9/25/2007 5:38

The Morning Email: US & Germany

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

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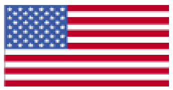
Quotes 1



32 nds

	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME
TUAZ7	103.155	0.0	103.155	103.112	103.115	30,723	125,161	2y Futures
FVAZ7	106.290	0.1	106.295	106.195	106.200	54,520	313,611	5y Futures
TYAZ7	109.070	0.1	109.070	108.265	108.270	133,303	802,769	10y Futures
USAZ7	111.070	0	111.080	110.240	110.240	23,572	218,031	30y Futures

US Futures Market

	Last	Net	Hi	Low	Open	Volume
BUS02P	100.002	3.0	100.005	99.292	99.292	2y
BUS05P	99.150	8.2	99.152	99.060	99.060	5y
BUS10P	101.095	12.5	101.100	100.295	100.295	10y
BUS30P	102.130	23	102.155	101.270	101.270	30y

	Last	Net	Hi	Low	Open	Volume
BUS02Y	3.995	(4.70)	4.059	3.982	4.059	2y Yield
BUS05Y	4.244	(5.80)	4.313	4.24	4.306	5y Yield
BUS10Y	4.583	(4.50)	4.636	4.581	4.63	10y Yield
BUS30Y	4.843	(4.20)	4.888	4.839	4.88	30y Yield

US Cash Treasury Market

Decimal

	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME
DGZ7	103.40	80.00	103.44	103.32	103.32	251,912	354,916	Schatz(2Y)
DLZ7	107.73	195.00	107.79	107.52	107.52	249,780	409,097	Bobl(5Y)
DBZ7	112.75	30.00	112.80	112.43	112.49	436,565	926,188	Bund(10Y)

German Futures Markets

	Price	Yield			
	Last	Last	Coupon	Maturity	SYM NAME
T.US.DE034P1009	98.96	4.043	3.500	10/9/2009	2 yr CTD
T.US.DE040P0412	103.59	4.141	5.000	7/4/2012	5 yr CTD
T.US.DE040P0716	97.90	4.290	4.000	7/4/2016	10 yr CTD
DEP2P	99.96	4.020	4.000	9/11/2009	2yr OTR
DEP5P	99.34	4.157	4.000	4/13/2012	5yr OTR
DEP10P	99.43	4.321	4.250	7/4/2017	10yr OTR

German Cash Treasury Market

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.

	Bid	Ask	Last	Hi	Low	Chng	SYM NAME	
	Decimal							
DGZ7	103.39	103.40	103.40	103.44	103.32	80.00	Schatz(2Y)	German Futures
DLZ7	107.73	107.73	107.73	107.79	107.52	195.00	Bobl(5Y)	
DBZ7	112.74	112.75	112.75	112.80	112.43	30.00	Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo		
DGZ7	4.198	4.195	4.195	4.234	4.174	Schatz(2Y)	German Futures
DLZ7	4.252	4.251	4.251	4.298	4.239	Bobl(5Y)	
DBZ7	4.398	4.397	4.397	4.434	4.391	Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng		
T.US.DE034P1009	4.043	4.027	4.043	4.085	4.006		2 yr CTD	German Cash
T.US.DE040P0412	4.150	4.141	4.141	4.194	4.127		5 yr CTD	
T.US.DE040P0716	4.290	4.283	4.290	4.331	4.279		10 yr CTD	
DEP2P	4.020	4.004	4.020	4.058	3.982	5	2yr OTR	
DEP5P	4.167	4.157	4.157	4.207	4.145	18	5yr OTR	
DEP10P	4.327	4.321	4.321	4.366	4.316	34	10yr OTR	

	Bid	Ask	Last	Hi	Low	Chng	SYM NAME	
	Decimal							
T.US.DE034P1009	98.96	98.99	98.96	99.03	98.88	6.00	2 yr CTD	German Cash
T.US.DE040P0412	103.59	103.63	103.63	103.69	103.40	21.00	5 yr CTD	
T.US.DE040P0716	97.90	97.95	97.90	97.98	97.61	27.00	10 yr CTD	
DEP2P	99.96	99.99	99.96	100.03	99.89	5.00	2yr OTR	
DEP5P	99.30	99.34	99.34	99.39	99.14	18.00	5yr OTR	
DEP10P	99.38	99.43	99.43	99.47	99.08	34.00	10yr OTR	

Y = Yield

CTD = Cheapest to Deliver

DE = German Country Code

OTR = On the Run

Stone & McCarthy
RESEARCH ASSOCIATES

Euro Mkt Summary: EGBs Higher, Underpinned by Weak Belgian Conf.
by Charanjeev Chana

