



The Morning Email: US & Germany



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

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The Morning Email, US&GER

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Correlation Matrix

SYM NAME	Symbol	US Cash Treasuries			US Bonds/Notes (CBOT)			Symbol	SYM NAME
		2yr	5yr	10yr	ZT	ZF	ZN		
Schatz(2Y)	DGU7	(96.49)	(96.86)	(90.44)	98.80	97.42	96.69	DGU7	Schatz(2Y)
Bobl(5Y)	DLU7	(95.89)	(97.44)	(91.70)	98.71	98.35	98.07	DLU7	Bobl(5Y)
Bund(10Y)	DBU7	(91.05)	(94.57)	(91.98)	96.59	97.78	98.40	DBU7	Bund(10Y)

Correlation is based on 10 day historical

Correlations for the US Cash Treasuries are done on a YIELD basis. Therefore, you'll see negative values. The reason for this is due to the new issues. Every new issue takes too long to 'catch up' because the correlation formula looks back 10days.

Quotes 1

		32 nds								
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME		
TUAU7	102.307	(2.0)	102.317	102.292	102.310	34,248	438,297	2y Futures	US Futures Market	
FVAU7	106.130	(3.0)	106.155	106.100	106.130	60,397	756,506	5y Futures		
TYAU7	108.155	(3.0)	108.190	108.115	108.160	103,201	1,332,105	10y Futures		
USAU7	109.250	(1)	109.300	109.180	109.280	22,879	412,781	30y Futures		



		32 nds								
	Last	Net	Hi	Low	Open	Volume			US Cash Treasury Market	
BUS02P	100.250	(0.5)	100.265	100.247	100.265	2y				
BUS05P	101.047	(1.5)	101.067	101.027	101.032	5y				
BUS10P	100.140	(2.0)	100.185	100.115	100.180	10y				
BUS30P	99.275	(4)	100.000	99.220	100.000	30y				
	Last	Net	Hi	Low	Open	Volume				
BUS02Y	4.193	1.20	4.218	4.151	4.193	2y Yield				
BUS05Y	4.362	1.00	4.383	4.336	4.35	5y Yield				
BUS10Y	4.693	1.20	4.708	4.665	4.673	10y Yield				
BUS30Y	5.007	0.90	5.023	4.976	4.981	30y Yield				

		Decimal								
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME		
DGU7	103.42	5.00	103.45	103.34	103.36	231,157	1,179,519	Schatz(2Y)	German Futures Markets	
DLU7	108.06	(80.00)	108.12	107.98	108.04	194,337	817,881	Bobl(5Y)		
DBU7	113.24	(7.00)	113.33	113.10	113.15	313,306	1,483,470	Bund(10Y)		



		Price	Yield					
	Last	Last	Coupon	Maturity	SYM NAME			
T.US.DE044P0609	100.87	3.971	4.500	6/12/2009	2 yr CTD		German Cash Treasury Market	
T.US.DE040P0412	99.57	4.273	4.000	4/13/2012	5 yr CTD			
T.US.DE040P0716	98.02	4.265	4.000	7/4/2016	10 yr CTD			
DEP2P	100.89	3.971	4.500	6/12/2009	2yr OTR			
DEP5P	99.61	4.090	4.000	4/13/2012	5yr OTR			
DEP10P	99.60	4.299	4.250	7/4/2017	10yr OTR			

Y = Yield
 CTD = Cheapest to Deliver
 DE = German Country Code

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
DGU7	103.42	#VALUE!	103.42	103.45	103.34	5.00
DLU7	108.06	108.07	108.06	108.12	107.98	-80.00
DBU7	113.23	113.24	113.24	113.33	113.10	-7.00

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo
DGU7	4.185		4.185	4.223	4.166
DLU7	4.180	4.179	4.180	4.198	4.167
DBU7	4.341	4.340	4.341	4.356	4.329

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng
T.US.DE044P0609	3.982	3.971	3.971	4.018	3.862	
T.US.DE040P0412	4.099	4.090	4.273	4.131	3.988	
T.US.DE040P0716	4.272	4.265	4.265	4.295	4.184	
DEP2P	3.982	3.971	3.971	4.029	3.965	-2
DEP5P	4.099	4.090	4.090	4.126	4.075	-7
DEP10P	4.306	4.299	4.299	4.325	4.283	-11

