



The Morning Email: US & Germany



Table of Contents

- Pg 1 Quotes 1
- Pg 2 Quotes 2
- Pg 3 News - Yesterday's Recap
- Pg 4 News - Overnight Recap for Euroland & Japan
- Pg 5 Intrinsic & Tic for Tic Matrix'
- Pg 6 Hedge Ratio's - Bloomberg/GH Trader's LLC
- Pg 7 Yields & Spreads
- Pg 8 Volume Questions & Global Bond Market Characteristics

Pg 9, 10 The ECB Updated

Pg 11, 12 The BOE Updated

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 | 103.112 | 0.0 | 103.120 | 103.067 | 103.072 | 50,574 | 244,902 | 2y Futures | US Futures Market |
| FVAZ7 | 106.195 | 0.0 | 106.220 | 106.110 | 106.120 | 98,759 | 722,414 | 5y Futures | |
| TYAZ7 | 108.220 | 0.0 | 108.245 | 108.130 | 108.130 | 215,973 | 1,553,797 | 10y Futures | |
| USAZ7 | 110.090 | 0 | 110.130 | 109.290 | 110.000 | 53,766 | 456,385 | 30y Futures | |



| | 32 nds | | | | | Volume | |
|--------|---------|-----|---------|---------|---------|--------|--|
| | Last | Net | Hi | Low | Open | | |
| BUS02P | 99.285 | 3.0 | 99.297 | 99.252 | 99.255 | 2y | US Cash Treasury Market |
| BUS05P | 99.050 | 6.0 | 99.070 | 98.295 | 98.295 | 5y | |
| BUS10P | 100.200 | 6.5 | 100.235 | 100.115 | 100.115 | 10y | |
| BUS30P | 100.275 | 12 | 101.010 | 100.140 | 100.180 | 30y | |

| | 32 nds | | | | | Volume | |
|--------|--------|--------|-------|-------|-------|-----------|--|
| | Last | Net | Hi | Low | Open | | |
| BUS02Y | 4.055 | (5.00) | 4.131 | 4.029 | 4.131 | 2y Yield | |
| BUS05Y | 4.315 | (3.90) | 4.377 | 4.299 | 4.374 | 5y Yield | |
| BUS10Y | 4.668 | (3.00) | 4.708 | 4.654 | 4.706 | 10y Yield | |
| BUS30Y | 4.942 | (2.30) | 4.975 | 4.931 | 4.964 | 30y Yield | |

| | Decimal | | | | | Volume | Yest Volume | SYM NAME | |
|------|---------|--------|--------|--------|--------|---------|-------------|------------|---------------------------------------|
| | Last | Net | Hi | Low | Open | | | | |
| DGZ7 | 103.32 | 125.00 | 103.34 | 103.21 | 103.22 | 307,811 | 624,627 | Schatz(2Y) | German Futures Markets |
| DLZ7 | 107.57 | 220.00 | 107.62 | 107.38 | 107.43 | 255,508 | 691,703 | Bobl(5Y) | |
| DBZ7 | 112.53 | 23.00 | 112.63 | 112.24 | 112.41 | 560,834 | 1,376,946 | Bund(10Y) | |



| | Price | Yield | | | SYM NAME | |
|-----------------|--------|-------|--------|-----------|-----------|--|
| | Last | Last | Coupon | Maturity | | |
| T.US.DE034P1009 | 98.88 | 4.067 | 3.500 | 10/9/2009 | 2 yr CTD | German Cash Treasury Market |
| T.US.DE040P0412 | 103.42 | 4.181 | 5.000 | 7/4/2012 | 5 yr CTD | |
| T.US.DE040P0716 | 97.69 | 4.313 | 4.000 | 7/4/2016 | 10 yr CTD | |
| DEP2P | 99.91 | 4.047 | 4.000 | 9/11/2009 | 2yr OTR | |
| DEP5P | 99.20 | 4.192 | 4.000 | 4/13/2012 | 5yr OTR | |
| DEP10P | 99.21 | 4.349 | 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! | 103.32 | 103.32 | 103.34 | 103.21 | 125.00 |
| DLZ7 | 107.57 | 107.57 | 107.57 | 107.62 | 107.38 | 220.00 |
| DBZ7 | 112.53 | #VALUE! | 112.53 | 112.63 | 112.24 | 23.00 |

