



7/6/2007 5:39

## The Morning Email: Treasuries

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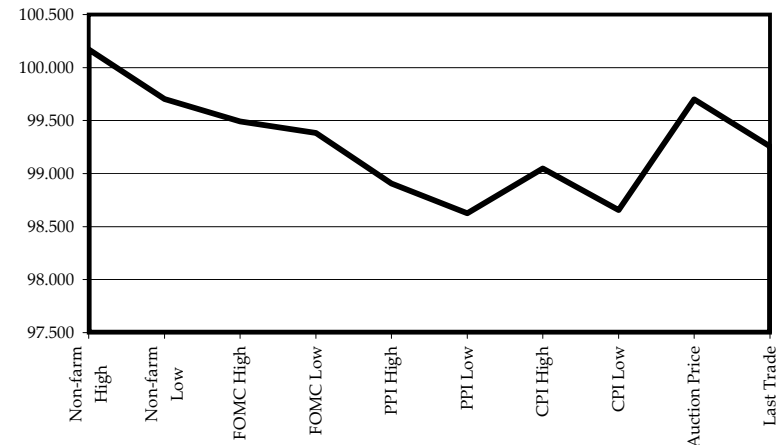
MarketNews  
international

Economic Releases - 32nds					
	5y	10y	ZNU7	ZBU7	Date
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	99.0820	95.030	104.305	106.18	7/6/2007 5:39

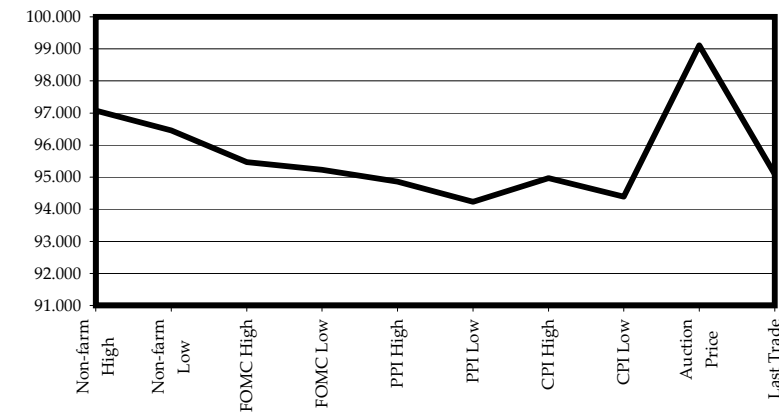
Auctions - 32nds				
	2 y	5y	10y	30y
Auction Price	99.313	99.224	99.035	98.194
Auction Yield Stop	4.906	4.94	4.612	4.838
Actual Auction Date	6/26/2007	6/27/2007	5/8/2007	5/11/2007 r

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						
	ls	net	high	low	open	Volume	SYM NAME	
TUAU7	101.227	0.2	101.237	101.225	101.225	20,383	2y Fut	
FVAU7	103.215	1.0	103.240	103.205	103.205	41,810	5y Fut	
TYAU7	104.305	0.0	105.020	104.295	104.295	97,452	10y Fut	
USAU7	106.180	0	106.240	106.170	106.180	21,835	30y Fut	
	ls	net	high	low	open	Volume	SYM NAME	
BUS02P	99.265	0.0	99.272	99.265	99.267	na	2y Cash	
BUS05P	99.082	0.2	99.105	99.075	99.075	na	5y Cash	
BUS10P	95.030	0.5	95.065	95.020	95.030	na	10y Cash	
BUS30P	92.225	(4)	92.285	92.215	92.285	na	30y Cash	
	ls	net	high	low	open	Volume	SYM NAME	
BUS02Y	4.955	(1.20)	4.984	4.946	4.984	na	2y Yield	
BUS05Y	5.044	(0.10)	5.058	5.026	5.056	na	5y Yield	
BUS10Y	5.138	(0.20)	5.147	5.121	5.144	na	10y Yield	
BUS30Y	5.235	0.50	5.242	5.215	5.233	na	30y Yield	

