

## The Morning Email: US, Germany, BOE and the ECB

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Want something added? Let me know: [jgoulding@ghco.com](mailto:jgoulding@ghco.com)  
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Quotes 1



		32 nds									
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME			
TUAH8	105.187	0.0	105.205	105.180	105.195	18,569	260,858	2y Futures	<b>US Futures Market</b>		
FVAH8	111.030	0.0	111.045	110.315	111.030	31,763	438,857	5y Futures			
TYAH8	114.120	0.0	114.150	114.080	114.135	56,817	916,555	10y Futures			
USAH8	117.190	(0)	117.310	117.170	117.280	20,904	256,771	30y Futures			
		Last	Net	Hi	Low	Open	Volume				
BUS02P	100.260	(1.0)	100.272	100.255	100.267	2y			<b>US Cash Treasury Market</b>		
BUS05P	101.212	(1.7)	101.230	101.195	101.227	5y					
BUS10P	102.250	(5.0)	102.280	102.220	102.270	10y					
BUS30P	110.030	(7)	110.150	110.030	110.140	30y					
		Last	Net	Hi	Low	Open	Volume				
BUS02Y	2.822	1.50	2.842	2.777	2.822	2y Yield					
BUS05Y	3.259	1.10	3.276	3.24	3.264	5y Yield					
BUS10Y	3.905	1.70	3.922	3.882	3.903	10y Yield					
BUS30Y	4.379	1.80	4.39	4.358	4.371	30y Yield					



		Decimal									
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME			
DGH8	103.70	(1.00)	103.72	103.68	103.69	148,906	434,693	Schatz(2Y)	<b>German Futures Markets</b>		
DLH8	108.84	(2.00)	108.93	108.80	108.82	149,308	508,675	Bobl(5Y)			
DBH8	114.47	(0.60)	114.57	114.36	114.41	298,285	986,029	Bund(10Y)			

	Price	Yield					
	Last	Last	Coupon	Maturity	SYM NAME		
T.US.DE040P1209***	100.32	3.805	4.000	12/11/2009	2 yr CTD	<b>German Cash Treasury Market</b>	
T.US.DE042P1012***	101.36	3.918	4.250	10/12/2012	5 yr CTD		
T.US.DE036P0117**	97.15	4.129	3.750	1/4/2017	10 yr CTD		
DEP2P*	100.35	3.805	4.000	12/11/2009	2yr OTR		
DEP5P*	101.40	3.918	4.250	10/12/2012	5yr OTR		
DEP10P*	98.55	4.180	4.000	1/4/2018	10yr OTR		

Notes

- Y = Yield
- DE = German Country Code
- CTD = Cheapest to Deliver
- OTR = On the Run
- \* OTR
- \*\* CTD
- \*\*\* CTD & OTR

**Quotes 2**

This page provided a more detailed look at the quotes for the German Bonds

German Bonds are quoted in decimal, not 32nds.



	Decimal					
	Bid	Ask	Last	Hi	Low	Chng
DGH8	#VALUE!	103.70	103.70	103.72	103.68	-1.00
DLH8	108.84	#VALUE!	108.84	108.93	108.80	-2.00
DBH8	114.47	114.48	114.47	114.57	114.36	-0.60

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo
DGH8		4.040	4.040	4.050	4.027
DLH8	4.014		4.014	4.022	3.995
DBH8	4.198	4.197	4.198	4.211	4.187

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng
T.US.DE040P1209***	3.821	3.805	3.805	3.832	3.777	
T.US.DE042P1012***	3.928	3.918	3.918	3.937	3.895	
T.US.DE036P0117**	4.136	4.129	4.129	4.147	4.117	
DEP2P*	3.821	3.805	3.805	3.832	3.777	1
DEP5P*	3.928	3.918	3.918	3.937	3.895	1
DEP10P*	4.187	4.180	4.180	4.196	4.165	8

	Decimal					
	Bid	Ask	Last	Hi	Low	Chng
T.US.DE040P1209***	100.32	100.35	100.35	100.40	100.30	1
T.US.DE042P1012***	101.36	101.40	101.40	101.50	101.32	1
T.US.DE036P0117**	97.15	97.20	97.20	97.29	97.07	9
DEP2P*	100.32	100.35	100.35	100.40	100.30	1
DEP5P*	101.36	101.40	101.40	101.50	101.32	1
DEP10P*	98.50	98.55	98.55	98.67	98.43	8

SYM NAME	
Schatz(2Y)	German Futures
Bobl(5Y)	
Bund(10Y)	