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

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

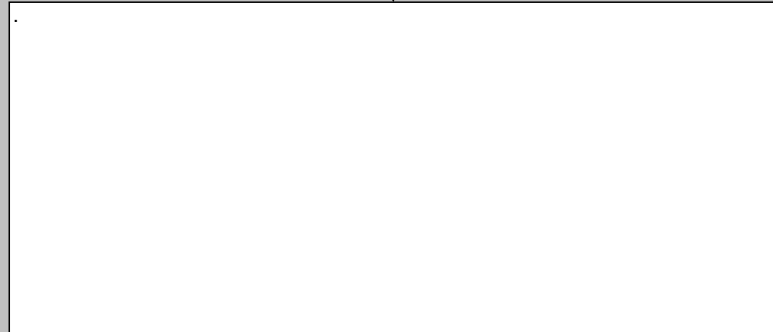
2 yr CTD	German Cash
5 yr CTD	
10 yr CTD	
2yr OTR	
5yr OTR	
10yr OTR	

	Decimal					
	Bid	Ask	Last	Hi	Low	Chng
T.US.DE044P0609	100.87	100.89	100.89	100.90	100.79	-0.02
T.US.DE040P0412	99.57	99.61	99.61	99.67	99.46	-7.00
T.US.DE040P0716	98.02	98.07	98.07	98.16	97.89	-12.00
DEP2P	100.87	100.89	100.89	100.90	100.79	-2.00
DEP5P	99.57	99.61	99.61	99.67	99.46	-7.00
DEP10P	99.55	99.60	99.60	99.73	99.40	-11.00

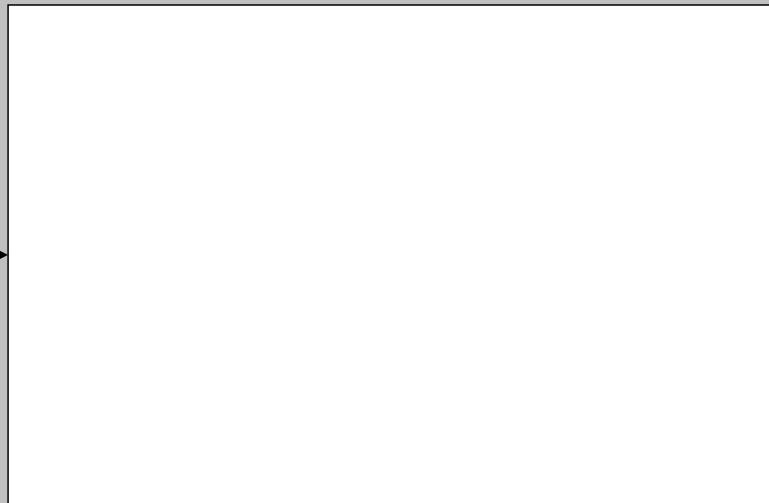
SYM NAME	
2 yr CTD	German Cash
5 yr CTD	
10 yr CTD	
2yr OTR	
5yr OTR	
10yr OTR	

Y = Yield
 CTD = Cheapest to Deliver
 DE = German Country Code
 OTR = On the Run

MarketNews
international



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[All Times Eastern]

06:39 08/20 BUND SUMMARY: European bond prices are lower on Monday, amid unwinding of safe-haven trades as global stocks continued to rally following the Federal Reserve's decision to cut the discount rate on Friday. Nonetheless, the 10-year sector outperformed, albeit in thin volume session, amid dearth of eurozone economic data. Elsewhere, traders reported paying in short-dated swaps. The yield on the 4.50% June 2009 Schatz was up 2.1 bps at 3.98%. The yield on the 4.00% Apr 2012 Series 150 Bobl was up 1.3 bps at 4.09%. The yield on the benchmark 4.25% July 2017 Bund was up 0.9 bps at 4.30%. The 4.25% July 2039 Bund yield up 2.2 bps at 4.51%. In cross-border flows, Bunds are underperforming against USTs as the 10-year Bund/UST yield spread narrowed 0.5 bps to 45.75 bps. Subsequently, the Bund curve traded mixed from Friday's close, with the 2-/10-year yield spread 1 bps flatter at +32 bps, and the 10-/30-year yield spread was 1 bps steeper at +22 bps.

