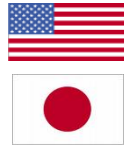




The Morning Email: US & Germany

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7/5/2007 5:51

SMR Fortnightly German Money Managers' Survey - Summary				
	02-Jul-07		14-Jun-07	
	Avg	Range	Avg	Range
Cash/Asset Ratio				
Arithmetic	2.31%	0-5%	2.30%	1-5%
Weighted	2.29%		2.33%	
Actual/Target Duration				
Arithmetic	95.55%	84 -100%	94.88%	83 -100%
Weighted	96.82%		96.23%	
Bear/Bull Index				
Arithmetic	4.90	3.0-7.0	4.60	3.0-7.0
Weighted	4.77		4.43	
Intending to Adjust Portfolio in Coming Month				
Actual/Target Duration	93.18%		95.81%	
Bear/Bull Index	4.75		4.50	
Planning to be Active	40.00%		20.00%	
Memo				
Bund Future	111.14		110.17	

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German Money Managers' Survey: Rosier Signs? by Niraj Shah

Stone & McCarthy (London)-
Although duration exposure and sentiment measures remain on the defensive side of the fence, German fund managers' hinted at a rosier picture as market sentiment edged towards the direction of neutral, whilst duration positioning was less short.

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.

"...monetary policy is still on the accommodative side".--TRICHET
06/06/2007

Jim Goulding, jgoulding@ghco.com

SYM NAME	Symbol	US Cash Treasuries			US Bonds/Notes (CBOT)			Symbol	SYM NAME
		2yr	5yr	10yr	ZT	ZF	ZN		
Schatz(2Y)	DGU7	-81.26	-72.33	-65.56	77.04	69.89	66.02	DGU7	Schatz(2Y)
Bobl(5Y)	DLU7	-76.30	-85.09	-84.30	82.22	83.82	85.66	DLU7	Bobl(5Y)
Bund(10Y)	DBU7	-70.83	-86.86	-89.34	78.75	85.09	89.89	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.

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-----RESISTANCE-----

112.05 Mar - May downtrend line
 112.04 50% of the 04/19H - 06/13L
 111.67 40-DMA, top Bollinger band
 111.45 38.2% of the 04/19H - 06/13L
 111.44 07/02 high
111.41 +.66 07/02 Settlement
 111.02 07/02 breakout point
 110.95 5-DMA
 110.75 06/29 - 07/02 gap bottom
 110.64 Bollinger band center line
 110.60 10-DMA, 06/28 pivot low
 110.05 lowest Jun close
 109.79 Oct '02 corrective lows
 109.67 lower Bollinger band
 109.66 06/13 pivot low

-----SUPPORT-----

Technical Commentary -EUREX Sep 2007 10yr Euro-Bund
by Mike Sacchitello, CMT

Short-term, Sep continues to work towards satisfying the initial count (the top Bollinger band near 111.62) earned after the 06/27 break above the 20-day Bollinger band center line.

Given the extended nature of daily momentum studies, we see any meeting with the aforementioned band as a good opportunity to book post-06/13 profits. A more sizable reduction of post-06/13 longs would not be suggested until a close below 110.75 (the 06/29 - 07/02 gap bottom) materializes.

Longer-term, our proprietary trading system (a near to long-term trend following system), which entered its final short position on 04/13, would not see its first protective stop triggered until settlement above 111.65.

Quotes 1

32 nds									
Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME		
TUAU7	101.262	(1.0)	101.277	101.260	101.277	12,708	111,757	2y Futures	US Futures Market
FVAU7	103.300	(3.5)	104.000	103.285	103.300	37,009	254,644	5y Futures	
TYAU7	105.125	(7.0)	105.160	105.105	105.150	122,395	733,968	10y Futures	
USAU7	107.050	(10)	107.130	107.050	107.130	22,985	247,699	30y Futures	
Last	Net	Hi	Low	Open	Volume				US Cash Treasury Market
BUS02P	#VALUE!	(2.0)	99.307	99.297	99.307	2y			
BUS05P	99.185	(5.0)	99.205	99.175	99.202	5y			
BUS10P	95.180	(9.0)	95.230	95.165	95.230	10y			
BUS30P	93.190	(15)	93.275	93.180	93.275	30y			
Last	Net	Hi	Low	Open	Volume				
BUS02Y	4.913	3.80	4.921	4.863	4.896	2y Yield			
BUS05Y	4.970	3.80	4.982	4.927	4.941	5y Yield			
BUS10Y	5.075	3.60	5.085	5.035	5.044	10y Yield			
BUS30Y	5.174	3.70	5.179	5.137	5.141	30y Yield			



