

The Morning Email: Treasuries



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Did you know that you can find the *Fed Funds percent chance* of hike/cut is in the Morning email "ED,FF"? It's on pg4.

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.

	Economic Releases - 32nds				Date
	5y*	10y*	ZNU7**	ZBU7**	
Non-farm High	100.313	99.015	108.090	111.30	5/4/2007
Non-farm Low	100.173	99.140	107.180	110.15	5/4/2007
FOMC High	100.298	100.000	108.075	111.24	5/9/2007
FOMC Low	100.225	99.115	107.305	111.08	5/9/2007
PPI High	100.175	98.105	107.195	110.23	4/13/2007
PPI Low	100.095	97.315	107.080	110.02	4/13/2007
CPI High	100.228	98.200	107.305	111.11	5/15/2007
CPI Low	100.148	98.070	107.185	110.21	5/15/2007
Auction Price	99.224	99.035			
Last Trade	99.172	96.290	106.105	109.02	6/1/2007 5:55

*Adjusted for New Issue

**Adjusted for Futures Roll

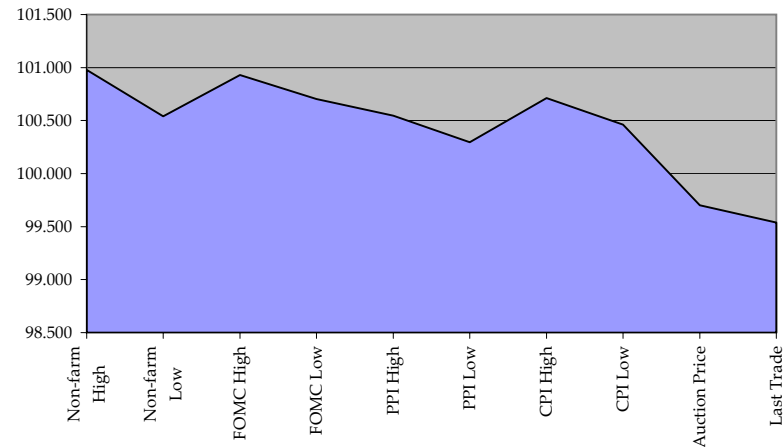
(Jun07 to Sep07 Futures roll: ZN & ZB even) (ZF = +3tics)

Release times are from release to 2pm cdt

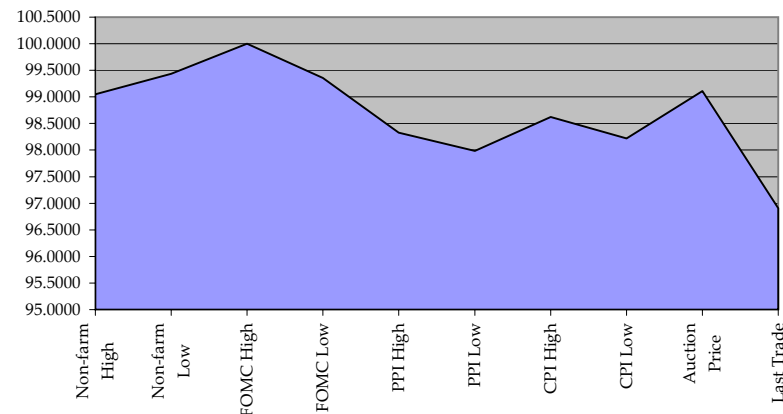
	Auctions - 32nds			
	2 y	5y	10y	30y
Auction Price	99.313	99.224	99.035	98.194
Auction Yield Stop	4.886	4.818	4.612	4.838
Actual Auction Date	5/29/2007	5/30/2007	5/8/2007	5/11/2007 r

r = reopen

5y (Decimal)



10y (Decimal)



