

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

Table of Contents

Pg 1	Quotes 1	
Pg 2	Quotes 2	
Pg 3	Intrinsics & Tic for Tic Matrix'	
Pg 4	Hedge Ratios - Bloomberg	
Pg 5	Yields & Spreads	
Pg 6	Volume Questions & Global Bond Market Characteristics	
Pg 7, 8, 9	The ECB	Updated 1/8/2008
Pg 10, 11	The BOE	Updated 1/7/2008 New page added, Pg 10, titled <i>How they voted</i>
Pg 12, 13, 14	The EU	New



Want something added? Let me know: jgoulding@ghco.com

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Quotes 1



32 nds								SYM NAME		
Last	Net	Hi	Low	Open	Volume	Yest Volume				
TUAH8	105.285	0.0	105.287	105.250	105.255	23,188	299,015	2y Futures	US Futures Market	
FVAH8	111.260	(0.0)	111.260	111.205	111.225	30,363	677,211	5y Futures		
TYAH8	115.105	(0.0)	115.110	115.050	115.065	82,038	1,179,016	10y Futures		
USAH8	118.210	(0)	118.210	118.140	118.170	19,499	375,925	30y Futures		
US Cash Treasury Market										
Last	Net	Hi	Low	Open	Volume					
BUS02P	101.025	2.0	101.027	101.005	101.007	2y				
BUS05P	102.117	4.5	102.120	102.070	102.080	5y				
BUS10P	103.195	5.0	103.200	103.150	103.165	10y				
BUS30P	110.295	1	110.310	110.240	110.280	30y				
Last	Net	Hi	Low	Open	Volume					
BUS02Y	2.681	(3.70)	2.754	2.673	2.75	2y Yield				
BUS05Y	3.106	(2.70)	3.15	3.102	3.15	5y Yield				
BUS10Y	3.805	(1.80)	3.833	3.801	3.833	10y Yield				
BUS30Y	4.335	(0.40)	4.35	4.333	4.346	30y Yield				



Decimal								SYM NAME	
Last	Net	Hi	Low	Open	Volume	Yest Volume			
DGH8	103.85	3.50	103.85	103.78	103.83	243,742	655,845	Schatz(2Y)	German Futures Markets
DLH8	109.31	8.00	109.32	109.20	109.27	216,846	595,338	Bobl(5Y)	
DBH8	115.29	1.60	115.30	115.14	115.21	354,319	1,165,301	Bund(10Y)	

	Price	Yield		Maturity	SYM NAME	
	Last	Last	Coupon			
T.US.DE040P1209***	100.46	3.725	4.000	12/11/2009	2 yr CTD	German Cash Treasury Market
T.US.DE042P1012***	101.79	3.817	4.250	10/12/2012	5 yr CTD	
T.US.DE036P0117**	97.85	4.033	3.750	1/4/2017	10 yr CTD	
DEP2P*	100.49	3.725	4.000	12/11/2009	2yr OTR	
DEP5P*	101.83	3.817	4.250	10/12/2012	5yr OTR	
DEP10P*	99.31	4.085	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	103.84	103.85	103.85	103.85	103.78	3.50
DLH8	109.31	109.31	109.31	109.32	109.20	8.00
DBH8	115.28	115.29	115.29	115.30	115.14	1.60

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo
DGH8	3.965	3.962	3.965	3.996	3.960
DLH8	3.915	3.914	3.914	3.938	3.912
DBH8	4.106	4.105	4.105	4.122	4.104

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng
T.US.DE040P1209***	3.742	3.725	3.725	3.775	3.714	
T.US.DE042P1012***	3.826	3.817	3.817	3.852	3.815	
T.US.DE036P0117**	4.040	4.033	4.033	4.058	4.032	
DEP2P*	3.742	3.725	3.725	3.775	3.714	1
DEP5P*	3.826	3.817	3.817	3.852	3.815	-4
DEP10P*	4.092	4.085	4.085	4.110	4.084	-3

Decimal						
	Bid	Ask	Last	Hi	Low	Chng
T.US.DE040P1209***	100.46	100.49	100.49	100.51	100.40	1
T.US.DE042P1012***	101.79	101.83	101.83	101.84	101.68	-4
T.US.DE036P0117**	97.85	97.90	97.90	97.91	97.72	-3
DEP2P*	100.46	100.49	100.49	100.51	100.40	1
DEP5P*	101.79	101.83	101.83	101.84	101.68	-4
DEP10P*	99.26	99.31	99.31	99.32	99.11	-3