| | Y Bid | Y Ask | Y Last | Y Hi | Y Lo |
|------|-------|-------|--------|-------|-------|
| DGZ7 | | 4.234 | 4.234 | 4.291 | 4.223 |
| DLZ7 | 4.287 | 4.286 | 4.286 | 4.328 | 4.276 |
| DBZ7 | 4.423 | | 4.423 | 4.456 | 4.411 |

| | Y Bid | Y Ask | Y Last | Y Hi | Y Lo | Chng |
|-----------------|-------|-------|--------|-------|-------|------|
| T.US.DE034P1009 | 4.083 | 4.067 | 4.067 | 4.136 | 4.057 | |
| T.US.DE040P0412 | 4.190 | 4.181 | 4.181 | 4.229 | 4.170 | |
| T.US.DE040P0716 | 4.320 | 4.313 | 4.313 | 4.358 | 4.297 | |
| DEP2P | 4.063 | 4.047 | 4.047 | 4.117 | 4.036 | 2 |
| DEP5P | 4.202 | 4.192 | 4.192 | 4.249 | 4.180 | -3 |
| DEP10P | 4.355 | 4.349 | 4.349 | 4.394 | 4.335 | -19 |

| 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 | 98.88 | 98.91 | 98.91 | 98.93 | 98.78 | 2.00 |
| T.US.DE040P0412 | 103.42 | 103.46 | 103.46 | 103.51 | 103.25 | -6.00 |
| T.US.DE040P0716 | 97.69 | 97.74 | 97.74 | 97.85 | 97.42 | -17.00 |
| DEP2P | 99.88 | 99.91 | 99.91 | 99.93 | 99.78 | 2.00 |
| DEP5P | 99.16 | 99.20 | 99.20 | 99.25 | 98.97 | -3.00 |
| DEP10P | 99.16 | 99.21 | 99.21 | 99.32 | 98.86 | -19.00 |

| 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

Euro Mkt Summary: EGBs Lower on Strong Earnings, US Claims
by Charanjeev Chana

EGBs were trading lower on Thursday afternoon with short dates outperforming. Bunds extended losses in afternoon trade on below expected US initial claims. Ahead of claims data, bunds came under pressure in afternoon trade on stronger than expected Q3 earnings from Goldman Sachs who stated, "Significant losses in non-prime loans and securities were more than offset by gains on short mortgage positions." The Bund curve opened steeper as short dated issues extended their outperformance on euro-dollar currency gains, which rose to a fresh lifetime highs above \$1.4000. Amidst a lack of key European macroeconomic data, Bunds were underpinned by supply from France and Spain, which was well received. The AFT sold E1.5bln of the 4.00% Sept 2009 BTAN, covered 4.83 times and E1.15bln of the 5.00% Apr 2012 OAT, covered 4.591 times. Spain allotted E1.036bln of the 4.90% July 2040 Bono, covered 2.77 times. Additionally, the German debt management agency published its Q4 2007 issuance calendar in which it cut gross capital market issuance by E1 billion to E30 billion.

In the forex markets, the dollar traded sharply lower against the major currencies. The EUR/USD was at 1.405 (+0.009), cable at 2.010 (+0.009) and USD/JPY at 115.00 (-1.10).

Gilts were also trading lower with short dated Gilts underperforming. Stronger than expected UK data weighed on the short end of the Gilt curve on Thursday. UK retail sales volumes once again grew by much more than expected in August - with the annual rate posting its strongest annual gain since March 2007. CBI Industrial Trends data showed that the manufacturing sector remained robust in September after reporting strong gains in the volume of manufacturing output. Gilts also came under pressure as markets interpreted comments by BOE Governor Mervyn King as suggesting that interest rates would not be cut by the bank to ease financial strains in money markets, after he said "the BOE is not responsible for individual institutions" which must take responsibility for their actions. The BOE Governor alongside other members of the MPC gave evidence on the August inflation report before the Treasury Select Committee on Thursday morning.

[SOURCE: The Wall Street Journal]

BOE Governor Wanted to Act Covertly as Last-Resort Lender

By NATASHA BRERETON and PAUL HANNON

September 20, 2007 8:39 a.m.

LONDON -- Bank of England Governor Mervyn King Thursday said he wanted to assume a lower profile in helping mortgage lender Northern Rock PLC, but was prevented from doing so by European legislation.

