



The Morning Email: US & Germany



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09:37 08/22 **ECB:** 3 mth refi is technical measure to support money market normalisation
 09:38 08/22 **ECB:** Monetary policy stance was expressed by President on Aug 2.

09:39 08/22 **BUNDS:** Sept Bunds hit session low at 113.22 after ECB says that "monetary policy stance was expressed by ECB President Trichet on Aug 2, i.e. strong vigilance.

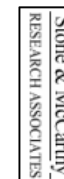
11:23 08/22 **JAPAN:** Asian exposure to the CDO market is seen as relatively small.... However, Asia Pulse reports that three leading regional banks in central Japan do have subprime exposure. Hyakugo Bank has Y900mn (\$7.84mn) Juroku Bank Y170mn (\$1.5mn) and Mie Bank (amount unknown) all put money in subprime loanrelated products the report says. As a point of comparison, the two German regional banks in the news recently because of subprime investments had much larger exposure. Sachsen Landesbank lost E500mn after investing more than E3bn (\$4.05bn) and was bailed out with E17.3bn last week. IKB was rescued with a \$8.1bn line of credit after it was revealed that the bank had about \$24bn in subprime exposure.

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

Disclaimer: All information within this newsletter is meant for internal use at GH Trader's LLC, only. All information has been recorded to the best of my ability. This material is based upon information that I consider reliable, but I do not represent that it is accurate or complete.

Jim Goulding, jgoulding@ghco.com

The Morning Email, US&GER



Hey! Where are the Correlations? The R-Squared?

All correlations have been moved to a new morning email called.....The Morning Email: Correlations & R-Squared.

Thanks,
Jim

Quotes 1

		32 nds							
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME	
TUAU7	103.042	9.2	103.047	102.290	102.307	572,152	290,347	2y Futures	
FVAU7	106.295	19.5	106.305	106.145	106.170	1,359,181	524,162	5y Futures	
TYAU7	109.170	22.5	109.175	108.305	109.015	1,903,544	873,899	10y Futures	
USAU7	111.210	10	111.270	111.090	111.140	630,286	357,378	30y Futures	

**US
Futures
Market**



		32 nds							
	Last	Net	Hi	Low	Open	Volume			
BUS02P	100.297	6.2	100.300	100.227	100.237	2y			
BUS05P	101.210	12.0	101.217	101.062	101.080	5y			
BUS10P	101.245	10.0	101.260	101.095	101.130	10y			
BUS30P	102.080	1	102.195	102.000	102.010	30y			

**US Cash
Treasury
Market**

		32 nds							
	Last	Net	Hi	Low	Open	Volume			
BUS02Y	4.116	(9.80)	4.243	4.103	4.226	2y Yield			
BUS05Y	4.246	(8.30)	4.379	4.239	4.35	5y Yield			
BUS10Y	4.526	(3.90)	4.59	4.518	4.57	10y Yield			
BUS30Y	4.855	0.00	4.875	4.831	4.857	30y Yield			

		Decimal							
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME	
DGU7	103.43	5.00	103.45	103.31	103.43	656,240	280,485	Schatz(2Y)	
DLU7	108.25	40.00	108.25	107.99	108.23	499,922	213,239	Bobl(5Y)	
DBU7	113.95	15.00	113.97	113.56	113.84	997,669	365,067	Bund(10Y)	

**German
Futures
Markets**



	Price	Yield			SYM NAME
	Last	Last	Coupon	Maturity	
T.US.DE044P0609	100.86	3.970	4.500	6/12/2009	2 yr CTD
T.US.DE040P0412	99.63	4.075	4.000	4/13/2012	5 yr CTD
T.US.DE040P0716	98.53	4.194	4.000	7/4/2016	10 yr CTD
DEP2P	100.88	3.970	4.500	6/12/2009	2yr OTR
DEP5P	99.67	4.075	4.000	4/13/2012	5yr OTR
DEP10P	100.20	4.223	4.250	7/4/2017	10yr OTR

**German
Cash
Treasury
Market**

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	103.43	#VALUE!	103.43	103.45	103.31	5.00
DLU7	108.24	108.25	108.25	108.25	107.99	40.00
DBU7	#VALUE!	113.95	113.95	113.97	113.56	15.00

