



The Morning Email: US & Germany



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

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Jim Goulding, jgoulding@ghco.com

The Morning Email, US&GER



Quotes 1

32 nds								SYM NAME	
Last	Net	Hi	Low	Open	Volume	Yest Volume			
TUAZ7	103.145	(0.0)	103.162	103.125	103.150	36,712	302,142	2y Futures	US Futures Market
FVAZ7	107.045	(0.0)	107.100	107.000	107.090	70,858	667,851	5y Futures	
TYAZ7	109.215	(0.1)	109.290	109.145	109.280	171,184	1,156,134	10y Futures	
USAZ7	112.020	(0)	112.160	111.240	112.140	39,414	351,519	30y Futures	



32 nds						SYM NAME	
Last	Net	Hi	Low	Open	Volume		
BUS02P	99.312	(2.5)	100.017	99.302	100.015	2y	US Cash Treasury Market
BUS05P	99.225	(6.0)	99.272	99.190	99.272	5y	
BUS10P	101.280	(11.5)	102.050	101.225	102.050	10y	
BUS30P	103.035	(26)	103.210	102.260	103.170	30y	
Yield						SYM NAME	
Last	Net	Hi	Low	Open	Volume		
BUS02Y	4.008	4.20	4.038	3.953	3.991	2y Yield	US Cash Treasury Market
BUS05Y	4.188	4.20	4.22	4.148	4.164	5y Yield	
BUS10Y	4.511	4.50	4.538	4.468	4.476	10y Yield	
BUS30Y	4.798	5.20	4.823	4.752	4.756	30y Yield	

Decimal								SYM NAME	
Last	Net	Hi	Low	Open	Volume	Yest Volume			
DGZ7	103.38	(90.00)	103.46	103.30	103.45	333,912	570,884	Schatz(2Y)	German Futures Markets
DLZ7	107.87	(300.00)	108.10	107.71	108.10	352,385	594,907	Bobl(5Y)	
DBZ7	113.34	(51.00)	113.71	113.12	113.71	705,484	1,346,282	Bund(10Y)	



	Price	Yield			SYM NAME	
	Last	Last	Coupon	Maturity		
T.US.DE034P1009	98.93	4.039	3.500	10/9/2009	2 yr CTD	German Cash Treasury Market
T.US.DE040P0412	103.73	4.111	5.000	7/4/2012	5 yr CTD	
T.US.DE040P0716	98.39	4.214	4.000	7/4/2016	10 yr CTD	
DEP2P	99.98	4.009	4.000	9/11/2009	2yr OTR	
DEP5P	99.47	4.125	4.000	4/13/2012	5yr OTR	
DEP10P	99.98	4.251	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	103.38	103.39	103.38	103.46	103.30	-90.00
DLZ7	#VALUE!	107.87	107.87	108.10	107.71	-300.00
DBZ7	113.34	113.35	113.34	113.71	113.12	-51.00

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo
DGZ7	4.203	4.200	4.200	4.244	4.161
DLZ7		4.222	4.222	4.257	4.172
DBZ7	4.328	4.327	4.328	4.354	4.286

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng
T.US.DE034P1009	4.055	4.039	4.039	4.092	4.024	
T.US.DE040P0412	4.120	4.111	4.111	4.157	4.088	
T.US.DE040P0716	4.221	4.214	4.214	4.252	4.184	
DEP2P	4.026	4.009	4.009	4.063	3.993	4
DEP5P	4.135	4.125	4.125	4.172	4.103	0
DEP10P	4.257	4.251	4.251	4.288	4.220	-30

SYM NAME	
Schatz(2Y)	German Futures
Bobl(5Y)	
Bund(10Y)	

Schatz(2Y)	German Futures
Bobl(5Y)	
Bund(10Y)	

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	98.93	98.96	98.96	98.99	98.86	4.00
T.US.DE040P0412	103.73	103.77	103.77	103.87	103.57	-1.00
T.US.DE040P0716	98.39	98.44	98.44	98.66	98.17	-27.00
DEP2P	99.95	99.98	99.98	100.01	99.88	4.00
DEP5P	99.43	99.47	99.47	99.56	99.28	0.00
DEP10P	99.93	99.98	99.98	100.22	99.69	-30.00