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

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

SYM NAME	
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

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- * OTR
- ** CTD
- *** CTD & OTR

Intrinsics & Tic for Tic Matrix'



US Intrinsic's ^				
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	15.82	5.72	\$1,786	€ 2,621
10y	7.98	2.66	\$832	€ 1,221
5y	4.52	1.49	\$466	€ 684
2y	1.90	0.61	\$192	€ 282
ZB	10.32	4.02	\$125	€ 184
ZN	5.89	2.19	\$69	€ 101
ZF	3.95	1.42	\$44	€ 65
ZT	1.90	0.64	\$20	€ 30

^Futures are Based on CTD

German Intrinsic's ^				
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.47	€ 253	\$172	0.849146
Bobl	4.20	€ 136	\$93	0.931197
Schatz	2.06	€ 65	\$44	0.947563
DE10Y	8.08	€ 1,178	\$803	
DE5Y	4.20	€ 634	\$432	
DE2Y	2.06	€ 312	\$213	

^Futures are Based on CTD

Last
EURUSD 146.77

Tic for Tic Matrix (\$)			
	Bund	Bobl	Schatz
30y	10.37	19.25	40.52
10y	4.83	8.97	18.88
5y	2.71	5.03	10.58
2y	1.11	2.07	4.35
ZB	0.73	1.35	2.85
ZN	0.40	1.34	1.56
ZF	0.26	0.48	1.01
ZT	0.12	0.22	0.46

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)	1.80	2.80	3.10
Bobl (H)	1.00	1.54	1.69
Shatz (H)	0.41	0.63	0.69

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)	1.00	1.85	4.55
Bobl (H)	0.54	1.00	2.46
Shatz (H)	0.22	0.41	1.00

Bloomberg
Ratio's

Yields & Spreads

US Cash Treasuries (OTR)			
	Bid	Ask	Last
US2y	2.685	2.681	2.681
US5y	3.107	3.106	3.106
US10y	3.806	3.805	3.805

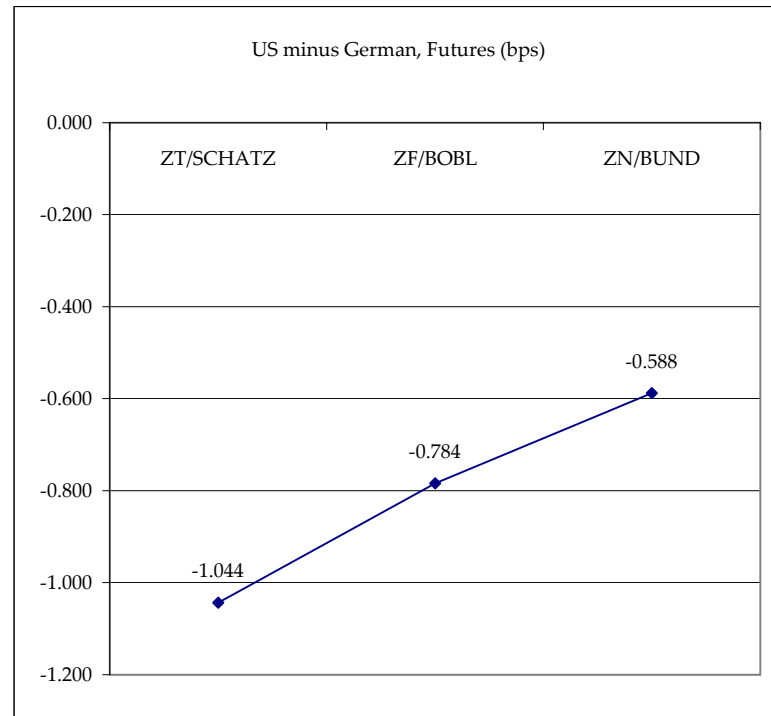
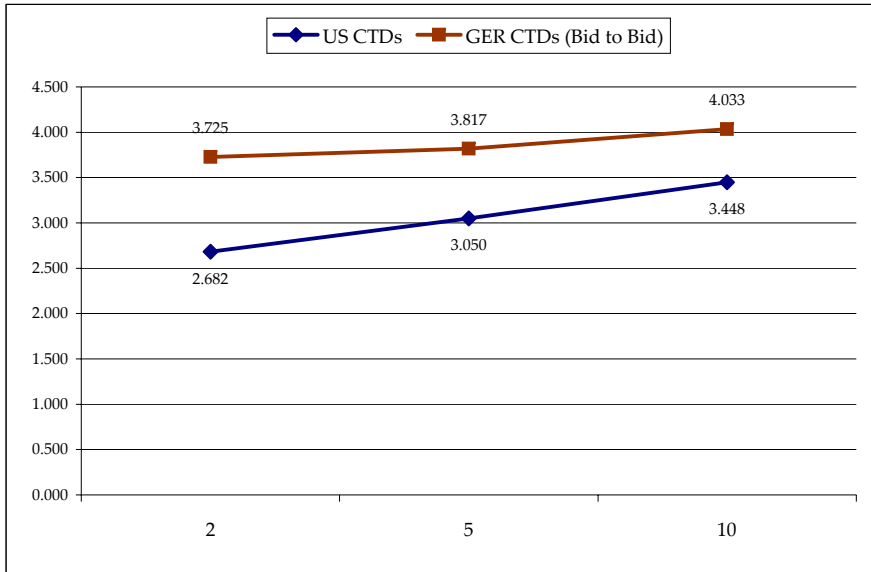
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	3.742	3.725	3.725
DE5y	3.826	3.817	3.817
DE10y	4.092	4.085	4.085