Schatz(2Y)	German Futures
Bobl(5Y)	
Bund(10Y)	

2 yr CTD	German Cash
5 yr CTD	
10 yr CTD	
2yr OTR	
5yr OTR	
10yr OTR	

SYM NAME	
2 yr CTD	German Cash
5 yr CTD	
10 yr CTD	
2yr OTR	
5yr OTR	
10yr OTR	

Notes

- Y = Yield
- DE = German Country Code
- CTD = Cheapest to Deliver
- OTR = On the Run
- \* OTR
- \*\* CTD
- \*\*\* CTD & OTR

Intrinsics & Tic for Tic Matrix'



US Intrinsic's ^				
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	15.78	5.66	\$1,769	€ 2,604
10y	7.98	2.64	\$825	€ 1,214
5y	4.53	1.48	\$463	€ 682
2y	1.91	0.62	\$192	€ 283
ZB	10.29	3.96	\$124	€ 182
ZN	5.90	2.18	\$68	€ 100
ZF	3.95	1.41	\$44	€ 65
ZT	1.91	0.64	\$20	€ 30

^Futures are Based on CTD

Tic for Tic Matrix (\$)			
	Bund	Bobl	Schatz
30y	10.35	19.13	40.05
10y	4.83	8.92	18.67
5y	2.71	5.01	10.49
2y	1.13	2.08	4.35
ZB	0.72	1.34	2.80
ZN	0.40	1.34	1.54
ZF	0.26	0.48	1.00
ZT	0.12	0.22	0.46



German Intrinsic's ^				
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.47	€ 251	\$171	0.849146
Bobl	4.20	€ 136	\$92	0.931197
Schatz	2.07	€ 65	\$44	0.947563
DE10Y	8.07	€ 1,171	\$796	
DE5Y	4.20	€ 634	\$431	
DE2Y	2.07	€ 314	\$213	

^Futures are Based on CTD

Last

EURUSD 147.16

Notes

1) CF = Conversion Factor

2) MDuration = Modified Macaulay Duration

3) MDuration & DV01s for Futures are based on proxy issue (CTD)

## US Financial Futures / Eurex Bond

	ZN	ZF	ZT
Bund (H)	1.700	2.700	2.900
Bobl (H)	0.960	1.500	1.570
Shatz (H)	0.380	0.580	0.630

Bloomberg  
Ratio's

## US Treasuries v Eurex Bonds

	2y	5y	10y
Bund (H)	1.7	3.9	7.1
Bobl (H)	3.1	7.1	12.8
Shatz (H)	7.8	15.9	28.8

Bloomberg  
Ratio's

## Bund (H) Bobl (H) Shatz (H)

	Bund (H)	Bobl (H)	Shatz (H)
Bund (H)	1.00	1.69	3.47
Bobl (H)	0.59	1.00	2.06
Shatz (H)	0.29	0.49	1.00

GH Trader's  
Ratio's

## Note:

Bloomberg hedge ratio's are static. Meaning, I only update them once a week and on rolls. My hedge ratio's are live, meaning, they're updated in real-time. I've managed to get the Eurex to Eurex ratio's updating live as of 07/05/2007. I'll be working on Eurex to the USA ratio's soon. All matrixes are labeled GH Trader's or Bloomberg.

US Cash Treasuries (OTR)			
	Bid	Ask	Last
US2y	2.826	2.822	2.822
US5y	3.260	3.259	3.259
US10y	3.907	3.905	3.905