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 Risk Aversion Unwinding**
by Charanjeev Chana

EGBs were trading lower on Tuesday afternoon on risk aversion unwinding after financial stocks recovered on better than expected Q3 earnings from Lehman Brothers. Meanwhile, Dec Bunds were little changed following the released of mixed August US PPI data. EGBs opened higher on gains in USTs and JGBs overnight following sharp losses in Asian stocks. The market soon reversed opening losses after European equity bourses traded higher, led by financial stocks. The move came in wake of a statement issued by Alliance & Leicester, in which the bank insisted it had not sought financial assistance from the Bank of England and said it was not facing the same problems currently faced by Northern Rock. Bunds were muted in response to September German ZEW data, which came in slightly below forecasts. On the supply front, the Greek PDMA tapped the benchmark 4.10% Aug 2017 GGB for E1.5bln, covered 3.44 times. Austria priced its new E5.0bln 10-year benchmark issue at +14bps versus Bunds.

Sentiment in the morning session on Wednesday will likely be dictated by overnight price action following the Federal Reserve interest rate decision. Data is limited for the Eurozone on Wednesday to German producer prices on the market open. On the supply front, Spain will publish details of its Q4 issuance plans.

In the forex markets, the dollar was mixed against the major currencies. The EUR/USD was at 1.387 (+0.001), cable at 1.996 (+0.001) and USD/JPY at 115.68 (+0.85).

European equities were stronger in afternoon trade. The DAX was trading +0.47%, CAC 40 +1.53% and the FTSE +0.382% on the day. US stocks were also higher with the S&P 500 +0.40% and the NASDAQ +0.23%.

Gilts were trading sharply lower, and underperforming Bunds. Short dates underperformed the Gilt curve after the Bank of England conducted an extra-liquidity injection in which it allocated stg4.408bln in a 2-day exceptional, fine-tuning operation, to quell the sharp climb in overnight interest rates. The BOE said it had received Stg25.481 billion in bids for the tender and that it had allocated 17.3%. The market temporarily spiked higher on weaker than expected August UK CPI data. The annual headline rate fell to its lowest level since March 2006.

Attention in the UK turns to the release of BOE minutes of the September MPC meeting.

Northern Rock Shares Rise, But Withdrawals Continue [from WSJ.com: News Europe]

Shares in Northern Rock rose, but worried depositors were again lining up to withdraw their money despite the U.K. government's promise to guarantee all savings.



03:04 09/19 BONDS: **EGBs** are opening mixed on Wednesday, with the short-dated issues outperforming in the wake of the Fed's unexpected "nifty-fifty" cut in the key Fed funds rate, in turn steepening the Bund yield curve. The move shadows that of US Treasuries after the Federal Reserve de-emphasised inflation risks and instead focused on the downside risks to economic growth. The market has left the door open for another cut in rates by year-end. Overnight, the BoJ's 9-member policy board voted 8:1 to maintain the target for the overnight call rate at 0.5% amid concerns that the US subprime mortgage lending and debt investment woes could hurt a broader economy. Once again, board member Atsushi Mizuno voted against leaving short-term interest rates unchanged. Attention today turns to the BoE MPC minutes for the September meeting at 0830GMT along with US CPI and housing starts data at 1230GMT. In addition, Morgan Stanley releases its Q3 earnings report, and comes in the wake of better than expected results from Lehman Brothers yesterday.

04:30 09/19 **BOE SEPT. MINUTES**: MPC Voted 9-0 For Unchanged Rates
 --BOE MPC Agreed Upside Risk Balance On CPI Has Prob Receded
 --BOE MPC: Outlook On CPI More Uncertain Due Market Crisis

The Bank of England's Monetary Policy Committee voted 9-0 to leave interest rates unchanged at its September meeting. The minutes, published Wednesday, show that the committee agreed the crisis in financial markets as well as developments in the wider economy meant that the upside risks to inflation had now "probably receded". "The outlook was now more uncertain," the MPC agreed. The comment is the first clear sign from the MPC that further hikes in interest rates in the near-term are off the agenda.