Write to Natasha Brereton at natasha.brereton@dowjones.com and Paul Hannon at paul.hannon@dowjones.com

06:56 09/20 **FX**: Euro-dollar made fresh lifetime highs above \$1.4000 on Thursday morning as the impact of the US interest rate cut continued to hit the dollar. Addition sales of the greenback came on the back of Daily Telegraph article suggesting the Saudis may be preparing to drop the dollar peg. Euro-dollar made highs at \$1.4066 before easing back, whilst the dollar was also weaker versus the yen, slipping to a Y115.30 low. Stronger than expected UK retail sales data pushed cable up above \$2.0100 before easing back to \$2.0050 and ending the session around \$2.0075, comments from the MPC in front of the Treasury Select Committee having little impact. The surging euro pulled euro-sterling to fresh 18-month highs above stg0.7000.

06:53 09/20 **LIBOR FIXINGS**: 3-mth Dollar Libor fixed at 5.21000% vs 5.23750% Weds -- o/n Dollar fixed at 4.93750% vs 4.94375% Wednesday.



03:03 09/21 **BONDS: EGBs** are opening lower on Friday and extending weakness after sharp fall in US Treasuries towards the Chicago close after the 10-year Note yield broke above 4.60% level. However, the short-dated issues are outperforming, taking cue from the continued appreciation in the euro-dollar to fresh record highs above \$1.4100 area, in turn steepening the Bund yield curve. Traders attributed the selling in USTs to long liquidation as the credit crunch fears waned after the Federal Reserve's 50bps rate cuts on Tuesday. Bond selling was also seen on back of rising inflation fears, given the continued rise in gold to fresh 27-year highs, WTI Nymex crude oil near \$82.00 level and general rise in commodity prices. In addition, the continued USD weakness also spurred foreign-exchange-tied selling in Treasuries. Attention today is on a slew of ECB comments, where Bini Smaghi, Draghi, Papademos, Stark, Weber, and Trichet. Fed speakers include Kohn, Mishkin, Plosser and Warsh. Elsewhere, Yom Kippur begins tonight.

04:13 09/21 **BUNDS:** Dec Bunds pare losses, with the short-dated issues leading the charge higher following release of much weaker than expected flash eurozone composite PMI at 54.5 in Sept vs 57.4 Aug -- lowest since Sept 2005. Dec Bunds are down 16 ticks at 112.53.

04:37 09/21 **ECB: RBS** have changed their ECB rate view, and now looking for cuts in 2008, in the wake of flash eurozone PMI data. "Our anticipation that growth will fall below potential next year is thus consistent with some easing by the ECB, we think by 50 bps over the course of Q2-Q3", say RBS.

06:58 09/21 **FX:** Euro-dollar again traded at record highs on Friday, pushing up in early dealing to \$1.4121. The pair soon eased back below \$1.4100 however, semi-official supply, combined with wires reporting weaker Eurozone PMI data taking rate under \$1.4070. Late Russian demand for dollars took dollar-yen to highs above ¥115.60, also knocking euro-dollar down to lows around \$1.4052. After slipping to early lows versus the dollar and the euro, sterling steadily recovered over the course of the session, the move mainly driven by demand for cable from the Mid-East. A variety of banks were paid by the same account, lifting cable up to challenge the week's highs by the end of the morning. Euro-sterling eased back after running into resistance at the April 2006 stg0.7021 high, ending the morning around stg0.6975.

06:51 09/21 **LIBOR FIXING:** Stg 3-mth Libor lowest since August 14.

06:50 09/21 **LIBOR FIXING:** Stg 3-mth Libor fixed at 6.36500% vs 6.38750% yesterday

-- Stg o/n Libor fixed at 5.75250% vs 5.82375% yesterday

-- Euro 3-mth Libor fixed at 4.72375% vs 4.72188% yesterday

-- Euro o/n Libor fixed at 4.08500% vs 4.03875% yesterday.

(cont.)

06:32 09/21 **ECB PAPADEMOS:** Bond yield rise doesn't reflect worse inflation expect

- Long yield rise shows Greenspan conundrum being solved

- Changing risk attitude only one reason for bond yield rise

- ECB hasn't identified prices as key infl risk

06:49 09/21 **ECB PAPADEMOS:** Must better understand fin instab-monopol link

- ECB unambiguously committed to price stability

- ECB independence significant, enshrined in EU Treaty

06:56 09/21 **ECB PAPADEMOS:** Fin market return to normal most likely scenario

- Our baseline scenario progressing, if protracted

04:07 09/21 **JAPAN:** As reported a few weeks ago, Japan's MOF has confirmed it will launch a 40-year JGB on Nov 6. MOF says it will likely sell ¥100 bln in the first sale. MOF adds it will likely cut issuance of the 15Y floater in H2 of 07/08, while maintaining 20Y issuance.