**News Recap for the United States****Yesterday**

15:03 07/05 **US TSYS/RECAP:** Tsys weakened Thurs after mixed US data (including a strongish +150K ADP private payrolls data) and 2-way flows, long Tsys liquidation, fast money selling, weak Bunds, ECB Trichet hawkishness (risk to medium-term price stability remains to upside) and later, higher 60.7 June US non-mfrg ISM but lower SM prices-paid at 65.5 June. So Tsys drew light midmorning short-covering off lows, buy-and-hold accts buying 5Ys, while financial institutions bought 2-years. But there also was midmorning US, foreign selling out to 2Ys, and earlier Street selling in Tsys, fast money also sold 10-years, while others did short-covering in 10s. Finally, there was MBS-tied selling out the long end, with STRIPS, 10Ys cited as MBS outperformed Tsys. European govt debt declined Thurs amid overnight weakness, new supply, conclusion Trichet hawkish. Swaps had earlier receiving in 10Y swaps bid, vs. paying in 5Y, 30Y swaps. ABX BBB- 07-01 had gained earlier. US stks mixed.

15:05 07/05 **US SWAPS:** At the bell, spds had widened back out in the intermediate to long end as ylds continued to climb; the 2yr spread remained tighter, however, despite consistent paying. Earlier, sources noted slightly better paying in front end as accts gradually returned from the holiday. Eurodollar sources reported sellers of 2- and 3-year bundles as well as Red packs (Sep08-Jun09), a Chicago FCM sold 1,000 of the latter. Tsy sources reported thin volume as well, with ongoing interest to receive in 10s vs paying in 5s and 30s. According to GovPX:

Time (ET) 2Y Swap/Mid 5Y Swap/Mid 10Y Swap/Mid 30Y Swap/Mid

Thu 3:05 -0.50/48.00 +0.25/55.00 +0.75/63.25 +0.75/68.75

1:15 -0.75/47.75 -0.25/54.50 -0.25/62.25 +0.00/68.00

11:00 -1.00/47.50 -0.50/54.25 -0.50/62.00 -0.25/67.75

9:20 -1.00/47.50 -0.25/54.50 -0.50/62.00 -0.25/67.75

Thu Open -0.75/47.75 -0.25/54.50 -0.50/62.00 -0.50/67.50

Tue 1:05 -0.25/48.50 -0.75/54.75 -0.75/62.50 -0.75/67.75

15:10 07/05 **EURODLR FUTURES:** Chopping lower in the second half, Eurodlr futures finished at or near near session lows, the curve see-sawing steeper. The Red/Gold pack spd (Sep08-Jun09) vs (Sep11-Jun12) a 2s/10s proxy, steepened 0.375 bps to 44.625. The Fronts (Sep07-Jun08), settled 1.0 to 11.0 bps lower, the Sep07 in 1.0 bps at 94-65.5 on combined Globex and pit volume of 169,000, the Dec07 lower 4.5 bps at 94-65 on volume of 413,000, the Mar08 in 8.5 bps at 94-68 on volume of 402,000, while the Jun08 was 11.0 bps lower at 94-70.5 on volume of 422,000. The Red pack (Sep08-Jun09) a 2yr proxy, settled 11.0 to 11.5 bps lower across the pack with 925,000 contracts traded.

