

**From:** Reilly, Gerard <greilly@lehman.com>  
**Sent:** Thursday, January 3, 2008 7:44 PM (GMT)  
**To:** Callan, Erin <ecallan@lehman.com>  
**Subject:** FW: Rates B/S

---

Below is a recap of the rates bs overage. About half is a pass thru trade where we took physical delivery in dec and will deliver into our jan tba shorts (financing trade). Repo 105 liquidity was very tight (this should only be a year end issue but I don't recall it being this material in the past). Rates had a huge pl month. Very hard to make money in pass thru's it is a good idea to let them put big trades on when they can (very low risk stuff).

Gerry

>  
> \_\_\_\_\_  
> From: Bernard, Clement  
> Sent: Wednesday, January 02, 2008 4:52 PM  
> To: Reilly, Gerard  
> Subject: FW: Rates B/S  
>  
>  
>  
> \_\_\_\_\_  
> From: McGarvey, Michael  
> Sent: Wednesday, January 02, 2008 3:41 PM  
> To: Bernard, Clement; Stabenow, Sigrid M  
> Subject: Rates B/S  
>  
> Clement,  
>  
>  
>  
> Rates globally is running over b/s target for December by 72.3bn.  
> Here are the main contributors.  
>  
> \* The largest single driver is the Pass Thru desk (+14mm mtd  
> p&l) which is carrying 42bn in net b/s (over target by 36bn). Early in  
> the month the desk took physical delivery on their long Dec TBA  
> position for 25bn (~14bn FNMA/Freddie 5.5's and 11bn 6.5's). They are  
> short Jan TBA contracts as a hedge which they will delivery the pools  
> into during the middle of next month. Basically this is a carry trade  
> based on favorable GSE repo rates. They desk also has 8.3bn in long  
> spec pools.  
>  
> \* Globally Rates is going to utilize ~18bn of less of repo  
> 105 compared to last month due to the fact that most of our 105  
> counterparties report their year end on dec 31 so there is almost no  
> appetite this month end  
>  
> \* Prop Americas (+88mm mtd p&l) is over target by 9bn due  
> to treasury hedges on Mr. Hoffman's 10 & 5yr basis trade (although he  
> is short the basis he does have a large amount of settled long  
> positions on b/s right now)  
>  
> \* Asia Rates is over target by 4.8bn on long jgb positions  
> (+24mm mtd p&l).  
>

- > Please let me know if you have any questions.
- >
- > Thanks,
- > Mike