



The Morning Email: Treasuries

7/10/2007 5:54

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

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The Morning Email, Treas

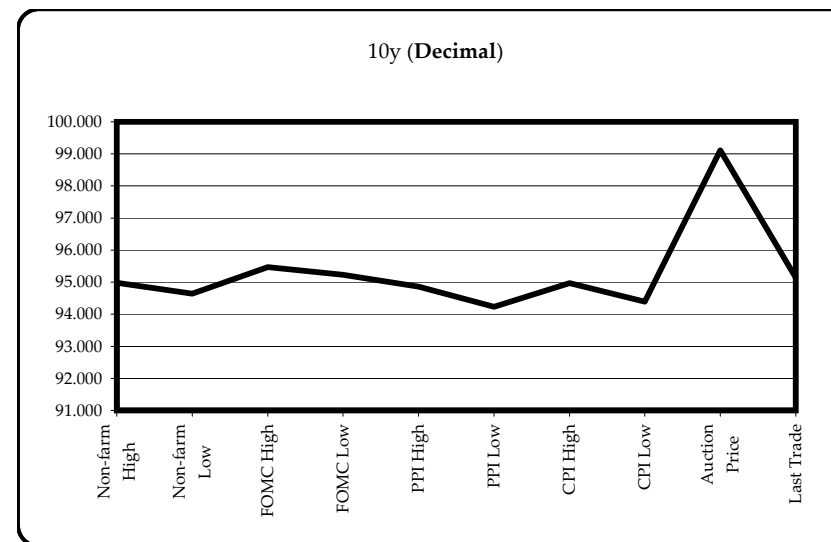
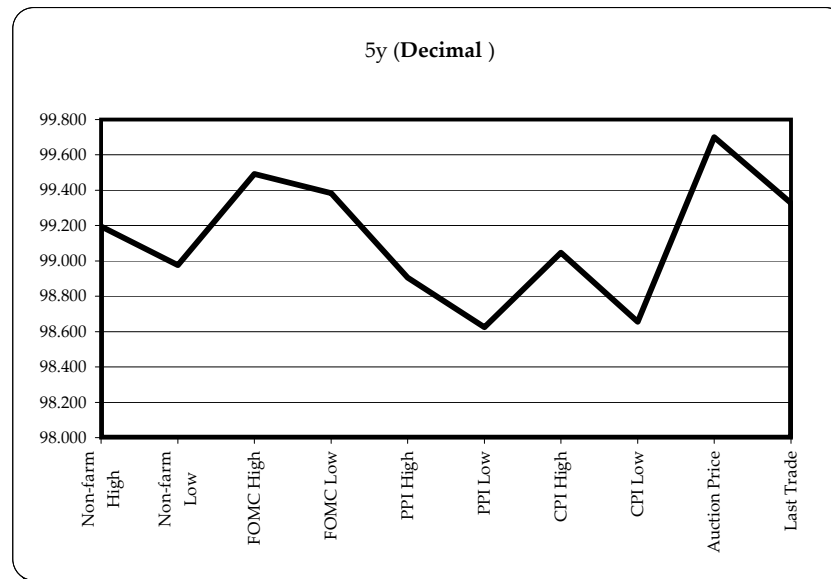
MarketNews
international

| Economic Releases - 32nds | | | | | |
|---------------------------|---------|--------|---------|--------|----------------|
| | 5y | 10y | ZNU7 | ZBU7 | Date |
| Non-farm High | 99.0625 | 94.315 | 104.305 | 106.16 | 7/6/2007 |
| Non-farm Low | 98.3125 | 94.205 | 104.175 | 105.31 | 7/6/2007 |
| 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 | 99.1050 | 95.045 | 105.000 | 106.21 | 7/10/2007 5:54 |

| 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

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 | 101.250 | 2.7 | 101.255 | 101.232 | 101.237 | 35,137 | 2y Fut | |
| FVAU7 | 103.240 | 5.0 | 103.250 | 103.200 | 103.215 | 56,079 | 5y Fut | |
| TYAU7 | 105.000 | 5.5 | 105.020 | 104.275 | 104.295 | 148,769 | 10y Fut | |
| USAU7 | 106.210 | 6 | 106.250 | 106.150 | 106.190 | 27,238 | 30y Fut | |
| | ls | net | high | low | open | Volume | SYM NAME | |
| BUS02P | 99.285 | 0.2 | 99.287 | 99.272 | 99.277 | na | 2y Cash | |
| BUS05P | 99.105 | 1.5 | 99.117 | 99.067 | 99.080 | na | 5y Cash | |
| BUS10P | 95.040 | (0.5) | 95.065 | 95.000 | 95.025 | na | 10y Cash | |
| BUS30P | 92.245 | (1) | 92.300 | 92.190 | 92.200 | na | 30y Cash | |
| | ls | net | high | low | open | Volume | SYM NAME | |
| BUS02Y | 4.930 | (0.80) | 4.972 | 4.921 | 4.968 | na | 2y Yield | |
| BUS05Y | 5.028 | (0.10) | 5.06 | 5.017 | 5.056 | na | 5y Yield | |
| BUS10Y | 5.134 | 0.20 | 5.157 | 5.122 | 5.151 | na | 10y Yield | |
| BUS30Y | 5.230 | 0.50 | 5.247 | 5.218 | 5.241 | na | 30y Yield | |

