



The Morning Email: Treasuries

7/17/2007 5:43

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

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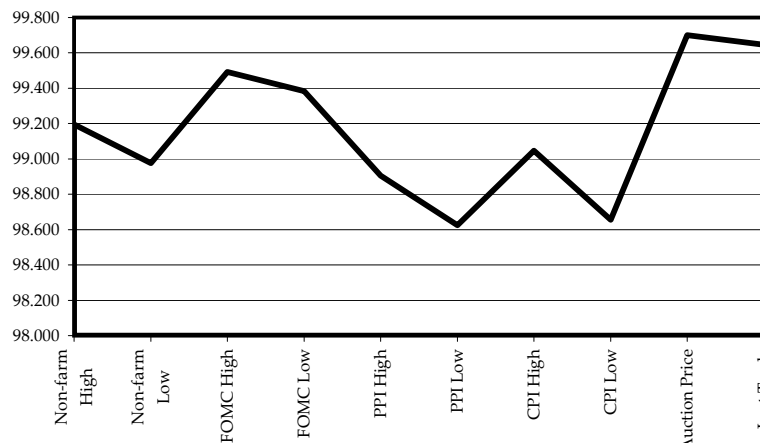


Economic Releases - 32nds					
	5y	10y	ZNU7	ZBU7	Date
Non-farm High	99.0625	94.315	104.305	106.16	7/6/2007
Non-farm Low	98.3125	94.205	104.175	105.31	7/6/2007
FOMC High	99.1575	95.150	105.130	107.07	6/28/2007
FOMC Low	99.1225	95.075	105.045	106.23	6/28/2007
PPI High	98.2900	94.275	104.185	106.11	6/14/2007
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	99.2070	95.250	105.185	107.21	7/17/2007 5:43

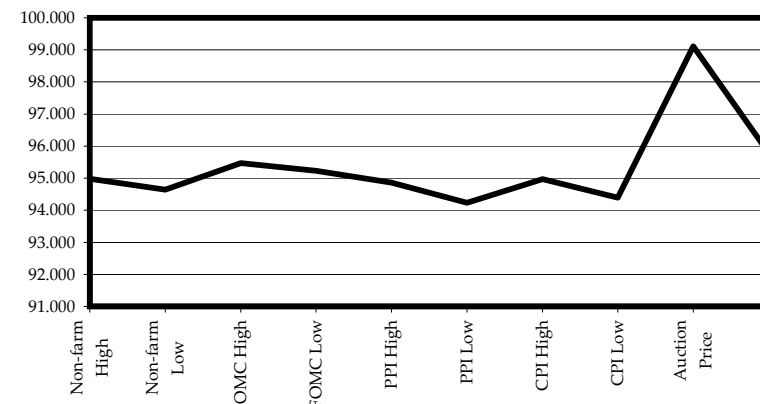
Auctions - 32nds				
	2 y	5y	10y	30y
Auction Price	99.313	99.224	99.035	98.194
Auction Yield Stop	4.906	4.94	4.612	4.838
Actual Auction Date	6/26/2007	6/27/2007	5/8/2007	5/11/2007 r

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	101.282	(0.5)	101.290	101.277	101.287	15,150	2y Fut	
FVAU7	104.015	(0.5)	104.025	104.000	104.020	33,956	5y Fut	
TYAU7	105.185	(1.0)	105.200	105.160	105.195	134,818	10y Fut	
USAU7	107.210	(2)	107.220	107.160	107.220	28,201	30y Fut	
	ls	net	high	low	open	Volume	SYM NAME	
BUS02P	99.317	(0.5)	100.002	99.315	100.000	na	2y Cash	
BUS05P	99.207	(1.7)	99.220	99.200	99.215	na	5y Cash	
BUS10P	95.250	(1.5)	95.265	95.230	95.260	na	10y Cash	
BUS30P	94.055	(3)	94.060	94.015	94.060	na	30y Cash	
	ls	net	high	low	open	Volume	SYM NAME	
BUS02Y	4.874	1.70	4.891	4.853	4.891	na	2y Yield	
BUS05Y	4.954	1.50	4.963	4.938	4.954	na	5y Yield	
BUS10Y	5.045	0.90	5.06	5.037	5.047	na	10y Yield	
BUS30Y	5.132	0.90	5.147	5.124	5.13	na	30y Yield	

