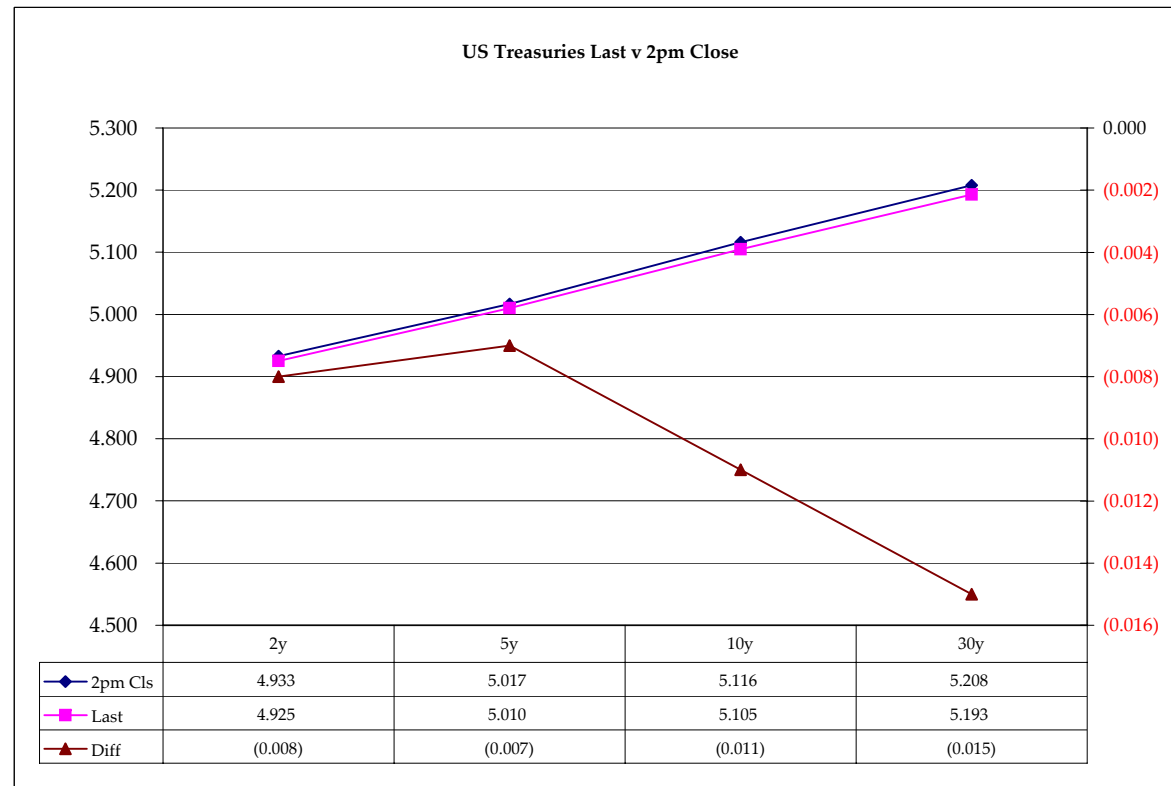


	Cpn	Mty	Close 32	Close	Last	Diff	Basis		Roll
							Close	Last	
2y	4.875	6/30/09	98.2850	4.933	4.925	(0.008)			
5y	4.875	6/30/12	99.1225	5.017	5.010	(0.007)	12.97	12.49	
10y	4.500	5/15/17	95.090	5.116	5.105	(0.011)	46.29	47.40	
30y	4.750	2/15/37	93.04	5.208	5.193	(0.015)	147.36	151.87	

	Close 32	Last
ZF	103.240	103.255
ZN	105.040	105.050
ZB	106.27	106.300

Curve Spreads		
	Close bps	Last bps
2/5	8.4	8.5
5/10	9.9	9.5
10/30	9.2	8.8
2/10	18.3	18.0
5/30	19.1	18.3
2/30	27.5	26.8



Notes:

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

Mduration for Curve Spreads:

Longer duration minus shorter duration

32 = price is quoted in 32nds



All times Eastern

15:14 07/13 US **TSYS/RECAP**: Tsys rose Fri amid late short-covering after morning slide as German Bunds slid amid 30Y Bund swaps paying (profit-taking on 4:30am ET-ish strong swap receiving in German 30Y swaps that aided Bunds). There also was a.m. US 10Y swaps receiving in UK, NY, and a.m. Tsys short-covering after global macro accts set new Tsys shorts (after had Thu covered shorts). There was heavy real money selling in 5Y, 10Y futures, and early, 2-way flow, short-covering on weak -0.9% June US retail sales, leveraged accounts buying 10s, with also front end, 5Y selling, 5Y/10Y flatteners. There was some stocks-vs-bonds interplay, and subprime area; ABX 07-01 was lower, did not seem to upset stocks after big US stk rally Thu, mild stock gain Fri. Earlier, there was light rate locking in 2- and 3yr bundles in Eurodlrs. Real money moved out Tsys curve. Mon may be quiet with Japan out for Marine Day. Traders await Fed Chair Bernanke congressinl testimony on policy Wed-Thu; may reiterate inflation risks but not tip hand on policy future.