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

15:10 07/09 US TSYS/RECAP: Tsys firmed Mon underpinned by today's: 1) Pension buying out the curve as 30-year bond had hovered near 5.25% level; pension-type long-liability types also did buying as some trades need to be hedged. 2) Subprime jitters spur asset allocation from riskier types of US bonds, into Tsys. Some had underweighted Tsys and now need to move to beef up their holdings of Tsys. 3) Foreign central banks bought US intermediates with European action cited, others too. 4) There also was fast money buying in 10s too. 5) Some also have unwound yield-curve steepening trades also today. 2/10Y, 2Y/30Y curves are flattening for the first day since July 2, 2007. 6) Had been brisk T-bill demand today in cash and in repo market. 7) Fast money accounts also have sold intermediates but most action today, other than corp rate-lock selling, involved Tsys buying, then rangebound trade. 8) Big demand for T-bills in Aug. 2 1M bills, repo, bills under 3Ms; followed huge buys Thu from asset mgrs. Tsy will sell US\$11B 4wk bills Tue for US\$3B new cash.

15:08 07/09 US SWAPS: By the bell, spds push to steady/mixed levels, out from earlier tights. Sources reported light paying-tied flows in front-end Eurodlrs, followed by light receiving in intermediate to long end Tsys. Latter action likely an unwind of late Fri's swaps paying. Prices receded slightly around midmorning as Tsy sources reported deal related selling as real money accounts sold 10-year Treasury futures.

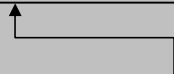
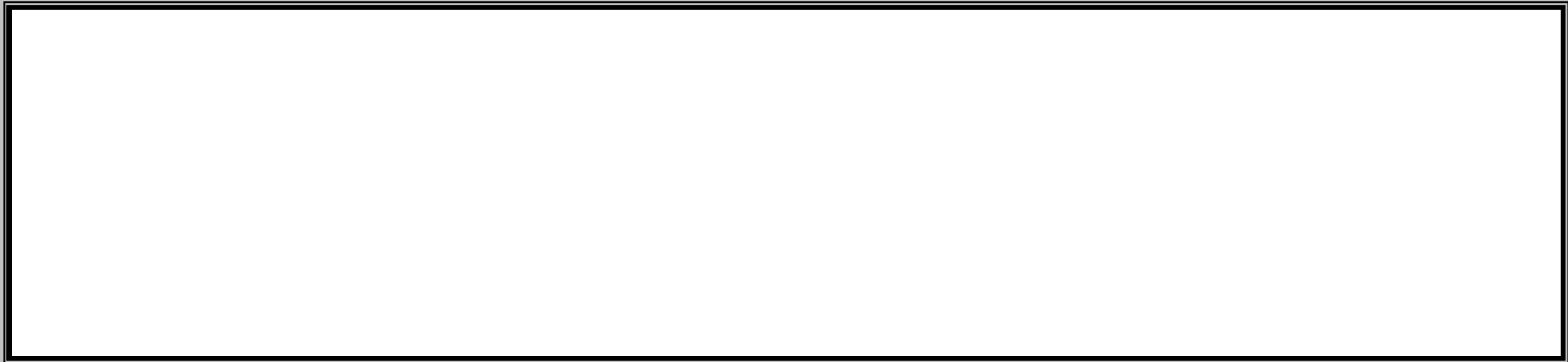
According to GovPX:

| Time (ET) | 2Y Swap/Mid | 5Y Swap/Mid | 10Y Swap/Mid | 30Y Swap/Mid |
|-----------|-------------|-------------|--------------|--------------|
| Mon 3:05 | -0.25/48.25 | +0.00/55.50 | -0.25/64.00 | +0.25/70.75 |
| 1:15 | -0.25/48.25 | -0.25/55.25 | -0.50/63.75 | +0.00/70.50 |
| 11:10 | -0.25/48.25 | -0.50/55.00 | -0.75/63.50 | -0.25/70.25 |
| 9:00 | +0.00/48.50 | -0.50/55.00 | -0.50/63.75 | -0.50/70.00 |
| Mon Open | +0.00/48.50 | -0.25/55.25 | -0.50/63.75 | -0.25/70.25 |
| Fri 3:05 | +0.75/48.50 | +0.50/55.50 | +1.00/64.25 | +1.25/70.25 |