Decimal									
Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME		
DGU7	102.45	(25.00)	102.47	102.44	102.47	220,971	481,123	Schatz(2Y)	German Futures Markets
DLU7	105.91	(20.00)	105.95	105.87	105.94	227,315	360,335	Bobl(5Y)	
DBU7	110.40	(6.00)	110.50	110.31	110.44	458,036	820,928	Bund(10Y)	



	Price	Yield			SYM NAME	
	Last	Last	Coupon	Maturity		
T.US.DE032P0409	99.95	4.436	4.500	7/4/2009	2 yr CTD	German Cash Treasury Market
T.US.DE050P0712	97.55	4.473	4.000	4/13/2012	5 yr CTD	
T.US.DE042P0717	95.58	4.605	4.000	7/4/2016	10 yr CTD	
DEP2P	100.01	4.491	4.500	6/12/2009	2yr OTR	
DEP5P	97.59	4.571	4.000	4/13/2012	5yr OTR	
DEP10P	97.10	4.619	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	102.45	102.45	102.45	102.47	102.44	-25.00
DLU7	105.90	105.91	105.91	105.95	105.87	-20.00
DBU7	110.39	110.40	110.40	110.50	110.31	-6.00

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	
DGU7	4.691	4.688	4.691	4.696	4.680	
DLU7	4.650	4.648	4.648	4.657	4.639	
DBU7	4.676	4.674	4.674	4.685	4.662	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng
T.US.DE032P0409	4.526	4.510	4.436	4.515	4.467	0
T.US.DE050P0712	4.581	4.571	4.473	4.568	4.520	0
T.US.DE042P0717	4.612	4.605	4.605	4.600	4.551	0
DEP2P	4.502	4.491	4.491	4.507	4.474	-2
DEP5P	4.581	4.571	4.571	4.590	4.557	-6
DEP10P	4.625	4.619	4.619	4.638	4.605	-12

	Decimal					
	Bid	Ask	Last	Hi	Low	Chng
T.US.DE032P0409	99.95	99.98	99.98	100.01	99.94	-3.00
T.US.DE050P0712	97.55	97.59	97.59	97.65	97.51	-6.00
T.US.DE042P0717	95.58	95.63	95.63	95.73	95.51	-13.00
DEP2P	99.99	100.01	100.01	100.04	99.98	-2.00
DEP5P	97.55	97.59	97.59	97.65	97.51	-6.00
DEP10P	97.05	97.10	97.10	97.21	96.95	-12.00

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

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	

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02/07/2007	18:41	EURO	chg	USA	chg	UK	chg
Futures	Bond	111.40	0.65	107.91	0.16	104.09	0.36
	STIR	95.64	0.00	94.71	-0.01	93.76	0.02
Cash	3mth	4.18	0.00	5.36	0.00	6.00	0.00
	2yr	4.42	-0.04	4.85	-0.01	5.72	-0.03
	5yr	4.47	-0.06	4.90	-0.02	5.65	-0.05
	10yr	4.51	-0.06	5.01	-0.02	5.42	-0.04
	30yr	4.62	-0.06	5.11	-0.01	4.79	-0.04
	10yr-2yr	0.09	-0.02	0.15	-0.01	-0.30	-0.01
Spreads	2yr	--	--	0.50	0.03	1.38	0.01
	vs euro	--	--	0.56	0.04	0.98	0.02
FX	USD	1.363	0.009	--	--	2.016	0.008
	EUR	--	--	--	--	0.676	0.002
	YEN	166.52	-0.08	122.21	-0.92	246.40	-0.84
Equities		4470.3	-0.4%	1514.4	0.6%	6590.6	%

Headlines

EGBs higher on risk-aversion buying and reinvestment flows

EMU June Manufacturing PMI revised higher to 55.6 from 55.4.
Cable rises above 2.016 - a 26-year high