**All times Eastern**

15:20 07/16 **US TSYS/RECAP:** US Tsys gain Mon esp. long end amid 1) 10Y scarcity, big 10Y RP special; 2) talk of Tsy buyback at some eventual point (tho 9:59 ET MNI Main Wire story downplays odds) 2)short-covering;3)subprime/ safe-haven bid too as ABXs fall; 4) some mull if is sell US stks/buy Tsys trade as stocks high; 3) some feel Bernanke will hurt front end if reiterates inflation concern; 3) strong July NY Fed Empire State index hurt front end; 4) 2Y/10Y steepener unwinds; 4) some buy Tsys/sell Canadian debt as US\$ hits 30-yr low vs C\$. 5) Modest Street bid, lg-term buy-and-hold accts bid in 10s earlier, other intermediates, later real- money selling of 10s, deal-tied; Street buying in 10Ys, front end in p.m. 7) front-end selling earlier; 8) Agency rate-lock unwind late. 9) NY-based French shop up to 12,000 March 47 calls bought at 16.5 on covered basis, 0.48% delta. 10) Some buy US Tsys 10Y vs. swaps paying. 12) EGBs:safe- haven bid amid new Bin Laden terror video,positive net cash flow,Quaden:ECB not yet decided on Sep rate hike.

15:08 07/16 **US SWAPS:** Spreads finished wider by Mon's closing bell, Tsy ylds lower as risk aversion bias provides more impetus for disconnection. In line with the wider spds, sources reported modest paying in 10s, said to be tied to ongoing heavy corporate supply, while Tsy 10s gained on support from the Street and long-term buy-and-hold accounts. Euroddl sources reported light paying in the front end, one seller of Red packs (Sep08-Jun09). Light two-way in the intermediates in second half.

According to GovPX:


Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Mon 3:05	+0.75/49.75	+0.75/56.75	+0.75/65.50	+1.25/72.25
1:25	+0.25/49.25	+0.50/56.50	+0.50/65.25	+1.25/72.25
11:00	-0.50/48.50	+0.25/56.25	+0.25/65.00	+1.00/72.00
9:30	-0.25/48.75	+0.50/56.50	+0.25/65.00	+1.00/72.00
Mon Open	+0.00/49.00	+0.50/56.50	+0.25/65.00	+0.75/71.75
Fri 3:05	+0.25/49.00	-0.75/56.00	-0.50/64.75	-0.75/71.00

15:18 07/16 **EURODLR FUTURES:** Eurodlr futures finished the session at or near session highs, the curve bull steepened as the front end outpaced. The Red/Gold pack spd (Sep08-Jun09) vs (Sep11-Jun12) a 2s/10s proxy, expanded 2.625 bps to 50.875. In the Fronts (Sep07-Jun08), the Sep07 was steady at 94-66 on combined Globex and pit volume of 114,000, the Dec07 up 2.5 bps at 94-69 on volume of 190,000, the Mar08 up 5.5 bps at 94-76.5 on volume of 221,000, while the Jun08 was 7.0 bps higher at 94-81.5 on volume of 218,000. The Red pack (Sep08-Jun09) a 2yr proxy, settled steady to 1.0 bps higher across the pack with 491,000 contracts traded.

(continued)

05:33 07/17 **TSYS:** Treasuries are trading modestly lower in London Tuesday, weighed by light profit-taking, as traders take advantage of overnight gains in the U.S. However, traders note that volumes are light, with many players awaiting the bi-annual testimony to Congress by Fed Chair Ben Bernanke. Tokyo traders were sellers from the getgo, returning from a long holiday weekend to take advantage of the higher prices. However, flows were light and largely interdealer.

In London, with book-squaring and profit-taking again to the fore. Stronger-than-expected UK inflation data added to the downward pressure, but only at the margins, traders said. Bunds were little changed against the US 10-year T-notes, with the spread standing at +56 bps. Ahead of the U.S. session, the 2-yr note was 1/64 lower, trading at 99 31+/32 to yield 4.87%. The 10-yr note was 2/32 lower at 95 25/32 (5.05%), with the Bond 5/32 lower at 94 3/32 (5.14%). The 2-yr/5-yr yield curve was unch on Monday's levels, trading at +8 bps The 2-/10-yr curve was also unchanged, trading at +18 bps.

