



## The Morning Email: US & Germany



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Want something added? Let me know: [jgoulding@ghco.com](mailto: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.

Quotes 1

	32 nds					Volume	Yest Volume	SYM NAME	
	Last	Net	Hi	Low	Open				
TUAH8	104.262	0.0	104.262	104.250	104.257	1,680	166,197	2y Futures	<b>US Futures Market</b>
FVAH8	109.175	0.0	109.185	109.160	109.170	5,000	334,139	5y Futures	
TYAH8	112.125	(0.0)	112.145	112.110	112.145	11,642	546,487	10y Futures	
USAH8	114.240	(0)	114.270	114.200	114.250	3,054	195,939	30y Futures	



	32 nds					Volume	
	Last	Net	Hi	Low	Open		
BUS02P	99.285	1.0	99.295	99.290	99.295	2y	<b>US Cash Treasury Market</b>
BUS05P	99.020	(0.5)	99.025	99.000	99.000	5y	
BUS10P	100.200	(1.0)	100.225	100.180	100.180	10y	
BUS30P	106.185	(4)	106.235	106.200	106.200	30y	

	32 nds					Volume	
	Last	Net	Hi	Low	Open		
BUS02Y	3.171	0.80	3.218	3.159	3.218	2y Yield	<b>US Cash Treasury Market</b>
BUS05Y	3.581	0.80	3.602	3.568	3.593	5y Yield	
BUS10Y	4.170	0.60	4.199	4.158	4.174	10y Yield	
BUS30Y	4.584	0.30	4.595	4.506	4.58	30y Yield	

	Decimal					Volume	Yest Volume	SYM NAME	
	Last	Net	Hi	Low	Open				
DGH8	103.33	(13.50)	103.42	103.31	103.42	162,014	215,163	Schatz(2Y)	<b>German Futures Markets</b>
DLH8	107.94	(20.00)	108.13	107.86	108.05	237,293	292,260	Bobl(5Y)	
DBH8	113.00	(4.80)	113.47	112.87	113.39	394,584	525,113	Bund(10Y)	



	Price	Yield			SYM NAME	
	Last	Last	Coupon	Maturity		
T.US.DE040P1209***	100.02	3.971	4.000	12/11/2009	2 yr CTD	<b>German Cash Treasury Market</b>
T.US.DE042P1012***	100.53	4.113	4.250	10/12/2012	5 yr CTD	
T.US.DE036P0117**	95.93	4.297	3.750	1/4/2017	10 yr CTD	
DEP2P*	100.05	3.971	4.000	12/11/2009	2yr OTR	
DEP5P*	100.57	4.113	4.250	10/12/2012	5yr OTR	
DEP10P*	97.37	4.329	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	#VALUE!	103.37	103.33	103.42	103.31	-13.50
DLH8	107.90	107.97	107.94	108.13	107.86	-20.00
DBH8	#VALUE!	112.99	113.00	113.47	112.87	-4.80

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo
DGH8		4.208	4.231	4.239	4.182
DLH8	4.215	4.201	4.206	4.224	4.165
DBH8		4.369	4.368	4.383	4.313

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng
T.US.DE040P1209***	3.987	3.971	3.971	4.020	3.938	
T.US.DE042P1012***	4.122	4.113	4.113	4.143	4.071	
T.US.DE036P0117**	4.304	4.297	4.297	4.320	4.244	
DEP2P*	3.987	3.971	3.971	4.020	3.938	-6
DEP5P*	4.122	4.113	4.113	4.143	4.071	-19
DEP10P*	4.336	4.329	4.329	4.353	4.275	-46

	Decimal					
	Bid	Ask	Last	Hi	Low	Chng
T.US.DE040P1209***	100.02	100.05	100.05	100.11	99.96	-6
T.US.DE042P1012***	100.53	100.57	100.57	100.75	100.44	-19
T.US.DE036P0117**	95.93	95.98	95.98	96.36	95.82	-40
DEP2P*	100.02	100.05	100.05	100.11	99.96	-6
DEP5P*	100.53	100.57	100.57	100.75	100.44	-19
DEP10P*	97.32	97.37	97.37	97.80	97.18	-46

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	

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

Notes

- Y = Yield
- DE = German Country Code
- 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	15.58	5.41	\$1,689	€ 2,434
10y	7.98	2.58	\$807	€ 1,162
5y	4.49	1.43	\$447	€ 644
2y	1.86	0.59	\$186	€ 268
ZB	10.25	3.85	\$120	€ 173
ZN	5.92	2.15	\$67	€ 97
ZF	3.98	1.40	\$44	€ 63
ZT	1.89	0.64	\$20	€ 29