Euro Mkt Summary: EGBs Rise on Risk Aversion Buying by Niraj Shah

EGBs were higher on Monday afternoon on risk-aversion buying. Indeed, EGBs opened higher on the back of flight-to-quality buying after the UK raised the threat level to 'critical' as a result of three failed car bomb attacks over the weekend. Ongoing jitters over the US subprime loan market and equity market losses provided further momentum. EGBs were also underpinned by a rise in the euro-dollar as well as strong reinvestment flows, with redemptions due from Germany (E16.0bln), Italy (E9.0bln) and Finland (E5.0bln). Data releases, however, made little impact despite EMU manufacturing PMI for June being revised higher while the US ISM manufacturing number came in much stronger than expected. Attention in Europe on Tuesday will turn the release of EMU PPI data for May.

Gilts were also higher but underperformed Bunds. Support came on the back of safe haven buying following the terror alert. A surge in cable to a 26-year high on the back of dollar weakness also provided further support. However, the belly of the curve outperformed the wings as the short-dated issues were weighed ahead of the BOE rate announcement on Thursday where interest rates are expected to rise to 5.75%, whilst the long-dated issues underperformed ahead of Tuesday's tap auction of the 4.50% December 2042 Gilt issue for Stg2.25bln. Data wise, softer than predicted UK manufacturing PMI for June made little impact. Tuesday will see the release of construction PMI for June.



News Recap for Euroland & Japan Overnight

06:13 07/05 BUND SUMMARY: Bunds opened lower and extended recent weakness on the back of unwinding in safe-haven trades following overnight gains in Asian equity bourses, excluding China. Chinese stocks fell over 4.5% in late afternoon trading as investors continued to unwind their positions on concerns about policy tightening and liquidity. In addition, concerns over issue of new shares for China Petroleum and Chemical Corp, also weighed on sentiment, according to traders. Bunds recovered off lows on reported decent demand ahead of the French OAT auction bidding deadline. The French Tresor sold E2.1bln of the 3.75% Apr 2017 OAT at ave yield of 4.67% and covered 3.564 times. It also sold E1.54bln of the 4.25% Oct 2023 OAT issue at ave yield of 4.78% and covered 2.841 times. Elsewhere, prices treaded water ahead of key interest rate decisions from the Bank of England and European Central Bank. Whilst the BoE is widely expected to raise rates by 25bps to 5.75%, the ECB is expected to leave its key refi rate unchanged at 4.00%. The press conference at 1230GMT is key.

06:16 07/05 GILT SUMMARY: Gilts are lower, with the short-dated issues underperforming ahead of the Bank of England rate decision. The Monetary Policy Committee (MPC) is widely expected to announce a 25bps rate hike today at 1100GMT to 5.75%. The Sonia swap curve is currently pricing in a 84% chance of a 25bps rate hike today. The accompanying statement today will be key to see if the market is correct in its pricing of another full 25bps hike by Sept or 70% of a 50bps hike. 6.00% is priced by year-end. The Gilt 2-/10-year yield spread was 1.0 bps flatter at -19.1 bps, whilst the 10-/30-year yield spread was 0.3 bps flatter at -64.4 bps. Sept Gilts are down 6 ticks at 103.47.

News Recap for Euroland & Japan Overnight (cont)

* [JGBs End Lower Across The Curve] Japanese government bonds ended Thursday's session sharply lower, as prices drifted with no direction from the US markets overnight. Traders said volumes were light, with flows largely interdealer as real money accounts remained sidelined. With little in the way of domestic data, JGBs headed lower in initial dealings. An early 100-point surge in Japanese equities added to the initial drain on bonds. However the stock market advance stalled mid- morning and as the Nikkei retreated, bonds flat-lined for the remainder of the session. The benchmark 10-year #287 yield was 2.5 bps higher at 1.925%, while the lead September JGB futures contract was 0.30 lower at 131.60.