15:13 07/09 EURODLR FUTURES: Eurodlr futures finished higher across the board, off session highs as mkt/curve unwound some of Fri's post jobs movement. The Red/Gold pack spd (Sep08-Jun09) vs (Sep11-Jun12) a 2s/10s proxy, flattened 0.625 bps to 47.375. The Fronts (Sep07-Jun08), settled steady to 2.0 bps higher, the Sep07 steady at 94-65 on combined Globex and pit volume of 72,000, the Dec07 steady at 94-64 on volume of 243,000, the Mar08 up 1.0 bps at 94-67 on volume of 219,000, while the Jun08 was 2.0 bps higher at 94-69.5 on volume of 257,000. The Red pack (Sep08-Jun09) a 2yr proxy, settled 2.5 to 3.0 bps higher across the pack with 572,000 contracts traded.

News Recap for the United States Overnight

05:50 07/10 TSYS: Treasuries are trading higher across the curve in London Tuesday, as worries over the credit market continue to unnerve investors. However, traders said volumes were light, with many players sidelined ahead of the speech by Federal Reserve Governor Ben Bernanke. Prices were initially modestly lower from the getgo in Asia, weighed by profit-taking after the overnight gains in the U.S. However, the market soon found support, with buying from real money accounts in the belly of the curve pushing prices higher. In London, traders said volumes remained modest, although underlying bids helped keep the market above the gain line. Leveraged accounts were buyers of the 10-year note, largely as cross trade plays against the Bund, as the U.S. outperformed. Bunds were trading 1 bps lower against the US 10-year T-notes, with the spread standing at +55 bps. Ahead of the U.S. session, the 2-yr note was 1/32 higher, trading at 99 28/32 to yield 4.93%. The 10-yr note was up 2+/32 at 95 6/32 (5.13%), with the Bond 6/32 up at 92 29/32 (5.22%).

