



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	103.097	(0.0)	103.120	103.097	103.120	13,382	202,077	2y Futures	US Futures Market
FVAZ7	106.175	(0.0)	106.230	106.170	106.215	22,176	542,558	5y Futures	
TYAZ7	108.225	(0.1)	108.295	108.220	108.285	72,182	1,095,973	10y Futures	
USAZ7	110.140	(0)	110.250	110.120	110.230	11,778	374,645	30y Futures	



32 nds							SYM NAME	
Last	Net	Hi	Low	Open	Volume			
BUS02P	#VALUE!	(1.5)	99.287	99.275	99.287	2y	US Cash Treasury Market	
BUS05P	99.030	(4.7)	99.060	99.032	99.042	5y		
BUS10P	100.235	(8.0)	100.280	100.235	100.250	10y		
BUS30P	101.100	(13)	101.230	101.095	101.230	30y		
Last	Net	Hi	Low	Open	Volume			
BUS02Y	4.067	2.10	4.106	4.042	4.106	2y Yield		
BUS05Y	4.327	3.20	4.333	4.302	4.331	5y Yield		
BUS10Y	4.652	2.80	4.66	4.634	4.656	10y Yield		
BUS30Y	4.910	2.60	4.918	4.883	4.89	30y Yield		

Decimal								SYM NAME	
Last	Net	Hi	Low	Open	Volume	Yest Volume			
DGZ7	103.30	(10.00)	103.39	103.29	103.30	172,257	541,822	Schatz(2Y)	German Futures Markets
DLZ7	107.48	(75.00)	107.64	107.46	107.53	152,839	473,085	Bobl(5Y)	
DBZ7	112.29	(18.00)	112.53	112.27	112.41	339,661	1,052,431	Bund(10Y)	



	Price	Yield			SYM NAME	
	Last	Last	Coupon	Maturity		
T.US.DE034P1009	98.86	4.079	3.500	10/9/2009	2 yr CTD	German Cash Treasury Market
T.US.DE040P0412	103.37	4.192	5.000	7/4/2012	5 yr CTD	
T.US.DE040P0716	97.49	4.341	4.000	7/4/2016	10 yr CTD	
DEP2P	99.92	4.042	4.000	9/11/2009	2yr OTR	
DEP5P	99.14	4.207	4.000	4/13/2012	5yr OTR	
DEP10P	98.97	4.380	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	103.30	103.31	103.30	103.39	103.29	-10.00
DLZ7	107.48	107.48	107.48	107.64	107.46	-75.00
DBZ7	112.29	#VALUE!	112.29	112.53	112.27	-18.00

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo
DGZ7	4.244	4.242	4.242	4.252	4.200
DLZ7	4.306	4.305	4.305	4.310	4.271
DBZ7	4.451		4.451	4.453	4.423

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng
T.US.DE034P1009	4.095	4.079	4.079	4.105	4.031	
T.US.DE040P0412	4.201	4.192	4.192	4.208	4.160	
T.US.DE040P0716	4.348	4.341	4.341	4.351	4.313	
DEP2P	4.058	4.042	4.042	4.074	3.998	1
DEP5P	4.217	4.207	4.207	4.224	4.175	-5
DEP10P	4.386	4.380	4.380	4.389	4.348	-20

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	98.86	98.89	98.89	98.98	98.84	0.00
T.US.DE040P0412	103.37	103.41	103.41	103.55	103.34	-5.00
T.US.DE040P0716	97.49	97.54	97.54	97.74	97.47	-16.00
DEP2P	99.89	99.92	99.92	100.00	99.86	1.00
DEP5P	99.10	99.14	99.14	99.27	99.07	-5.00
DEP10P	98.92	98.97	98.97	99.22	98.90	-20.00

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 Mixed, Short Dates Outperform on Weak PMIs**by Charanjeev Chana**

EGBs were trading mixed on Friday afternoon, with short dates outperforming in turn steepening the Bund curve. Bund traded higher on short covering after dipping lower on comments by Fed Governor Kohn, who said the Fed would not have "eased this week if housing prices had continued their upward march." EGBs opened lower, taking cue from USTs overnight, which posted sharp declines on technical selling towards the Chicago close. Dec Bunds extended losses in early trade on stop-loss selling, following hawkish comments from ECB official Axel Weber who suggested that the medium term focus of central banks should remain on maintaining price stability. Short dated issues however continued to outperform as the euro-dollar extended gains to fresh lifetime highs. Also underpinning the short dates was September Eurozone PMI data. The services PMI came in considerably weaker than expected - falling to its lowest level since 2005 whilst the manufacturing PMI was also weaker and indicative of some deceleration in output growth in the industrial sector.

In the **forex markets**, the dollar traded mixed against the major currencies. The EUR/USD was at 1.408 (+0.001), cable at 2.019 (+0.010) and USD/JPY at 115.49 (+0.77).

European equities were higher in afternoon trade. The DAX was trading +0.62%, CAC 40 +0.09% and the FTSE +0.40% on the day. US stocks were also higher with the S&P 500 +0.49% and the NASDAQ +0.51%.

