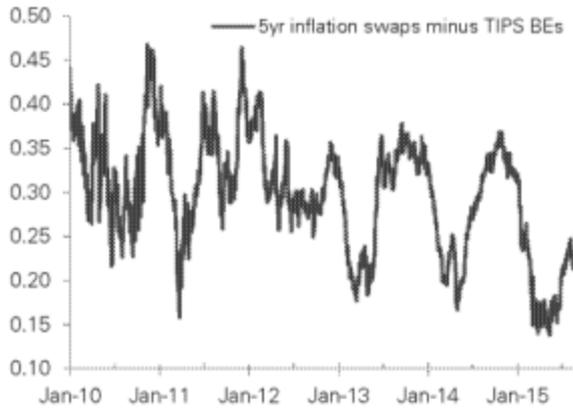




5-year inflation basis has recovered, ...



Source: Bloomberg and Deutsche Bank

...while 30-year inflation basis has remained in the low end of the long term trading range



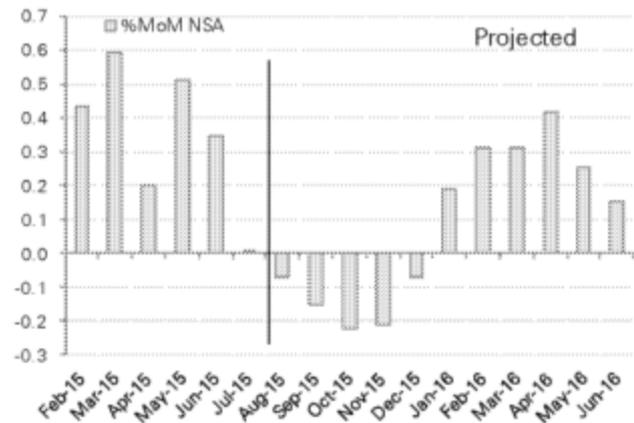
Source: Bloomberg and Deutsche Bank

US CPI-U NSA y/y, actual and forecast



Source: Bureau of Labor Statistics and Deutsche Bank

MoM CPI-U, actual and forecast (non-seasonally-adjusted)



Source: Bureau of Labor Statistics and Deutsche Bank

Auction Preview: 3s, 10s, and Bonds

Treasury will sell a total of \$58 billion notional securities worth roughly the same in ten-year cash equivalent through three- and ten-year notes and 30-year bond auction next week. The auction will settle on Tuesday, September 15, against an estimated \$32 billion of coupon securities on the same day. The combined customer participation of this set of auction decreased for the third straight month to 63% from 64.2% in July, but remained above its one-year average of 62.2%. Direct bidders declined to a three-year record low of 7.7% from 11.9% in July (1yr avg. 12.3%). However, indirect bidders took down 55.3% of the supply up from July's 52.2%, and beat the average 49.9% for the seventh month in a row.

3-year note

Indirect bidder participation increased to 52.8% from July's 47.7%, above the one-year average of 45.7% in every month since last December. However,