EGBs were trading higher with little bias. Long dates reversed their earlier underperformance, on buying of Belgian long dated issues following overbidding for the 2028 OLO in Belgian auctions on Monday morning. Dec07 Bunds extended their midday bounce higher on weaker than expected Belgian business confidence data - which fell to a 6-month low in September. EGBs opened mixed on Monday morning with short dates extending their outperformance on ECB rate cut speculation following much weaker than expected Eurozone flash PMI data released on Friday. Also fuelling the outperformance in short dates was euro-dollar currency, which rose to fresh all time highs above $1.4130. French bonds were weighed by comments by French Premier Francois Fillon, who said "if France was a corporation, it would be bankrupt" In supply news, the Belgian debt agency sold a total of E3.334bln (the upper end of the E2.5-3.5bln indicative range) of the 4.00% Mar 2013 OLO, 4.00% Mar 2017 OLO & 5.50% Mar 2028 OLO, covered 2.266 times, 2.342 times and 2.779 times respectively.

In the **forex markets,** the dollar traded mixed against the major currencies. The EUR/USD was at 1.410 (0.000), cable at 2.022 (+0.002) and USD/JPY at 114.83 (-0.57).

European equities were lower in afternoon trade. The DAX was trading -0.34%, CAC 40 -0.40% and the FTSE -0.01% on the day. US stocks were also weaker with the S&P 500 -0.22% and the NASDAQ -0.01%.

Gilts were also trading higher, outperforming European counterparts. 10-year Gilts outperformed in the afternoon session. Dec Gilts came under selling pressure in morning trade, in the wake of the UK public finance data, with all the key measures hitting record levels.

U.K. Loan-Auction Schedule Is Set
from WSJ.com: News Europe
The Bank of England said that its first special three-month loan auction using wider collateral terms will take place Wednesday and will be followed by sales on Oct. 2, 10 and 17.
German States Discuss Banking- Changes
from WSJ.com: News Europe
Finance ministers for the German states of Bavaria and North Rhine Westfalia met to discuss "changes in the state-owned banking landscape."

12:30 09/24 **BOE:** Recent wage data and evidence from business surveys have gone some way towards mitigating concerns about inflationary pressures, and the turbulence on the financial markets could also exert downward pressure on prices if demand slows, Andrew Sentance, a member of the Bank of England's Monetary Policy Committee said Monday. Speaking in Leeds Sentance, widely seen as one of the more hawkish members of the Committee, appeared to soften his usual hawkish stance, stressing also that a strong pound had helped to tone down price pressure and welcoming a recent decline in CPI inflation in the UK.

MarketNews international

03:01 09/25 **BONDS: EGBs** are opening higher on Monday, taking cue from strength in US Treasuries towards the Chicago close yesterday. Wall Street stocks closed lower, led by financial's after release of the IMF Global Financial Stability Report, which warned that "credit conditions may not normalise soon" and that "the adjustment process is likely to be protracted". Bunds are also seen underpinned by German import price data, which decelerated 0.7% m/m -- much more sharply than expected on the month in August. Focus turns to Germany Ifo data at 0800GMT, which is expected to see a decline in the business sentiment index to 105.0
for Sept. The current assessment is seen at 111.0 with business expectations at 99.6 -- however, the risk is on a weaker outcome after much weaker than expected flash eurozone compsosite PMI at 54.5 in Sept vs 57.4 Aug -- lowest since September 2005. Also eyed are comments from ECB's Liebscher, Bank of Canada Governor David Dodge and Philadelphia Fed President Charles Plosser.

04:00 09/25 **GERMANY**: Sep Ifo business sentiment 104.2 (MNI median 105.0, Aug 105.8)
- Sep Ifo current assessment 109.9 (MNI median 111.0, Aug 111.5)
- Sep Ifo business expectations 98.7 (MNI median 99.6, Aug 100.4)

04:59 09/25 **BUNDS:** The 2-/10-year Bund yield curve is steepening following release of weaker than expected German Ifo survey, where the headline reading fell for the fifth month in row from 105.8 in August to 104.2 in September -- the lowest level in close to a year. The 2-/10-year yield spread is 1 bps steeper at +32 bps -- trading at steepest level since August 21. Resistance is at +37 bps.

22:49 09/24 **UK PRESS:** The Treasury has brought in Goldman Sachs to advise it on the options for Northern Rock in a sign that the government is preparing to protect its interests in connection with the troubled mortgage bank, the FT reports. The move comes as hopes of a sale of Northern Rock appear to be fading, raising the prospect the lender might be broken up or wound down. The paper said Treasury and Goldman Sachs declined to comment. However, people familiar with the matter told the FT the government did not have a preference for any particular outcome.

