

February 13, 2007

Cross-Product

Research Analyst Contributors

Jeffrey Rosenberg
(212) 933 2927

Economists

Peter Kretzmer
(212) 847 5046

Matthew Sharratt
+44 (20) 7174 1633

Desk Strategist Contributors

Tomoko Fujii
81 3 3508 5947

Robert Sinche
(212) 933 2528

Situation Room

Short Housing Risk in the Credit Market

- ▶ **Our concerns surrounding the housing market grow as signs of stability may have been overstated due to warmer weather.** Lack of spread widening in high grade credits with subprime exposure suggests free options to short homebuilders, consumer finance and mortgage insurers. – *Jeffrey Rosenberg*
- ▶ **Following three consecutive monthly declines, the U.S. trade deficit widened in December.** While an increase had been included in Commerce Department estimates and was expected by private analysts, the jump was surprisingly large and will produce a further modest downward revision to last quarter's GDP growth. – *Peter Kretzmer*
- ▶ **The much greater than expected decline in headline CPI to 2.7% yoy in January from 3.0% in December—an advance reading of which the MPC had seen at last week's monetary policy meeting—goes a long way to explaining the unchanged February rate decision.** Currently, we expect the MPC to raise rates 25 bps to 5.5% in March. However, the risk from today's very encouraging inflation data is that any further tightening will be delayed until April or even May. – *Matthew Sharratt*
- ▶ **Downside Housing Risk = Downside USD Risk?** The USD index continues to trade in a narrow range between 55-day (support) and 200-day (resistance) MAs. Lower bond issuance and increasing risks from housing suggest an eventual downside break. – *Robert Sinche*
- ▶ **JPY: Short Covering on Third-time Lucky Rate Hike or Further Depreciation.** The lack of G7's joint action on JPY weakness has shifted the focus back to interest rate differentials. Thursday's GDP report should offer the last chance for a February 21 BoJ rate hike. – *Tomoko Fujii*

This report has been prepared by Banc of America Securities LLC (BAS), member NYSE, NASD and SIPC. BAS is a subsidiary of Bank of America N. A. This report is intended for sophisticated institutional investors and equivalent professionals in the fixed income market only.

Please see the important disclosures and analyst certification on page 14 of this report. BAS and its affiliates do and seek to do business with companies mentioned in their research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Should investors consider this report as a factor in making an investment decision, it must be considered as a single factor only.

Any portion of this report that has been prepared by a desk strategist or an economist is NOT a product of the debt research department and is NOT covered by the research analyst certification provided on page 14. For additional information concerning the role of trading desk strategists and economists, please see the important conflicts disclosures beginning at page 13 of this report.

Table of Contents

Research Overview — The Situation..... 3
 Short Housing Risk in the Credit Market..... 3
 Beware the Ides of March 4
 Economics..... 5
 Trade Gap Rebounds Sharply in December..... 5
 UK CPI Begins Its Downward Descent on Lower Oil..... 6
 Headline Inflation Falls 0.3% Points to 2.7% yoy in January 6
 Desk Commentary 8
 Downside Housing Risk = Downside USD Risk? 8
 JPY: Short Covering on Third-time Lucky Rate Hike or Further Depreciation..... 10

Recent Publications

Title	Authors
Movers & Shakers - Tuesday, February 13, 2007	Faith Klaus, Paul Elizondo
Rental Service Corp: Files S-1 to Pursue IPO of Common Stock	Manish Somaiya, Ravi Jolly, Brian Ko
KB Home: Good F4Q06 Cash Generation; Restated SEC Filings Today	Andrew Brausa
Weekly Commodity Review	Eric Toubin, Laura Bermudez
Coca-Cola Enterprises, Inc.: Reiterate Sell on Valuation	Todd Duvick, Colin Santana

For more information visit <http://bofa.com/research/>

Research Overview – The Situation

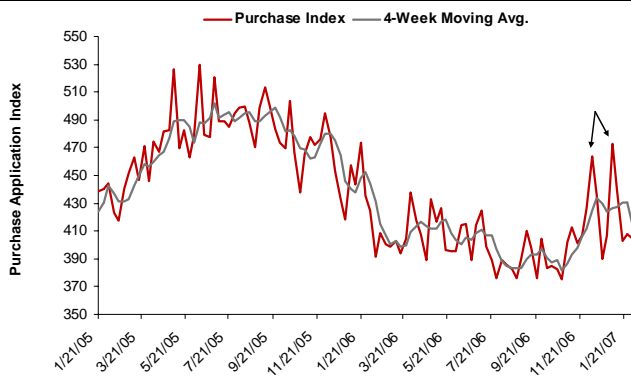
Our concerns surrounding the housing market grow as signs of stability may have been overstated due to warmer weather. Lack of spread widening in high grade credits with subprime exposure suggests free options to short homebuilders, consumer finance and mortgage insurers

**Jeffrey Rosenberg
(212) 933 2927**

Short Housing Risk in the Credit Market

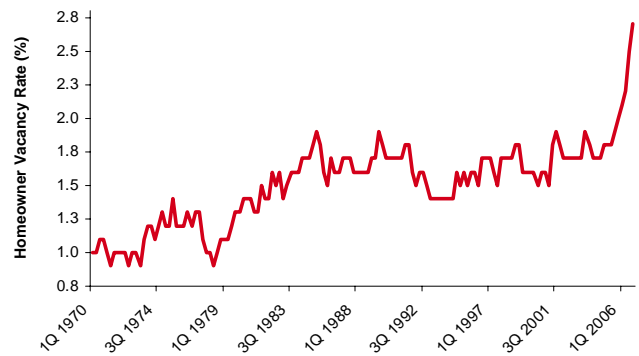
Our interest rate strategists have recently highlighted some potential for renewed concern on the housing market and the potential for the market to begin pricing in a possible Fed cut. From the demand perspective, recent purchase applications show a deceleration in activity, as highlighted below in Figure 1. This occurred despite the strength we saw during the first week of December 2006 and January 2007 which, due to the unseasonably warm weather during those periods, seems to have exaggerated the recovery in the housing sector. Further exacerbating housing recovery concerns is the speculative element, which evidenced by Figure 2 below, shows a significant rise in the proportion of homes for sale that are vacant. Since 1970, the homeowner vacancy rate has averaged 1.5% of total homes for sale, while more recent data stand almost double the long-term average (2.7% at end of 4Q2006). This surge in the vacancy rate coupled with the rise in the number of existing homes for sale is likely to weigh down home prices.

Figure 1. Warm Weather Induced Pick-Up in Purchase Applications Skewed Vigor of Housing Recovery



Source: Bloomberg.