02:45 08/20 JGB SUMMARY: Japanese government bonds ended Monday's session lower across the curve Monday, as an unwind of recent safe haven flows weighed on prices. The sharp stockmarket rally, that helped the Nikkei 225 gain as much as 4%, helped push JGB prices lower. Also weighing in early trade was the weaker yen. The Japanese unit had appreciated considerably against the dollar in recent session, but after a sell-off in Europe and the US Friday, it opened lower in Tokyo. With the Nikkei gaining strongly from the getgo, reacting to the Fed's Discount Rate cut and the subsequent Wall St rally, JGBs ran into early selling pressure. However, it was the front and belly of the curve that suffered, as the ultra-long end found good support from life and pension funds. The curve ended the day little changed, with the belly bouncing back late in the day as the Nikkei 225 failed to hold the best of the day's gains. Ultralong JGBs slipped from their early highs as pension fund demand slows in late trade. The 10-year yield was 1 bps higher at 1.595%.

(continued)

06:38 08/20 FX: Monday morning saw dollar-yen continuing to pare last week's severe losses as European equities traded on a positive note and carry trades gained some respite across the board. Dollar-yen triggered stops through Friday's recovery highs en-route to Y115.50, whilst euro-dollar was contained around \$1.3500 in a calm session when compared to last week's extreme moves. Cable extended its recovery from overnight lows of \$1.9770 to \$1.9900, but is holding off Friday's post-Fed discount rate cut reaction high of \$1.9938, whilst euro-yen took out stops through Y155.00 in a quick move up to highs just shy of Y156.00. Aussie and kiwi both continued to pare last week's losses, pushing back above \$0.8000 and \$0.7000 respectively.

06:35 08/20 EUROZONE: Reported comments/events in the eurozone Monday/weekend,

** GERMANY: Sachsen LB, the German publicly-owned bank, became the latest victim of the current credit crisis late Friday when the Landesbank had to be bailed out because of its exposure to the US asset-backed securities market, the FT reported Saturday.

** BBK: The strength of eurozone money supply growth indicates that average HICP inflation is likely to be "clearly" above 2% during the next three years and that the outlook for price stability has again become less favorable, the Bundesbank said Monday in its monthly report for August. At the same time, in view of the continued "favorable" outlook for the eurozone economy, the monetary policy of the European Central "still tends to be expansive" following its most recent hike in June to 4% of the key refinancing interest rate, the German central bank said.



US Intrinsic's ^				
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	15.43	4.93	\$1,542	€ 2,081
10y	7.88	2.53	\$792	€ 1,069
5y	4.37	1.42	\$443	€ 598
2y	1.84	0.59	\$186	€ 251
ZB	9.58	3.42	\$107	€ 144
ZN	5.65	1.98	\$62	€ 84
ZF	3.82	1.32	\$41	€ 55
ZT	1.75	1.16	\$36	€ 49

^Futures are Based on CTD

Tic for Tic Matrix (\$)			
	Bund	Bobl	Schatz
30y	9.06	17.86	43.61
10y	4.65	9.17	22.40
5y	2.61	5.13	12.54
2y	1.09	2.15	5.25
ZB	0.63	1.24	3.02
ZN	0.36	1.34	1.75
ZF	0.24	0.48	1.16
ZT	0.21	0.42	1.02

German Intrinsic's ^				
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.27	€ 230	\$170	0.842561
Bobl	4.10	€ 117	\$86	0.959013
Schatz	1.70	€ 48	\$35	0.975468
DE10Y	7.87	€ 1,064	\$788	
DE5Y	4.10	€ 559	\$414	
DE2Y	1.70	€ 233	\$172	

^Futures are Based on CTD

Last

EURUSD 134.93

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 (U)	1.800	2.700	2.900
Bobl (U)	1.000	1.500	1.600
Shatz (U)	0.400	0.600	0.665

Bloomberg
Ratio's

US Treasuries v Eurex Bonds

	2y	5y	10y
Bund (U)	1.6	3.9	6.7
Bobl (U)	3.0	7.0	12.1
Shatz (U)	7.3	17.1	29.4

Bloomberg
Ratio's

Bund (U) Bobl (U) Shatz (U)

	Bund (U)	Bobl (U)	Shatz (U)
Bund (U)	1.00	1.90	4.57
Bobl (U)	0.58	1.00	2.40
Shatz (U)	0.24	0.42	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	4.201	4.193	4.193
US5y	4.364	4.362	4.362
US10y	4.694	4.693	4.693