Countrywide: Fundings, Delinquencies, Foreclosures All Up by Nancy Vanden Houten 16 July 2007

--Stone & McCarthy (Princeton)--Countrywide Financial released its operational statistics for June this morning. Overall loan fundings were up compared to May, due to an increase in purchase loans, and up compared to June of last year, due to an increase in refinancing loans. There was a 27-basis point increase in the percentages of loans in Countrywide's servicing portfolio that were delinquent. The percentage of loans that were in foreclosure rose to the highest level since at least January of 2001.

Countrywide Financial Corporation: Recent Mortgage Funding by Loan Type

	Purchase	Non-Purchase	ARM	Nonprime	Fixed Rate	Fixed Rate %	Nonprime %
Jun-06	\$21,072	\$22,359	\$21,159	\$4,107	\$22,272	51%	9%
Jul-06	\$17,484	\$19,459	\$18,125	\$3,354	\$18,818	51%	9%
Aug-06	\$19,605	\$21,921	\$19,323	\$3,722	\$22,203	53%	9%
Sep-06	\$17,677	\$20,410	\$15,778	\$3,058	\$22,309	59%	8%
Oct-06	\$17,403	\$24,493	\$16,259	\$3,254	\$25,637	61%	8%
Nov-06	\$15,960	\$22,318	\$14,303	\$3,058	\$23,975	63%	8%
Dec-06	\$17,147	\$24,583	\$15,222	\$3,739	\$26,508	64%	9%
Jan-07	\$13,268	\$23,845	\$13,748	\$2,939	\$23,365	63%	8%
Feb-07	\$12,633	\$21,936	\$12,533	\$2,587	\$22,036	64%	7%
Mar-07	\$17,265	\$26,017	\$14,677	\$2,355	\$28,605	66%	5%
Apr-07	\$15,866	\$24,614	\$11,424	\$1,682	\$29,056	72%	4%
May-07	\$18,642	\$25,778	\$10,667	\$2,186	\$33,753	76%	5%
Jun-07	\$20,739	\$24,524	\$12,599	\$1,853	\$32,664	72%	4%
June 07 vs May 07:	11.2%	-4.9%	18.1%	-15.2%	-3.2%		
June 07 vs June 06:	-1.6%	9.7%	-40.5%	-54.9%	46.7%		
3-month average	\$18,416	\$24,972	\$11,563	\$1,907	\$31,824	73%	4%
12-month average	\$16,974	\$23,325	\$14,555	\$2,816	\$25,744	64%	7%

Source: Countrywide Financial Corporation. In billions.

	M Duration	DV01 32	DV01 \$	DV01 Box	CF
30y	15.05	4.64	\$1,448	9.27	n/a
10y	7.74	2.39	\$748	4.79	n/a
5y	4.34	1.39	\$433	5.55	n/a
2y	1.94	0.61	\$192	2.46	n/a
ZB	9.62	3.36	\$105	3.36	0.8285
ZN	5.71	1.95	\$61	3.90	0.8926
ZF	3.89	1.30	\$41	2.61	0.9540
ZT	1.81	1.18	\$37	4.73	0.9815

	Yield Curve Spreads		Diff
	Last	2pm close	
2/5	8.00	7.70	(0.30)
5/10	9.10	9.50	0.40
10/30	8.70	8.40	(0.30)
2/10	17.10	17.20	0.10
5/30	17.80	17.90	0.10
2/30	25.80	25.60	(0.20)