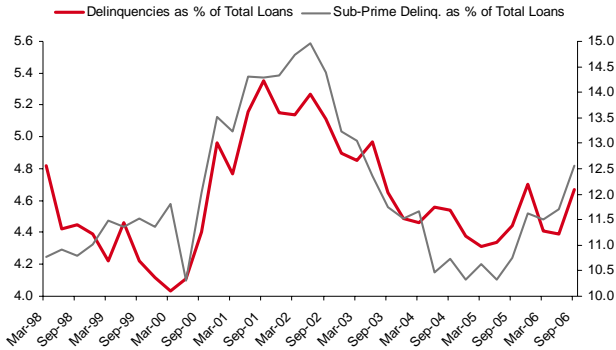
Figure 2. Homeowner Vacancy Rates Soar to Nearly Double Their Long-Term Mean Suggesting Downward Pressure on Home Prices



Source: Bloomberg.

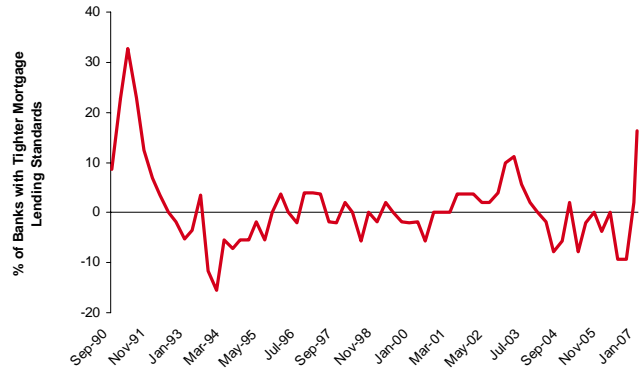
Against the backdrop of weaker housing demand and increased supply, residential mortgage delinquencies have been on the rise, as shown in the figure below. Sub-prime delinquencies (loans that are more than 60 days late) stood at 12.6% of total residential loans outstanding at the end of 3Q 2006, the highest reading since the first quarter of 2003. Though not a harbinger of housing strength in and of itself, the Fed's senior loan officer survey demonstrates that banks have imposed tighter credit conditions with respect to residential mortgages and the most recent reading of 16% is akin to that of 1991.

Figure 3. Residential Mortgage Delinquencies on The Upswing



Source: Bloomberg.

Figure 4. Banks Tighten the Reigns on Residential Mortgage Lending



Source: Bloomberg.

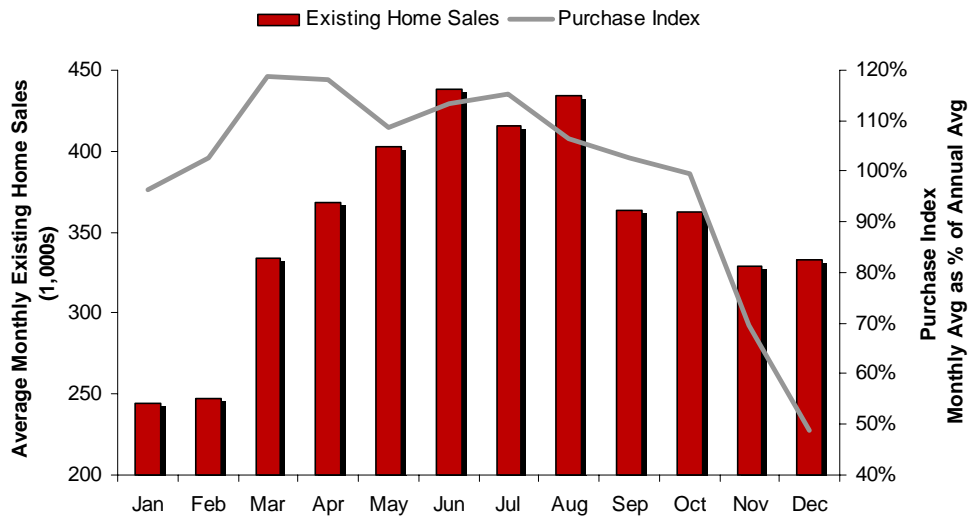
Beware the Ides of March

The real read on real estate won't begin until March, as the bulk of home purchases begins in the spring

One notable concern surrounding the housing outlook is that all of the recent data in some sense is less meaningful than the data that will begin in March. That is because, while the market focuses on the seasonally adjusted figures, of course real estate is a highly seasonal industry with the bulk of purchases being made in the spring for a summer closing.

Figure 5. Seasonality of Real Estate 1990-2006

Buy in Spring, Move in Summer Before the Kids Start School in the Fall



Note: Monthly numbers for the purchase index are computed as follows. Each calendar year we computed the average monthly purchase index then the percentage of each month within that year of the yearly average. The reported numbers are the averages of each calendar month in percentage of the yearly average across all years.

Source: Bloomberg.

Hence, until we see what happens to the real estate market in the spring, we really will not have an accurate read on the exact state of the housing market. Given the current signals of potential weakness in housing and the current tight spread levels in credit, a more cautious stance on credit will likely be prudent moving into the spring. Having just covered our short on credit, which was too early, we will maintain our market weighting overall for now¹.

Economics

Trade Gap Rebounds Sharply in December

Peter Kretzmer
Economist
(212) 847 5046

The inflation-adjusted merchandise trade gap widened about \$2 billion (chain 2000) more than the Department of Commerce assumed in its advance GDP report. Given this, combined with the impact of lower inventory accumulation than Commerce assumed, we anticipate a downward revision to estimated 4Q GDP growth to 2.75% to 3% (from an advance estimate of 3.5%)

- ▶ Following three consecutive monthly declines, the U.S. trade deficit widened in December. While an increase had been included in Commerce Department estimates and was expected by private analysts, the jump was surprisingly large and will produce a further modest downward revision to last quarter's GDP growth, likely pushing annualized economic growth below 3%.
- ▶ The U.S. trade deficit widened sharply to \$61.2 billion in December, above the \$59.7 billion median of analysts' forecasts (according to Bloomberg). Exports rose a slim 0.6% in the month, while imports jumped 2.1%.
- ▶ Higher petroleum import prices, up 4.8% in December following an almost 22% decline in the previous three months, accounted for a portion of the jump in imports. However, even inflation-adjusted (or real) goods imports increased a considerable 1.7% in the month. Inflation-adjusted goods exports fell 0.3%, also contributing to the widening. The December inflation-adjusted merchandise trade deficit widened to \$57.7 billion from \$55.2 billion in November. Real imports in December were 2.8% above year-earlier levels, while real exports were up 8.0% from December 2005.
- ▶ The inflation-adjusted merchandise trade gap widened about \$2 billion (chain 2000) more than the Department of Commerce assumed in its advance GDP report. A jump in the surplus on services may provide a partial offset. On balance, we estimate that today's report will subtract roughly 0.2%-0.3% from estimated annualized GDP growth in 4Q 2006. Given this, combined with the impact of lower inventory accumulation than Commerce assumed, we anticipate a downward revision to estimated GDP growth to 2.75% to 3% (from an advance estimate of 3.5%).
- ▶ Two-thirds of the large (real) import jump in December was accounted for by higher auto imports. Higher consumer goods (ex-auto) imports and a rebound in imports of petroleum and industrial supplies accounted for much of the remainder.