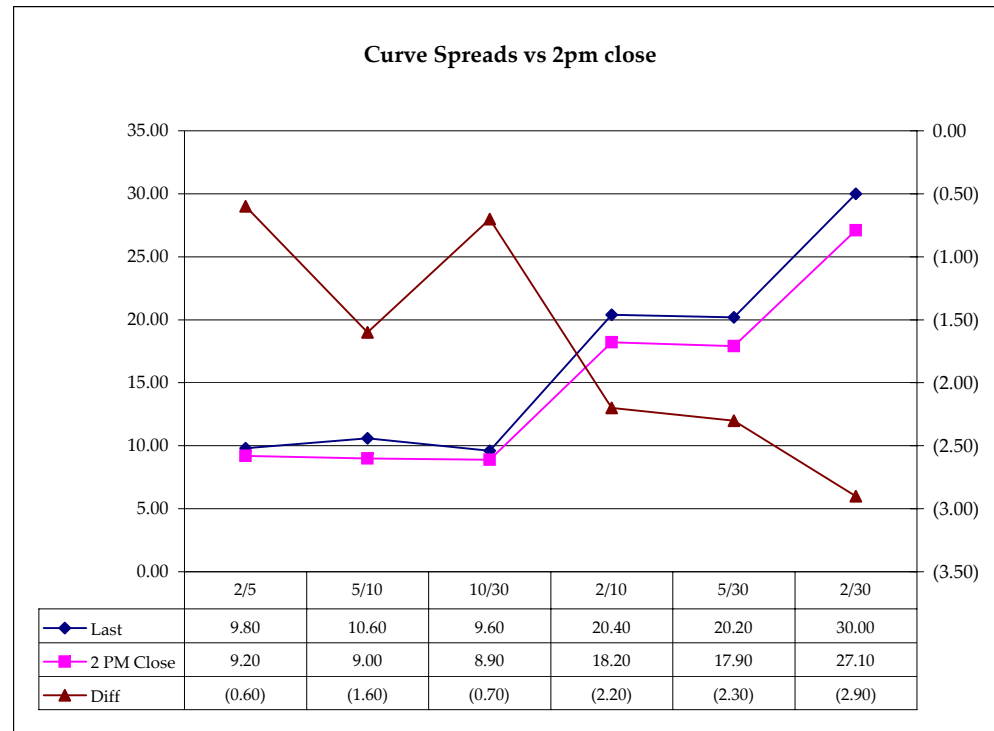


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| | M Duration | DV01 32 | DV01 \$ | CF |
|-----|------------|---------|---------|--------|
| 30y | 14.96 | 4.53 | \$1,417 | n/a |
| 10y | 7.75 | 2.38 | \$743 | n/a |
| 5y | 4.36 | 1.39 | \$433 | n/a |
| 2y | 1.96 | 0.62 | \$193 | n/a |
| ZB | 9.60 | 3.32 | \$104 | 0.8285 |
| ZN | 5.72 | 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 | 9.80 | 9.20 | (0.60) |
| 5/10 | 10.60 | 9.00 | (1.60) |
| 10/30 | 9.60 | 8.90 | (0.70) |
| 2/10 | 20.40 | 18.20 | (2.20) |
| 5/30 | 20.20 | 17.90 | (2.30) |
| 2/30 | 30.00 | 27.10 | (2.90) |



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 | 2.543 | 2.742 |
| ZN | 0.584 | | 1.486 | 1.602 |
| ZF | 0.393 | 0.673 | | 1.078 |
| ZT | 0.365 | 0.624 | 0.927 | |

Eurex Bonds

| | Bund (U) | Bobl (U) | Shatz (U) |
|-----------|----------|----------|-----------|
| Bund (U) | 1.0 | 1.8 | 4.4 |
| Bobl (U) | 0.6 | 1.0 | 2.5 |
| Shatz (U) | 0.2 | 0.4 | 1.0 |

US Treasuries v US Financial Futures

| | 2y | 5y | 10y | 30y |
|----|------|-------|-------|-------|
| ZB | 1.79 | 4.18 | 7.17 | 13.67 |
| ZN | 3.06 | 7.16 | 12.27 | 23.40 |
| ZF | 4.55 | 10.63 | 18.23 | 34.77 |
| ZT | 4.91 | 11.46 | 19.66 | 37.49 |

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 | | 2.336 | 4.005 | 7.639 |
| 5y | 0.428 | | 1.715 | 3.270 |
| 10y | 0.250 | 0.561 | | 1.907 |
| 30y | 0.131 | 0.294 | 0.524 | |

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 | | | | |
|----------------------|----------|----------|----------|-----------|
| | Sml Spec | Lrg Spec | Comm | As of |
| | 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

