spanish entity has taken emergency financing

04:06 09/17 **GILTS:** Gilts are outperforming Bunds on Monday as the 10-year Gilt/Bund yield spread narrows to +72.6bps -- trading at narrowest level since July 25, 2006 vs +76.0bps on Friday. This yield spread has narrowed from +84bps since news that UK mortgage lender Northern Rock had been given access to emergency funding from the BoE.

04:01 09/17 **FTSE-100:** Slide extends for FTSE-100 now below 6,200 level -- down 92pts on session (-1.46%).

03:39 09/17 **BUNDS:** Dec Bunds are squeezing higher as European equity bourses continue to fall -- led by financial stocks. FTSE-100 is down 67pts (-1.07%), CAC-40 is down 57pts (-1.04%) and Xetra-DAX is down 51pts (-0.68%).

03:24 09/17 **UK DARLING:** Considering every option during current turmoil  
 -- Northern Rock problems will be resolved  
 -- Northern Rock "clearly has problems"  
 -- To discuss international regulation issues with Paulson.

03:10 09/17 **ECB HURLEY:** Although the European Central Bank's forecasts suggest a positive outlook for the eurozone economy, the high uncertainty caused by financial market turmoil obliges the ECB to assess carefully all incoming data before drawing conclusions, Governing Council member John Hurley said Saturday. Speaking at a press conference following a meeting of EU finance ministers and Eurosystem central bankers, as well as to Market News International somewhat later the same day, Hurley, who heads the Central Bank of Ireland, stressed the need to disregard short-run volatility in macro-economic data and said the ECB never pre-committed.

03:08 09/17 **PAPADEMOS:** Comments from ECB Vice President

-- Sees upside risk to price stability at the moment.  
 -- Baseline eurozone growth scenario is still in tact.  
 -- Uncertainties over this scenario "considerable".  
 -- Risks to eurozone growth are on the downside.  
 -- MonPol assessment of Sept 6 is still valid.  
 -- One month's inflation data doesn't change mid-term outlook.

02:49 09/17 **BONDS: EGBs** are opening moderately lower on Monday after US Treasuries reversed gains on Friday as players scaled back their hopes for an aggressive Fed rate cut in Fed funds rate at the FOMC meeting on Tuesday. In addition, technical selling was also cited as the 2-year Note failed to break below 4.00% yield level. JGBs were closed overnight in observance of the Respect for the Aged Day public holiday. The key focus this week is on the FOMC meeting on Tuesday, where it is considered a foregone conclusion that the Federal Reserve will cut the federal funds rate by 25 bps to at 5.00% -- the first rate move since June 29. Many also expect the Fed to cut the discount rate by 50bps from 6.25% to 5.75%, following the unexpected 50bps rate cut on Aug 17. Also due this week, is Fed Chairman Bernanke who testifies to the House Financial Services on subprime on Thursday. Also eyed this week is third quarter earnings from Lehman Brothers on Tuesday, Morgan Stanley on Wednesday, with Bear Stearns and Goldman Sachs due to report Thursday.



| US Intrinsic's ^ |            |         |         |         |
|------------------|------------|---------|---------|---------|
|                  | M Duration | DV01 32 | DV01 \$ | DV01(€) |
| 30y              | 15.69      | 5.27    | \$1,648 | € 2,287 |
| 10y              | 7.84       | 2.58    | \$805   | € 1,118 |
| 5y               | 4.43       | 1.42    | \$443   | € 614   |
| 2y               | 1.85       | 0.59    | \$186   | € 258   |
| ZB               | 9.99       | 3.64    | \$114   | € 158   |
| ZN               | 5.91       | 2.09    | \$65    | € 91    |
| ZF               | 3.99       | 1.37    | \$43    | € 59    |
| ZT               | 1.90       | 0.63    | \$20    | € 27    |

^Futures are Based on CTD

| Tic for Tic Matrix (\$) |      |       |        |
|-------------------------|------|-------|--------|
|                         | Bund | Bobl  | Schatz |
| 30y                     | 9.91 | 18.00 | 41.24  |
| 10y                     | 4.84 | 8.80  | 20.15  |
| 5y                      | 2.66 | 4.83  | 11.07  |
| 2y                      | 1.12 | 2.03  | 4.65   |
| ZB                      | 0.68 | 1.24  | 2.85   |
| ZN                      | 0.39 | 1.34  | 1.63   |
| ZF                      | 0.26 | 0.47  | 1.07   |
| ZT                      | 0.12 | 0.21  | 0.49   |

| German Intrinsic's ^ |            |         |          |          |
|----------------------|------------|---------|----------|----------|
|                      | M Duration | DV01(€) | DV01(\$) | CF       |
| Bund                 | 7.22       | € 231   | \$166    | 0.868738 |
| Bobl                 | 4.18       | € 127   | \$92     | 0.960712 |
| Schatz               | 1.87       | € 55    | \$40     | 0.957701 |
| DE10Y                | 7.82       | € 1,105 | \$796    |          |
| DE5Y                 | 4.50       | € 658   | \$475    |          |
| DE2Y                 | 2.29       | € 335   | \$241    |          |

^Futures are Based on CTD

Last

EURUSD 138.76

**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     | 3.78      |
| Bobl (Z)  | 0.61     | 1.00     | 2.30      |
| Shatz (Z) | 0.26     | 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                     | 4.054 | 4.050 | 4.050 |
| US5y                     | 4.178 | 4.176 | 4.176 |
| US10y                    | 4.456 | 4.449 | 4.449 |