**News Recap for the United States****Overnight**

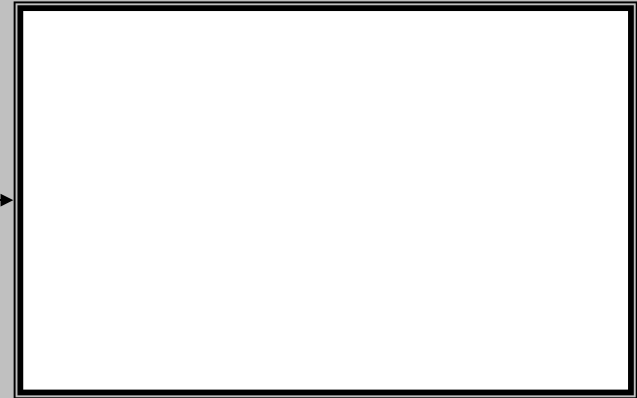
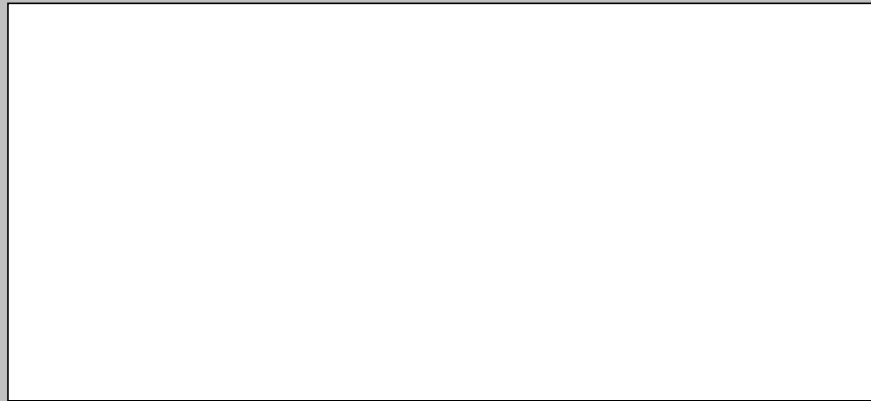
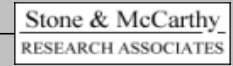
05:10 07/06 **TSYS:** Treasuries are trading modestly higher across the board in London Friday, with the curve steepening modestly on dealer position-squaring ahead of the U.S. employment report due later in the session. Prices started to tick higher in Tokyo, helped by dip-buying in the belly of the curve from Japanese real money accounts. However, flows were seen as modest at best. Early London trade initially saw the market reverse course and head lower, with talk of good-size selling of the 10-year note by Continental real money accounts.

However, the market soon regained its poise, as Asian names picked up the slack. The curve was also steeper in London, with buying of the 2-year note - again linked to Asian names - underpinning the front of the curve. Traders added that ongoing concerns over the sub-prime fallout was also helping support the front of the curve. Bunds were trading 1 bps higher against the US 10-year T-notes, with the spread standing at +54 bps. the 2-yr note stood at 4.95%, with the 10-yr note at 5.07%.

06:34 07/06 **US:** Reported comments from US officials overnight,

\*\* YELLEN: SF Fed Pres Yellen said,

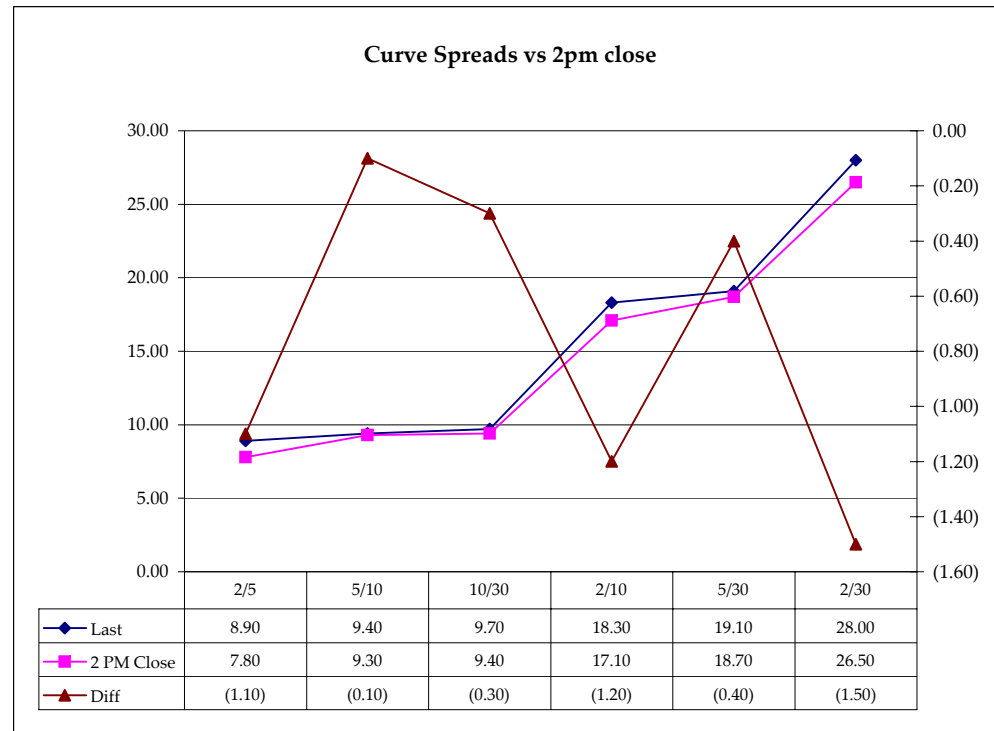
- Current rate policy can foster a gradual ebbing of inflation, but the Fed must remain flexible.
- Recent inflation data "heartening" but not yet sustained.
- Sees further decline in core inflation over next 1-2 years.
- Inflation risks from jobs market, slower productivity still "significant".
- Doubts sub-prime woes to have big impact on overall economy.
- Inflation expectations well anchored, shows Fed credibility.
- Markets, FOMC are more aligned on healthy US growth outlook.