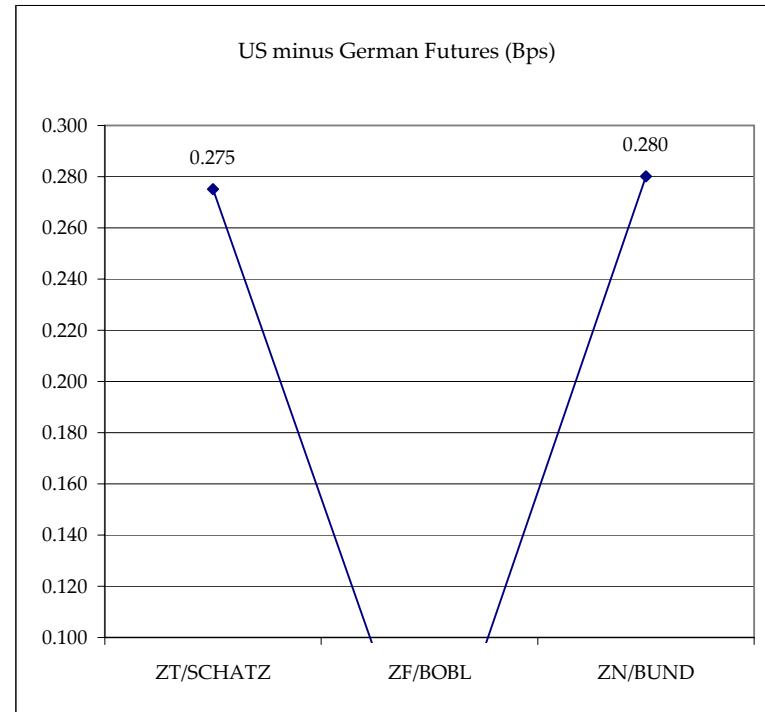
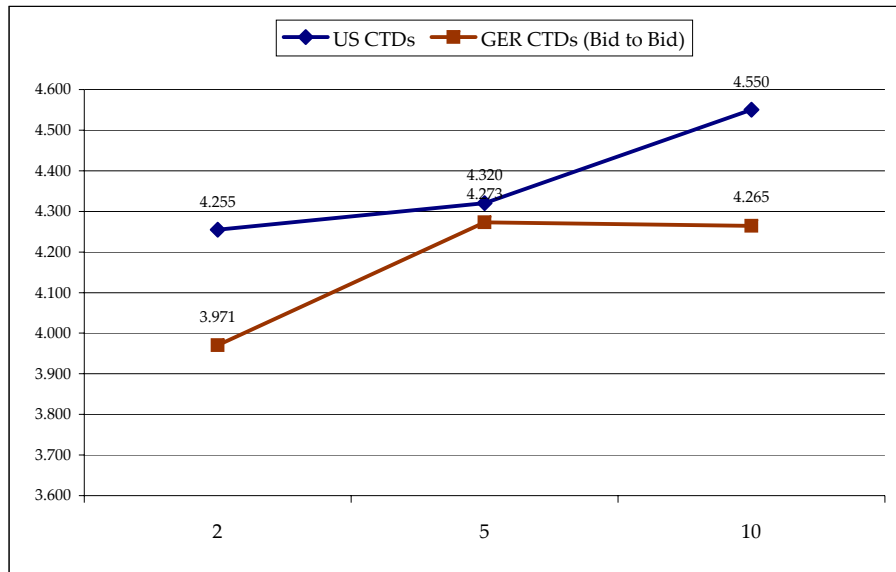
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	3.982	3.971	3.971
DE5y	4.099	4.090	4.090
DE10y	4.306	4.299	4.299

Spreads	
	Bps
ZT/SCHATZ	0.275
ZF/BOBL	0.033
ZN/BUND	0.280

US Cash Treasuries (CTD)			
	Bid	Ask	Last
4.000 of 06/09	4.255	4.246	4.246
4.500 of 11/11	4.320	4.306	4.306
4.750 of 05/14	4.550	4.545	4.545

German Futures (CTD)			
	Bid	Ask	Last
4.500 of 07/09	3.982	3.971	3.971
4.000 of 04/12	4.099	4.090	4.273
4.000 of 07/16	4.272	4.265	4.265