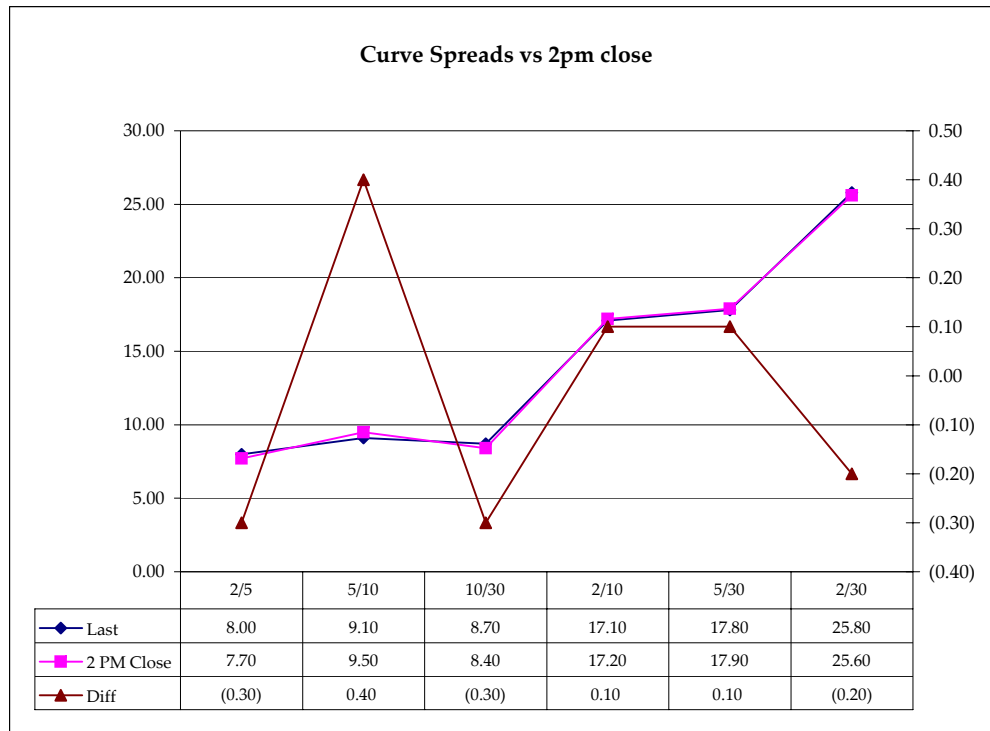
DV01 32 said differently is how many TICS is in a basis point. Example, If ZN moves 1-basis point, it's moved 1.94 tics.

Since it trades in half tics 4 boxes = 1 basis point in ZN.

Notes

CF = Conversion Factor
 MDuration = Modified Macaulay Duration
 MDuration & DV01s for Futures are based on proxy issue (CTD)
 DV01 Box = Dollar Value of 1 basis point move per Box

Curve Spreads vs 2pm close



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	0.670

US Financial Futures

	ZB	ZN	ZF	ZT
ZB		1.723	2.577	2.800
ZN	0.580		1.496	1.625
ZF	0.388	0.669		1.087
ZT	0.357	0.615	0.920	

Eurex Bonds

	Bund (U)	Bobl (U)	Shatz (U)
Bund (U)	1.0	1.8	4.5
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	1.75	4.13	7.12	13.79
ZN	3.02	7.11	12.27	23.76
ZF	4.52	10.64	18.35	35.55
ZT	4.91	11.56	19.94	38.62

US Treasuries v Eurex Bonds

	2y	5y	10y	30y
Bund (U)	1.6	3.9	6.7	12.9
Bobl (U)	3.0	7.0	12.1	23.5
Shatz (U)	7.3	17.1	29.4	57.3

US Treasuries

	2y	5y	10y	30y
2y		2.355	4.063	7.870
5y	0.425		1.725	3.342
10y	0.246	0.557		1.937
30y	0.127	0.288	0.516	

Note: Any ratio with the Bund, Bobl, or Shatz is from Bloomberg. 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	236,073	272,931	(36,858)	281,935	358,788	(76,853)	1,143,087	1,029,375	113,712	ZF
ZN	320,669	483,336	(162,667)	776,188	451,906	324,282	2,103,322	2,264,937	(161,615)	ZN
ZB	149,583	212,327	(62,744)	119,759	235,815	(116,056)	805,444	626,643	178,801	ZB