Quotes

32 nds							
	ls	net	high	low	open	Volume	SYM NAME
TUAU7	101.280	(0.7)	101.287	101.280	101.282	16,481	2y Futures
FVAU7	104.130	(1.0)	104.140	104.125	104.135	26,374	5y Futures
TYAU7	106.105	(1.5)	106.115	106.095	106.115	72,404	10y Futures
USAU7	109.020	(2)	109.030	108.310	109.030	18,914	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.290	(0.2)	99.295	99.290	99.295	na	2y
BUS05P	99.172	(0.5)	99.175	99.165	99.167	na	5y
BUS10P	96.285	(1.0)	96.300	96.285	96.285	na	10y
BUS30P	95.270	(5)	95.305	95.260	95.290	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.921	0.80	4.934	4.896	4.934	na	2y Yield
BUS05Y	4.852	0.00	4.864	4.843	4.859	na	5y Yield
BUS10Y	4.894	0.80	4.902	4.884	4.894	na	10y Yield
BUS30Y	5.018	1.20	5.027	5.007	5.013	na	30y Yield



News Recap for the United States

Yesterday

15:04 05/31 **US TSYS/RECAP:** Mkt had selloff Thu a.m. on strong 61.7 May Chicago Purc, German Bund selloff, weak technicals; spurred some buy-and-hold acct capitulation selling in intermediates, 30Ys. Tsys bounced off low amid dip buying but 10Y yld hit 9-mo high, 4.915% yld. There was W. Coast seller in front end, with payers in 3Y, 4Y swaps, MBS duration shedding. Street had some longs buying puts instead. There was broad selling in intermediates, buy-and-hold acct selling intermediates, some 5Y buying. Earlier bank 2Y buying, lvrgr acct buying 5Ys, butterflies. There was duration shedding as 10Y rises above 4.90%. China T-bill buying. +0.22-yrs Lehman Tsy index. P.m. had buying from buy-and-hold accts in older 30Ys, good buying of 5s at lows, also good mo-end buying by index funds, offset by selling. Lvrgr accts sold 10Y futures, met by buying from real money corp accts, real money selling 2s. MBS had money mgr buying, 2-way swaps flows, steady light Asian buying, hedge funds move up in cpn. Origin ard \$2B. MNI poll: +135k May jobs gain, 0.3% AHE.

15:04 05/31 **US EURODLR/SWAPS:** Spds finished session directionally wider w/higher Tsy ylds. While sources did not report significant front end receiving to warrant tighter 2-year spreads, there was decent buying on dips after the GDP and weekly claims release. Better paying-tied flow soon followed, sources reported heavier selling in 2- and 3-year proxies and 3-year Eurodollar bundles while Treasury sources said sellers in 3s and 4s were the culprit. One desk reported paying in 2-year proxies in excess of \$1.0 billion.

News Recap for the United States

Overnight

05:16 06/01 TSYS: Treasuries are trading modestly lower in a lackluster London session Friday, as traders await the release of the May employment report released later in the session. Prices were modestly lower in Asian trade, hampered by light selling from Asian names as Japanese stocks continued to rally. However, traders said volumes were light in both cash and futures markets ahead of the data. London was largely featureless, although light extension trades were noted from Asian names. The two-year also ran into light selling pressure from Continental real money names. Bunds were trading 0.5 bps higher against the US 10-year T-notes, with the spread standing at +54 bps. Ahead of the U.S. session, the 2-yr note was 1/64 lower, trading at 100 even to yield 4.92%. The 10-yr note was 1/32 lower at 96 30/32 (4.89%), with the Bond 3/32 lower at 95 28/32 (5.02%).

**SMRA UNEMP, NFP & AHE FORECAST
(05/29/2007)**

NFP: +60,000

AHE: +.3

URate: 4.5

"How Have Forecasters Done in Predicting May Payrolls? Over the past 11 years the standard error of the median May payroll forecast was 82,000, about the same as the average standard error for all months."