05:11 09/25 **SHORT-STERLING:** Short-sterling strip is outperforming following dovish comments on Monday from Bank of England's MPC member Andrew Sentance, who said the recent wage data and evidence from business surveys have gone some way towards mitigating previously-held concerns about inflationary pressures. Speaking at an event in Leeds organised by the Leeds Financial Services Initiative, Sentance, widely seen as an "uber hawk", appeared to move more into the dovish camp, stressing that a strong pound had helped to tone down price pressure and welcoming a recent decline in CPI inflation in the UK.

(cont.)

20:06 09/24 **BOJ:** Minutes of the Bank of Japan's Aug meeting:
- Few members saw inadequate investor risk assessment
- Few members saw position adjustments appropriate
- Some said rate hikes should be done when confident

02:42 09/25 **JGB SUMMARY:** Japanese government bonds ended a lackluster session modestly higher across the curve, with traders saying light selling noted from real money accounts. Prices had ended the morning session little changed, but drifted in afternoon trade as stocks rose. With many players awaiting the official Parliamentary approval of Yasuo Fukuda as Prime Minister and his subsequent choice of his Cabinet, volumes were light. Traders said the flows seen were largely profit-taking and book squaring ahead of the fiscal half year end.
-- Benchmark 10-year yield was 1.5 bps higher at 1700%.
-- Benchmark 5-year yield was 1.5 bps higher at 1.235%.
-- Benchmark 20-year yield was 1 bps higher at 2.225%.
-- Benchmark 30-year yield was 1 bps higher at 2.480%.
-- Lead Sept JGB futures contract was down 0.12 at 134.58

02:03 09/25 **JAPAN STOCKS:** Japanese stock indices ended Tuesday's session higher across the board Tuesday, boosted by an afternoon rally. The benchmark Nikkei 225 was higher by 89.12 points, or 0.55%, at 16401.73. The broader-based TOPIX was up 14.78 points at 1566.83.

02:08 09/25 **FX:** (European Open) European trade opens with sterling still under pressure after an Independent article highlighting the lack of resources in the UK's deposit protection plan. Although the article was reiterating Monday's news, cable slipped from $2.0225 down to late Asian lows at $2.0112, currently trading just off the base.
Euro-sterling is pushing up to challenge the stg0.7000 level again, though still sits 20 points away from last week's highs. Euro-dollar has recovered after finding support around Monday's NY lows at $1.4066, whilst dollar-yen is extending losses on the day around Y114.60 as carry trades come under general pressure on the UK news. The main data eleasefor the European morning is the Germany Ifo data, which is expected to see a decline in the business sentiment index to 105.0 for September. The current assessment is seen at 111.0 with business expectations at 99.6.

Intrinsics & Tic for Tic Matrix'

US Intrinsic's ^	M Duration	DV01 32	DV01 $	DV01(€)
30y	15.52	5.11	$1,598	€ 2,253
10y	7.80	2.54	$794	€ 1,119
5y	4.40	1.41	$439	€ 619
2y	1.83	0.59	$184	€ 259
ZB	9.92	3.57	$111	€ 157
ZN	5.88	2.07	$65	€ 91
ZF	3.96	1.36	$43	€ 60
ZT	1.88	0.62	$19	€ 27

^Futures are Based on CTD

German Intrinsic's ^	M Duration	DV01(€)	DV01($)	CF
Bund	7.18	€ 230	$163	0.868738
Bobl	4.15	€ 128	$91	0.960712
Schatz	1.85	€ 56	$39	0.957701
DE10Y	7.78	€ 1,100	$780	
DE5Y	4.47	€ 661	$469	
DE2Y	2.26	€ 336	$239	

^Futures are Based on CTD

	Last
EURUSD	140.95

Tic for Tic Matrix ($)	Bund	Bobl	Schatz
30y	9.79	17.66	40.49
10y	4.86	8.77	20.11
5y	2.69	4.85	11.13
2y	1.13	2.03	4.66
ZB	0.68	1.23	2.82
ZN	0.40	1.34	1.64
ZF	0.26	0.47	1.08
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)

Hedge Ratio's - Bloomberg/GH Trader's LLC

US Financial Futures / Eurex Bond

Bloomberg Ratio's

	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

US Treasuries v Eurex Bonds

Bloomberg Ratio's

	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

GH Trader's Ratio's

	Bund (Z)	Bobl (Z)	Shatz (Z)
Bund (Z)	1.00	1.63	3.75
Bobl (Z)	0.61	1.00	2.30
Shatz (Z)	0.27	0.43	1.00

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.