Spreads Bps	
ZT/SCHATZ	-1.044
ZF/BOBL	-0.784
ZN/BUND	-0.588

US Cash Treasuries (CTD)			
	Bid	Ask	Last
3.250 of 12/09	2.682		2.682
4.750 of 05/12	3.050	3.033	3.033
4.250 of 11/14	3.448	3.445	3.445

German Futures (CTD)			
	Bid	Ask	Last
5.375 of 04/10	3.742	3.725	3.725
4.250 of 10/12	3.826	3.817	3.817
3.750 of 01/17	4.040	4.033	4.033

This chart shows the US futures, ZT, ZF, and ZN quoted in yield, then, comparing them 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 hours 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	
	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 (21)

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
 Guy Quaden, Governor, Nationale Bank van België/Banque Nationale de Belgique
 Axel A. Weber, President, Deutsche Bundesbank
 John Hurley, Governor, Central Bank and Financial Services Authority of Ireland
 Nicholas C. Garganas, Governor, Bank of Greece
 Miguel Fernández Ordóñez, Governor, Banco de España
 Christian Noyer, Governor, Banque de France
 Mario Draghi, Governor, Banca d'Italia
 Athanasios Orphanides, Governor, Central Bank of Cyprus
 Yves Mersch, Governor, Banque centrale du Luxembourg
 Michael C. Bonello, Governor, Central Bank of Malta
 Nout Wellink, President, De Nederlandsche Bank
 Klaus Liebscher, Governor, Oesterreichische Nationalbank
 Vítor Manuel Ribeiro Constâncio, Governor, Banco de Portugal
 Marko Kranjec, Governor, Banka Slovenije
 Erkki Liikanen, 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****EUROZONE (15):**

Austria: Oesterreichische Nationalbank
 Belgium: Nationale Bank van België/Banque nationale de Belgique
 Cyprus: Kentrike Trapeza tis Kyprou
 Finland: Suomen Pankki/Finlands Bank
 France: Banque de France
 Germany: Deutsche Bundesbank
 Greece: Bank of Greece
 Ireland: Banc Ceannais na hÉireann / Central Bank of Ireland
 Italy: Banca d'Italia
 Luxembourg: Banque Centrale du Luxembourg
 Malta: Central Bank of Malta
 Netherlands: De Nederlandsche Bank
 Portugal: Banco de Portugal
 Slovenia: Banka Slovenije
 Spain: Banco de España

NON-EUROZONE (12):

Bulgaria: Bulgarian National Bank
 Czech Republic: Česká národní banka
 Denmark: Danmarks Nationalbank
 Estonia: Eesti Pank
 Hungary: Magyar Nemzeti Bank
 Latvia: Latvijas Banka
 Lithuania: Lietuvos Bankas
 Poland: Narodowy Bank Polski
 Romania: National Bank of Romania
 Slovakia: Národná banka Slovenska
 Sweden: Sveriges Riksbank
 United Kingdom: Bank of England