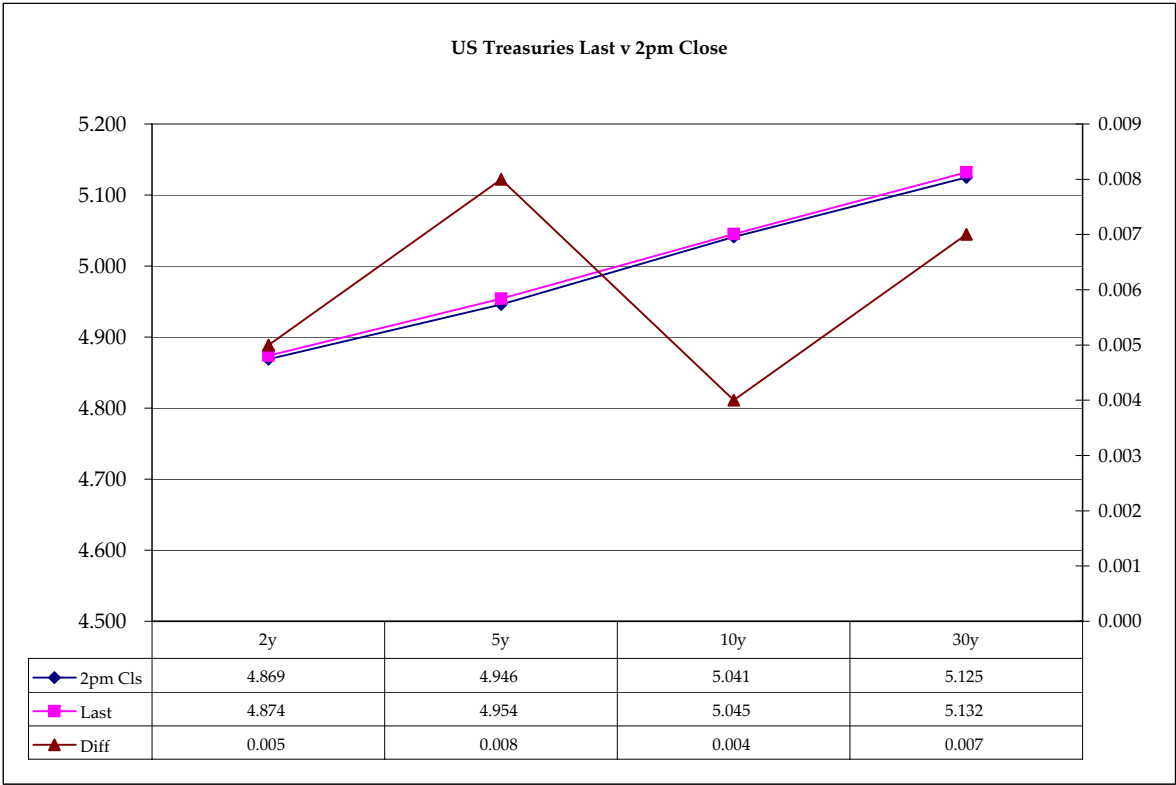
WoW^ Position Change				As of
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	
ZF	21,320	24,790	(46,109)	7/10/2007
ZN	37,809	(50,594)	12,785	
ZB	24,472	(15,583)	(8,888)	

^WoW = Week over week

	Cpn	Mty	Close 32	Close	Last	Diff	Basis		Roll
							Close	Last	
2y	4.875	6/30/09	100.0025	4.869	4.874	0.005			
5y	4.875	6/30/12	99.2200	4.946	4.954	0.008	13.18	12.36	
10y	4.500	5/15/17	95.270	5.041	5.045	0.004	50.46	49.35	
30y	4.750	2/15/37	94.10	5.125	5.132	0.007	162.16	159.82	

	Close 32	Last
ZF	104.020	104.015
ZN	105.195	105.185
ZB	107.23	107.210

Curve Spreads		
	Close bps	Last bps
2/5	7.7	8.0
5/10	9.5	9.1
10/30	8.4	8.7
2/10	17.2	17.1
5/30	17.9	17.8
2/30	25.6	25.8



Notes:
 Basis = (Cash Decimal - (Futures Decimal * CF))*32
 Mduration for Curve Spreads:
 Longer duration minus shorter duration
 32 = price is quoted in 32nds

Correlations & R-Squared

Symbol	Daily Correlations US Cash Treasuries (Yield)				Daily Correlations US Bonds/Notes (CBOT)			
	2yr Yield	5yr Yield	10yr Yield	30yr Yield	ZT	ZF	ZN	ZB
2yr Yield	100.0	96.7	96.6	96.1	(93.4)	(93.4)	(92.4)	(94.0)
5yr Yield	96.7	100.0	99.5	97.8	(94.8)	(97.5)	(97.2)	(96.9)
10yr Yield	96.6	99.5	100.0	99.3	(95.1)	(97.8)	(97.8)	(98.4)
30yr Yield	96.1	97.8	99.3	100.0	(92.6)	(95.7)	(96.0)	(98.0)
ZT	(93.4)	(94.8)	(95.1)	(92.6)	100.0	98.7	97.8	96.8
ZF	(93.4)	(97.5)	(97.8)	(95.7)	98.7	100.0	99.7	98.7
ZN	(92.4)	(97.2)	(97.8)	(96.0)	97.8	99.7	100.0	99.1
ZB	(94.0)	(96.9)	(98.4)	(98.0)	96.8	98.7	99.1	100.0
emini SP	(0.5)	11.3	6.6	0.3	(7.2)	(9.2)	(5.3)	2.6
Dow Futures	(23.7)	(11.3)	(16.4)	(22.5)	18.1	15.0	18.2	26.5
USDJPY	88.3	82.0	83.5	84.0	(85.7)	(84.2)	(83.9)	(86.5)
EURUSD	(57.4)	(43.6)	(45.3)	(45.2)	60.0	50.8	50.0	53.8
Crude	(43.8)	(26.2)	(32.3)	(39.3)	37.4	30.7	30.3	39.8