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo
DGU7	4.179		4.179	4.242	4.169
DLU7	4.142	4.140	4.142	4.196	4.140
DBU7		4.258	4.258	4.303	4.256

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng
T.US.DE044P0609	3.982	3.970	3.970	4.123	4.047	
T.US.DE040P0412	4.085	4.075	4.075	4.194	4.124	
T.US.DE040P0716	4.201	4.194	4.194	4.283	4.233	
DEP2P	3.982	3.970	3.970	4.041	3.953	17
DEP5P	4.085	4.075	4.075	4.124	4.058	37
DEP10P	4.230	4.223	4.223	4.266	4.208	59

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	100.86	100.88	100.88	100.91	100.76	0.17
T.US.DE040P0412	99.63	99.67	99.67	99.74	99.47	37.00
T.US.DE040P0716	98.53	98.58	98.58	98.71	98.29	50.00
DEP2P	100.86	100.88	100.88	100.91	100.76	17.00
DEP5P	99.63	99.67	99.67	99.74	99.47	37.00
DEP10P	100.15	100.20	100.20	100.32	99.86	59.00

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



09:33 08/28 **EUROZONE:** The European Parliament's key Economic and Monetary Affairs Committee has requested an extraordinary appearance by ECB Pres Trichet on Sept 11, asking that he testify on the financial market turmoil seen during the Parliament's summer recess. This is the first time such a meeting has been convened, and it will not replace one of Trichet's regular thrice-yearly appearances before the committee. "Just how contentious this meeting will be will depend in large part on what the ECB does on September 6, as well as the market reaction to that move," say strategists at Brown Brothers Harriman. The event is similar to the Fed Chair's semi-annual testimony, which provides Capitol Hill "the opportunity to criticize the Fed for the benefit of their constituents," the strategists say. BBH looks for Trichet to "give a spirited defense of ECB independence" and to "reaffirm his hawkish credentials" come September.

10:15 08/28 **UK GEMMs/End-Investors Seen Calling For New 40-Year Gilt**

UK Gilt-edged market makers (GEMMs) and end-investors are likely to urge the Debt Management Office to issue a new 40-year conventional Gilt rather than a new 40-year linker issue when they get together for their quarterly consultation meeting this afternoon, Gilt strategists say. The DMO will publish the official minutes of the meeting on Wednesday at 0800GMT. The agency will announce its choice of auction stocks for the next quarter on Friday at 1430GMT. Nine auctions have been scheduled between October and December, comprising five conventional and four index-linked Gilt sales.

11:03 08/28 **ECB:** The European Central Bank has little to gain and potentially a lot to lose by going ahead with an interest rate hike on September 6. The odds are thus quite high that the ECB will refrain from raising borrowing costs next week -- as it had seemed intent on doing only a few weeks ago -- in view of ongoing financial market uncertainty.

Euro Mkt Summary: Long End Underperforms on Neg. Duration Ext. by Charanjev Chana

EGBs traded mixed on Tuesday afternoon with long dates underperforming. Bunds posted moderate losses following stronger than expected August US consumer confidence data. Bonds opened moderately higher on Tuesday morning on short-covering after ECB President Trichet failed to confirm a September interest rate hike in comments made on Monday afternoon. Trichet refrained from mentioning "strong vigilance" and suggested the ECB would assess price stability risks in the medium term and make its decision. Short dates came under pressure after August German IFO business sentiment came in above consensus expectations and Eurozone M3 growth accelerated to its fastest pace in 28-years. Long dates underperformed amidst little support from month end bids given month end duration extensions in EGBs are negative according to early iBoxx sovereign estimates.

In the **forex** markets, the dollar was mixed against the major currencies. The EUR/USD was at 1.3646 (-0.0001), cable at 2.0085 (-0.0036) and USD/JPY at 114.98 (-0.89).

European equities were weaker in afternoon trade. The DAX was trading -0.33%, CAC 40 -1.23% and the FTSE -0.90% on the day. US stocks were weaker with the S&P 500 -0.76% and the Nasdaq -0.81%.

Sep-07 Bunds were unchanged at 113.72. In cash, German government benchmark yields were unchanged to 2bps higher with 30s underperforming. The 2s/10s spread was unchanged at 30bps and the 10s/30s spread was 23bps vs. 21bps.

