The Morning Email: Eurodollars & Fed Funds

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

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Eurodollars - Electronic Outright Contracts

	Last	High	Low	Open	Month	Net	Exp Date	Implied		
EDAU07	94.765	94.775	94.750	94.750	SEP	0.2	9/17/2007	5.235%	Whites	1st Year
EDAZ07	95.095	95.110	95.050	95.065	DEC	1.0	12/17/2007	4.905%		
EDAH08	95.265	95.275	95.220	95.230	MAR	2.0	3/17/2008	4.735%		
EDAM08	95.295	95.305	95.250	95.265	JUN	2.0	6/16/2008	4.705%		
EDAU08	95.255	95.270	95.205	95.215	SEP	1.0	9/15/2008	4.745%	Reds	1-2 yrs out
EDAZ08	95.190	95.200	95.140	95.150	DEC	1.5	12/15/2008	4.810%		
EDAH09	95.120	95.130	95.075	95.075	MAR	0.5	3/16/2009	4.880%		
EDAM09	95.045	95.055	95.000	95.010	JUN	0.0	6/15/2009	4.955%		
EDAU09	94.975	94.975	94.945	94.945	SEP	-0.5	9/14/2009	5.025%	Greens	2-3 yrs out
EDAZ09	94.900	94.900	94.870	94.885	DEC	-0.5	12/14/2009	5.100%		
EDAH10	94.840	94.840	94.820	94.830	MAR	-0.5	3/15/2010	5.160%		
EDAM10	94.760	94.760	94.760	94.760	JUN	-0.5	6/14/2010	5.240%		
EDAU10	#VALUE!	#VALUE!	#VALUE!	#VALUE!	SEP	-3.0	9/13/2010	#VALUE!	Blues	3-4 yrs out
EDAZ10	#VALUE!	#VALUE!	#VALUE!	#VALUE!	DEC	0.0	12/13/2010	#VALUE!		
EDAH11	#VALUE!	#VALUE!	#VALUE!	#VALUE!	MAR	7.0	3/14/2011	#VALUE!		
EDAM11	94.530	#VALUE!	#VALUE!	#VALUE!	JUN	#VALUE!	6/13/2011	5.470%		
EDAU11	94.505	#VALUE!	#VALUE!	#VALUE!	SEP	#VALUE!	9/19/2011	5.495%	Golds	4-5 yrs out
EDAZ11	94.460	#VALUE!	#VALUE!	#VALUE!	DEC	#VALUE!	12/19/2011	5.540%		
EDAH12	94.430	#VALUE!	#VALUE!	#VALUE!	MAR	#VALUE!	3/19/2012	5.570%		
EDAM12	94.380	#VALUE!	#VALUE!	#VALUE!	JUN	#VALUE!	6/18/2012	5.620%		
EDAU12									Purples	5-6 yrs out
EDAZ12										
EDZH13										
EDAM13										
EDAU13									Oranges	6-7 yrs out
EDAZ13										
EDAH14										
EDAM14										
EDAU14									Pinks	7-8 yrs out
EDAZ14										
EDAH15										
EDAM15										
EDAU15									Grays	8-9 yrs out
EDAZ15										
EDAH16										
EDAM16										
EDAU16									Coppers	8-10 yrs out
EDAZ16										
EDAH17										
EDAM17										

I do not keep stats on purples through coppers due to lack of volume.
Also, matrix excludes serial contracts.
Serials can be found on the ED and FF spread page.