	M Duration	DV01 32	DV01 \$	CF
30y	14.96	4.53	\$1,415	n/a
10y	7.76	2.38	\$743	n/a
5y	4.36	1.39	\$433	n/a
2y	1.97	0.62	\$194	n/a
ZB	9.61	3.32	\$104	0.8285
ZN	5.73	1.94	\$61	0.8926
ZF	3.91	1.30	\$41	0.9540
ZT	1.83	1.19	\$37	0.9815

Yield Curve Spreads

	Last	2pm close	Diff
2/5	8.90	7.80	(1.10)
5/10	9.40	9.30	(0.10)
10/30	9.70	9.40	(0.30)
2/10	18.30	17.10	(1.20)
5/30	19.10	18.70	(0.40)
2/30	28.00	26.50	(1.50)



**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		1.713	2.547	2.740
ZN	0.584		1.487	1.599
ZF	0.393	0.673		1.076
ZT	0.365	0.625	0.930	

## US Treasuries v US Financial Futures

	2y	5y	10y	30y
ZB	1.79	4.18	7.16	13.64
ZN	3.07	7.16	12.27	23.36
ZF	4.56	10.64	18.24	34.73
ZT	4.91	11.44	19.62	37.37

## 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	3.998	7.614
5y	0.429		1.714	3.265
10y	0.250	0.561		1.905
30y	0.131	0.295	0.525	