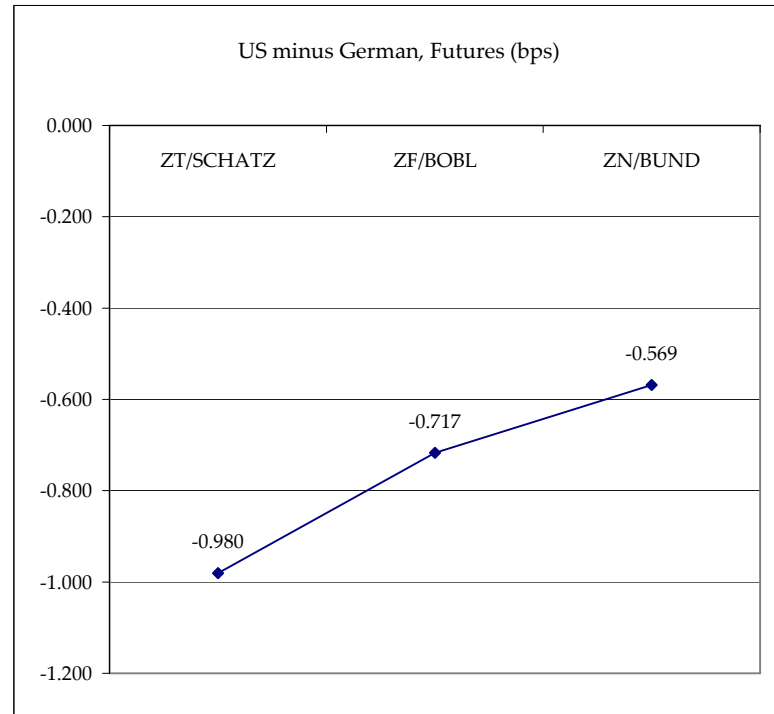
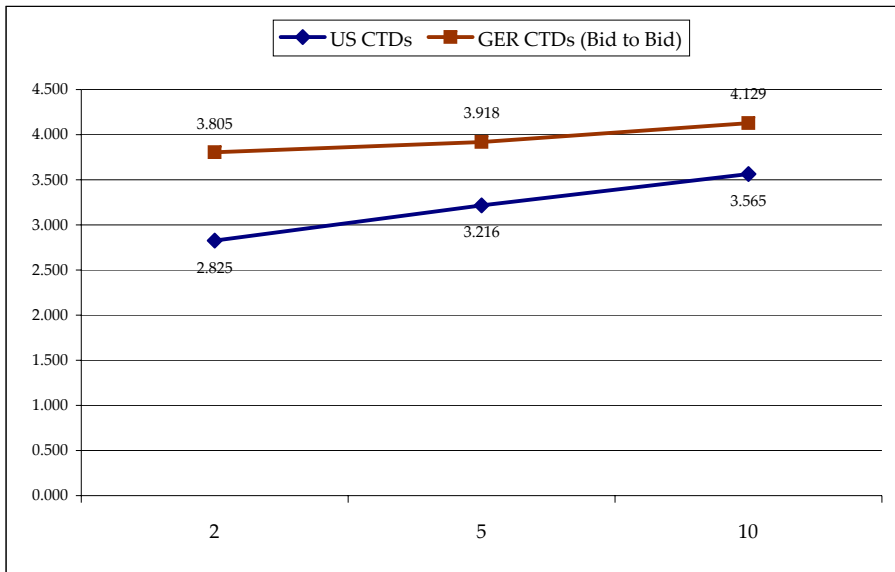
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	3.821	3.805	3.805
DE5y	3.928	3.918	3.918
DE10y	4.187	4.180	4.180

Spreads	
	Bps
ZT/SCHATZ	-0.980
ZF/BOBL	-0.717
ZN/BUND	-0.569

US Cash Treasuries (CTD)			
	Bid	Ask	Last
3.250 of 12/09	2.825		2.825
4.750 of 05/12	3.216	3.201	3.201
4.250 of 11/14	3.565	3.560	3.560

German Futures (CTD)			
	Bid	Ask	Last
5.375 of 04/10	3.821	3.805	3.805
4.250 of 10/12	3.928	3.918	3.918
3.750 of 01/17	4.136	4.129	4.129

This chart shows the US futures, ZT, ZF, and ZN as a yield compared to the German Futures, the Schatz (2yr), Bobl (5yr), and Bund (10yr). Cheapest to Deliver (CTD) are used as proxies for the yields.



When does the volume trade? Between what ours of the day? These are the two questions most frequently asked, by new traders to this contract. Of course number releases pertaining to the German economy will produce volume. Past that we can look at a chart of the Bund as determine when volume occurs.

Time	Volume	Volume
	Rises	Drops
1:00 AM CST	x	
7:00 AM CST	x	
10:00 AM CST		x
11:00 AM CST		x
German Econ Release	x	
US Econ Release	x	

#### Bond Market Characteristics

From The Treasury Bond Basis Book 3rd Edition, by Galen Burghardt

Accrued Interest	Germany	Japan	UK
Coupon (date)	Annual	semi (20th)	semi
Ex-dividend (days)	no	no	yes (7)
Accrual basis	actual	actual	actual
Year Basis	actual	365	actual

#### Settlement time frame

Domestic	T+2	T+3	T+3
International	T+3	na	na

#### Trading Basis

Quotation	price	simple yield	price
Tick	decimal	bp	decimal
Tax (resident)	0	0	0
Price/Yield Method	ISMA	Simple	DMO

