

## The Morning Email: US, Germany, EU, 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	106.235	(0.1)	106.285	106.197	106.197	57,852	516,853	2y Futures	<b>US Futures Market</b>	
FVAH8	113.190	(0.2)	113.285	113.100	113.110	117,896	1,075,751	5y Futures		
TYAH8	117.105	(0.3)	117.240	116.310	117.015	289,395	2,277,289	10y Futures		
USAH8	120.100	(0)	120.260	119.200	119.220	75,931	810,381	30y Futures		
	Last	Net	Hi	Low	Open	Volume				
BUS02P	102.060	3.5	102.100	102.035	102.035	2y		<b>US Cash Treasury Market</b>		
BUS05P	104.110	9.0	104.212	104.040	104.040	5y				
BUS10P	105.260	16.5	106.100	105.130	105.130	10y				
BUS30P	112.000	24	113.230	111.190	111.310	30y				
	Last	Net	Hi	Low	Open	Volume				
BUS02Y	2.080	(5.90)	2.154	2.015	2.154	2y Yield		<b>US Cash Treasury Market</b>		
BUS05Y	2.675	(6.10)	2.772	2.607	2.734	5y Yield				
BUS10Y	3.539	(6.10)	3.616	3.48	3.587	10y Yield				
BUS30Y	4.274	(3.60)	4.317	4.181	4.282	30y Yield				



		Decimal								
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME		
DGH8	104.41	(14.50)	104.70	104.38	104.55	563,056	1,182,918	Schatz(2Y)	<b>German Futures Markets</b>	
DLH8	110.24	(33.00)	110.78	110.18	110.50	559,144	1,256,689	Bobl(5Y)		
DBH8	116.15	(3.10)	116.78	116.13	116.43	803,890	2,043,075	Bund(10Y)		

	Price	Yield				
	Last	Last	Coupon	Maturity	SYM NAME	
T.US.DE040P1209***	101.04	3.394	4.000	12/11/2009	2 yr CTD	<b>German Cash Treasury Market</b>
T.US.DE042P1012***	102.66	3.612	4.250	10/12/2012	5 yr CTD	
T.US.DE036P0117**	98.56	3.937	3.750	1/4/2017	10 yr CTD	
DEP2P*	101.07	3.394	4.000	12/11/2009	2yr OTR	
DEP5P*	102.70	3.612	4.250	10/12/2012	5yr OTR	
DEP10P*	100.03	3.996	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	104.41	104.42	104.41	104.70	104.38	-14.50
DLH8	110.23	110.24	110.24	110.78	110.18	-33.00
DBH8	116.15	116.16	116.15	116.78	116.13	-3.10

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo
DGH8	3.673	3.670	3.670	3.691	3.528
DLH8	3.720	3.719	3.719	3.732	3.605
DBH8	4.008	4.007	4.007	4.010	3.938

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng
T.US.DE040P1209***	3.411	3.394	3.394	3.428	3.256	
T.US.DE042P1012***	3.621	3.612	3.612	3.637	3.492	
T.US.DE036P0117**	3.944	3.937	3.937	3.947	3.861	
DEP2P*	3.411	3.394	3.394	3.428	3.256	-32
DEP5P*	3.621	3.612	3.612	3.637	3.492	-70
DEP10P*	4.002	3.996	3.996	4.003	3.922	-94

Decimal						
	Bid	Ask	Last	Hi	Low	Chng
T.US.DE040P1209***	101.04	101.07	101.07	101.32	101.01	-32
T.US.DE042P1012***	102.66	102.70	102.70	103.22	102.59	-70
T.US.DE036P0117**	98.56	98.61	98.61	99.17	98.54	-88
DEP2P*	101.04	101.07	101.07	101.32	101.01	-32
DEP5P*	102.66	102.70	102.70	103.22	102.59	-70
DEP10P*	99.98	100.03	100.03	100.63	99.97	-94