## 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.

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	

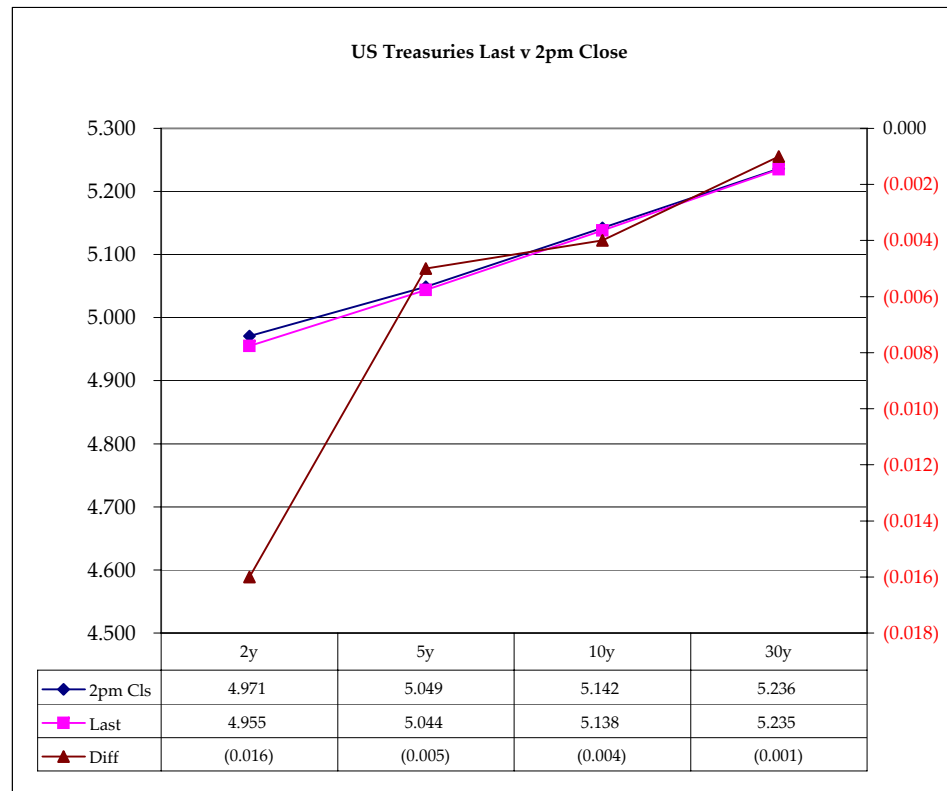
\*\*WoW = Week over week

	Cpn	Mty	Close 32	Close	Last	Diff	Basis		Roll
							Close	Last	
2y	4.875	6/30/09	99.2625	4.971	4.955	(0.016)			
5y	4.875	6/30/12	99.0775	5.049	5.044	(0.005)	11.81	11.31	
10y	4.500	5/15/17	95.025	5.142	5.138	(0.004)	45.15	45.20	
30y	4.750	2/15/37	92.23	5.236	5.235	(0.001)	141.82	140.81	

	Close 32
ZF	103.205
ZN	104.300
ZB	106.18

Curve Spreads

	bps
2/5	7.8
5/10	9.3
10/30	9.4
2/10	17.1
5/30	18.7
2/30	26.5



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	93.5	86.1	74.1	(91.9)	(87.3)	(83.1)	(74.6)
5yr Yield	93.5	100.0	98.1	92.2	(95.1)	(97.3)	(96.9)	(92.3)
10yr Yield	86.1	98.1	100.0	97.8	(90.4)	(96.3)	(98.4)	(97.5)
30yr Yield	74.1	92.2	97.8	100.0	(81.2)	(91.2)	(95.9)	(98.8)
ZT	(91.9)	(95.1)	(90.4)	(81.2)	100.0	97.3	93.4	85.4
ZF	(87.3)	(97.3)	(96.3)	(91.2)	97.3	100.0	98.8	94.3
ZN	(83.1)	(96.9)	(98.4)	(95.9)	93.4	98.8	100.0	97.6
ZB	(74.6)	(92.3)	(97.5)	(98.8)	85.4	94.3	97.6	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	22.3	2.2	(8.6)	(22.4)	(14.3)	3.1	4.2	18.4
Dow Futures	35.5	12.5	(1.0)	(17.6)	(21.6)	(3.9)	1.5	18.1
USDJPY	24.7	52.0	60.6	71.5	(43.3)	(56.8)	(62.2)	(68.9)
EURUSD	3.2	(15.7)	(28.7)	(42.9)	1.1	17.7	23.4	41.1

**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	48%	100%		
10	26%	54%	100%	
30	13%	27%	50%	131%
Cash Matrix [DV01 x Duration]				
	2	5	10	30
2	\$194			
5	\$197	\$405		
10	\$193	\$397	\$732	
30	\$186	\$384	\$708	\$1,415
Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	(\$3)			
10	\$1	\$8		
30	\$7	\$22	\$25	
Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	-1.54%			
10	0.49%	2.06%		
30	4.02%	5.65%	3.52%	

**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	1.96	3.80
ZF	0.48	1.00	1.80	3.47
ZN	0.32	0.67	1.21	2.34
ZB	0.19	0.39	0.71	1.36

**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	2.10	3.79	7.31
5y	0.48	1.00	1.81	3.49
10y	0.26	0.55	1.00	1.93
30y	0.14	0.29	0.52	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	1.62	2.78
ZF	0.92	1.00	1.49	2.55
ZN	0.62	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