	US Intrinsic's ^			
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	15.03	4.59	\$1,435	€ 1,958
10y	7.77	2.39	\$748	€ 1,020
5y	4.37	1.39	\$436	€ 594
2y	1.98	0.62	\$195	€ 266
ZB	9.62	3.34	\$104	€ 143
ZN	5.74	1.95	\$61	€ 83
ZF	3.92	1.31	\$41	€ 56
ZT	1.84	1.20	\$37	€ 51

^Futures are Based on CTD

	Tic for Tic Matrix (\$)		
	Bund	Bobl	Schatz
30y	17.62	31.86	41.96
10y	9.18	16.60	21.86
5y	5.35	9.67	12.74
2y	2.39	4.32	5.69
ZB	1.28	2.32	3.06
ZN	0.75	1.34	1.78
ZF	0.50	0.91	1.20
ZT	0.46	0.83	1.10

What is this?:
The Schatz moves XX.XX tics for every 1 tic the 10yr cash moves.

	German Intrinsic's ^			
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.35	€ 111	\$81	0.872569
Bobl	4.20	€ 61	\$45	0.959013
Schatz	1.87	€ 47	\$34	0.966386
DE10Y	7.60	€ 989	\$725	
DE5Y	4.20	€ 564	\$414	
DE2Y	1.67	€ 225	\$165	

^Futures are Based on CTD

Last

EURUSD 136.44

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)	0.410	0.610	0.660

US Treasuries v Eurex Bonds

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

	Bund (U)	Bobl (U)	Shatz (U)
Bund (U)		1.800	4.400
Bobl (U)	0.550		2.400
Shatz (U)	0.230	0.414	

Notes:

Bloomberg ratio's are static.

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

Yields & Spreads

US Cash Treasuries (OTR)			
	Bid	Ask	Last
US2y	4.917	4.913	4.913
US5y	4.972	4.970	4.970
US10y	5.077	5.075	5.075

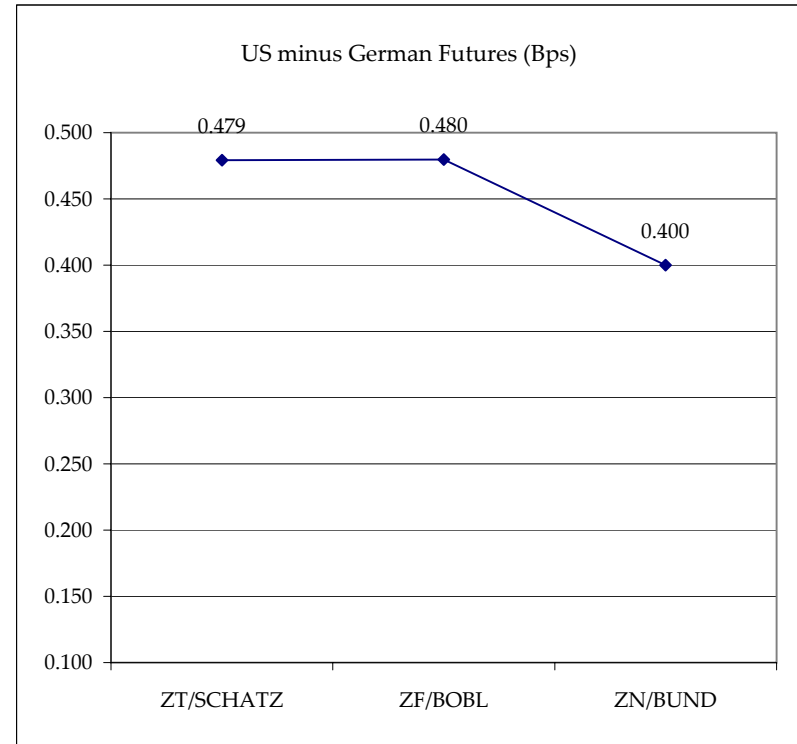
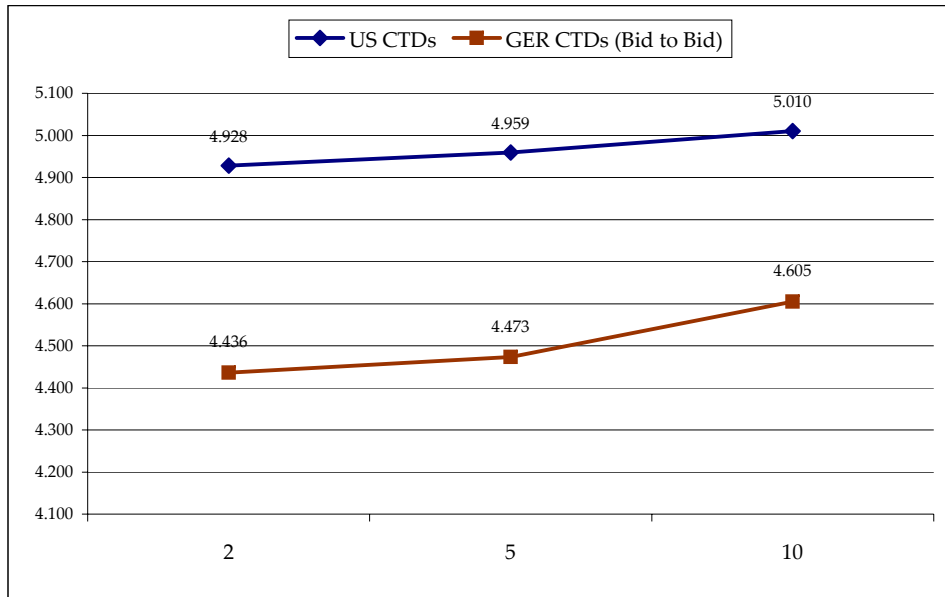
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	4.502	4.491	4.491
DE5y	4.581	4.571	4.571
DE10y	4.625	4.619	4.619