02:44 09/21 **JGB SUMMARY:** Japanese government bonds ended Friday's session lower again, as overnight U.S. Treasury weakness weakened JGBs out of the gate. With the Sept half-year end fast approaching, many players were seen trying to lighten up their inventories. JGB dealers were seen as the main sellers of JGBs in the early part of the day, pushing yields higher to attract fresh buying interest. However, prices had to be pushed sharply lower before dip-buying emerged from public funds. As the market steadied, life and pension funds were tentative buyers of the long-end, although there was little in the way of a market rally.

-- Benchmark 10-year yield was 5 bps higher at 1.685%.

-- Benchmark 5-year yield was 6.5 bps higher at 1.225%.

-- Benchmark 20-year yield was 5.5 bps higher at 2.215%.

-- Benchmark 30-year yield was 5 bps higher at 2.480%.

-- Lead Sept JGB futures contract was down 0.60 at 134.70

Intrinsics & Tic for Tic Matrix'



| US Intrinsic's ^ | | | | |
|------------------|------------|---------|---------|---------|
| | M Duration | DV01 32 | DV01 \$ | DV01(€) |
| 30y | 15.41 | 5.00 | \$1,563 | € 2,199 |
| 10y | 7.79 | 2.52 | \$788 | € 1,108 |
| 5y | 4.41 | 1.40 | \$438 | € 616 |
| 2y | 1.84 | 0.59 | \$184 | € 259 |
| ZB | 9.90 | 3.53 | \$110 | € 155 |
| ZN | 5.88 | 2.06 | \$64 | € 91 |
| ZF | 3.97 | 1.36 | \$42 | € 60 |
| ZT | 1.89 | 0.62 | \$20 | € 27 |

^Futures are Based on CTD

| German Intrinsic's ^ | | | | |
|----------------------|------------|---------|----------|----------|
| | M Duration | DV01(€) | DV01(\$) | CF |
| Bund | 7.18 | € 229 | \$163 | 0.868738 |
| Bobl | 4.15 | € 127 | \$90 | 0.960712 |
| Schatz | 1.85 | € 56 | \$40 | 0.957701 |
| DE10Y | 7.78 | € 1,095 | \$779 | |
| DE5Y | 4.48 | € 659 | \$468 | |
| DE2Y | 2.27 | € 336 | \$239 | |

^Futures are Based on CTD

Last

EURUSD 140.65

| Tic for Tic Matrix (\$) | | | |
|-------------------------|------|-------|--------|
| | Bund | Bobl | Schatz |
| 30y | 9.60 | 17.29 | 39.54 |
| 10y | 4.84 | 8.72 | 19.93 |
| 5y | 2.69 | 4.85 | 11.08 |
| 2y | 1.13 | 2.04 | 4.66 |
| ZB | 0.68 | 1.22 | 2.79 |
| 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 | 1.63 | 3.74 |
| 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 | 4.059 | 4.055 | 4.055 |
| US5y | 4.316 | 4.315 | 4.315 |
| US10y | 4.670 | 4.668 | 4.668 |