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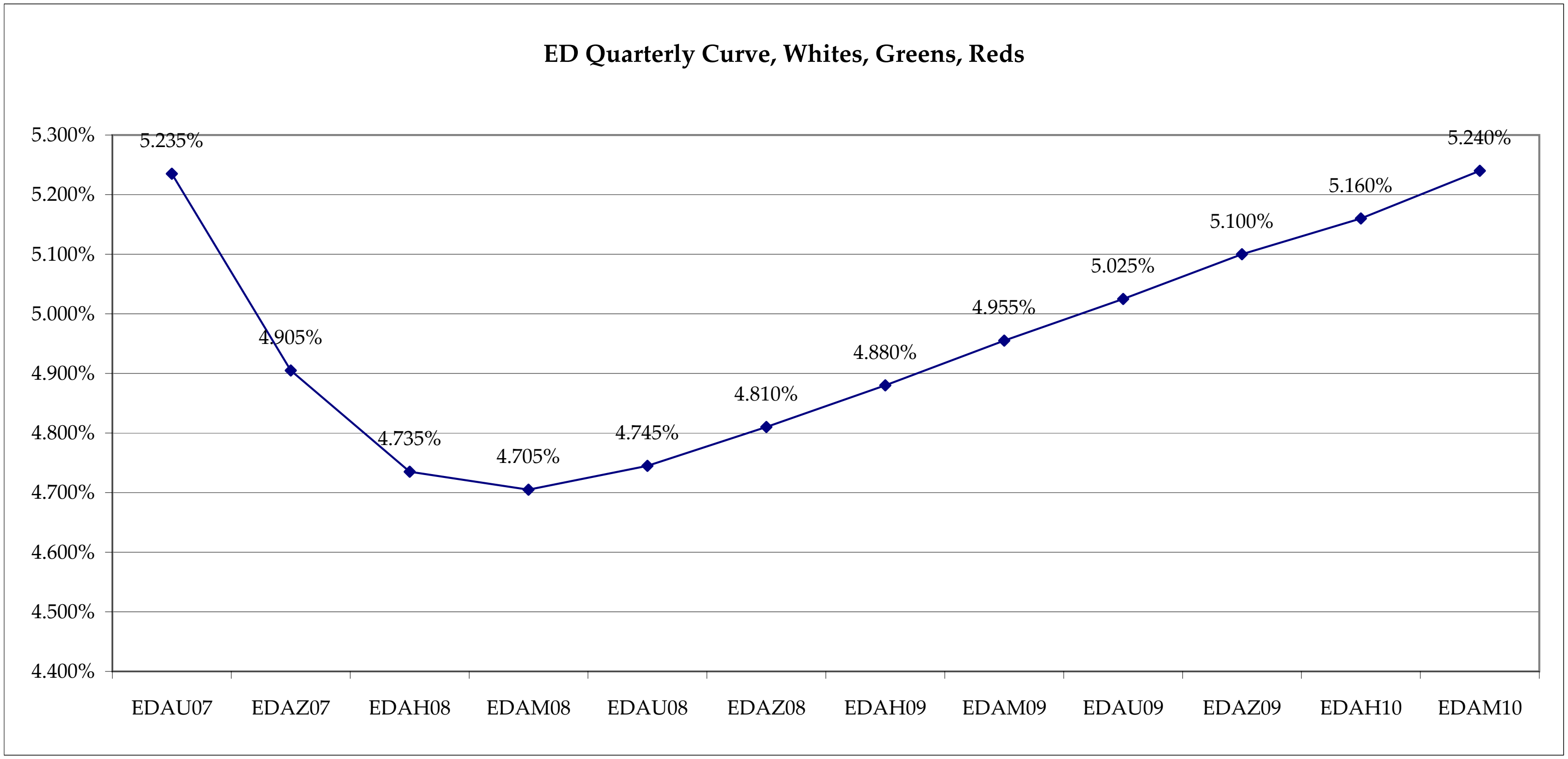

ED Quarterly Curve, Whites, Greens, Reds
5.300%
5.200%
5.100%
5.000%
4.900%
4.800%
4.700%
4.600%
4.500%
4.400%
5.235%
4.905%
4.735%
4.705%
4.745%
4.810%
4.880%
4.955%
5.025%
5.100%
5.160%
5.240%
EDAU07
EDAZ07
EDAH08
EDAM08
EDAU08
EDAZ08
EDAH09
EDAM09
EDAU09
EDAZ09
EDAH10
EDAM10

Fed Fund vs Eurodollars and Treasuries

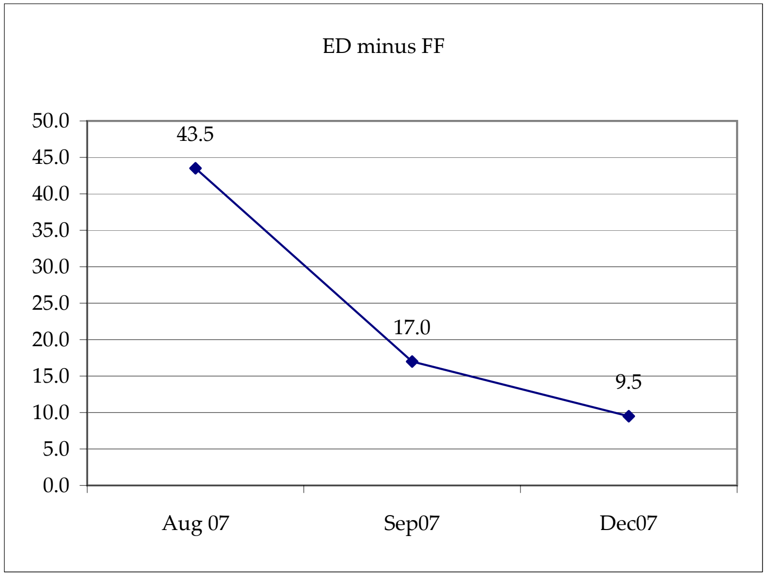
Month	Fed Funds (FF) Last	Fed Funds (FF) Net	Fed Funds (FF) Implied	Eurodollars (ED) Implied	ED - FF bps
Aug-07	94.875	0.800	5.125	5.560	43.5
Sep-07	94.935	0.350	5.065	5.235	17.0
Oct-07	95.015	0.200	4.985		
Nov-07	95.115	0.200	4.885		
Dec-07	95.190	0.250	4.810	4.905	9.5
Jan-08	95.245	0.300	4.755		
Feb-08	#VALUE!	#VALUE!	#VALUE!		
Mar-08	#VALUE!	#VALUE!	#VALUE!	4.735	#VALUE!
Apr-08	#VALUE!	#VALUE!	#VALUE!		
May-08	#VALUE!	#VALUE!	#VALUE!		
Jun-08	#VALUE!	#VALUE!	#VALUE!	4.705	#VALUE!
Jul-08	#VALUE!	#VALUE!	#VALUE!		
Aug-08	#VALUE!	#VALUE!	#VALUE!		
Sep-08	#VALUE!	#VALUE!	#VALUE!	4.745	#VALUE!

