



## The Morning Email: Treasuries

7/5/2007 5:51

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

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Stone & McCarthy  
RESEARCH ASSOCIATES

MarketNews  
international

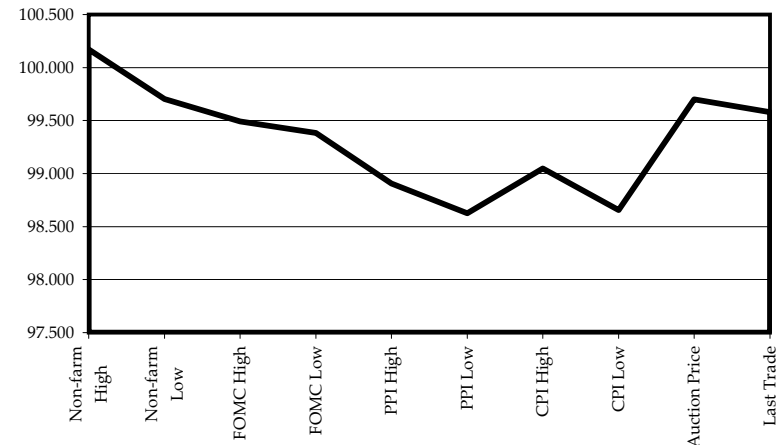
Jim Goulding, [jgoulding@ghco.com](mailto:jgoulding@ghco.com)

	Economic Releases - 32nds				Date
	5y	10y	ZNU7	ZBU7	
Non-farm High	100.0550	97.025	106.155	109.10	6/1/2007
Non-farm Low	99.2250	96.145	105.290	108.15	6/1/2007
FOMC High	99.1575	95.150	105.130	107.07	6/28/2007
FOMC Low	99.1225	95.075	105.045	106.23	6/28/2007
PPI High	98.2900	94.275	104.185	106.11	6/14/2007
PPI Low	98.2000	94.075	104.045	105.23	6/14/2007
CPI High	99.0150	94.310	104.225	106.12	6/15/2007
CPI Low	98.2100	94.125	104.040	105.21	6/15/2007
Auction Price	99.2243	99.035			
Last Trade	99.1850	95.180	105.125	107.06	7/5/2007 5:51

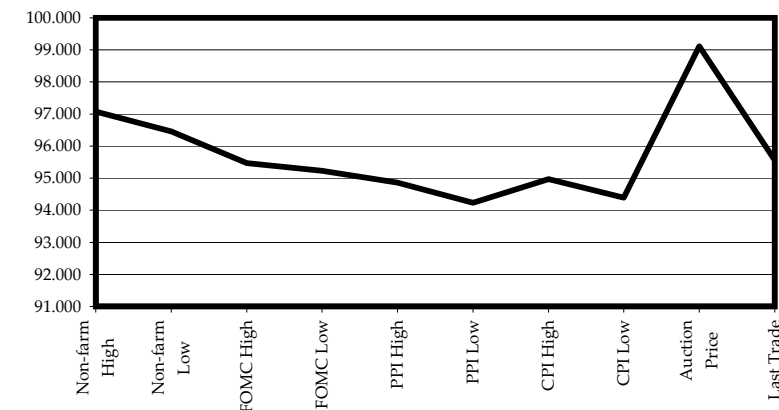
	Auctions - 32nds			
	2 y	5y	10y	30y
Auction Price	99.313	99.224	99.035	98.194
Auction Yield Stop	4.906	4.94	4.612	4.838
Actual Auction Date	6/26/2007	6/27/2007	5/8/2007	5/11/2007 r

r = reopen

5y (Decimal)



10y (Decimal)



Notes: Cash and futures are adjusted roll  
 Release times are from release to 2pm cdt  
 (Jun07 to Sep07 Futures roll: ZN & ZB even) (ZF = +3tics)

## Quotes

	32 nds					Volume	SYM NAME
	ls	net	high	low	open		
TUAU7	101.262	(1.0)	101.277	101.260	101.277	12,708	2y Fut
FVAU7	103.305	(3.5)	104.000	103.285	103.300	37,019	5y Fut
TYAU7	105.125	(6.5)	105.160	105.105	105.150	122,605	10y Fut
USAU7	107.060	(11)	107.130	107.050	107.130	23,011	30y Fut
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.295	(2.0)	99.307	99.295	99.307	na	2y Cash
BUS05P	99.185	(5.0)	99.205	99.175	99.202	na	5y Cash
BUS10P	95.180	(8.5)	95.230	95.165	95.230	na	10y Cash
BUS30P	93.190	(16)	93.275	93.180	93.275	na	30y Cash
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.913	3.80	4.921	4.863	4.896	na	2y Yield
BUS05Y	4.970	3.80	4.982	4.927	4.941	na	5y Yield
BUS10Y	5.075	3.60	5.085	5.035	5.044	na	10y Yield
BUS30Y	5.173	3.60	5.179	5.137	5.141	na	30y Yield



## News Recap for the United States Yesterday

### News Recap for the United States Overnight

LONDON, Jul 5 - U.S. Treasuries are trading lower across the curve Thursday as they return from the 4th of July holiday and play catch-up with losses recorded by the European debt markets on Wednesday.