Spreads Bps	
ZT/SCHATZ	0.479
ZF/BOBL	0.480
ZN/BUND	0.400

US Cash Treasuries (CTD)			
	Bid	Ask	Last
4.000 of 06/09	4.928	4.915	4.915
4.500 of 11/11	4.959	4.953	4.953
4.750 of 05/14	5.010	5.005	5.005

German Futures (CTD)			
	Bid	Ask	Last
4.500 of 07/09	4.526	4.510	4.436
4.000 of 04/12	4.581	4.571	4.473
4.000 of 07/16	4.612	4.605	4.605

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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MarketNews
international

12:08 07/02 ECB ANALYSIS: Barring unforeseen developments, the ECB will push its key rate above the current 4% level, with a move to 4.25% increasingly likely to take place in September, given a robust upswing and attendant inflation risks. It is less certain that the refinancing rate will later be raised to 4.5% -- whether before the end of 2007 or sometime in 2008 -- as many in the financial markets now expect. What is clear is that the ECB will leave rates unchanged at this week's Council meeting. The main interest on Thursday is whether President Jean-Claude Trichet will use his monthly news conference to give markets a better steer on the timing of the next move. Regardless of how the ECB decides, a rate hike to 4.25% is just a matter of time. A later move higher is possible but not yet definite.

GO to next page to learn more
about the ECB



Most Recent MPC Meetings:










	King (Gov)	Lomax (Dep Gov)	Gieve (Dep Gov)	Bean	Tucker	Barker	Blanchflower	Besley	Sentance	Result	Level	Vote	Dissent bias
Jul-06	unch	unch	unch	unch	unch	unch	unch			unch	4.50%	7-0	none
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

Stone & McCarthy
RESEARCH ASSOCIATES

BOE Hawkometer - MPC Split Points to a July Rate Hike
by Niraj Shah
-- Stone & McCarthy (London) --
June was a Close Call

The MPC were shown to have been split over its decision to leave rates on hold at the June meeting, with four out of the nine members, including Governor Mervyn King, backing a 25bps hike in June. The hawks argued that they saw no reason to wait to hike rates and by tightening sooner rather than later would result in a lower rate peak. The doves argued that a June hike would lead to an unwarranted rise in the market yield curve, which was already factoring in 50 bps of further tightening this year. The minutes were more hawkish than expected and the June split suggests that a rate hike in July is now looking more likely.
[published 6/2007]

BOE HAWKOMETER (to June 2007 meeting)

	Dissenting Hawkish Votes	Dissenting Dovish Votes	Non-Dissenting Votes	Total Votes	Hawkishness Rating
 Sentance	4	0	5	9	44%
 Besley	4	0	6	10	40%
 King (Gov)	14	0	108	122	11%
 Tucker	6	1	54	61	8%
 Gieve (Dep Gov)	1	0	16	17	6%
 Lomax (Dep Gov)	2	2	44	48	0%
 Barker	1	4	69	74	-4%
 Bean	0	4	78	82	-5%
 Blanchflower	0	4	9	13	-31%