



**Today's Economic Releases & Events**

- **Argentina:** Consumer Price Index (Sep)
- **Argentina:** Wholesale Price Index (Sep)
- **Argentina:** Construction Price Index (Sep)
- **US:** NAPM Non-Manufacturing (Sep)

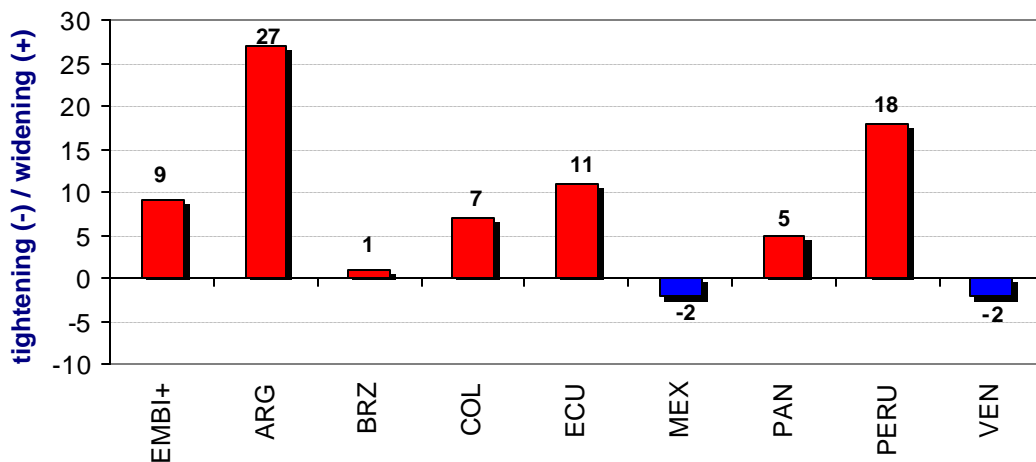
**Key Indicators**

<b>Dow Jones (% change)</b>	<b>1.29</b>
<b>NASDAQ (% change)</b>	<b>0.80</b>
<b>UST 10 yr Yield (%)</b>	<b>4.51</b>
<b>6 month LIBOR (%)</b>	<b>2.53</b>
<b>EMBI+ Stripped Spread</b>	<b>1028</b>

**Market Overview**

As widely expected, the FOMC lowered the fed funds target rate yesterday by 50 bps to 2.5% and maintained the weakness bias. The Fed stated that "the terrorist attacks have significantly heightened uncertainty in an economy that was already weak" causing a further reduction in business and household spending. However, the Fed maintained that "the long-term prospects for productivity growth and the economy remain favorable." *Fed funds futures are currently pricing at least another 25 bps rate cut before year-end, as the risks continue to be weighted toward further economic weakness, while inflationary pressures still pose no threat. Furthermore, whereas back in June the futures market was showing expectations of an economic recovery by year-end, it now shows that the economic recovery may not take place before June 2002.* Emerging debt markets gained momentum after the Fed's announcement, recovering some of the morning losses. The EMBI+ stripped spread widened 9 bps to close at 1028 bps over US treasuries, after reaching a high of 1036 intraday. Argentina was the underperformer of the day, widening 27 bps after Monday's release of tax revenues for September showed a larger-than-expected 14% drop over the same month last year, increasing investor concerns over the country's ability to service its debt.

**EMBI+ One Day Stripped Spread Change (bps)**



**Pricing and Analytics**

2-Oct-01							2-Oct-01						
	Close	Daily Chng		Strpd. YTM	Mod Dur	Sov. Spread		Close	Daily Chng		Strpd. YTM	Mod Dur	Sov. Spread
	Offer	Net	Dir					Offer	Net	Dir			
<b>ARGENTINA</b>							<b>ECUADOR</b>						
FRB	67.450	-1.273	↓	27.78	1.50	2453	Ecu 30	39.950	0.100	↗	19.90	5.80	1479
Arg 08	57.500	-1.249	↓	22.88	4.25	1895	<b>MEXICO</b>						
Par	61.860	0.538	↗	21.33	9.08	552	Par	91.465	0.263	↗	9.88	10.41	224
Arg 27	51.100	-2.125	↓	19.14	5.27	1404	UMS 26	118.466	0.285	↗	9.53	8.85	440
<b>BRAZIL</b>							<b>PERU</b>						
El	82.910	-0.134	↓	14.10	1.80	1051	PDI	69.370	-0.325	↓	11.40	5.76	666
C	66.570	-0.225	↓	16.29	4.23	1167	<b>RUSSIA</b>						
Par	63.945	0.306	↗	18.53	9.30	505	Rus 30	44.886	-0.347	↓	15.73	7.03	1047
Braz 08	78.128	0.016	↗	14.71	4.21	1069	<b>VENEZUELA</b>						
Braz 27	61.300	-0.959	↓	16.36	5.78	1134	DCB	78.830	-0.102	↓	13.91	2.47	998
<b>COLOMBIA</b>							Par						
Col 27	69.890	-0.288	↓	12.25	7.99	708	Ven 27	66.676	-0.096	↓	14.04	7.10	889

Source: Bloomberg

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