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

- Y = Yield
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- 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	15.85	5.80	\$1,812	€ 2,657
10y	7.97	2.72	\$851	€ 1,247
5y	4.50	1.51	\$473	€ 694
2y	1.87	0.61	\$191	€ 280
ZB	10.32	4.08	\$128	€ 187
ZN	5.88	2.23	\$70	€ 102
ZF	3.92	1.44	\$45	€ 66
ZT	1.87	0.64	\$20	€ 29

^Futures are Based on CTD

German Intrinsic's ^				
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.44	€ 254	\$173	0.849146
Bobl	4.17	€ 136	\$93	0.931197
Schatz	2.03	€ 64	\$44	0.947563
DE10Y	8.05	€ 1,183	\$807	
DE5Y	4.17	€ 636	\$433	
DE2Y	2.03	€ 309	\$211	

^Futures are Based on CTD

Last  
EURUSD 146.61

Tic for Tic Matrix (\$)			
	Bund	Bobl	Schatz
30y	10.47	19.46	41.41
10y	4.91	9.14	19.44
5y	2.73	5.08	10.81
2y	1.10	2.05	4.37
ZB	0.74	1.37	2.92
ZN	0.40	1.34	1.59
ZF	0.26	0.48	1.03
ZT	0.12	0.21	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	2.089	2.080	2.080
US5y	2.682	2.675	2.675
US10y	3.543	3.539	3.539

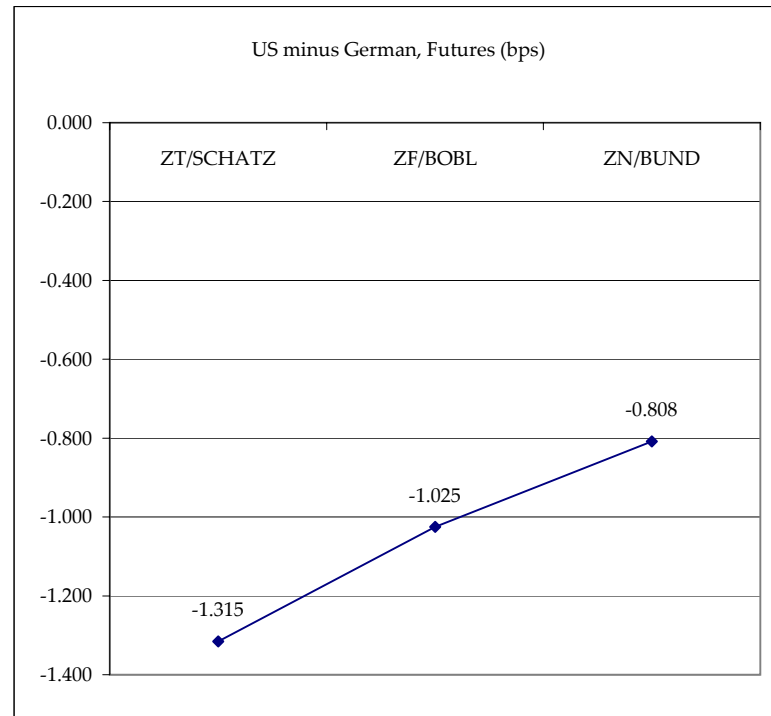
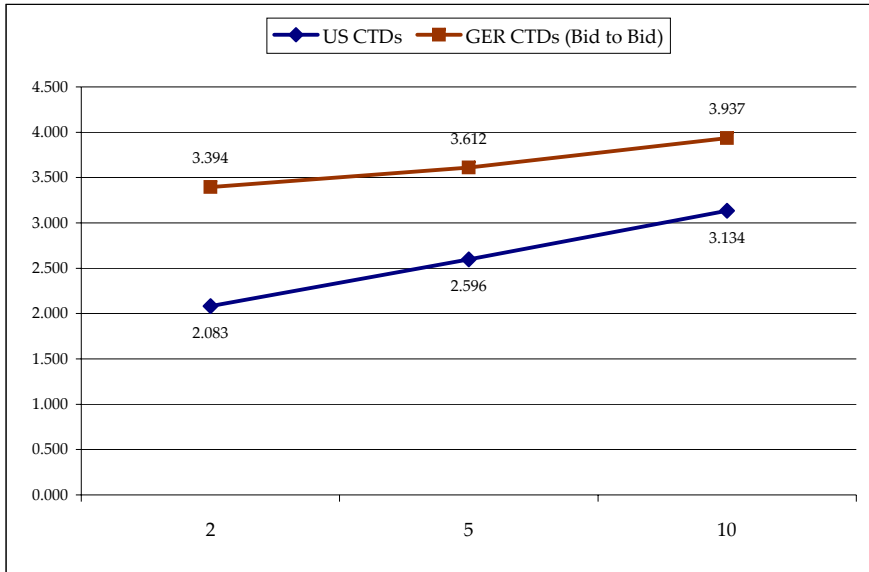
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	3.411	3.394	3.394
DE5y	3.621	3.612	3.612
DE10y	4.002	3.996	3.996