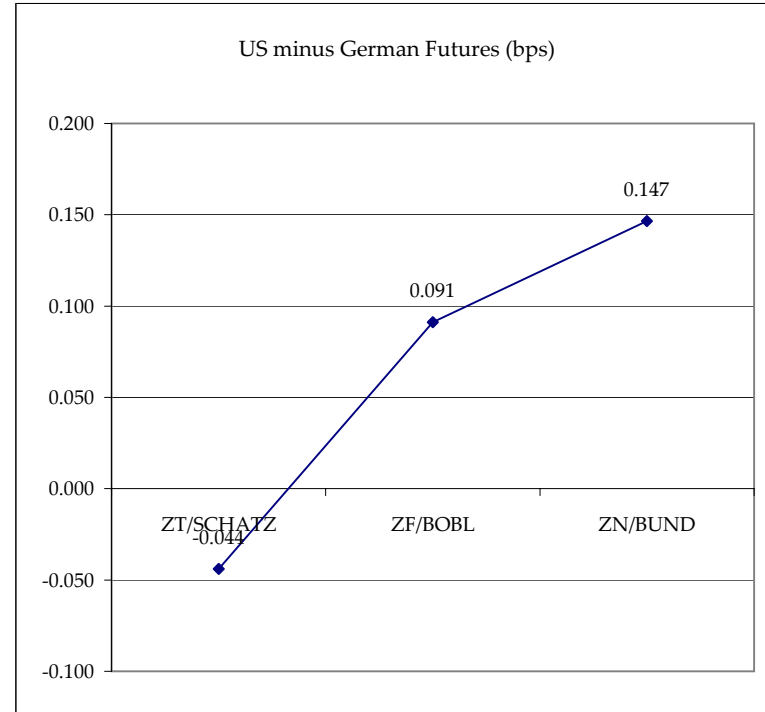
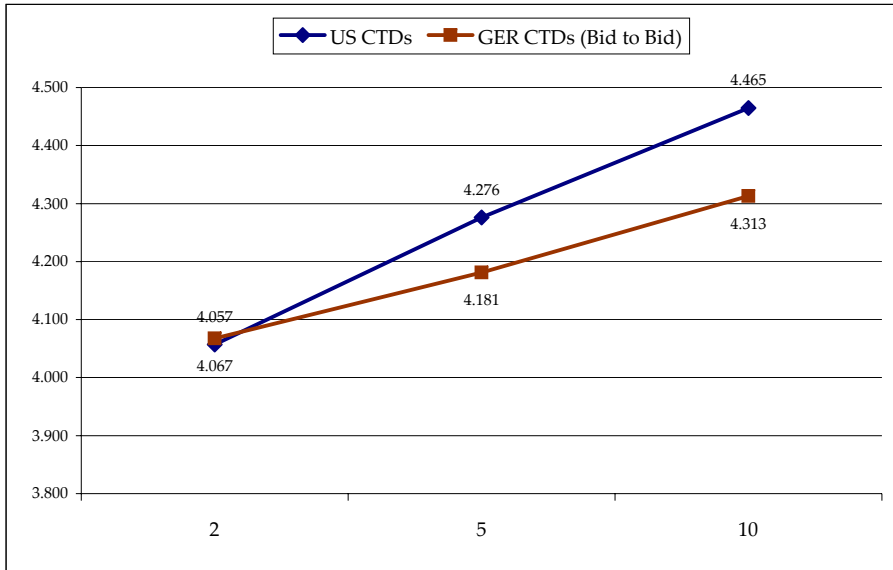
| German Cash Treasuries (OTR) | | | |
|------------------------------|-------|-------|-------|
| | Bid | Ask | Last |
| DE2y | 4.063 | 4.047 | 4.047 |
| DE5y | 4.202 | 4.192 | 4.192 |
| DE10y | 4.355 | 4.349 | 4.349 |

| Spreads | |
|-----------|--------|
| | Bps |
| ZT/SCHATZ | -0.044 |
| ZF/BOBL | 0.091 |
| ZN/BUND | 0.147 |

| US Cash Treasuries (CTD) | | | |
|--------------------------|-------|-------|-------|
| | Bid | Ask | Last |
| 3.375 of 09/09 | 4.057 | 4.023 | 4.023 |
| 4.625 of 02/12 | 4.276 | 4.272 | 4.272 |
| 4.250 of 08/14 | 4.465 | 4.459 | 4.459 |

| German Futures (CTD) | | | |
|----------------------|-------|-------|-------|
| | Bid | Ask | Last |
| 3.500 of 10/09 | 4.083 | 4.067 | 4.067 |
| 5.000 of 07/12 | 4.190 | 4.181 | 4.181 |
| 4.000 of 07/16 | 4.320 | 4.313 | 4.313 |

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
 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]