^Futures are Based on CTD

German Intrinsic's ^				
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.19	€ 243	\$169	0.849146
Bobl	4.23	€ 133	\$92	0.931197
Schatz	2.10	€ 64	\$45	0.947563
DE10Y	7.76	€ 1,132	\$785	
DE5Y	4.23	€ 618	\$429	
DE2Y	2.10	€ 311	\$216	

^Futures are Based on CTD

Last

EURUSD 144.08

Tic for Tic Matrix (\$)			
	Bund	Bobl	Schatz
30y	10.02	18.33	37.87
10y	4.78	8.76	18.09
5y	2.65	4.86	10.03
2y	1.10	2.02	4.17
ZB	0.71	1.31	2.70
ZN	0.40	1.34	1.51
ZF	0.26	0.48	0.98
ZT	0.12	0.22	0.45

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)	1.700	2.700	2.900
Bobl (H)	0.960	1.500	1.570
Shatz (H)	0.380	0.580	0.630

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)	Bobl (H)	Shatz (H)
Bund (H)	1.00	1.67	3.39
Bobl (H)	0.60	1.00	2.03
Shatz (H)	0.30	0.49	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	3.184	3.171	3.171
US5y	3.584	3.581	3.581
US10y	4.172	4.170	4.170

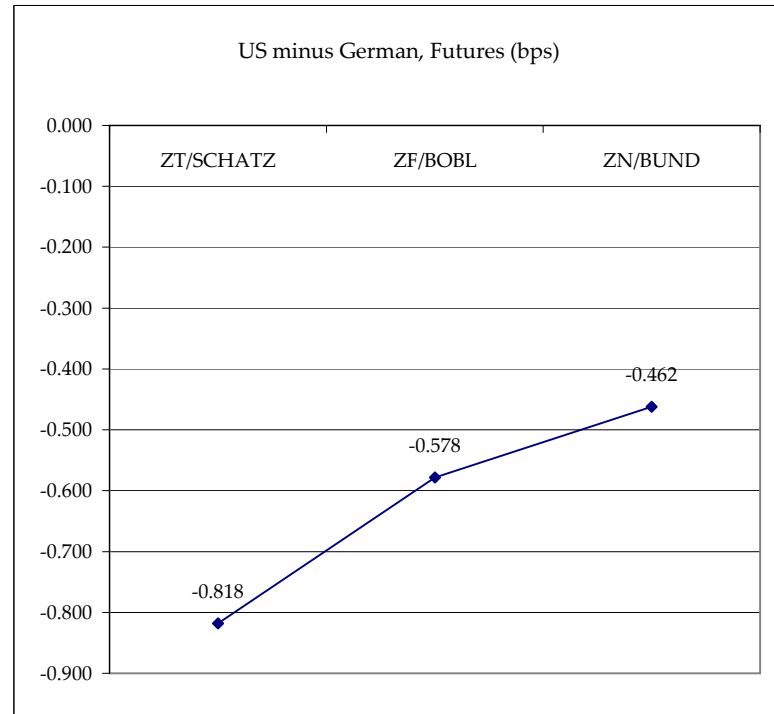
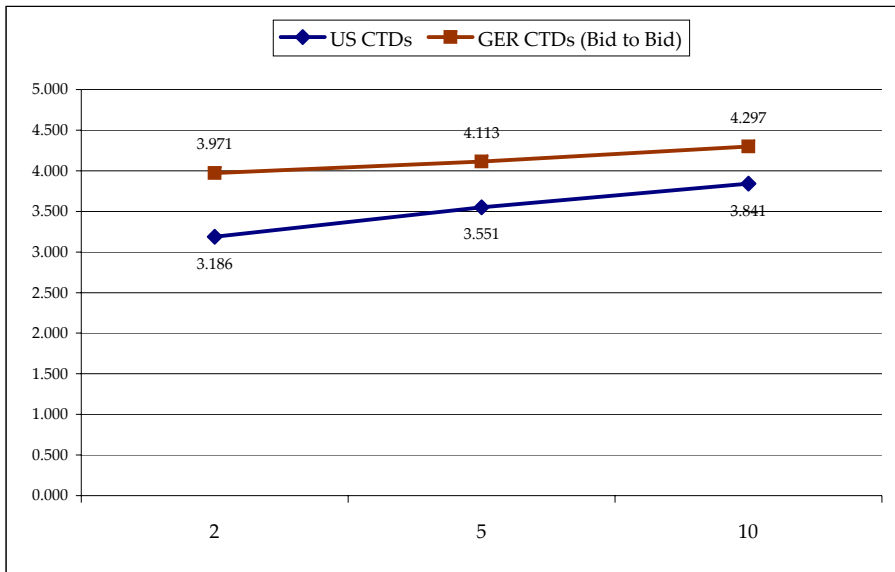
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	3.987	3.971	3.971
DE5y	4.122	4.113	4.113
DE10y	4.336	4.329	4.329