Gilts traded little changed on Tuesday afternoon, outperforming Bunds. Prices were little changes following the release of UK BBA mortgage lending data which reported a decline in mortgage approvals for house purchases in July.

Jun-07 Gilts were 6 ticks higher at 106.72. In cash, UK government benchmark yields were unchanged across the board. The 2s/10s spread was unchanged at -30bps and the 10s/30s spread was unchanged at -56bps.



[All Times Eastern]

05:25 08/29 **BUNDS**: Sept Bunds are easing lower as European equity bourses attempt to bounce back from opening losses. FTSE-100 is now up 14pts (+0.27%), CAC-40 is up 16pts (+0.29%) and Xetra-DAX is down 35pts (-0.48%). Sept Bunds are up 20 ticks at 114.04.

06:07 08/29 **CREDIT: European CDS spreads** are having another mixed session this morning although dealers report an absence of any real flow. Beta names are demonstrating the most volatility with moves in higher rated names being of a more mild nature. The iTraxx Xover index has recovered some ground this morning and is now trading around yesterdays close of 339 bps. Equities have turned positive in Europe in recent trading taking comfort from some better newsflow. Corporate news is limited to earnings reports this morning as the rumours of ongoing strife in the financial sector, that we have come to expect recently, continue to circulate the market.

05:20 08/29 **ECB**: Results of 91-day ECB refi operation
 -- Allots E50 bn in 91-day refis ate marginal rate of 4.56%.
 -- Weighted average at 4.62%
 -- Minimum rate bid 4.05%, maximum rate 5.00%.
 -- 163 bids received, total amount bid E119.755 bln.

04:56 08/29 **EONIA**: EONIA (European Over-Night Index Average) Swap rate/probabilities implied have continued to fall in the wake of comments from ECB President Trichet in Budapest on Monday, and also given the ongoing tensions in money/stock markets. The probabilities below are based on assumption of base rate vs eonia spread at 7bps.

Month	Rate	Probability	Probability last week
----	-----	-----	-----
September	4.090%	7.0%	50.8%
October	4.145%	30.0%	57.6%
November	4.150%	32.0%	57.6%
December	4.150%	32.0%	64.0%
January	4.106%	14.0%	64.0%
February	4.09%	8.0%	64.0%

03:28 08/29 **GILTS**: Focus in Gilt markets turns to the minutes of the DMO's consultation meeting with Gilt-edged market makers (GEMMs) and end-investors quarterly consultation meeting held yesterday. Most strategists expect to see a new 2048 Gilt issue and expect this to be issued at the Dec. 4 auction date, in order to coincide with the coupon payments and the Stg11.655bln redemption of the 7.25% Dec 2007 Gilt on Dec. 7. The DMO has already hinted that it aims to re-open the 4.50% 2042 Gilt issue, and most strategists expect this to be re-opened again later in the quarter. As far as index-linked issues are concerned, Most in the market have indicated little need for a new 40-year linker at this stage but want the 1.125% 2037 IL Gilt to be built up as a matter of urgency, given only Stg2.95bln outstanding. The DMO will publish the official minutes of the meeting on Wednesday at 0800GMT. The agency will then announce its choice of auction stocks for the next quarter on Friday at 1430GMT.

04:06 08/29 **JAPAN NUKAGA**: Domestic economy on favourable growth path
 - But still can't say have escaped inflation
 - Hope BOJ to act in line with govt policy
 - FX reserves must be used for stabilisation
 - Doesn't rule out intervention if fx hurting economy
 - Markets on way to stability after subprime jolts

02:51 08/29 **JGBs**: Japanese government bonds ended Wednesday's session higher across the curve, boosted by renewed safehaven buying as stocks again tumbled on concerns of problems in the global credit markets. With a lack of fresh economic data peruse, JGBs were higher from the getgo and continue d to rally into the lunchbreak. City banks were noted as buyers of the five-year sector of the curve, with offshore names buying the 10-year. However, prices fell from their morning highs as stocks showed signs of rallying in afternoon trade. Buying was seen across the curve, with the ultra long end helped by month-end duration weighted demand from life and pension funds. Volumes were robust in the morning session, but slowed later in the day, as traders began to tidy their books ahead of Japanese inflation data due ahead of the market open on Friday.
 -- Benchmark 10-year yield was 3 bps lower at 1.595%.
 -- Benchmark 20-year yield was 2.5 bps lower at 2.120%.
 -- Lead Sept JGB futures contract was up 0.23 at 135.68