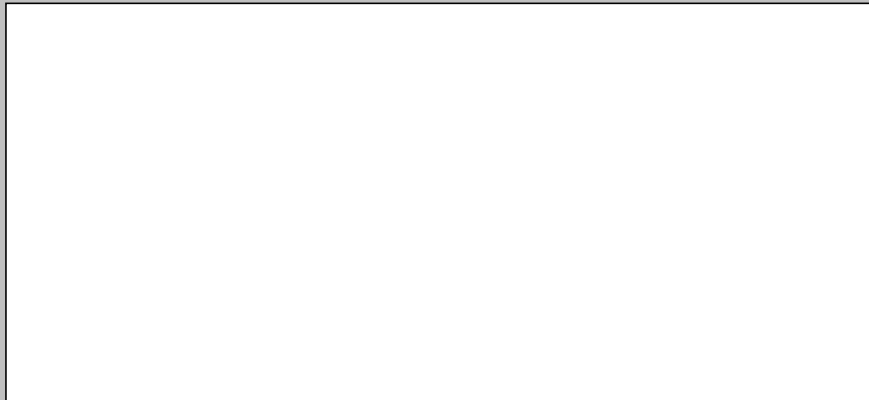
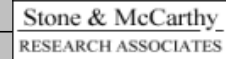
However, volumes were only modest, with traders saying a lackluster US calendar later in the day and interest rate decisions by the Bank of England and the European Central Bank are keeping many players sidelined. Also, the likelihood of some State-side accounts extending the holiday through the weekend would impact on flows, they said.

Yields were higher from the open in Tokyo, with traders noting a general mark-down of prices rather than any active selling interest from regional accounts. However, light two-way flows emerged in the 2-year and 10-year notes, helped by bottom fishing from hot-money accounts.

Ahead of the U.S. session, the 2-yr note was 2/32 lower, trading at 99 30/32 to yield 4.91%. The 10-yr note was 8/32 lower at 95 20/32 (5.07%), with the Bond 14/32 lower at 93 22/32 (5.17%).

The 2-/5-yr yield curve was unchanged on pre-holiday levels, trading at +6 bps. The 2-/10-yr curve was also unchanged, trading at +16 bps, as was the 2-/30-yr curve, standing at +26 bps.

September expiry futures contracts on the CBOT electronic system are trading lower on Tuesday's closing levels. The Sept T-note was 6/32 lower at 105 13/32, while the Bond was 9/32 lower at 107 7/32.



**Preview June Employment**  
 by Ray Stone, PhD  
 --Stone & McCarthy (Princeton)-- Forecasting monthly changes in Nonfarm Payrolls can be viewed as an exercise not in forecasting the actual employment change, but rather as an attempt to forecast the BLS's estimate of the monthly change. This distinction is important because there is

reason to believe that that BLS's estimates have been too high, and the underlying trend in payrolls of late is somewhat below the trajectory estimated by the BLS.

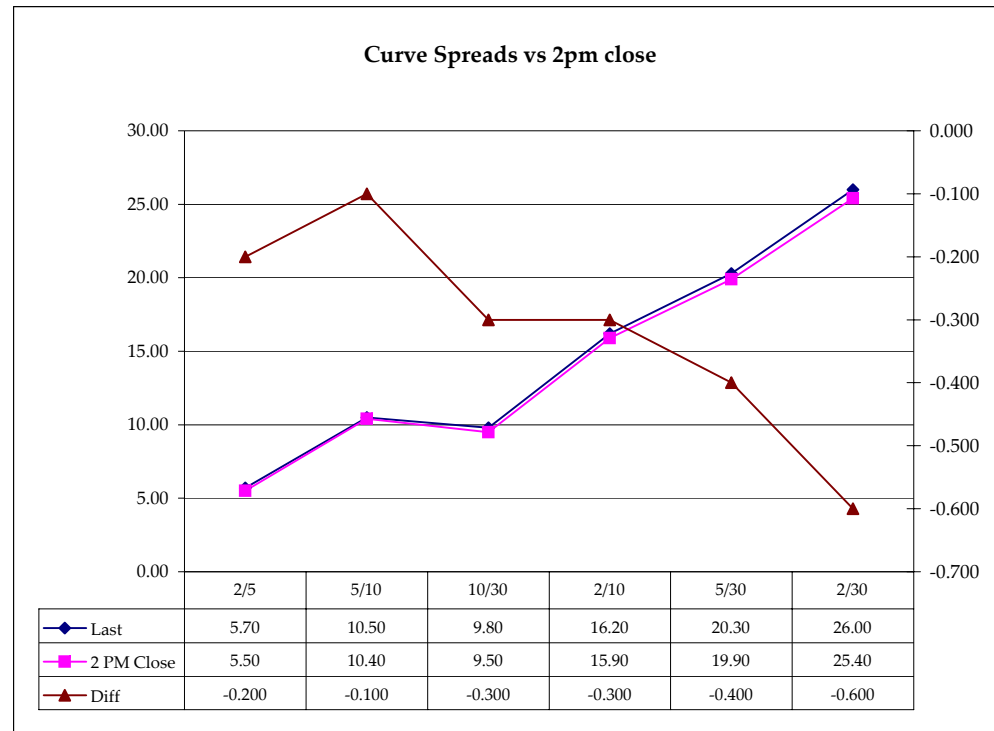
That said, as a payroll forecaster, my job is not to seek truth in my monthly projections, but rather to guess what the BLS's estimate of the number might be. Financial markets care far more about the BLS's monthly estimate of payrolls, than what the data may reveal after the next benchmarking.