Spreads	
	Bps
ZT/SCHATZ	-0.818
ZF/BOBL	-0.578
ZN/BUND	-0.462

US Cash Treasuries (CTD)			
	Bid	Ask	Last
3.500 of 12/09	3.186	3.153	3.153
4.750 of 05/12	3.551	3.535	3.535
4.250 of 11/14	3.841	3.835	3.835

German Futures (CTD)			
	Bid	Ask	Last
5.375 of 04/10	3.987	3.971	3.971
4.250 of 10/12	4.122	4.113	4.113
3.750 of 01/17	4.304	4.297	4.297

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 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	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

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

Austria, Oesterreichische Nationalbank  
 Belgium, Nationale Bank van België/Banque Nationale de Belgique  
 Bulgaria, Bulgarian National Bank  
 Czech, Republic Česká národní banka  
 Cyprus, Central Bank of Cyprus  
 Denmark, Danmarks Nationalbank  
 Estonia, Eesti Pank  
 Éire/Ireland, Central Bank and Financial Services Authority of Ireland  
 Finland, Suomen Pankki - Finlands Bank  
 France, Banque de France  
 Germany, Deutsche Bundesbank  
 Greece, Bank of Greece  
 Hungary, Magyar Nemzeti Bank  
 Italy, Banca d'Italia  
 Latvia, Latvijas Banka  
 Lithuania, Lietuvos bankas  
 Luxembourg, Banque centrale du Luxembourg  
 Malta, Central Bank of Malta  
 The Netherlands, De Nederlandsche Bank  
 Poland, Narodowy Bank Polski  
 Portugal, Banco de Portugal  
 Romania, Banca Națională a României  
 Slovakia, Národná banka Slovenska  
 Slovenia, Banka Slovenije  
 Spain, Banco de España  
 Sweden, Sveriges Riksbank  
 United Kingdom, Bank of England

**EU Central Banks**

Austria, Oesterreichische Nationalbank	Klaus Liebscher, ECB Governor, Oesterreichische Nationalbank
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	Ślawomir 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
Slovenia, Banka Slovenije	Marko Kranjec
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) ]

**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]

Stone & McCarthy  
RESEARCH ASSOCIATES

**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
Sep-07	unch	unch	unch	unch	unch	unch	unch	unch	unch	unch	5.75%	9-0	none
Oct-07	unch	unch	unch	unch	unch	unch	-25bps	unch	unch	unch	5.75%	8-1	easing
Nov-07	unch	unch	-25bps	unch	unch	unch	-25bps	unch	unch	unch	5.75%	7-2	easing

**BOE HAWKOMETER (November)**

	Dissenting Hawkish Votes	Dissenting Dovish Votes	Non-Dissenting Votes	Total Votes	Hawkishness Rating
 Sentance	4	0	10	14	29%
 Besley	4	0	11	15	27%
 King (Gov)	14	0	113	127	11%
 Tucker	6	1	59	66	8%
 Gieve (Dep Gov)	1	1	20	22	0%
 Lomax (Dep Gov)	2	3	48	53	-2%
 Barker	1	4	74	79	-4%
 Bean	0	5	82	87	-6%
 Blanchflower	0	7	11	18	-39%

**BOE Hawkometer - Deputy Governor Joins The Rate Cutting Camp**  
by Niraj Shah  
7-2

The Bank of England minutes showed that the Monetary Policy Committee had voted 7:2 to leave rates on hold at the November meeting. Deputy Governor John Gieve unexpectedly joined arch dove David Blanchflower in backing a 25 basis point cut. The minutes revealed that the decision was a closely argued one, with "substantial uncertainty" over the outlook for both growth and inflation a key reason why the MPC held back from cutting rates.

[11/21/2007]

[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%

[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.