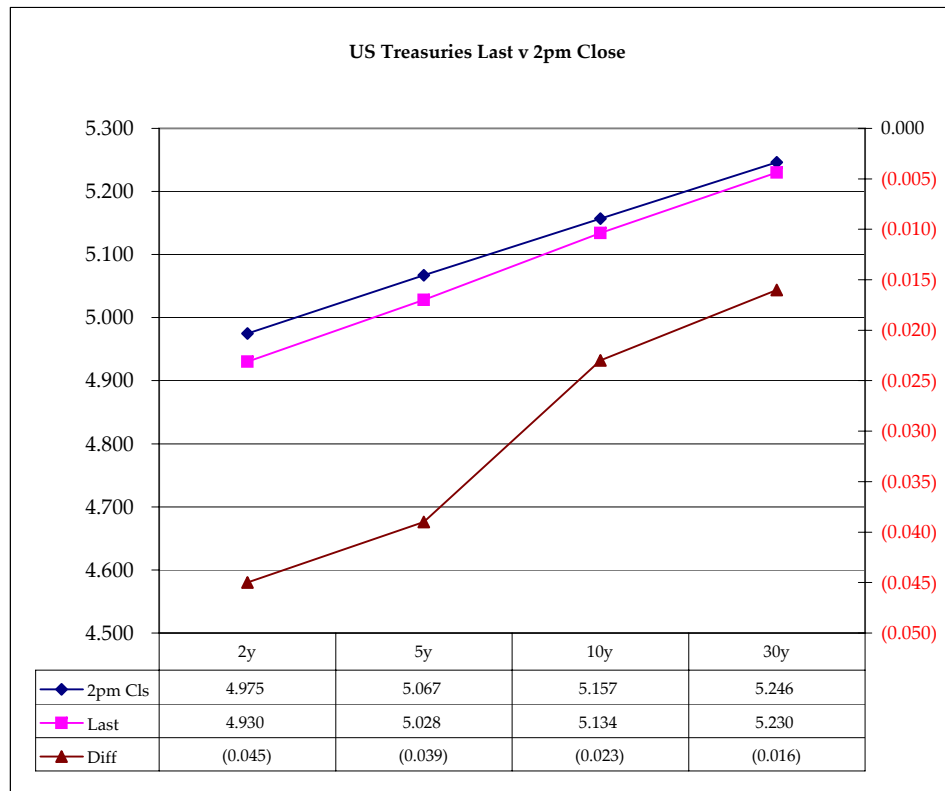
The CFTC has DELAYED this weeks data

| | Cpn | Mty | Close 32 | Close | Last | Diff | Basis | | Roll |
|-----|-------|---------|----------|-------|-------|---------|--------|--------|------|
| | | | | | | | Close | Last | |
| 2y | 4.875 | 6/30/09 | 99.2600 | 4.975 | 4.930 | (0.045) | | | |
| 5y | 4.875 | 6/30/12 | 99.0525 | 5.067 | 5.028 | (0.039) | 10.74 | 11.22 | |
| 10y | 4.500 | 5/15/17 | 94.310 | 5.157 | 5.134 | (0.023) | 44.33 | 45.36 | |
| 30y | 4.750 | 2/15/37 | 92.19 | 5.246 | 5.230 | (0.016) | 139.80 | 141.33 | |

| | Close 32 |
|----|----------|
| ZF | 103.190 |
| ZN | 104.270 |
| ZB | 106.15 |

Curve Spreads

| | bps |
|-------|------|
| 2/5 | 9.2 |
| 5/10 | 9.0 |
| 10/30 | 8.9 |
| 2/10 | 18.2 |
| 5/30 | 17.9 |
| 2/30 | 27.1 |



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 | 96.3 | 93.3 | 88.1 | (93.7) | (92.0) | (90.3) | (87.2) |
| 5yr Yield | 96.3 | 100.0 | 99.1 | 96.3 | (94.7) | (97.6) | (97.9) | (95.8) |
| 10yr Yield | 93.3 | 99.1 | 100.0 | 98.9 | (92.3) | (96.9) | (98.4) | (98.2) |
| 30yr Yield | 88.1 | 96.3 | 98.9 | 100.0 | (87.5) | (94.1) | (96.7) | (98.9) |
| ZT | (93.7) | (94.7) | (92.3) | (87.5) | 100.0 | 97.8 | 95.1 | 91.2 |
| ZF | (92.0) | (97.6) | (96.9) | (94.1) | 97.8 | 100.0 | 99.2 | 96.6 |
| ZN | (90.3) | (97.9) | (98.4) | (96.7) | 95.1 | 99.2 | 100.0 | 98.1 |
| ZB | (87.2) | (95.8) | (98.2) | (98.9) | 91.2 | 96.6 | 98.1 | 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 | 37.4 | 44.7 | 45.5 | 40.9 | (37.4) | (42.1) | (48.0) | (44.6) |
| Dow Futures | 50.3 | 46.1 | 40.9 | 29.8 | (46.5) | (43.0) | (43.8) | (29.4) |
| USDJPY | 56.9 | 69.8 | 71.3 | 74.5 | (67.6) | (75.5) | (75.6) | (76.3) |
| EURUSD | 21.9 | 22.1 | 16.8 | 6.0 | (24.6) | (22.0) | (23.2) | (6.5) |
| Crude | 50.3 | 45.3 | 37.1 | 24.2 | (48.5) | (43.7) | (41.8) | (24.7) |

**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 | \$193 | | | |
| 5 | \$196 | \$406 | | |
| 10 | \$192 | \$397 | \$732 | |
| 30 | \$186 | \$384 | \$708 | \$1,417 |
| Cash Matrix [DV01 over / (under) valued] | | | | |
| | 2 | 5 | 10 | 30 |
| 2 | | | | |
| 5 | (\$3) | | | |
| 10 | \$1 | \$9 | | |
| 30 | \$8 | \$22 | \$24 | |
| Cash Matrix [DV01 over / (under) as %] | | | | |
| | 2 | 5 | 10 | 30 |
| 2 | | | | |
| 5 | -1.51% | | | |
| 10 | 0.64% | 2.19% | | |
| 30 | 4.09% | 5.69% | 3.43% | |

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 | 3.81 |
| ZF | 0.47 | 1.00 | 1.80 | 3.48 |
| ZN | 0.32 | 0.67 | 1.21 | 2.34 |
| 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 | 2.10 | 3.79 | 7.33 |
| 5y | 0.48 | 1.00 | 1.80 | 3.49 |
| 10y | 0.26 | 0.55 | 1.00 | 1.94 |
| 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 | 1.63 | 2.78 |
| ZF | 0.91 | 1.00 | 1.49 | 2.54 |
| 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