Table I—Forecast Summary	SMRA Est		Survey Medians	
	May	June	MNI June 28	BBG June 28
Payrolls (000s)	157	100	130	120
Private (000s)	135	79		
Construction (000s)	0	-16		
Manufacturing Payrolls (000s)	-15	19		-13
Workweek (hours)	33.9	33.8		33.9
Index of Hours Worked (% chg)	0.5	-0.2		
Average Hourly Earnings (% chg)	0.3	0.3		0.3
Unemployment Rate (%)	4.5	4.5	4.5	4.5

	M Duration	DV01 32	DV01 \$	CF
30y	15.03	4.59	\$1,435	
10y	7.77	2.39	\$748	
5y	4.37	1.39	\$436	
2y	1.98	0.62	\$195	
ZB	9.62	3.34	\$104	0.8285
ZN	5.74	1.95	\$61	0.8926
ZF	3.92	1.31	\$41	0.9540
ZT	1.84	1.20	\$37	0.9815

**Yield Curve Spreads**

	Last	2pm close	Diff
2/5	5.70	5.50	-0.200
5/10	10.50	10.40	-0.100
10/30	9.80	9.50	-0.300
2/10	16.20	15.90	-0.300
5/30	20.30	19.90	-0.400
2/30	26.00	25.40	-0.600



**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

	ZB	ZN	ZF	ZT
Bund (U)	1.000	1.800	2.700	2.900
Bobl (U)	0.570	1.000	1.500	1.600
Shatz (U)	0.240	0.410	0.610	0.660

## US Financial Futures

	ZB	ZN	ZF	ZT
ZB		1.712	2.551	2.746
ZN	0.584		1.490	1.604
ZF	0.392	0.671		1.076
ZT	0.364	0.624	0.929	

## US Treasuries v US Financial Futures

	2y	5y	10y	30y
ZB	1.79	4.17	7.15	13.73
ZN	3.06	7.14	12.25	23.51
ZF	4.56	10.64	18.25	35.03
ZT	4.91	11.45	19.64	37.70

## US Treasuries v Eurex Bonds

	2y	5y	10y	30y
Bund (U)	1.7	4.0	6.8	13.0
Bobl (U)	3.1	7.2	12.3	23.5
Shatz (U)	6.9	16.1	28.2	54.3

## US Treasuries

	2y	5y	10y	30y
2y		2.332	4.003	7.683
5y	0.429		1.716	3.294
10y	0.250	0.560		1.919
30y	0.130	0.292	0.521	

## Notes:

Bloomberg ratio's are static.

They are updated every week, or at auctions & rolls.

Note: Eurex ratio's are from Bloomberg and they are static. All other ratio's are from GH Trader's LLC (me) and they are live.