US Intrinsic's ^				
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	15.58	5.11	\$1,596	€ 2,175
10y	7.88	2.57	\$803	€ 1,095
5y	4.35	1.42	\$444	€ 605
2y	1.81	0.59	\$184	€ 251
ZB	9.61	3.49	\$109	€ 149
ZN	5.64	2.01	\$63	€ 86
ZF	3.80	1.32	\$41	€ 56
ZT	1.73	1.15	\$36	€ 49

^Futures are Based on CTD

German Intrinsic's ^				
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.26	€ 233	\$171	0.842561
Bobl	4.08	€ 117	\$86	0.959013
Schatz	1.67	€ 48	\$35	0.975468
DE10Y	7.86	€ 1,080	\$793	
DE5Y	4.08	€ 562	\$412	
DE2Y	1.67	€ 232	\$170	

^Futures are Based on CTD

Last

EURUSD 136.31

Tic for Tic Matrix (\$)			
	Bund	Bobl	Schatz
30y	9.34	18.55	45.73
10y	4.70	9.34	23.01
5y	2.60	5.16	12.72
2y	1.08	2.14	5.27
ZB	0.64	1.27	3.13
ZN	0.37	1.34	1.80
ZF	0.24	0.48	1.18
ZT	0.21	0.42	1.03

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	3.000
Bobl (U)	0.970	1.470	1.664
Shatz (U)	0.382	0.578	0.653

Bloomberg
Ratio's

US Treasuries v Eurex Bonds

	2y	5y	10y
Bund (U)	1.7	4.0	7.1
Bobl (U)	3.1	7.3	13.1
Shatz (U)	7.8	18.6	33.3

Bloomberg
Ratio's

	Bund (U)	Bobl (U)	Shatz (U)
Bund (U)	1.00	1.92	4.66
Bobl (U)	0.57	1.00	2.42
Shatz (U)	0.24	0.41	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	4.120	4.116	4.116
US5y	4.248	4.246	4.246
US10y	4.528	4.526	4.526

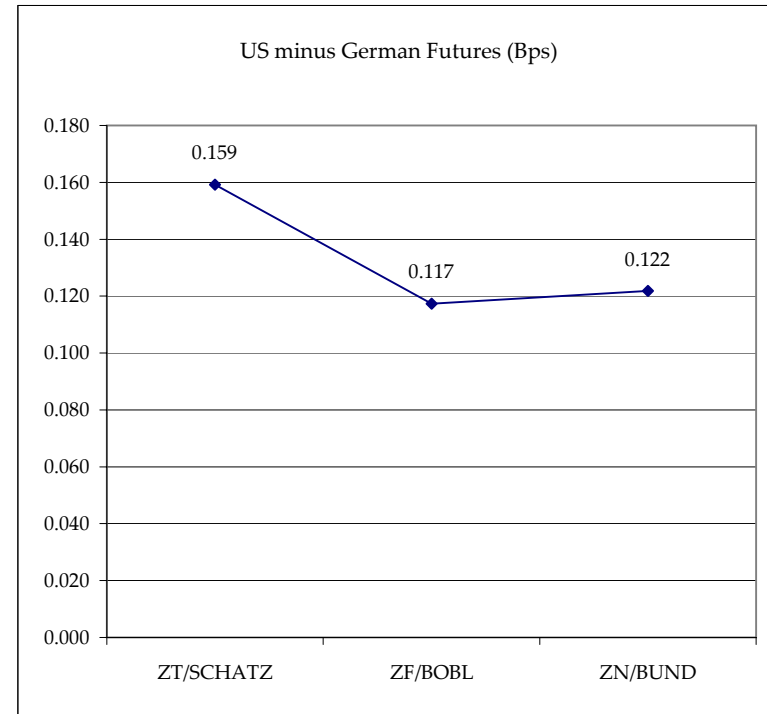
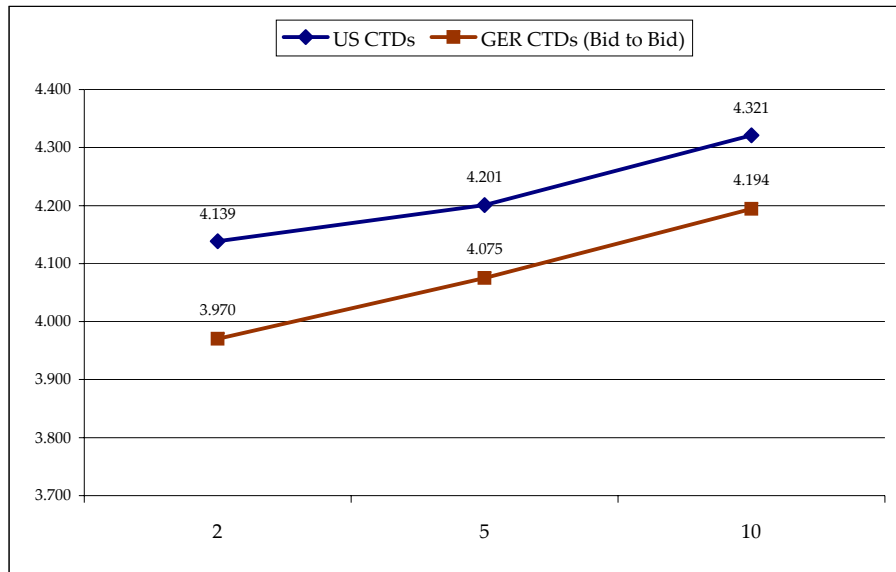
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	3.982	3.970	3.970
DE5y	4.085	4.075	4.075
DE10y	4.230	4.223	4.223