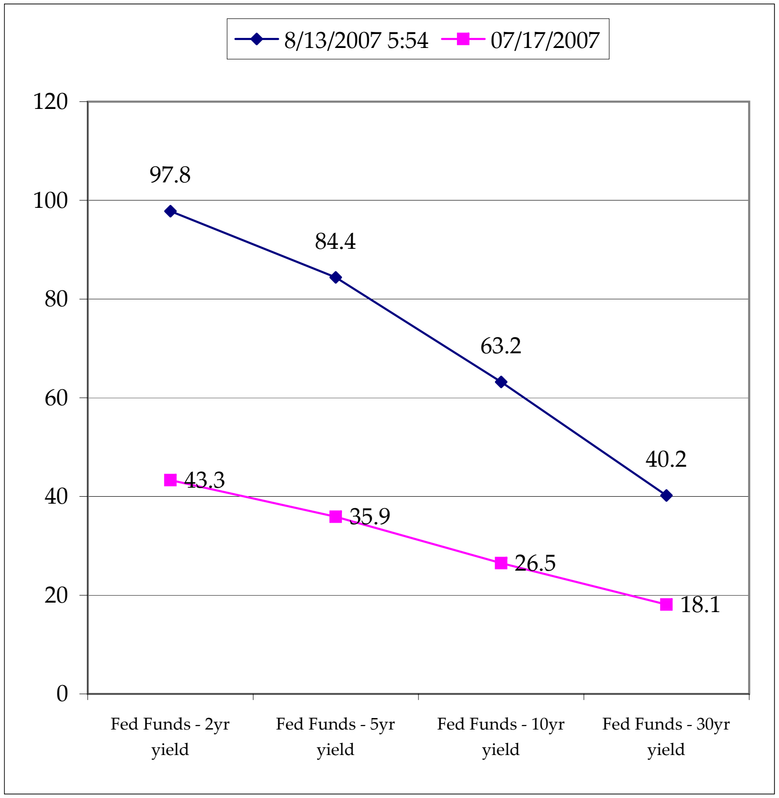
Fed Funds Daily Effective Rate Minus US Treasury Yields

Spread Name	Diff bps	Net Chng	07/17/2007
Fed Funds - 2yr yield	97.8	2.9	43.3
Fed Funds - 5yr yield	84.4	2.5	35.9
Fed Funds - 10yr yield	63.2	2.4	26.5
Fed Funds - 30yr yield	40.2	3.1	18.1
GFER	#VALUE!	#VALUE!	

GFER = Fed Funds Daily Effective Rate

Why 7/172007? Pre-CPI is a good benchmark.





Fed Funds Probability of Tightening or Easing

Fed Meeting Dates

September/18/2007

Target Rate	Probability
4.75	36.8
5.00	0.3
5.25	61.2
5.50	1.5

October/31/2007

Target Rate	Probability
4.75	60.5
5.00	0.0
5.25	34.7
5.50	4.7

December/11/2007

Target Rate	Probability
4.25	27.0
4.50	6.4
4.75	10.4
5.00	12.3
5.25	38.6
5.50	5.1
5.75	0.0

as of 08/09/07

These probabilities take options into account and are much better at forecasting the FOMC intentions than the 'day-count' equation most analysts on the street use.

Notes:
All probabilities are taken from The Cleveland Federal Reserve

Eurodollar COT Data

Current Positions								
Small Spec			Large Spec			Commercials		
Long	Short	Net	Long	Short	Net	Long	Short	Net
1,209,319	1,337,362	(128,043)	1,932,516	866,473	1,066,043	11,278,737	12,216,737	(938,000)

As of 8/7/2007

Week over Week Change		
Sm Spec	Lg Spec	Commrcl
42,818	**71,355**	**(114,173)**