04:33 09/19 **REACTS**: Cable is 9 pips lower in the wake of the BoE MPC minutes for the Sept meeting, where the committee "agreed that upside inflation risks probably receded". Dec Gilts are paring back losses by 5 ticks. Little reaction seen in short-sterling strip, where Dec contract was up 15 ticks on the FOMC reaction in BoE pre-release.

05:10 09/19 **EURO-STERLING**: Euro-sterling hits its highest level since April 2006 at Stg0.6975 post BoE MPC minutes.

(cont.)

06:05 09/19 **BOE** to provide 3-month funds via auction
 - BOE to provide 3-month funds vs wider collateral range
 - 1st BOE auction to be held next week, 3 further auctions
 - Initial auction size stg10bn
 - Auction aimed to alleviate strains in longer-term markets

06:08 09/19 **SHORT-STERLING**: Dec short-sterling extends gains on BoE 3-mth auction announcement. Dec short-sterling hits highest level since May 11 at 94.100.

06:06 09/19 **CREDIT**: Northern Rock remains in the headlines today with talk circulating that a below the market (rescue) bid is being put together for the troubled bank. Rumours center around Lloyds TSB who are thought to be looking at a 200p bid, for the bank vs the current 260p (and falling) share price. This bid level represents the stand alone "run-off" value of Northern rock, which has been calculated at between 180-220p. CDS has remained relatively stable, tightening a tad today to the 130bps area, over 50bps tighter than the levels seen at the beginning of the week.

03:39 09/19 **BOJ FUKUI**: US economy unlikely to slip into recession

- No direct hit of US economic slump on Japan
- Japan economy stronger against external shocks
- Japan CPI stuck at -0.1% y/y but some items rising
- Unfazed by political changes in taking policy action

03:37 09/19 **BOJ FUKUI**: Board member Mizuno urged 25bps rate hike

- Gap with Mizuno on outlook not so big
- Global economic uncertainties rising, need to watch
- Long-term fluctuations reflecting uncertainties
- Want to confirm Japan capex trend in Sept Tankan.



US Intrinsic's ^				
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	15.59	5.17	\$1,615	€ 2,254
10y	7.82	2.56	\$801	€ 1,117
5y	4.42	1.41	\$442	€ 616
2y	1.85	0.59	\$185	€ 259
ZB	9.96	3.60	\$113	€ 157
ZN	5.90	2.08	\$65	€ 91
ZF	3.98	1.37	\$43	€ 60
ZT	1.90	0.63	\$20	€ 27

^Futures are Based on CTD

Tic for Tic Matrix (\$)			
	Bund	Bobl	Schatz
30y	9.82	17.76	40.61
10y	4.87	8.80	20.13
5y	2.69	4.86	11.10
2y	1.13	2.04	4.66
ZB	0.68	1.24	2.83
ZN	0.40	1.34	1.64
ZF	0.26	0.47	1.08
ZT	0.12	0.22	0.49

German Intrinsic's ^				
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.20	€ 230	\$165	0.868738
Bobl	4.17	€ 127	\$91	0.960712
Schatz	1.86	€ 56	\$40	0.957701
DE10Y	7.80	€ 1,098	\$787	
DE5Y	4.49	€ 657	\$471	
DE2Y	2.28	€ 335	\$240	

^Futures are Based on CTD

Last

EURUSD 139.55

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	3.75
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	4.012	4.008	4.008
US5y	4.192	4.188	4.188
US10y	4.513	4.511	4.511