Spreads	
	Bps
ZT/SCHATZ	0.159
ZF/BOBL	0.117
ZN/BUND	0.122

US Cash Treasuries (CTD)			
	Bid	Ask	Last
4.000 of 06/09	4.139	4.130	4.130
4.500 of 11/11	4.201	4.193	4.193
4.750 of 05/14	4.321	4.316	4.316

German Futures (CTD)			
	Bid	Ask	Last
4.500 of 07/09	3.982	3.970	3.970
4.000 of 04/12	4.085	4.075	4.075
4.000 of 07/16	4.201	4.194	4.194

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

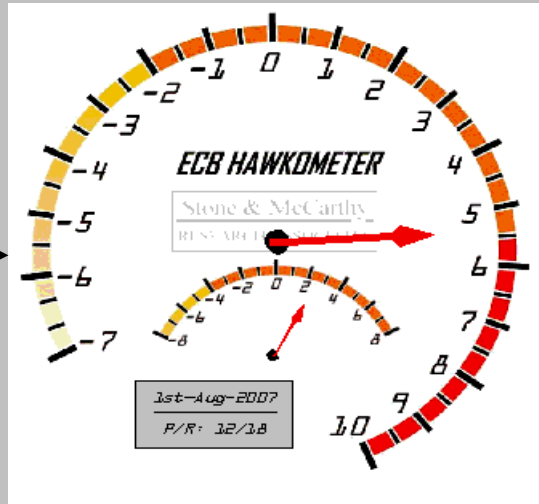
Domestic	T+2	T+3	T+3
International	T+3	na	na

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



11:12 08/21 ECB ANALYSIS: The ongoing market turbulence has not swept an ECB rate hike in September entirely from the table, but it has made its fate crucially dependent on a convincing return to financial stability over the next two weeks -- which may be expecting too much. Nor is it clear whether the ECB's main refinancing rate will peak at 4%, where it has been since early June, or rise to 4.25% following a longer pause, if the ECB decides to pull back from the September 6 move it conditionally flagged in early August. The bottom line: unless financial turmoil recedes quickly without serious fallout to the real economy, the ECB is quite likely to delay a rate hike at least until October -- and potentially longer. If ever it had reason to remind markets that it has always qualified its rate-hike signals by saying it never precommits, this would be the time to do so. Moreover, a hike to 4.25% could be jeopardized if market contagion were to intensify and spread.

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

Stone & McCarthy
RESEARCH ASSOCIATES

Stone & McCarthy
RESEARCH ASSOCIATES

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%