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

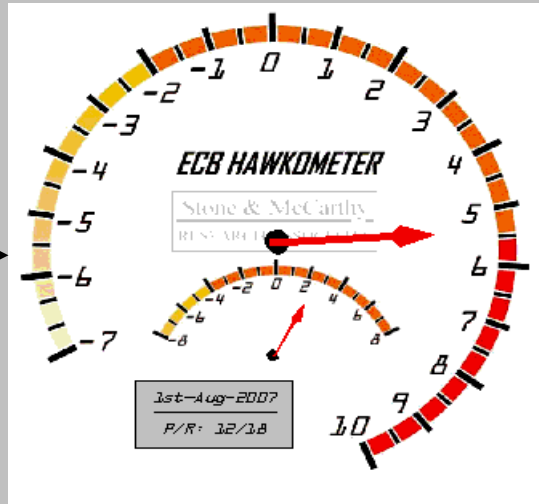
Trading Basis

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

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Stone & McCarthy (London) --

[highlights]

ECB officials were less hawkish in July compared to June according to the latest results of the SMR ECB Hawkometer. The primary reading moderated to 5.41 in the period July 5th to August 1st from 6.23 in the period June 7th to July 4th. The secondary measure, which takes into account the number of references to upside risks to inflation/price stability, moderated only slightly to 2.33 in July from 2.38 in June, as officials continued to cite increasing inflation risks. Our readings are based on comments made by 12 out of the 19 members of the ECB Executive Board and Governing Council that spoke in July/August.

September or October?

Officials provided few obvious signals to confirm timing of the next interest hike - widely expected to take place in either September or October. When pressed for confirmation to this regard, the usual response was non-committal, including calls for the need to "wait for incoming data and assess the situation in September" and the use of the mantra "the ECB "never precommits."

Most Recent MPC Meetings:










	King (Gov)	Lomax (Dep Gov)	Gieve (Dep Gov)	Bean	Tucker	Barker	Blanchflower	Besley	Sentance	Result	Level	Vote	Dis-sent bias
Aug-06	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	unch			+25bps	4.75%	6-1	no chg
Sep-06	unch	unch	unch	unch	unch	unch	unch	unch		unch	4.75%	8-0	none
Oct-06	unch	unch	unch	unch	unch	unch	unch	+25bps	+25bps	unch	4.75%	7-2	tightening
Nov-06	+25bps	unch	+25bps	+25bps	+25bps	+25bps	unch	+25bps	+25bps	+25bps	5.00%	7-2	no chg
Dec-06	unch	unch	unch	unch	unch	unch	unch	unch	unch	unch	5.00%	9-0	none
Jan-07	+25bps	unch	+25bps	unch	unch	+25bps	unch	+25bps	+25bps	+25bps	5.25%	5-4	no chg
Feb-07	unch	unch	unch	unch	unch	unch	unch	+25bps	+25bps	unch	5.25%	7-2	tightening
Mar-07	unch	unch	unch	unch	unch	unch	-25bps	unch	unch	unch	5.25%	8-1	easing
Apr-07	unch	unch	unch	unch	unch	unch	unch	+25bps	+25bps	unch	5.25%	7-2	tightening
May-07	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	5.50%	9-0	none
Jun-07	+25bps	unch	+25bps	unch	unch	unch	unch	+25bps	+25bps	unch	5.50%	5-4	tightening
Jul-07	+25bps	unch	+25bps	unch	+25bps	+25bps	unch	+25bps	+25bps	+25bps	5.75%	6-3	no chg
Aug-07	unch	unch	unch	unch	unch	unch	unch	unch	unch	unch	5.75%	9-0	none

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BOE Hawkometer – MPC Unanimous in Keeping Rates On Hold
by Niraj Shah
 15 August 2007
 [highlights]
 The Bank of England minutes showed that the Monetary Policy Committee had voted unanimously to leave rates on hold at the August meeting, with most members saying they had "no firm view on whether would need to rise further". The unanimous MPC vote coupled with a sharp fall in the July inflation data, which was not available to the committee at its August meeting, will reinforce the market view that another hike is no longer inevitable.

BOE HAWKOMETER (to August 2007 meeting)

	Dissenting Hawkish Votes	Dissenting Dovish Votes	Non-Dissenting Votes	Total Votes	Hawkishness Rating
 Sentance	4	0	7	11	36%
 Besley	4	0	8	12	33%
 King (Gov)	14	0	110	124	11%
 Tucker	6	1	56	63	8%
 Gieve (Dep Gov)	1	0	18	19	5%
 Lomax (Dep Gov)	2	3	45	50	-2%
 Barker	1	4	71	76	-4%
 Bean	0	5	79	84	-6%
 Blanchflower	0	5	10	15	33%