#### Repo

Accrual basis	actual	actual	actual
Year basis	360	0	365

The Governing Council

Jean-Claude Trichet , President of the ECB  
 Lucas D. Papademos, Vice-President of the ECB  
 Lorenzo Bini Smaghi, Member of the Executive Board of the ECB  
 José Manuel González-Páramo, Member of the Executive Board of the ECB  
 Jürgen Stark, Member of the Executive Board of the ECB  
 Gertrude Tumpel-Gugerell, Member of the Executive Board of the ECB  
 Axel A. Weber, President, Deutsche Bundesbank  
 Nout Wellink, President, De Nederlandsche Bank  
 Guy Quaden, Governor, Nationale Bank van België/Banque Nationale de Belgique  
 Nicholas C. Garganas, Governor, Bank of Greece  
 Miguel Fernández Ordóñez, Governor, Banco de España  
 Christian Noyer, ECB Governor, Banque de France  
 John Hurley, ECB Governor, Central Bank and Financial Services Authority of Ireland  
 Mario Draghi, ECB Governor, Banca d'Italia  
 Yves Mersch, ECB Governor, Banque centrale du Luxembourg  
 Klaus Liebscher, ECB Governor, Oesterreichische Nationalbank (Austria)  
 Vítor Manuel Ribeiro Constâncio, ECB Governor, Banco de Portugal  
 Marko Kranjec, ECB Governor, Banka Slovenije  
 Erkki Liikanen, ECB Governor, Suomen Pankki - Finlands Bank

**The Governing Council usually meets twice a month at the Eurotower in Frankfurt am Main, Germany.**

At its first meeting each month, the Governing Council assesses monetary and economic developments and takes its monthly monetary policy decision. At its second meeting, the Council discusses mainly issues related to other tasks and responsibilities of the ECB and the Eurosystem.

The minutes of the meetings are not published, but the monetary policy decision is announced at a press conference held shortly after the first meeting each month. The President, assisted by the Vice-President, chairs the press conference.

**The primary objective of the ECB's monetary policy is to maintain price stability. The ECB aims at inflation rates of below, but close to, 2% over the medium term.**

**EU Central Banks**

Austria, Oesterreichische Nationalbank  
 Belgium, Nationale Bank van België/Banque Nationale de Belgique  
 Bulgaria, Bulgarian National Bank  
 Czech, Republic Česká národní banka  
 Cyprus, Central Bank of Cyprus  
 Denmark, Danmarks Nationalbank  
 Estonia, Eesti Pank  
 Éire/Ireland, Central Bank and Financial Services Authority of Ireland  
 Finland, Suomen Pankki - Finlands Bank  
 France, Banque de France  
 Germany, Deutsche Bundesbank  
 Greece, Bank of Greece  
 Hungary, Magyar Nemzeti Bank  
 Italy, Banca d'Italia  
 Latvia, Latvijas Banka  
 Lithuania, Lietuvos bankas  
 Luxembourg, Banque centrale du Luxembourg  
 Malta, Central Bank of Malta  
 The Netherlands, De Nederlandsche Bank  
 Poland, Narodowy Bank Polski  
 Portugal, Banco de Portugal  
 Romania, Banca Națională a României  
 Slovakia, Národná banka Slovenska  
 Slovenia, Banka Slovenije  
 Spain, Banco de España  
 Sweden, Sveriges Riksbank  
 United Kingdom, Bank of England

**EU Central Banks**

Austria, Oesterreichische Nationalbank	Klaus Liebscher, ECB Governor, Oesterreichische Nationalbank
Belgium, Nationale Bank van België/Banque Nationale de Belgique	Guy Quaden, ECB Governor, Nationale Bank van België/Banque Nationale de Belgique
Bulgaria, Bulgarian National Bank	Ivan Iskrov
Czech, Republic Česká národní banka	Zdeněk Tůma
Cyprus, Central Bank of Cyprus	Athanasios Orphanides
Denmark, Danmarks Nationalbank	Nils Bernstein
Estonia, Eesti Pank	Andres Lipstok
Éire/Ireland, Central Bank and Financial Services Authority of Ireland	John Hurley, ECB Governor, Central Bank and Financial Services Authority of Ireland
Finland, Suomen Pankki - Finlands Bank	Erkki Liikanen, ECB Governor, Suomen Pankki - Finlands Bank
France, Banque de France	Christian Noyer, ECB Governor, Banque de France
Germany, Deutsche Bundesbank	Axel A. Weber, President, Deutsche Bundesbank
Greece, Bank of Greece	Nicholas C. Garganas, Governor, Bank of Greece
Hungary, Magyar Nemzeti Bank	András Simor
Italy, Banca d'Italia	Mario Draghi, Governor, Banca d'Italia
Latvia, Latvijas Banka	Ilmārs Rimšēvičs
Lithuania, Lietuvos bankas	Reinoldijus Šarkinas
Luxembourg, Banque centrale du Luxembourg	Yves Mersch, ECB Governor, Banque centrale du Luxembourg
Malta, Central Bank of Malta	Michael C. Bonello
The Netherlands, De Nederlandsche Bank	Nout Wellink, President, De Nederlandsche Bank
Poland, Narodowy Bank Polski	Ślawomir Skrzypek
Portugal, Banco de Portugal	Vítor Manuel Ribeiro Constâncio, Governor, Banco de Portugal
Romania, Banca Națională a României	Mugur Isărescu
Slovakia, Národná banka Slovenska	Marko Kranjec, Governor, Banka Slovenije
Slovenia, Banka Slovenije	Marko Kranjec
Spain, Banco de España	Miguel Fernández Ordóñez, Governor, Banco de España
Sweden, Sveriges Riksbank	Stefan Ingves
United Kingdom, Bank of England	Mervyn King