15:16 07/13 US **SWAPS**: Spreads managed to improve across the curve, save a slightly wider front end with Tsy ylds lower by the bell. As to flow, Eurodollar sources reported light deal related flow in 2- and 3-year bundles, some rate locks and unwinds later in session. Treasury sources reported some brisk receiving by dealers in 10s on two waves, first in the UK session, then again in the New York session around midmorning. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Fri 3:05	+0.25/49.00	-0.75/56.00	-0.50/64.75	-0.50/71.25
12:20	-0.50/48.25	-1.25/55.50	-1.00/64.25	-0.75/71.00
11:00	-1.25/47.50	-1.50/55.25	-1.50/63.75	-1.25/70.50
10:30	-0.75/48.00	-1.25/55.50	-1.00/64.25	-1.00/70.75
9:25	-0.75/48.00	-1.50/55.25	-1.25/64.00	-1.50/70.25
Fri Open	-1.00/47.75	-1.25/55.50	-1.25/64.00	-1.25/70.50
Thu 3:05	-1.75/48.75	-2.00/56.75	-2.00/65.25	-2.00/71.75

(continued)

15:18 07/13 US **Tsy Futures**: Tsy futures finished the session higher, Sep T-bonds settled 6/32 higher at 107-01, the Sep 10yr notes up 1.5/32 at 105-05.5, the Sep 5yr note 2/32 higher at 103-26, while the Sep 2yr note settled .5/32 higher at 101-25.5.

15:15 07/13 US **AGENCIES**: Swap spreads somewhat better and GSEs for sure better as the widening trade unwind continues in earnest today with real buyers. Freddie June'09 +29.5 according to TradeWeb and other screens (vs Thursday's 3PM mark of +29.5; Fannie July'09 +30 (vs +31); Freddie Feb'10 +30.5 (+31.5); Fannie Mar'10 +31 (32); Fannie May'12 +36.5 (+37.5); Freddie Aug'12 +38.5 (+39); Freddie Apr'17 +46 (+47); Fannie June'17 +47.5 (+48); Fannie Nov 2030 +52.5 (+53); Freddie Jul'32 +51 (52). Freddie Mac Reference Note supply announces Wednesday, for Friday pricing. At least \$3 billion 10-years on the agenda and a possible 2- or 3-year as well. 'Bring em on,' seems to be the sense of things at least for the moment. Buyers are real, spread product is what they are after. Subprime? What subprime? And, a safe weekend to all.

15:24 07/13 **EURODLR FUTURES**: Giving back early gains, Eurodlr futures finished steady in the very front, slightly higher in Reds. The Red/Gold pack spd (Sep08-Jun09) vs (Sep11-Jun12) a 2s/10s proxy, flattened 1.625 bps to 48.25. In the Fronts (Sep07-Jun08), the Sep07 was at 94-66 on combined Globex and pit volume of 108,000, the Dec07 at 94-66.5 on volume of 246,000, the Mar08 at 94-71 on volume of 277,000, while the Jun08 was at 94-74.5 on volume of 308,000. The Red pack (Sep08-Jun09) a 2yr proxy, settled steady to 1.0 bps higher across the pack with 614,000 contracts traded.

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11:42 07/13 US **TSYS/SUBPRIME**: Some noted that for this very moment, there appears to have been a US stocks/subprime decoupling. DJIA is mildly firmer, while ABX BBB- 07-01 in recent past was at 48.25, weaker on the day, and quite weak on the week. "There has been a bit of a decoupling," said one trader. "That's an impressive rally in stocks, so when stocks go down, there will be buyers on dips. Maybe the ABX is having trouble because GE is selling their subprime subsidiary. And, partly it's a summer Friday so a lot of people are not around. Probably people who have positions in ABX are getting out. They might take another peek on Monday" at ABX. One other thing to look at for next week: Japan is out for Monday, Japan's Marine Day.

11:32 07/13 **US VIEW**: Market players eagerly await two days of testimony by **Fed Chair Ben Bernanke**, who will address the House Financial Services Committee Weds and the Senate Banking Committee Thurs. Matthew Moore of BOA notes that in all three of Bernanke's prior semi-annual testimonies, US yields "have ended the Friday following the testimony lower than they closed on the day preceding the start of the testimony." Also, he says, the "most dovish" aspects of Bernanke's appearance may come in Q&A as the Fed chair is likely asked about risks from sub-prime mortgage delinquencies and foreclosures. The market will await any discussion about inflation and whether the focus may shift from core to headline. "Chairman Bernanke can clarify the issue with his testimony, and we expect him to reiterate the Fed's focus on the core measure," Moore says.

14:08 07/13 US **TSYS/FOREIGN**: BMO Capital Mkts' Michael Gregory eyes Tue 9am ET May Tsy Intl Capital (**TIC**) report on foreign hldgs of U.S. Tsys. "The Tsy mkt selloff during May and June largely reflected the realization that the Fed could be on hold for a long time," he said. But "the month before, net purchases of Tsy notes and bonds by foreigners fell of US\$0.4Bln, as Chinese hldgs (including bills) posted their largest decline in a decade.

Only 3 monthly readings during the past 5 yrs have been smaller, suggesting that an ebbing appetite for Treasuries among foreign investors might have also contributed to the selloff, particularly since the U.S. dollar also slid to new lows." He said TIC data "should shed more light, but these events emphasize" U.s. bond mkt, dollar's "vulnerability" to "vagaries of global FX reserve management." He added FX reserve diversification trend by currency, asset class "is negative for U.S. bonds and the dollar" but only issue "is whether this will be a mild headwind or a hurricane."