¹ After a surprisingly bullish FOMC statement on January 31 and benign Core PCE the following day, the February 2 employment report continued to suggest the Goldilocks economy. With credit spreads rebounding tighter—first on the statement, and then continuing during the week—and a dearth of events until Bernanke's semiannual testimony on February 14–15, we concluded that spreads would likely move sideways. As a result, we covered our tactical short across High Grade and High Yield moving back to marketweight on February 2. Please see the February 2, 2007 *Situation Room*.

Figure 6. Trade Balance: Goods and Services, BOP Basis



Source: Census Bureau/Haver Analytics.

Matthew Sharratt
Economist
+44 (20) 7174 1633

Jan CPI Inflation

	mom	yoy
Our Forecast	-0.5%	2.9%
Consensus	-0.6%	2.9%
Actual	-0.8%	2.7%
Previous	0.6%	3.0%

Sources: ONS, Bloomberg & BofA estimates.

Jan RPI Inflation

	mom	yoy
Our Forecast	-0.4%	4.4%
Consensus	-0.3%	4.5%
Actual	-0.5%	4.2%
Previous	0.8%	4.4%

Sources: ONS, Bloomberg & BofA estimates.

Jan Core CPI Inflation

	yoy
Our Forecast	1.9%
Consensus	1.8%
Actual	1.6%
Previous	1.8%

Sources: ONS, Bloomberg & BofA estimates.

UK CPI Begins Its Downward Descent on Lower Oil

Headline Inflation Falls 0.3% Points to 2.7% in January

- ▶ The much greater than expected decline in headline CPI to 2.7% yoy in January from 3.0% in December—an advance reading of which the MPC had seen at last week’s monetary policy meeting—goes a long way to explaining the unchanged February rate decision.
- ▶ As we highlighted last week in our *Economic Brief* entitled “UK Inflation Outlook: At the Top Looking Down,” published 08 February 2007, we had already expected inflation to have peaked at 3.0% in December. Today’s better-than-expected inflation reading still leaves open the door for further monetary tightening. However, the noticeable move downward in January already suggests that the MPC will be encouraged that their (and our) forecast that inflation will decline rapidly over the coming months is being borne out by actual data.
- ▶ The decline in core inflation to 1.6% yoy in January from 1.8% in December, points away from a generalised increase in underlying inflationary pressures, which the MPC had been concerned about. Rounding off the encouraging January inflation data, RPI inflation declined to 4.2% yoy from 4.4%, despite market expectations for an increase to 4.5%. This unexpected fall will provide credence to the MPC’s arguments that wage setters should only view the current spike in inflation as temporary and not use the elevated inflation numbers to ratchet up wage demands.
- ▶ The details show that the largest downward effect came from transport costs, which alone accounted for -0.2 percentage points of the 0.3% point decline in headline yoy CPI inflation during January (from 3.0% yoy to 2.7%). Most of this downward pressure came from lower prices for fuel and lubricants, given that petrol prices fell 0.8p per litre in January compared with a 1.7p per litre rise 12 months ago. Further

downward pressure in the transport subcomponent came from lower European airfares. Meanwhile, lower prices for food & non-alcoholic beverages subtracted 0.07% points off the headline yoy inflation rate in January. By contrast, higher prices for alcohol & tobacco provided the largest upward offset, but added only 0.03% points to the headline rate in January.

- ▶ On balance, with headline inflation still well above target, there remains a greater-than-even chance for a further and final 25-bp increase to 5.5%. However, today's better-than-expected inflation numbers will place a question mark over whether any further tightening beyond 5.5% is necessary. Currently, our call is for a further 25-bp increase to 5.5% in March. Ahead of tomorrow's February Inflation Report publication we are reluctant to revisit our call. Still, the risk from today's very encouraging inflation data is that any further tightening will be delayed until April or even May. With headline inflation likely to decline even further over the coming months, reaching the 2% target by 3Q 2007 according to our forecasts, the greatest risk is arguably not that rates will rise up to 5.75% as the market had been thinking previously, but rather that we may have seen the peak in rates already.

Desk Commentary

Highlight from the *Forex Focus*, published earlier today

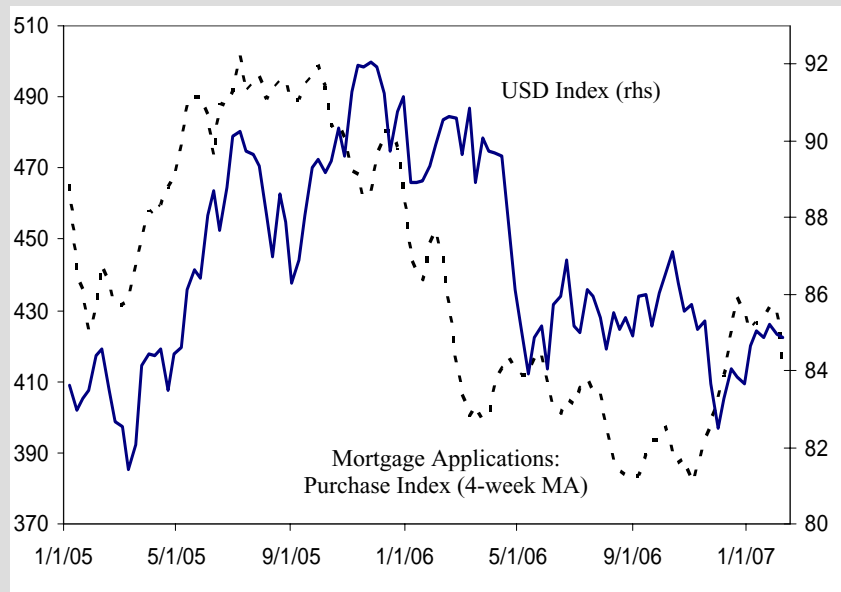
Robert Sinche
(212) 933 2528

Downside Housing Risk = Downside USD Risk?

While we continue to believe that the worst of the housing downturn is complete, we have noted over recent weeks that the unusually warm weather in many parts of the US probably overstated the magnitude of improvement. Recent data releases suggest that likely was the case, and it appears that renewed concerns about the direct – and indirect – effects of a weaker housing sector could contribute to reduced growth expectations over the next four to eight weeks. If our analysis is correct, expectations for Fed easing around mid-year are likely to be rekindled, suggesting downside risks for US yields and the USD.