Yields & Spreads

	US Cash Treasuries (OTR)		
	Bid	Ask	Last
US2y	3.995	3.987	3.995
US5y	4.245	4.244	4.244
US10y	4.585	4.583	4.583

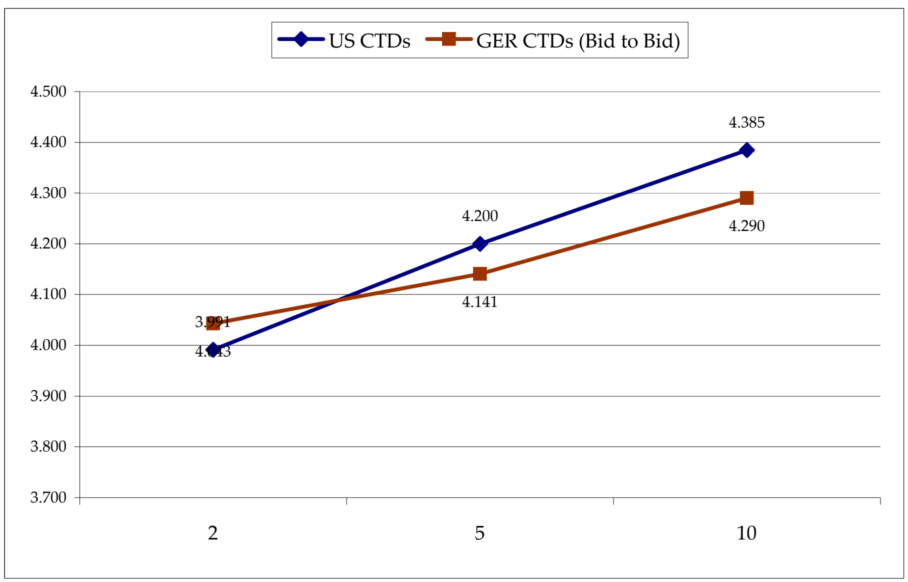
	German Cash Treasuries (OTR)		
	Bid	Ask	Last
DE2y	4.020	4.004	4.020
DE5y	4.167	4.157	4.157
DE10y	4.327	4.321	4.321

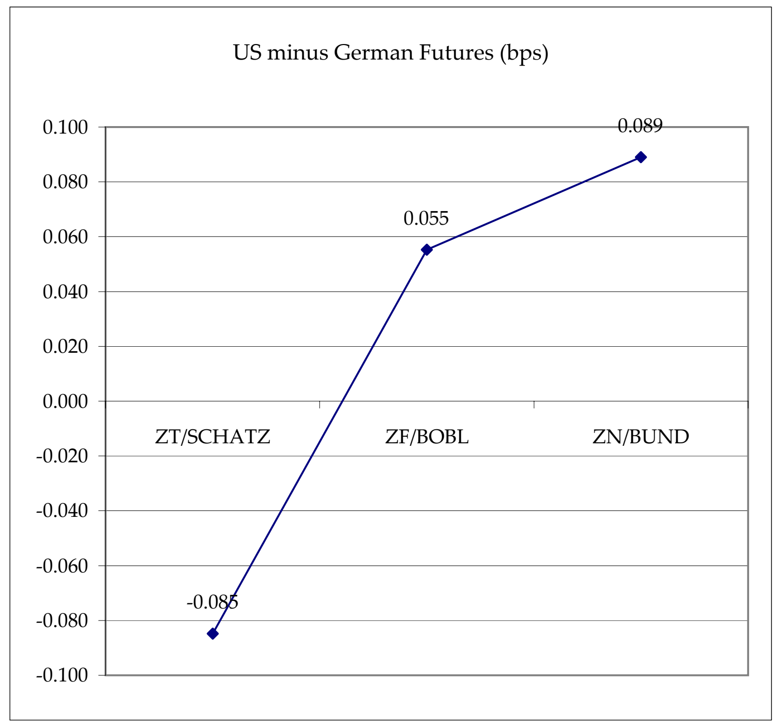
	Spreads
	Bps
ZT/SCHATZ	-0.085
ZF/BOBL	0.055
ZN/BUND	0.089

	US Cash Treasuries (CTD)		
	Bid	Ask	Last
3.375 of 09/09	3.991	3.958	3.958
4.625 of 02/12	4.200	4.196	4.196
4.250 of 08/14	4.385	4.379	4.379

	German Futures (CTD)		
	Bid	Ask	Last
3.500 of 10/09	4.043	4.027	4.043
5.000 of 07/12	4.150	4.141	4.141
4.000 of 07/16	4.290	4.283	4.290

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.





Volume Questions & Global Bond Market Characteristics

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 Rises	Volume 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

<u>The Governing Council</u>
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 Naţională 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
Sep-07	unch	unch	unch	unch	unch	unch	unch	unch	unch	unch	5.75%	9-0	none

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

BOE HAWKOMETER (to September meeting)

	Dissenting Hawkish Votes	Dissenting Dovish Votes	Non-Dissenting Votes	Total Votes	Hawkishness 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%

[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]