Jean-Claude Trichet, President of the ECB, came from Banque de France, BIS, and World Bank

Lucas D. Papademos, Vice-President of the ECB, came from Bank of Greece

Lorenzo Bini Smaghi, Member of the Executive Board of the ECB, came from Banca d'Italia

José Manuel González-Páramo, Member of the Executive Board of the ECB, came from Banco de España

Jürgen Stark, Member of the Executive Board of the ECB, came from Deutsche Bundesbank

Gertrude Tumpel-Gugerell, Member of the Executive Board of the ECB, came from Oesterreichische Nationalbank

**Notes for shaded and unshaded cells**

Represented on the Governing Council

Represented on the General Council

ECB Introductory Statement [ First paragraph only. You can view the full statement at [www.ecb.int](http://www.ecb.int) ]

**Introductory statement**

**Jean-Claude Trichet, President of the ECB,  
Lucas Papademos, Vice President of the ECB  
Frankfurt am Main, 6 December 2007**

[...]

On the basis of our regular economic and monetary analyses, we decided at today's meeting to leave the key ECB interest rates unchanged. The latest information has confirmed the existence of strong short-term upward pressure on inflation, with the HICP inflation rate reaching 3.0% in November. It has also fully confirmed our assessment that there are upside risks to price stability over the medium term. Against this background, and with money and credit growth remaining very vigorous in the euro area, the Governing Council stands ready to counter upside risks to price stability, as required by its mandate. The economic fundamentals of the euro area remain sound. However, the reappraisal of risk in financial markets is still evolving and is accompanied by continued uncertainty about the potential impact on the real economy. We will therefore monitor very closely all developments. By acting in a firm and timely manner on the basis of our assessment, we will ensure that second-round effects and risks to price stability over the medium term do not materialise. Firmly anchoring medium and long-term inflation expectations in line with price stability is all the more important at times of financial market volatility and increased uncertainty. As regards the financial markets, we will continue to pay great attention to developments over the coming weeks.

[....]

[SOURCE: The ECB]

[As of 12/06/2007 6:00 am CT]

Current Bank Rate: 5.5%

Next due: 10 Jan '08

Current Inflation (CPI): 2.1%

Next due: 18 Dec '07

Inflation Target: 2.0%

[As of 12/06/2007 6:00 am CT]

#### **News Release**

#### **Bank of England Reduces Bank Rate by 0.25 Percentage Points to 5.5%**

**6 December 2007**

The Bank of England's Monetary Policy Committee today voted to reduce the official Bank Rate paid on commercial bank reserves by 0.25 percentage points to 5.5%.

Although output in the United Kingdom has expanded at a brisk pace for the past two years, there are now signs that growth has begun to slow. Forward-looking surveys of households and businesses suggest spending is moderating, broadly in line with the projections contained in the November Inflation Report. But conditions in financial markets have deteriorated and a tightening in the supply of credit to households and businesses is in train, posing downside risks to the outlook for both output and inflation further ahead.

CPI inflation was 2.1% in October. Higher energy and food prices are expected to keep inflation above the target in the short term. Although upside risks to inflation remain, which the Committee will continue to monitor carefully, slowing demand growth should ease the pressures on supply capacity, bringing inflation back to target in the medium term.

Against that background, the Committee judged that a decrease in Bank Rate of 0.25 percentage points to 5.5% was necessary to meet the 2% target for CPI inflation in the medium term.

The minutes of the meeting will be published at 9.30am on Wednesday 19 December.

#### Note to Editors

The previous change in Bank Rate was an increase of 0.25 percentage points to 5.75% on 5 July 2007.