Symbol	Daily R-Squared US Cash Treasuries (Yield)				Daily R-Squared US Bonds/Notes (CBOT)			
	2yr Yield	5yr Yield	10yr Yield	30yr Yield	ZT	ZF	ZN	ZB
2yr Yield		0.94	0.93	0.92	0.87	0.87	0.85	0.88
5yr Yield	0.94		0.99	0.96	0.90	0.95	0.95	0.94
10yr Yield	0.93	0.99		0.99	0.90	0.96	0.96	0.97
30yr Yield	0.92	0.96	0.99		0.86	0.92	0.92	0.96
ZT	0.87	0.90	0.90	0.86		0.97	0.96	0.94
ZF	0.87	0.95	0.96	0.92	0.97		0.99	0.97
ZN	0.85	0.95	0.96	0.92	0.96	0.99		0.98
ZB	0.88	0.94	0.97	0.96	0.94	0.97	0.98	
emini SP	0.00	0.01	0.00	0.00	0.01	0.01	0.00	0.00
Dow Futures	0.06	0.01	0.03	0.05	0.03	0.02	0.03	0.07
USDJPY	0.78	0.67	0.70	0.70	0.74	0.71	0.70	0.75
EURUSD	0.33	0.19	0.21	0.20	0.36	0.26	0.25	0.29
Crude	0.19	0.07	0.10	0.15	0.14	0.09	0.09	0.16

Thanks to Dave Cohen, in Development at Penson GHCO, for the help with the R-Squared correlation.

All correlations based on 10 day historical .

Correlations for the US Cash Treasuries are done on a YIELD basis.

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	\$192			
5	\$195	\$406		
10	\$192	\$398	\$737	
30	\$187	\$388	\$719	\$1,448
Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	(\$3)			
10	\$0	\$7		
30	\$5	\$17	\$18	
Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	-1.66%			
10	0.14%	1.83%		
30	2.68%	4.42%	2.54%	

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	1.10	2.00	3.92
ZF	0.47	1.00	1.81	3.55
ZN	0.32	0.67	1.21	2.38
ZB	0.18	0.39	0.70	1.38

Box for Box Matrix				
	2y	5y	10y	30y
ZT	0.52	1.10	3.99	7.85
ZF	0.47	1.00	3.62	7.11
ZN	0.63	1.33	1.21	2.38
ZB	0.73	1.54	1.40	2.76

	2y	5y	10y	30y
2y	1.00	2.11	3.84	7.54
5y	0.47	1.00	1.82	3.57
10y	0.26	0.55	1.00	1.97
30y	0.13	0.28	0.51	1.00

	2y	5y	10y	30y
2y		2.11	1.92	3.77
5y	0.47		0.45	1.79
10y	0.52	2.20		1.97
30y	0.27	0.56	0.51	

	ZT	ZF	ZN	ZB
ZT	1.00	1.10	1.65	2.84
ZF	0.91	1.00	1.50	2.58
ZN	0.61	0.67	1.00	1.72
ZB	0.35	0.39	0.58	1.00

	2y	5y	10y	30y
ZT		1.10	3.30	11.38
ZF	0.91		1.50	5.15
ZN	0.30	0.67		3.45
ZB	0.09	0.19	0.29	

Fed Funds Probability of Tightening or Easing

FOMC Meeting



January/00/1900	
0	0
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00

January/00/1900	
0	0
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00

January/00/1900	
0	0
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00

0

Notes:
All probabilities are taken from The Cleveland Federal Reserve