Spreads	
	Bps
ZT/SCHATZ	-1.315
ZF/BOBL	-1.025
ZN/BUND	-0.808

US Cash Treasuries (CTD)			
	Bid	Ask	Last
3.250 of 12/09	2.083	2.079	2.079
4.750 of 05/12	2.596	2.587	2.587
4.250 of 11/14	3.134	3.129	3.129

German Futures (CTD)			
	Bid	Ask	Last
5.375 of 04/10	3.411	3.394	3.394
4.250 of 10/12	3.621	3.612	3.612
3.750 of 01/17	3.944	3.937	3.937

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](http://www.ecb.int) ]

**Jean-Claude Trichet, President of the ECB,  
Lucas Papademos, Vice President of the ECB  
Frankfurt am Main, 10 January 2008**

Ladies and gentlemen, the Vice-President and I are very pleased to welcome you to our first press conference of 2008. Let me therefore wish you all a very Happy New Year. I would also like to take this opportunity to welcome Cyprus and Malta as countries which have adopted the euro as their currency. With Cyprus and Malta, the euro area now comprises 15 EU Member States. Accordingly, Mr Orphanides, the Governor of the Central Bank of Cyprus, and Mr Bonello, the Governor of the Central Bank of Malta, became members of the Governing Council on 1 January 2008.

[....]

**[Note from Jim: The word inflation was mentioned 12 times in the statement. ]**

[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 06 January 2008, 6:00 am CT]

Current Bank Rate 5.5 %  
Next due: 7 Feb '08

Current Inflation 2.1%  
Next due: 15 Jan '08

Inflation Target 2.0%

[As of 06 January 2008, 6:00 am CT]

**News Release**

**Bank of England Maintains Bank Rate at 5.5%  
10 January 2008**

**The Bank of England's Monetary Policy Committee today voted to maintain the official Bank Rate paid on commercial bank reserves at 5.5%.**

**The minutes of the meeting will be published at 9.30am on Wednesday 23 January.**

**Note to Editors**

**The previous change in Bank Rate was a reduction of 0.25 percentage points to 5.5% on 6 December 2007.**

<b>MPC Decision</b>	<b>Minutes</b>	<b>Report</b>
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	

## 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
<b>Interest rate</b>				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
	<b>92</b>	<b>52</b>	<b>346</b>	<b>490</b>

**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







€ European Central Bank
1 Nationale Bank van België / Banque Nationale de Belgique
2 Deutsche Bundesbank
3 Central Bank and Financial Services Authority of Ireland
4 Bank of Greece
5 Banco de España
6 Banque de France
7 Banca d'Italia
8 Central Bank of Cyprus
9 Banque centrale du Luxembourg
10 Bank Ċentrali ta' Malta/ Central Bank of Malta
11 De Nederlandsche Bank
12 Oesterreichische Nationalbank
13 Banco de Portugal
14 Banka Slovenije
15 Suomen Pankki – Finlands Bank

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## 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.