Why the renewed concern about housing? The pace of mortgage applications for home purchases is the most timely indicator of housing activity and the modest decline in the applications for purchase index last week completed weaker reports over the last month. The more-reliable 4-week moving average suffered a 5+% tumble, falling back to its lowest level since early December. The setback supports our concern that the warm weather conditions late last year may have led to an exaggerated recovery in housing indicators. And while the correlation between movements in mortgage applications and the USD index is far from perfect, the general relationship over the last two years suggests modest downside for the USD, especially if the trend of applications continues to soften.

Figure 7. Weaker Housing = Weaker USD?



Source: Mortgage Bankers Association, Bloomberg.

This portion of the Situation Room has been prepared by a desk strategist and is NOT a research report under U.S. law. The desk commentary portion of this report is NOT a product of the fixed income research department and is NOT covered by the research analyst certification provided on page 14.

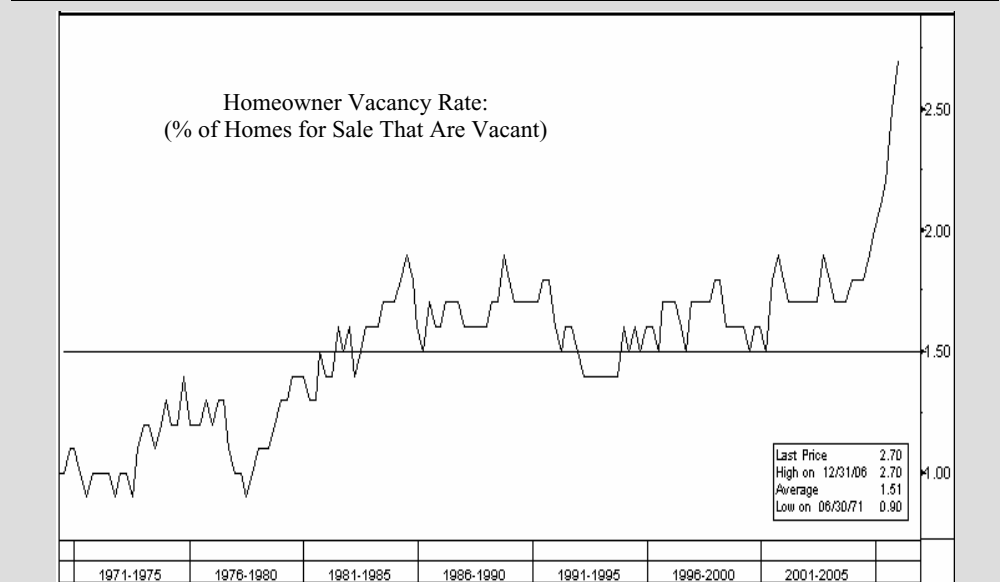
To our U.K. clients: this portion of the Situation Room has been produced by and for the primary benefit of a trading desk. As such, we do not hold out this piece of investment research (as defined by U.K. law) as being impartial in relation to the activities of this trading desk.

For additional information concerning the role of trading desk strategists, please see the important conflicts disclosures beginning at page 13 of this report.

Mortgage application activity is not the only sign of caution for the housing market. Last week the Federal Reserve released its loan officer survey, indicating a significant rise in the percentage of banks reporting tightening standards for individual mortgages to its highest reading since the early 1990s. While the tightening of standards, by itself, is not a major development, it is consistent with the mosaic of potential new concern about the housing rebound.

Probably of more significance was the report that the vacancy rate of homes for sale has exploded higher during 2H 2006. Since 1970 the vacancy rate of homes for sale has averaged 1.5% and, until the most recent five quarters, never exceeded 1.9%. However, this measure jumped to 2.0% in 4Q2005 and has soared during 2H2006. The increasing percentage of homes for sale standing vacant suggests some combination of high speculative ownership and increasing pressure to liquidate a former home, both suggesting the potential for renewed downward pressure on prices.

Figure 8. Increasing Pressure to Liquidate Homes?



Source: US Census Bureau.

These ongoing risks have not gone unnoticed in the markets. The S&P homebuilders' price index has given back about 5% from its February 2 high, although it remains about 30% above its July 18 low, while the spread demanded to compensate for the risk of write-downs of home equity collateral has soared in recent weeks.

With these downside risks to growth and rate expectations during the weeks ahead, a question remains whether investors already are so short/underweight the USD that it will be difficult for the USD to decline. While that appears to have been the case in late 2006 it will probably not be the case during the weeks ahead. The speculative net long EUR position on the IMM has been halved over the last seven weeks and, at 45,330 contracts is only modestly above the average 27,339 contracts over the last three years.

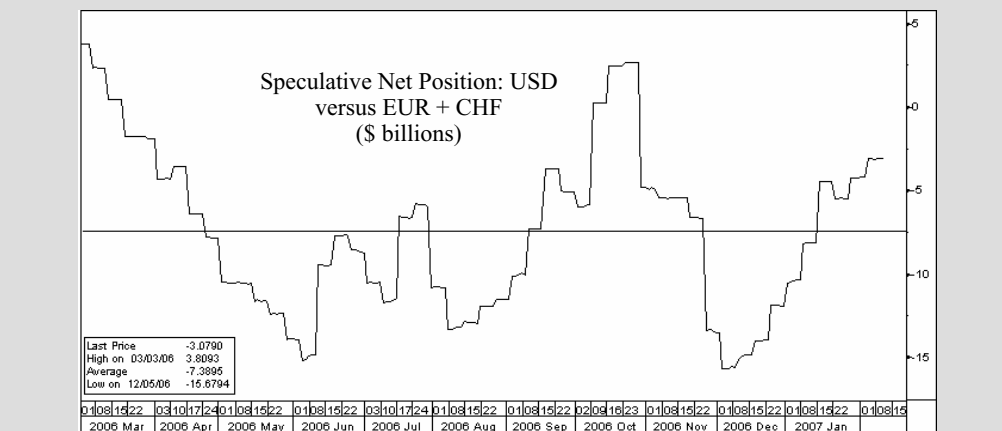
This portion of the Situation Room has been prepared by a desk strategist and is NOT a research report under U.S. law. The desk commentary portion of this report is NOT a product of the fixed income research department and is NOT covered by the research analyst certification provided on page 14.

To our U.K. clients: this portion of the Situation Room has been produced by and for the primary benefit of a trading desk. As such, we do not hold out this piece of investment research (as defined by U.K. law) as being impartial in relation to the activities of this trading desk.

For additional information concerning the role of trading desk strategists, please see the important conflicts disclosures beginning at page 13 of this report.