Most Recent MPC Meetings:

| | King (Gov) | Lomax (Dep Gov) | Gieve (Dep Gov) | Bean | Tucker | Barker | Blanch- flower | Besley | Sent- ance | Result | Level | Vote | Dis- sent bias |
|--------|---------------|-----------------------|-----------------------|--------|--------|--------|-------------------|--------|---------------|---------------|-------|------------|----------------------|
| Aug-06 | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | unch | | | +25bps | 4.75% | 6-1 | no chg |
| Sep-06 | unch | unch | unch | unch | unch | unch | unch | unch | | unch | 4.75% | 8-0 | none |
| Oct-06 | unch | unch | unch | unch | unch | unch | unch | +25bps | +25bps | unch | 4.75% | 7-2 | tightening |
| Nov-06 | +25bps | unch | +25bps | +25bps | +25bps | +25bps | unch | +25bps | +25bps | +25bps | 5.00% | 7-2 | no chg |
| Dec-06 | unch | unch | unch | unch | unch | unch | unch | unch | unch | unch | 5.00% | 9-0 | none |
| Jan-07 | +25bps | unch | +25bps | unch | unch | +25bps | unch | +25bps | +25bps | +25bps | 5.25% | 5-4 | no chg |
| Feb-07 | unch | unch | unch | unch | unch | unch | unch | +25bps | +25bps | unch | 5.25% | 7-2 | tightening |
| Mar-07 | unch | unch | unch | unch | unch | unch | -25bps | unch | unch | unch | 5.25% | 8-1 | easing |
| Apr-07 | unch | unch | unch | unch | unch | unch | unch | +25bps | +25bps | unch | 5.25% | 7-2 | tightening |
| May-07 | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | 5.50% | 9-0 | none |
| Jun-07 | +25bps | unch | +25bps | unch | unch | unch | unch | +25bps | +25bps | unch | 5.50% | 5-4 | tightening |
| Jul-07 | +25bps | unch | +25bps | unch | +25bps | +25bps | unch | +25bps | +25bps | +25bps | 5.75% | 6-3 | no chg |
| Aug-07 | unch | unch | unch | unch | unch | unch | unch | unch | unch | unch | 5.75% | 9-0 | none |
| Sep-07 | unch | unch | unch | unch | unch | unch | unch | unch | unch | unch | 5.75% | 9-0 | none |

Stone & McCarthy
RESEARCH ASSOCIATES

BOE HAWKOMETER (to September meeting)

| | Dissenting | | Non- | Total | Hawkishness |
|--|------------|--------|------------|-------|-------------|
| | Hawkish | Dovish | Dissenting | | |
| | Votes | Votes | Votes | Votes | Rating |
|  Sentance | 4 | 0 | 8 | 12 | 33% |
|  Besley | 4 | 0 | 9 | 13 | 31% |
|  King (Gov) | 14 | 0 | 111 | 125 | 11% |
|  Tucker | 6 | 1 | 57 | 64 | 8% |
|  Gieve (Dep Gov) | 1 | 0 | 19 | 20 | 5% |
|  Lomax (Dep Gov) | 2 | 3 | 46 | 51 | -2% |
|  Barker | 1 | 4 | 72 | 77 | -4% |
|  Bean | 0 | 5 | 80 | 85 | -6% |
|  Blanchflower | 0 | 5 | 11 | 16 | -31% |

BOE Hawkometer – A More Dovish Set of Minutes in September
by Niraj Shah

[September 6, 2007]

The Bank of England's Monetary Policy Committee today voted to maintain the official Bank Rate paid on commercial bank reserves at 5.75%.

In its August Inflation Report, the Committee's central projection was for inflation to remain close to the 2% target over the forecast period and for output growth to ease, reflecting a slowing in both consumer spending and business investment.

In recent weeks, heightened concerns about a variety of asset-backed securities have led to disruption around the world, not only in markets for those financial instruments but also in money markets more generally. The MPC's mandate is to set interest rates to meet the Government's 2% target for CPI inflation. So the Committee discussed these developments and other economic data in terms of their implications for the outlook for inflation.

CPI inflation fell back to 1.9% in July and may remain around, or a little below, the 2% target for the next few months. Pay pressures remain muted. There are tentative signs of a slowing in consumer spending. But the recent solid pace of output growth has been sustained and the margin of spare capacity appears limited. Indicators of pricing pressure remain somewhat elevated.

It is too soon to tell how far the disruption in financial markets will impair the availability of credit to companies and households. As stated in its August Report, the MPC is monitoring closely the evolution of both credit spreads and the quantities of credit extended, alongside all other data relevant to the outlook for inflation.

Against that background, the Committee judged that no change in Bank Rate was necessary at this meeting to keep inflation on track to meet the target in the medium term.

The minutes of the meeting will be published at 9.30am on Wednesday 19 September.

Note to Editors

The previous change in Bank Rate was an increase of 0.25 percentage points to 5.75% on 5 July 2007. [SOURCE: The BOE]