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ON THE HORIZON

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The Day Ahead: October 15, 2008

Economic Calendar US - October 15				Survey	MERK	Actual	Prior
Date	Time	Event					
10/15/08	8:30	PPI Ex Food & Energy (MoM)	SEP	0.20%	0.20%	--	0.20%
10/15/08	8:30	Producer Price Index (YoY)	SEP	8.70%	8.70%	--	9.60%
10/15/08	8:30	PPI Ex Food & Energy (YoY)	SEP	3.80%	3.60%	--	3.60%
10/15/08	8:30	Advance Retail Sales	SEP	-0.70%	-0.60%	--	-0.30%
10/15/08	8:30	Retail Sales Less Autos	SEP	-0.20%	-0.20%	--	-0.70%
10/15/08	8:30	Empire Manufacturing	OCT	-10	-9.1	--	-7.4
10/15/08	10:00	Business Inventories	AUG	0.50%	0.50%	--	1.10%
10/15/08	14:00	Fed's Beige Book	15-Oct		--	--	

Market Consensus Obtained Via Bloomberg

Day In Review:

- **US announces \$250bln plan to rescue banking system and FDIC stated it would fully guarantee newly issued, senior unsecured debt from select banks**
- **Market responds positively to response, but equities retrace on only modest improvement in LIBOR, concern about corporate earnings and economic conditions going forward**
- **Yields on Fannie Mae and Freddie Mac corporate debt widened on the back of the government guarantee of banks**
- **Bank of New York Mellon was named by the US Treasury to provide custodial services to administer TARP program**
- **ECB President Trichet urged policymakers to restore the discipline that characterized markets in the immediate post WW-II world. Trichet implied that slower growth in the EU region may pave the way for further rate cuts.**

Day Ahead

- **Major event risk for the day will be the resetting of LIBOR fixings and the LIBOR-OIS spread. We expect price action in markets to be shaped by where LIBOR and credit spreads settle**
- **Fed Chair Ben Bernanke will speak before the Economic Club of New York on the economic outlook and the financial markets**
- **Heavy slate of macro-data on tap will include the PPI, advance retail sales, and Empire Manufacturing Survey all for September.**