Interestingly, as the EUR position has moderated the GBP position (as of February 6) had rebounded to a record high, suggesting that the GBP could lag the EUR during the weeks ahead, particularly if the Bank of England forecasts sharply lower inflation during 2H 2007. Finally, the net short CHF position remains large, and the aggregate short USD position versus the EUR+CHF has narrowed to \$3.1bn, about half the average of the last year.

Figure 9. Short USD Position Has Fallen Sharply in 2007



Source: Mortgage Bankers Association, Bloomberg.

EUR/USD has traded with a 1.29-handle for 27 of the last 28 trading days and has closed within a 1.2850 – 1.3050 range consistently since January 4. EUR/USD 3-month implied volatility has fallen below 6% compared to an average 10.2% since the 1999 introduction of the EUR. We doubt a major trending move is about to unfold, but we do believe that a break of the EUR/USD 1.2850 – 1.3050 is more likely to be on the upside, with renewed concerns about the US housing market the most likely near-term catalyst.

JPY: Short Covering on Third-time Lucky Rate Hike or Further Depreciation

The 4Q 2006 GDP report on February 15 will be an important input for the BoJ Policy Board’s rate decision on February 21. While the Economic Planning Association’s survey of 35 economists as of January 29-February 5 reported that 51% expect a 25bp hike in the overnight rate target on February 21, market rates suggest that a February 21 rate hike is not a consensus with the overnight index swap (OIS) rate starting on February 22 currently trading at 0.35%. In both December and January, market expectations of a rate hike intensified and then receded just before the policy decision, so many market participants have concluded that hurdles to a rate hike must be higher than earlier expected. 4Q GDP data should not be downplayed as old news. The preliminary 4Q data and potential revisions to 3Q figures will update the picture of not only aggregate private consumption but also price pressures with implied trends in the output gap. On February 10 BoJ Governor Fukui stated that at the February 20-21 meeting the Policy Board would like to have thorough discussions, combining past data and new data.

Highlight from the *Forex Focus*, published earlier today

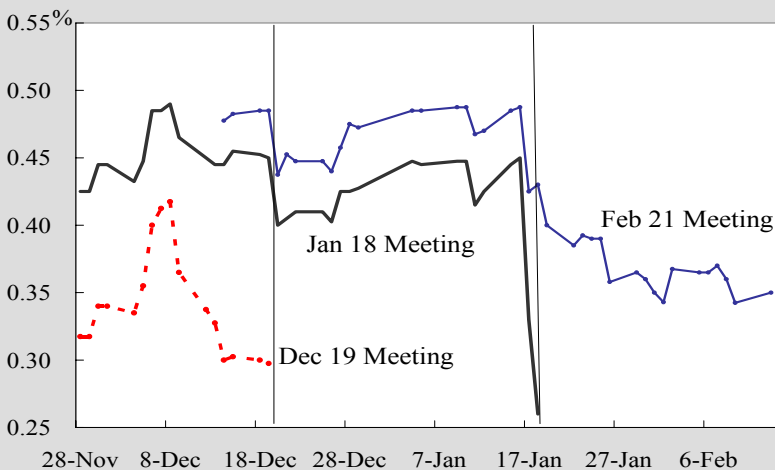
Tomoko Fujii
81 3 3508 5947

This portion of the Situation Room has been prepared by a desk strategist and is NOT a research report under U.S. law. The desk commentary portion of this report is NOT a product of the fixed income research department and is NOT covered by the research analyst certification provided on page 14.

To our U.K. clients: this portion of the Situation Room has been produced by and for the primary benefit of a trading desk. As such, we do not hold out this piece of investment research (as defined by U.K. law) as being impartial in relation to the activities of this trading desk.

For additional information concerning the role of trading desk strategists, please see the important conflicts disclosures beginning at page 13 of this report.

Figure 10. Low Probability of a February 21 Rate Hike



Source: Bank of America.

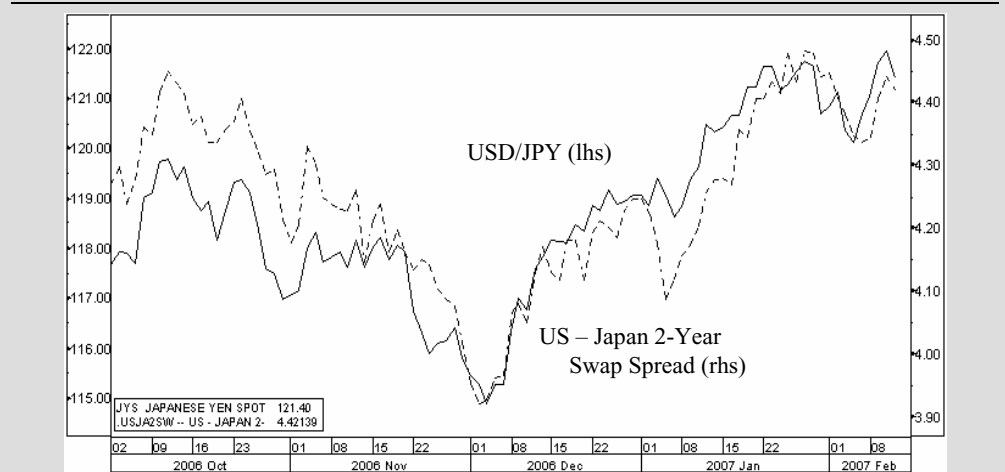
We expect reasonably strong GDP data that will probably intensify expectations of a February 21 rate hike and JPY short covering. We expect headline real GDP growth of an above-potential 3.4% saar for 4Q with a possible upward revision to the 3Q reading (a mere 0.8% saar). Such an outcome would support the case for a closing of the negative output gap (-0.1% as of 3Q 2006 according to the Cabinet Office). At the same time, the domestic demand deflator, which posted a 0.1% yoy gain in 3Q, should maintain positive yoy growth. We expect only a 0.6% qoq gain in private consumption, which fails to fully offset the 0.9% qoq plunge in 3Q, but the softness mainly reflected temporary factors -- unseasonable weather and consumers' refraining from PC purchases ahead of the new operating system release at the end of January. USD/JPY has been closely correlated with relative rate expectations and now suggests modest downside potential. As a February 21 rate hike is not a market consensus, and as the net short JPY position on the IMM is still the sixth largest on record, a sudden intensification of BoJ rate hike expectations should spur JPY short covering, which could take USD/JPY down toward the 55-day moving average support (currently at 119.22). Nonetheless, expectations of a gradual pace of BoJ tightening for the time being will probably help resume capital outflows following a bout of JPY short covering.

This portion of the Situation Room has been prepared by a desk strategist and is NOT a research report under U.S. law. The desk commentary portion of this report is NOT a product of the fixed income research department and is NOT covered by the research analyst certification provided on page 14.