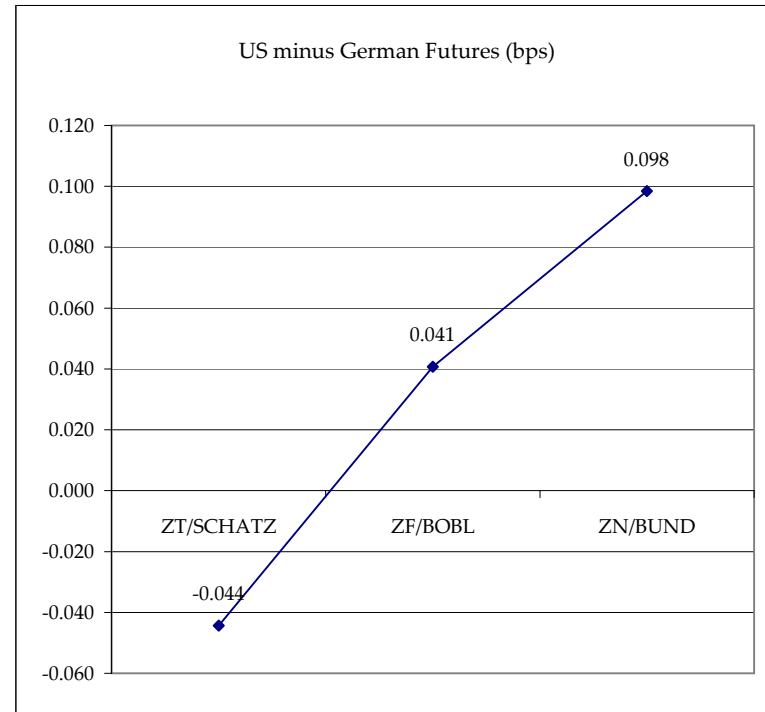
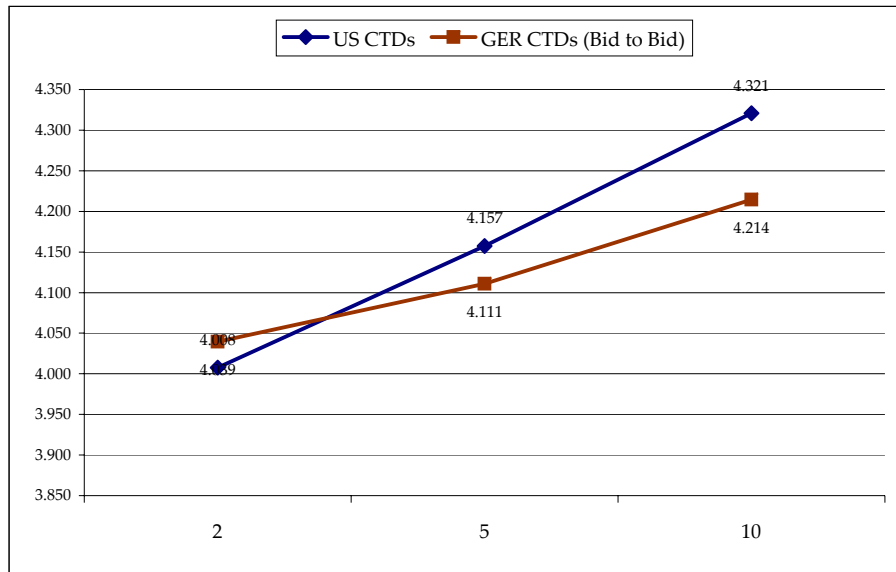
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	4.026	4.009	4.009
DE5y	4.135	4.125	4.125
DE10y	4.257	4.251	4.251

Spreads	
	Bps
ZT/SCHATZ	-0.044
ZF/BOBL	0.041
ZN/BUND	0.098

US Cash Treasuries (CTD)			
	Bid	Ask	Last
3.375 of 09/09	4.008	3.995	3.995
4.625 of 02/12	4.157	4.152	4.152
4.250 of 08/14	4.321	4.313	4.313

German Futures (CTD)			
	Bid	Ask	Last
3.500 of 10/09	4.055	4.039	4.039
5.000 of 07/12	4.120	4.111	4.111
4.000 of 07/16	4.221	4.214	4.214

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 (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]