Gilts were also trading lower with little bias, and underperforming versus trade in Europe. The Bank of England announced details of eligible collateral for next week's 3-month auctions which included G-10 bonds, EEA sovereigns, FHLM, FNMA and FHLB securities.



05:25 09/24 **CREDIT:**2) Analysts now muse that Northern Rock has no option but to attempt to go it alone with the support of the Bank of England or face a break-up of its operations. Northern Rock was forced to borrow about Stg3 bln from the Bank of England last week. In an attempt to bolster the share price, which has fallen 85% from its peak earlier this year, Northern Rock plans to press ahead and pay a Stg59 mln dividend, even though it is not legally obliged to make the payment. Northern Rock is still on course to make pre-exceptional profits of Stg500 mln this year. CDS spreads for Northern Rock are trading around the 85 bps level.

05:01 09/24 **BOE:** The Bank of England Money ops desk confirms no lending via the standing lending facility on Friday.

04:39 09/24 **BUNDS:** Dec Bunds hitting fresh session lows, taking cue from weakness in UK Gilts in the wake of the UK public finance data, with all the key measures hitting record levels. In addition, weakness in French bonds are also impacting, as market digests controversial comments from French Premier Francois Fillon, who referred to France being bankrupt.

04:56 09/24 **MONTH-END EXTENSIONS:** Early estimates for month-end extensions in EGBs are medium, according to early iBoxx sovereign estimates, but higher than average, whilst extension in Gilts are small. The iBoxx Euro sovereign index extends by +0.07 years into October, given four bonds leave the index for E49.5bln vs E28.8bln leaving in Sept 2006, whilst 17 bonds totalling E44.1bln enter the index vs E47.5bln in Sept 2006. The extension at +0.07 years is higher than the historical average for this time of the year (+0.05 years), say strategists. In the UK, the iBoxx sterling index extends by around +0.01 years, given the 5.25% June 2012 Gilt and 4.50% Dec 2042 Gilt auctions no Gilts leaving the index, add strategists. The advance estimates for the Lehman Bros month-end bond index extensions show slight +0.05-years extensions in Treasuries, but chunky ones in Agencies at +0.12 years; final index calculations will be made after markets close Friday, Sept. 28.

(cont.)

05:01 09/24 **EUROZONE DATA:** Eurozone industrial order growth surprised on the downside in July after recent upside surprises, due in large part to a pronounced sag in demand for transport equipment following June's spike, Eurostat said Monday. Total orders dropped 4.0% on the month after +4.5% in June (revised up from +4.4%), for a gain of 10.9% on the year after an upwardly corrected +14.0% (+13.8%) in June. As a result, July orders stood 0.72% below the average of 2Q, when orders rose 3.54% q/q after +1.93% in 1Q and +1.77% in 4Q. The three-month moving average fell to +0.57% from +1.83% in June.

03:21 09/24 **BONDS: EGBs** are opening mixed on Monday, with the short-dated issues extending their outperformance on back of continued strength in euro-dollar, which hit fresh lifetime highs at \$1.4130 this morning. Japanese markets were closed overnight in observance of the annual Autumn Equinox holiday. The short-dated issues outperformed on Friday following release of much weaker than expected flash eurozone composite PMI at 54.5 in Sept vs 57.4 Aug -- lowest since Sept 2005. The fall was led by the service sector, where the headline service index fell to a 25-month low, a full three points beneath the low survey forecast. The weak numbers perhaps show that the eurozone is perhaps beginning to show impact from the recent turmoil on financial markets, which some central bankers have insisted would not be great. The data prompted markets to increase speculation that the European Central Bank will now cut rates, with the EONIA swap rate implying a 10% chance of a 25bps rate by year-end and around 18% chance of a similar move by February 2008.

06:45 09/24 **FX:** Euro-dollar again made fresh lifetime highs on Monday morning, pressing up to \$1.4130 in early European dealing. The move ran out of steam ahead of barriers at \$1.4150 and \$1.4200, euro-dollar consolidating gains above \$1.4100 for the remainder of the session. The dollar was also under pressure versus the yen, slipping back to Y114.79 before a bounce back above Y115.00. Cable extended overnight gains into European dealing as the dollar came under renewed pressure, rate pressing up to highs above \$2.0320. With the move in euro-dollar running out of steam, cable gave back ground, sterling-yen sales from Russian accounts taking rate to session lows under \$2.0250. Euro-sterling continued to give back last week's gains before running into demand ahead of stg0.6950.