To our U.K. clients: this portion of the Situation Room has been produced by and for the primary benefit of a trading desk. As such, we do not hold out this piece of investment research (as defined by U.K. law) as being impartial in relation to the activities of this trading desk.

For additional information concerning the role of trading desk strategists, please see the important conflicts disclosures beginning at page 13 of this report.

Figure 11. Narrowing Rate Gap Pulls USD/JPY Lower



Source: Bloomberg.

Conversely, an unexpectedly soft GDP report would significantly intensify markets' doubts about the feasibility of a rate hike anytime soon and spur JPY selling. In our judgment, if the BoJ fails to hike rates on February 21, the hike will probably be delayed until April (with April 27 slightly more likely than April 10). In that case, USD/JPY could easily break above the January 29 high at 122.19 and the 61.8% retracement of the major downward move from the 2002 high (135.14) and 2005 low (101.68) at 122.36, although the huge net short JPY position and European/Japanese authorities' attempt to forestall JPY selling may help moderate more aggressive JPY declines.

This portion of the Situation Room has been prepared by a desk strategist and is NOT a research report under U.S. law. The desk commentary portion of this report is NOT a product of the fixed income research department and is NOT covered by the research analyst certification provided on page 14.

To our U.K. clients: this portion of the Situation Room has been produced by and for the primary benefit of a trading desk. As such, we do not hold out this piece of investment research (as defined by U.K. law) as being impartial in relation to the activities of this trading desk.

For additional information concerning the role of trading desk strategists, please see the important conflicts disclosures beginning at page 13 of this report.

Important Information Concerning Economists

Individuals identified as economists do not function as research analysts under U.S. law and reports prepared by them are not research reports under applicable U.S. rules and regulations. Macroeconomic analysis is considered investment research for purposes of distribution in the U.K. under the rules of the Financial Services Authority. This report should be read in conjunction with the Bank of America NA (London) general policy statement on the handling of research conflicts, available on request. Issued and approved by Bank of America NA, London branch, authorised and regulated by the Financial Services Authority. However, investors should note the footnotes throughout the text regarding contributions by trading desk strategists, discussed in more detail below.

Important Information Concerning U.S. and U.K. Trading Strategists

Trading desk material is NOT a research report under U.S. law and is NOT a product of a fixed income research department of Banc of America Securities LLC, Bank of America, N.A. or any of their affiliates (collectively, "BofA"). Analysis and materials prepared by a trading desk are intended for Qualified Institutional Buyers under Rule 144A of the Securities Act of 1933 or equivalent sophisticated investors and market professionals only. Such analyses and materials are being provided to you without regard to your particular circumstances, and any decision to purchase or sell a security is made by you independently without reliance on us.

Any analysis or material that is produced by a trading desk has been prepared by a member of the trading desk who supports underwriting, sales and trading activities.

Trading desk material is provided for information purposes only and is not an offer or a solicitation for the purchase or sale of any financial instrument. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Although information has been obtained from and is based on sources believed to be reliable, we do not guarantee its accuracy, and it may be incomplete or condensed. All opinions, projections and estimates constitute the judgment of the person providing the information as of the date communicated by such person and are subject to change without notice. Prices also are subject to change without notice.

With the exception of disclosure information regarding BofA, materials prepared by its trading desk analysts are based on publicly available information. Facts and ideas in trading desk materials have not been reviewed by and may not reflect information known to professionals in other business areas of BofA, including investment banking personnel.

Neither BofA nor any officer or employee of BofA accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

To our U.K. clients: trading desk material has been produced by and for the primary benefit of a BofA trading desk. As such, we do not hold out any such investment research (as defined by U.K. law) as being impartial in relation to the activities of this trading desk.

Important Conflicts Disclosures Relating to Trading Strategists

Investors should be aware that BofA engages or may engage in the following activities, which present conflicts of interest:

- ◆ The person distributing trading desk material may have previously provided any ideas and strategies discussed in it to BofA's traders, who may already have acted on them.
- ◆ BofA does and seeks to do business with the companies referred to in trading desk materials. BofA and its officers, directors, partners and employees, including persons involved in the preparation or issuance of this report (subject to company policy), may from time to time maintain a long or short position in, or purchase or sell a position in, hold or act as market-makers or advisors, brokers or commercial and/or investment bankers in relation to the products discussed in trading desk materials or in securities (or related securities, financial products, options, warrants, rights or derivatives), of companies mentioned in trading desk materials or be represented on the board of such companies. For securities or products recommended by a member of a trading desk in which BofA is not a market maker, BofA usually provides bids and offers and may act as principal in connection with transactions involving such securities or products. BofA may engage in these transactions in a manner that is inconsistent with or contrary to any recommendations made in trading desk material.
- ◆ Members of a trading desk are compensated based on, among other things, the profitability of BofA's underwriting, sales and trading activity in securities or products of the relevant asset class, its fixed income department and its overall profitability.
- ◆ The person who prepares trading desk material and his or her household members are not permitted to own the securities, products or financial instruments mentioned.
- ◆ BofA, through different trading desks or its fixed income research department, may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from the information presented. Those reports reflect the different assumptions, views and analytical methods of the persons who prepared them and BofA is under no obligation to bring them to the attention of recipients of this communication.

REG AC – ANALYST AND FIRM CERTIFICATION

The research analyst(s) who prepared research contributions to this report certify(ies) that: (1) all of the views expressed in such research report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst’s compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in such research report. To the extent that any of the views expressed in this report have been produced as a result of the application of the Credit OAS quantitative proprietary model, Banc of America Securities LLC (BAS) and its affiliates certify that (1) the views expressed in this report accurately reflect the Credit OAS quantitative model as to the securities and companies mentioned in the report and (2) no part of the firm’s compensation from any company mentioned in this report was, is or will be, directly or indirectly, related to the views or results produced by the Credit OAS quantitative model. For a description of the Credit OAS proprietary credit evaluation model, including the data input into the model, please see [Introduction to Lighthouse: Credit Option Adjusted Spread, Portfolio Analytics and Data Analysis](#), dated May 12, 2006.

IMPORTANT RESEARCH CONFLICT OF INTEREST DISCLOSURES

The analyst and associates responsible for preparing this research report receive compensation that is based upon various factors. These include (i) the overall profitability of BAS and its affiliates, (ii) the profitability of the fixed income department of BAS and its affiliates and (iii) the profitability of BAS and its affiliates from the fixed income security asset class covered by the analyst or associate. A portion of the profitability of BAS and its affiliates, their fixed income department and each security asset class is generated by investment banking business. Research analysts and associates do not receive compensation based upon revenues generated from any specific investment banking transaction.