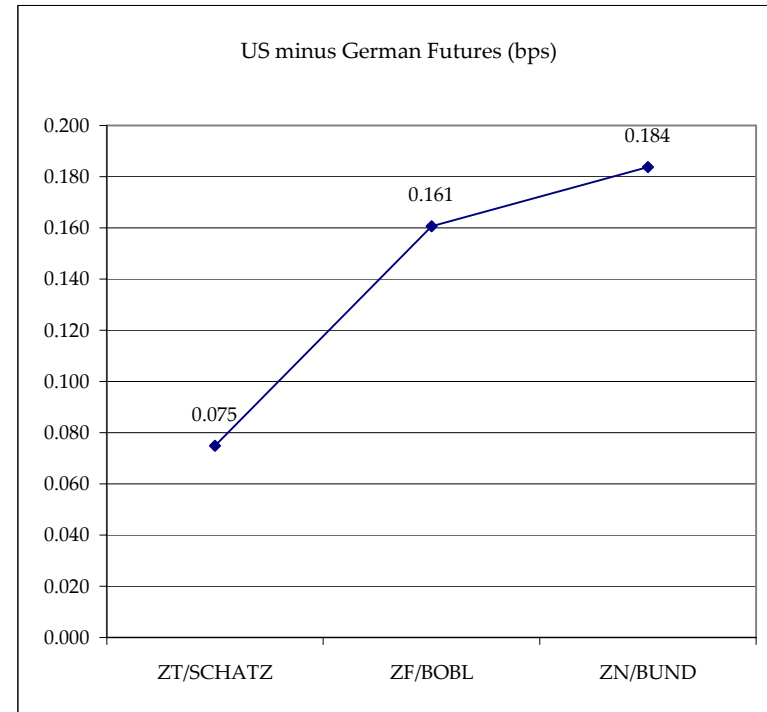
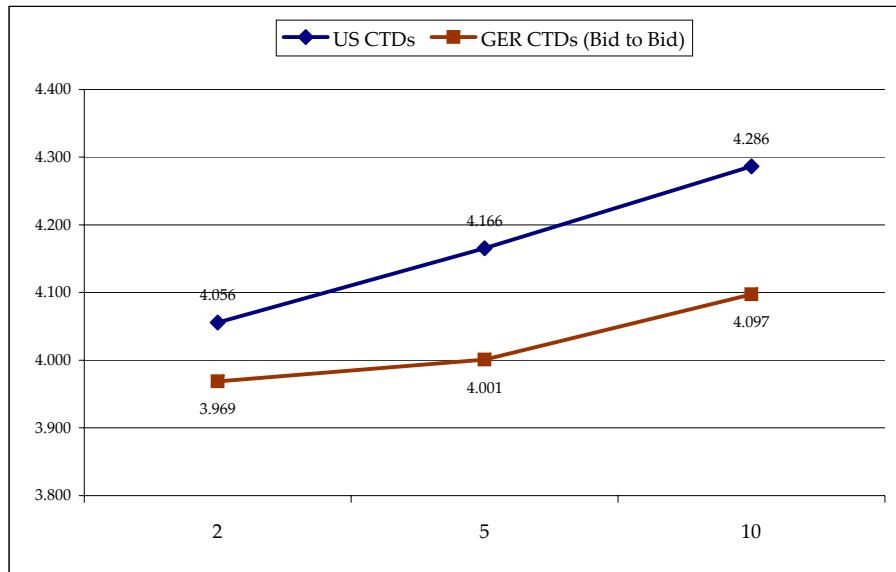
| German Cash Treasuries (OTR) |       |       |       |
|------------------------------|-------|-------|-------|
|                              | Bid   | Ask   | Last  |
| DE2y                         | 3.961 | 3.945 | 3.945 |
| DE5y                         | 4.027 | 4.017 | 4.017 |
| DE10y                        | 4.141 | 4.135 | 4.135 |

| Spreads   |       |
|-----------|-------|
|           | Bps   |
| ZT/SCHATZ | 0.075 |
| ZF/BOBL   | 0.161 |
| ZN/BUND   | 0.184 |

| US Cash Treasuries (CTD) |       |       |       |
|--------------------------|-------|-------|-------|
|                          | Bid   | Ask   | Last  |
| 3.375 of 09/09           | 4.056 | 4.043 | 4.043 |
| 4.625 of 02/12           | 4.166 | 4.162 | 4.162 |
| 4.250 of 08/14           | 4.286 | 4.281 | 4.281 |

| German Futures (CTD) |       |       |       |
|----------------------|-------|-------|-------|
|                      | Bid   | Ask   | Last  |
| 3.500 of 10/09       | 3.984 | 3.969 | 3.969 |
| 5.000 of 07/12       | 4.010 | 4.001 | 4.001 |
| 4.000 of 07/16       | 4.104 | 4.097 | 4.097 |

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 hours 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  
 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

**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<br>(Gov) | Lomax<br>(Dep<br>Gov) | Gieve<br>(Dep<br>Gov) | Bean   | Tucker | Barker | Blanch-<br>flower | Besley | Sent-<br>ance | Result | Level | Vote | Dis-<br>sent<br>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<br>Hawkish<br>Votes | Dissenting<br>Dovish<br>Votes | Non-<br>Dissenting<br>Votes | Total<br>Votes | Hawkishness<br>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 ]