Intrinsics & Tic for Tic Matrix'



US Intrinsic's ^				
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	15.45	5.04	\$1,574	€ 2,222
10y	7.79	2.52	\$789	€ 1,114
5y	4.40	1.40	\$438	€ 618
2y	1.84	0.59	\$184	€ 260
ZB	9.90	3.54	\$111	€ 156
ZN	5.88	2.06	\$64	€ 91
ZF	3.96	1.36	\$42	€ 60
ZT	1.88	0.62	\$19	€ 27

^Futures are Based on CTD

Tic for Tic Matrix (\$)			
	Bund	Bobl	Schatz
30y	9.69	17.43	39.87
10y	4.86	8.74	19.99
5y	2.69	4.85	11.08
2y	1.13	2.04	4.66
ZB	0.68	1.22	2.80
ZN	0.40	1.34	1.63
ZF	0.26	0.47	1.07
ZT	0.12	0.22	0.49

German Intrinsic's ^				
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.17	€ 229	\$162	0.868738
Bobl	4.15	€ 128	\$90	0.960712
Schatz	1.85	€ 56	\$39	0.957701
DE10Y	7.77	€ 1,096	\$776	
DE5Y	4.47	€ 660	\$468	
DE2Y	2.27	€ 337	\$239	

^Futures are Based on CTD

Last

EURUSD 141.20

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	3.73
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	4.076	4.067	4.067
US5y	4.331	4.327	4.327
US10y	4.656	4.652	4.652

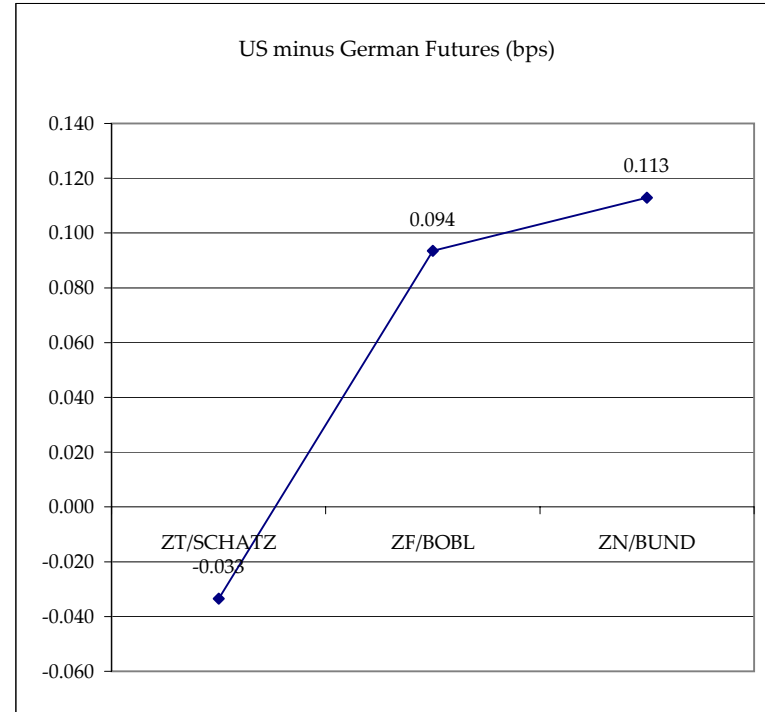
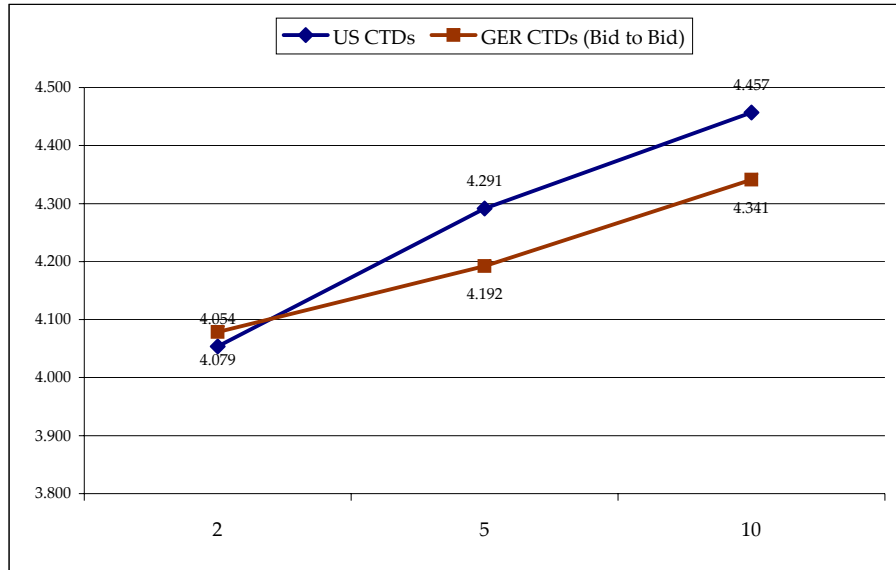
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	4.058	4.042	4.042
DE5y	4.217	4.207	4.207
DE10y	4.386	4.380	4.380

Spreads	
	Bps
ZT/SCHATZ	-0.033
ZF/BOBL	0.094
ZN/BUND	0.113

US Cash Treasuries (CTD)			
	Bid	Ask	Last
3.375 of 09/09	4.054	4.045	4.045
4.625 of 02/12	4.291	4.286	4.286
4.250 of 08/14	4.457	4.454	4.454

German Futures (CTD)			
	Bid	Ask	Last
3.500 of 10/09	4.095	4.079	4.079
5.000 of 07/12	4.201	4.192	4.192
4.000 of 07/16	4.348	4.341	4.341

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 Rating
	Hawkish Votes	Dovish Votes	Dissenting Votes		
 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]