BAS and affiliate policy prohibits research personnel from disclosing a rating, recommendation or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis. Materials prepared by BAS and affiliate research personnel are based on public information.

BAS and its affiliates prohibit analysts, their associates and members of their households from maintaining a financial interest in the securities or options of any company that the analyst covers except in limited circumstances as permitted by BAS and affiliate policy. Any such direct securities ownership by the analyst(s) preparing this report is disclosed above. The absence of any such disclosure means that the analyst(s) preparing this report does(do) not have any such direct securities ownership in his or her covered companies mentioned in this report. Such persons may own diversified mutual funds.

BAS and its affiliates are regular issuers of traded financial instruments linked to securities that are mentioned in this report.

BANC OF AMERICA SECURITIES RATINGS DISCLOSURES

BAS High Grade and High Yield Research employ a Buy/Neutral/Sell rating system, and these recommendations carry a time horizon of six months.

Buy: Spreads and / or total returns are likely to outperform sector averages over the next six months; the company has improving credit fundamentals and/or it is trading at a notable spread concession relative to bonds of comparable risk within the sector.

Neutral: Spreads and / or total returns are likely to perform equal to or near sector averages over the next six months; the company generally has solid credit fundamentals and/or it is trading in line relative to bonds of comparable risk within the sector.

Sell: Spreads and / or total returns are likely to underperform sector averages over the next six months; the company may have weakening credit fundamentals and/or it is trading at a notable spread premium relative to bonds of comparable risk within the sector.

High Grade and High Yield Research use the following rating system with respect to Credit Default Swaps (CDS). Buy: We recommend that investors buy protection in CDS, therefore going short credit risk; Neutral: We are neutral on CDS and expect performance in line with sector performance; Sell: We recommend that investors sell protection in CDS, therefore going long credit risk.

High Grade Research also employs a formal structure to define sector performance, using Overweight/Market Weight/Underweight. The sector recommendation time horizon is determined by the expected performance over the next six months, but sector recommendation changes may occur at any time based upon sector analysis and relative value.

Overweight: The sector is expected to outperform excess spread returns of High Grade corporate indices, namely the BAS Broad Market Index (BAS BMI), over the next six months.

Market Weight: The sector is expected to perform in line with excess spread returns of High Grade corporate indices, namely the BAS BMI, over the next six months.

Underweight: The sector is expected to underperform excess spread returns of High Grade corporate indices, namely the BAS BMI, over the next six months.

Rating Distribution*

Coverage Universe	Recommendations		Investment Banking Clients		Pct.**
	Recommendations	Pct.	Recommendations	Pct.**	
Buy	212	32	Buy	86	41
Hold	381	57	Hold	179	47
Sell	80	12	Sell	50	63

* For the purposes of this Rating Distribution, “Hold” is equivalent to our “Neutral” rating.

** Percentage of recommendations in each rating group that are investment banking clients.

As of 1/1/2007.

Further information on any security or financial instrument mentioned herein is available upon request.

Disclaimers

This document is being provided to you based on the fact that you are a Qualified Institutional Buyer under Rule 144A of the Securities Act of 1933 or equivalent sophisticated institutional investor or professional in the fixed income market. Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision or for a necessary explanation of its contents. This report has been prepared as part of independent research activity or quantitative analytics and not in connection with any proposed offering of securities or as agent of the issuer of any securities. This report has been published independently of any issuer of securities mentioned herein. None of BAS, its affiliates or their analysts (collectively, BofA) have any authority whatsoever to make any representation or warranty on behalf of the issuer(s). This report is provided for information purposes only and is not an offer or a solicitation for the purchase or sale of any financial instrument. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this report.

BofA may have issued, and may in the future issue, a trading call regarding a security that is the subject of this report. Trading calls are short term trading opportunities based on market events or catalysts, while ratings reflect investment recommendations based on 12-month period relative to the relevant coverage universe. Because trading calls and ratings reflect different assumptions and analytical methods, trading calls may differ directionally from the rating on a security. In addition, BofA may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the persons who prepared them and BofA is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

Securities recommended, offered or sold by BofA are not insured by the Federal Deposit Insurance Corporation, are not deposits or other obligations of any insured depository institution (including Bank of America, N.A.) and are subject to investment risks, including the possible loss of the principal amount invested.

The information contained in this report (with the exception of the information set forth under the captions "Regulation AC Certification" and "Important Disclosures") has been obtained from and is based on sources believed to be reliable, but we do not guarantee its accuracy or completeness and it should not be relied upon as such. All opinions, projections and estimates constitute the judgment of the author as of the date of the report and are subject to change without notice. Prices also are subject to change without notice. BofA is under no obligation to update this report and BofA's ability to publish research on the subject company(ies) in the future is subject to applicable quiet periods. You should therefore assume that BofA will not update any fact, circumstance or opinion contained in this report.

Investing in non-U.S. securities may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to, the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. In general, foreign companies are not subject to uniform audit and reporting standards, practices and requirements comparable to those of U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Investors who have received this report from BAS or an affiliate may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in this report from BAS or its affiliate(s).

Investments in general, and derivatives (that is, options, futures, warrants, and contracts for differences) in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. Derivatives are not suitable investments for all investors, and an investor may lose all principal invested and, in some cases, may incur unlimited losses. It may be difficult to sell an investment and to obtain reliable information about its value or the risks to which it is exposed. Past performance of securities, loans or other financial instruments is not indicative of future performance.

This report is not prepared as or intended to be investment advice and is issued without regard to the specific investment objectives, financial situation or particular needs of any specific recipient. In the event that the recipient received this report pursuant to a contract between the recipient and BAS for the provision of research services for a separate fee, and in connection therewith BAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BAS). BAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities mentioned in this report. Neither BofA nor any officer or employee of BofA accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

BofA does not provide tax advice. Accordingly, any statements contained herein as to tax matters were neither written nor intended by the sender or BofA to be used and cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on such taxpayer. If any person uses or refers to any such tax statement in promoting, marketing or recommending a partnership or other entity, investment plan or arrangement to any taxpayer, then the statement expressed above is being delivered to support the promotion or marketing of the transaction or matter addressed and the recipient should seek advice based on its particular circumstances from an independent tax advisor.

Notwithstanding anything herein to the contrary, any party hereto (and any of its employees, representatives and other agents) may disclose to any and all persons, without limitation of any kind the tax treatment or tax structure of this transaction.

With the exception of information regarding BofA, materials prepared by BofA research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA, including investment banking personnel.

To European and Asian Customers: This report is distributed in Europe by Banc of America Securities Limited and in Asia by Banc of America Securities Asia Limited.