EU Central Banks

Austria, Oesterreichische Nationalbank	Klaus Liebscher, ECB Governor, Oesterreichische Nationalbank (Austria)
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	Sławomir 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
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]

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]

Country breakdown

On 1 January 2008 two countries accounted for 44% (3,483) of all MFIs [monetary financial institutions] in the euro area: Germany (26.6%) and France (17.6%). Italy and Austria each accounted for about 10% of the euro area total. Over the last nine years (1999-2008), the following developments in the national MFI sectors of euro area countries have been particularly noteworthy: a considerable increase of 236 units (246%) in Ireland and large decreases in the Netherlands, Spain and Germany (by 48%, 41% and 36% respectively). Since joining the EU on 1 May 2004, the MFI sectors in Malta and Slovenia have increased significantly, namely by 65% and 11% respectively. By contrast, the number of MFIs in Cyprus has decreased by 47% during the same period.

Among the non-euro area countries, Poland has by far the largest number of MFIs (722), representing 7% of the MFI sector in the EU. Since 1999 there have been substantial increases in the MFI sectors of Slovakia (36%), Latvia (33%), Sweden (31%) and Romania (26%), while the size of these sectors in the United Kingdom and the Czech Republic has shrunk by 24% and 15%, respectively.

[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%

MPC Decision	Minutes	Report
9 & 10 January	23-Jan	
6 & 7 February	20-Feb	13-Feb
5 & 6 March	19-Mar	
9 & 10 April	23-Apr	
7 & 8 May	21-May	14-May
4 & 5 June	18-Jun	
9 & 10 July	23-Jul	
6 & 7 August	20-Aug	13-Aug
3 & 4 September	17-Sep	
8 & 9 October	22-Oct	
5 & 6 November	19-Nov	12-Nov
3 & 4 December	17-Dec	

[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.

VOTING BY THE MONETARY POLICY COMMITTEE - 2007

<i>Last Updated 19 December 2007</i>	Voted to Increase	Voted to Reduce	Voted to Maintain	Meetings Attended
Mervyn King, Governor	4	1	7	12
Rachel Lomax, Deputy Governor	1	1	10	12
Paul Tucker	2	1	9	12
Charles Bean	1	1	10	12
Kate Barker	3	1	8	12
Sir John Gieve, Deputy Governor	4	2	6	12
David Blanchflower	1	4	7	12
Tim Besley	6	1	5	12
Andrew Sentance	6	1	5	12
Interest rate				5.00%

VOTING BY THE MONETARY POLICY COMMITTEE - 1997 TO PRESENT DATE

<i>Last Updated 19 December 2007</i>	Voted to Increase	Voted to Reduce	Voted to Maintain	Meetings Attended
Mervyn King	30	15	83	128
Rachel Lomax	7	1	46	54
Paul Tucker	13	2	52	67
Charles Bean	8	14	66	88
Kate Barker	11	12	57	80
Sir John Gieve	6	2	15	23
David Blanchflower	1	4	14	19
Tim Besley	8	1	7	16
Andrew Sentance	8	1	6	15
	92	52	346	490

15 Member States of the European Union use the euro as their currency:

Belgium
Germany
Ireland
Greece
Spain
France
Italy
Cyprus
Luxembourg
Malta
The Netherlands
Austria
Portugal
Slovenia
Finland

Non-participants:

Bulgaria, Czech Republic, Denmark, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia, Sweden and the United Kingdom are EU Member States but do not currently use the single European currency.

[SOURCE: The ECB]







THE EUROSISTEM



KEY CHARACTERISTICS OF THE EURO AREA*



EUROPEAN INTEGRATION

	 €-15	 EU-27		
Population (millions)	318.3	493.5	299.8	127.7
GDP (PPP, € trillions)	8.5	11.9	11.2	3.5
GDP per capita (PPP, € thousands)	26.6	24.1	37.3	27.5
Share of world GDP (PPP, %)	14.3	21.0	19.7	6.3
Exports (goods and services, % of GDP)**	21.6	13.9	11.0	16.8

* 2006 ** The figure for the euro area excludes Cyprus and Malta
Sources: for euro area and EU: ECB, Eurostat, national data, IMF and ECB calculations; for the United States and Japan: national sources, IMF.