Current Positions										
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	217,946	278,993	(61,047)	208,087	382,770	(174,683)	1,233,741	998,011	235,730	ZF
ZN	320,022	516,579	(196,557)	749,705	399,585	350,120	2,029,200	2,182,764	(153,564)	ZN
ZB	146,062	201,811	(55,749)	147,769	265,568	(117,799)	773,153	599,604	173,549	ZB

WoW* Position Change				As of
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	
ZF	2,081	36,439	(38,520)	6/26/2007
ZN	(23,618)	104,984	(81,367)	
ZB	(4,607)	(12,589)	17,197	

\*\*WoW = Week over week

	Cpn	Mty	Close 32	Close	Last	Diff	Roll	Basis
2y	4.875	6/30/09	99.3100	4.891	4.913	0.022		
5y	4.875	6/30/12	99.2200	4.946	4.970	0.024		13.66
10y	4.500	5/15/17	95.245	5.050	5.075	0.025		48.40
30y	4.750	2/15/37	94.01	5.145	5.173	0.028		158.46

	Close 32
ZF	104.015
ZN	105.190
ZB	107.16

Curve Spreads

	bps
2/5	5.5
5/10	10.4
10/30	9.5
2/10	15.9
5/30	19.9
2/30	25.4



Notes:

Basis = (Cash Decimal - (Futures Decimal \* CF))\*32

Mduration for Curve Spreads:

Longer duration minus shorter duration

32 = price is quoted in 32nds

Symbol	US Cash Treasuries (Yield)				US Bonds/Notes (CBOT)			
	2yr Yield	5yr Yield	10yr Yield	30yr Yield	ZT	ZF	ZN	ZB
2yr Yield	100.0	92.4	86.4	79.5	-90.2	-85.4	-82.0	-77.2
5yr Yield	92.4	100.0	98.8	96.1	-94.7	-97.3	-97.2	-95.0
10yr Yield	86.4	98.8	100.0	99.0	-91.2	-96.6	-98.5	-98.1
30yr Yield	79.5	96.1	99.0	100.0	-86.3	-94.5	-97.6	-98.4
ZT	-90.2	-94.7	-91.2	-86.3	100.0	97.1	93.6	88.6
ZF	-85.4	-97.3	-96.6	-94.5	97.1	100.0	98.8	96.1
ZN	-82.0	-97.2	-98.5	-97.6	93.6	98.8	100.0	98.8
ZB	-77.2	-95.0	-98.1	-98.4	88.6	96.1	98.8	100.0

Symbol	US Cash Treasuries (Yield)				US Bonds/Notes (CBOT)			
	2yr Yield	5yr Yield	10yr Yield	30yr Yield	ZT	ZF	ZN	ZB
emini SP	(6.5)	(38.2)	(44.4)	(52.5)	14.7	46.1	47.5	56.0
Dow Futures	28.9	3.2	(5.1)	(12.3)	(10.8)	5.2	8.8	19.5
USDJPY	42.9	69.9	73.9	79.2	(62.5)	(74.6)	(76.7)	(78.4)
EURUSD	(52.0)	(71.4)	(75.1)	(79.4)	58.4	72.1	72.6	78.0

**Correlations for the US Cash Treasuries are done on a YIELD basis.  
Therefore, you'll see negative values against certain fixed income instruments.**

Notes:

All correlations based on 10 day historical

Cash Duration Matrix

Cash Duration Matrix				
	2	5	10	30
2	100%			
5	49%	100%		
10	26%	54%	100%	
30	13%	27%	50%	131%
Cash Matrix [DV01 x Duration]				
	2	5	10	30
2	\$195			
5	\$198	\$408		
10	\$194	\$400	\$737	
30	\$189	\$388	\$716	\$1,435
Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	(\$3)			
10	\$0	\$8		
30	\$6	\$19	\$22	
Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	-1.66%			
10	0.21%	1.91%		
30	3.26%	5.01%	3.04%	

**What is this? (1):**  
 2yr cash has X% duration of 5yr cash .

**What is this? (2):**  
 -2yr cash has DV01 of \$202  
 -Multiply the 2yr DV01 by the percent duration to come up with what the 2yrs DV01 SHOULD be compared to the 5yr.

**What is this? (3):**  
 -Now you can see the over/under value, based on the DV01, from contract to contract. In this example we are looking at the 2yr compared to the 5yr.  
  
 Or you can look at the over/under value as a percentage instead of dollar terms.

Tic for Tic Matrix				
	2y	5y	10y	30y
ZT	0.52	1.09	1.97	3.83
ZF	0.48	1.00	1.80	3.50
ZN	0.32	0.67	1.21	2.35
ZB	0.19	0.39	0.71	1.37

**What is this? (1):**  
The 30 yr cash moves X.XX tics for every 1 tic ZT moves.

	2y	5y	10y	30y
2y	1.00	2.09	3.79	7.37
5y	0.48	1.00	1.81	3.52
10y	0.26	0.55	1.00	1.95
30y	0.14	0.28	0.51	1.00

**What is this? (2):**  
ZN moves X.XX tics for every 1 tic ZF moves.

	ZT	ZF	ZN	ZB
ZT	1.00	1.09	1.63	2.79
ZF	0.91	1.00	1.49	2.55
ZN	0.61	0.67	1.00	1.71
ZB	0.36	0.39	0.58	1.00

For US vs German Tic for Tic matrix, go to Morning Email, US&GER