To U.S. Customers: BAS has accepted responsibility for the distribution of this report in the United States to BAS clients, but not to the clients of its affiliate, Banc of America Investment Services, Inc. (BAI). Transactions by U.S. persons (other than BAI and its clients) in any security discussed herein must be carried out through BAS. BAS provides research to its affiliate, BAI. BAI is a registered broker-dealer, member NASD and SIPC, and is a nonbank subsidiary of Bank of America N.A.

To U.K. Customers: This document has been approved for distribution in the United Kingdom by Banc of America Securities Limited, which is authorized and regulated by the Financial Services Authority for the conduct of investment business in the United Kingdom. Prices, values or income ascribed to investments in this report may fall against your interests. The investments may not be suitable for you, and if in any doubt, you should seek advice from an investment advisor. Changes in rates of exchange may have an adverse effect on the value, price or income from an investment. Levels and basis for taxation may change. The protection provided by the U.K. regulatory regime, including the Financial Services Compensation Scheme, do not apply in general to business coordinated by BAS or its affiliates from an office outside of the United Kingdom.

These disclosures should be read in conjunction with the Banc of America Securities Limited general policy statement on the handling of research conflicts—available upon request.

To German Customers: In Germany, this report should be read as though BAS has acted as a member of a consortium that has underwritten the most recent offering of securities during the past five years for companies covered in this report and holds 1% or more of the share capital of such companies.

To Canadian Customers: The contents of this report are intended solely for the use of, and only may be issued or passed on to, persons to whom BAS is entitled to distribute this report under applicable Canadian securities laws. In the province of Ontario, any person wishing to effect a transaction should do so with BAS, which is registered as an International Dealer. With few exceptions, BAS only may effect transactions in Ontario with designated institutions in foreign securities as such terms are defined in the Securities Act (Ontario).

To Hong Kong Customers: Any Hong Kong person wishing to effect a transaction in any securities discussed in this report should contact Banc of America Securities Asia Limited.

To Customers in Other Countries: This report, and the securities discussed herein, may not be eligible for distribution or sale in all countries or to certain categories of investors. In general, this report may be distributed only to professional and institutional investors.

This report may not be reproduced or distributed by any person for any purpose without the prior written consent of BAS. Please cite source when quoting. All rights are reserved. © 2007 Bank of America Corporation

Banc of America Securities – Debt Research Directory

Paula Dominick, Global Head of Debt and Equity Research (212) 847 5322

Credit Strategy Research

Jeffrey A. Rosenberg, CFA (212) 933 2927
Head of Credit Strategy Research

Michael Contopoulos (212) 933 3372
Lighthouse Portfolio Strategy & Analytics

Hans Mikkelsen (212) 847 6468
High Grade

Clemens Mueller (212) 933 2577
High Yield

Olivera Radakovic (212) 933 2496
Lighthouse Data Analysis & Indices

Adam Roffman (212) 933 2076
Collateralized Debt Obligation Strategy

Glen Taksler (212) 933 2559
Derivatives Strategy

Mingsung Tang (212) 847 6083
Lighthouse Portfolio Strategy & Analytics

Xiaodong Zhu (212) 847 5489
Lighthouse Portfolio Strategy & Analytics

High Grade Research

Gregory Ransom, CFA (212) 847 5773
Head of High Grade Research
Basic Industries

Stan August (704) 388 5373
Domestic Banks, Brokers, European Banks

Michael J. Barry (212) 933 2547
Insurance

Andrew Bressler, CFA (202) 442.7454
Washington Healthcare

Christopher N. Brown, CFA (704) 386 2524
REITs, Retail, Leisure, Homebuilding

Kevin Christiano (212) 933.2485
Media, Telecommunications

Dennis P. Coleman, CFA (212) 847 6224
Energy, Pipelines, Master Limited Partnerships

Todd Duvick, CFA (704) 388 5053
Food & Beverage, Supermarkets, Consumer

John Guarnera (704) 683 4878
Domestic Banks, Finance Companies

Douglas Karson (212) 933 2405
Aerospace/Defense, Manufacturing, Autos

Faith N. Klaus, CFA (704) 386 8440
Electric Utilities, Independent Power

Marisa B. Moss (212) 583-8493
Railroads

David K. Peterson, CFA (704) 386 9419
Healthcare

High Yield Research

Larry Bland (212) 847 6502
Head of High Yield Research
Healthcare, Deathcare

Philip Birbara (212) 847 5473
Chemicals

Andrew Brausa (212) 847 6481
Building Materials, Homebuilding

Kevin Cohen, CFA (212) 933 2721
Paper & Packaging, Metals & Mining

Melissa Ford, CFA (212) 847 5577
Restaurants, Supermarkets

Ana Goshko (212) 847 5936
Telecommunications, Towers

Douglas Karson (212) 933 2405
Autos

James Kayler, CFA (212) 847 5223
Gaming, Lodging & Leisure

Kelly J. Krenger (212) 847 6410
Energy

Manish A. Somaiya (212) 933 3455
Aerospace/Defense, Industrials, Services

Eric Toubin, CFA (212) 847 6498
Technology, Food & Beverage

Stephen Weiss (212) 933 2298
Cable/Satellites, Broadcasting/Publishing, Theaters

International Credit Strategy Research

Raja Visweswaran, CFA +44 (20) 7174 5459
Head of International Credit Strategy Research, BASL

Eve Cabrillac +44 (20) 7174 1517
European Credit Strategy, BASL

Ivy Li, CFA +852 2847 6346
Asian Credit Strategy, BASAL

John Schofield +44 (20) 7174 1518
European Credit Strategy, BASL

Rishma X. Shah +44 (20) 7174 1744
European Credit Strategy, BASL

The persons listed on this directory have the title “research analyst”. Unless otherwise noted, any other contributors named on the front cover of this report but not indicated above have the title “research associate”.

All research analysts are employed by Banc of America Securities LLC (BAS) except as noted above.

BAS (United States)

Banc of America Securities LLC
9 West 57th Street
New York, New York 10019
Tel. Contact: 800 627 1804

BASL (United Kingdom)

Banc of America Securities Limited
5 Canada Square
London E14 5AQ, England
Tel Contact: +44 (20) 7174 4000

BASAL (Hong Kong)

Banc of America Securities Asia Limited
42/F Two International Finance Centre
8 Finance Street, Central, Hong Kong
852 2847 6346

214 North Tryon Street
Charlotte, North Carolina 28225
Tel. Contact: 888 279 3457

Manage Your Research Subscriptions Online

Did you know that you can control your Banc of America Securities research subscriptions online? Simply login at <http://www.bofa.com/login> and select **My Alerts** from your Toolbox. If you don't have a User ID, please contact your Banc of America Securities salesperson. If you forgot your User ID or password, please call our Help Desk at 1.877.543.2632 or email usa.ecommercesupport@bankofamerica.com