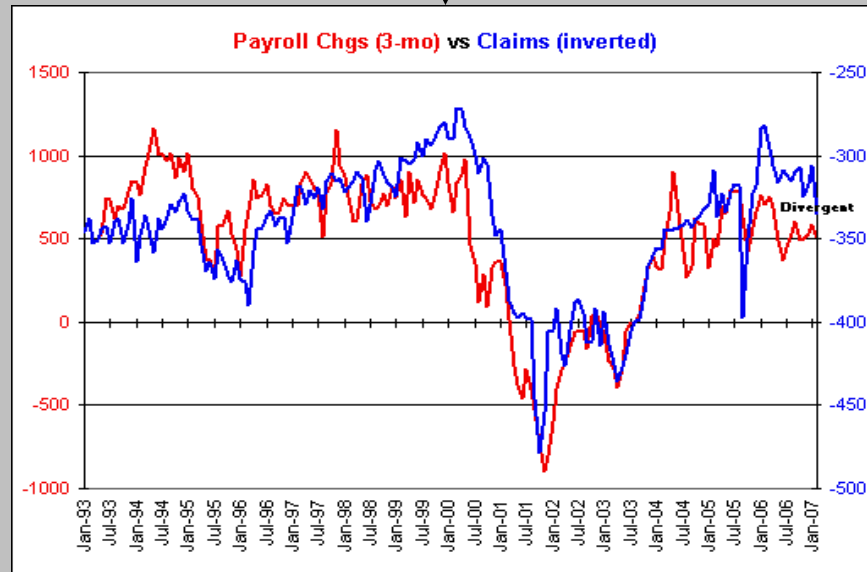
05/30/2007

"Assuming Government payrolls rise about 15,000, the ADP sample base estimate would be consistent with a May payroll outcome of +110,000 or so. This is a bit softer than the +135,000 MNI median and BBG median, but somewhat stronger than the +60,000 SMRA estimate."

"Does the 97,000 estimated gain in Private Sector payrolls per the ADP data warrant an upward adjustment to our +60,000 Nonfarm Payroll estimate? The ADP estimate is sufficiently close to our forecast as to not warrant any adjustments. What is important in the ADP reading is that there has been a slowing underway."

05/31/2007**What Do Claims Say About Payrolls?**

As we say each week, by design claims say more about unemployment than they do about employment. Nevertheless, historically there has been an inverse relationship between claims and payrolls. When claims rise, payroll growth deteriorates. When claims are above the 390,000 level, payrolls generally decline and the reverse is generally true when claims fall below 390,000.



Duration, DV01s, Curve, Flys, CFs

	M Duration	DV01 32	DV01 \$
30y	15.30	4.77	\$1,489
10y	7.88	2.45	\$765
5y	4.39	1.40	\$437
2y	2.06	0.65	\$202
ZB	9.77	3.43	\$107
ZN	5.84	1.99	\$62
ZF	4.01	1.34	\$42
ZT	1.89	1.25	\$39

Yield Curve Spreads

2/5	-6.90
5/10	4.20
2/10	-2.70
10/30	12.40
5/30	16.60
2/30	9.70

Fly's

2/5/10	-11.10
2/10/30	-15.10
5/10/30	-8.20

CF

ZB	1.1593
ZN	0.9335
ZF	0.9497
ZT	0.9799

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 (M)	1.000	1.700	2.600	2.800
Bobl (M)	0.540	0.930	1.400	1.500
Shatz (M)	0.220	0.370	0.550	0.590

US Financial Futures

	ZB	ZN	ZF	ZT
ZB		1.723	2.561	2.743
ZN	0.580		1.486	1.592
ZF	0.390	0.673		1.071
ZT	0.365	0.628	0.934	

Note: Eurex ratio's are from Bloomberg and they are static. All other ratio's are from GH Trader's LLC (me) and they are live.

US Treasuries v US Financial Futures

	2y	5y	10y	30y
ZB	1.89	4.08	7.14	13.89
ZN	3.25	7.03	12.30	23.93
ZF	4.83	10.44	18.28	35.57
ZT	5.18	11.19	19.59	38.10

US Treasuries v Eurex Bonds

	2y	5y	10y	30y
Bund (M)	1.7	3.9	6.8	13.2
Bobl (M)	3.0	7.1	12.3	23.9
Shatz (M)	6.9	16.2	28.3	54.8

US Treasuries

	2y	5y	10y	30y
2y		2.389	4.183	8.137
5y	0.463		1.751	3.406
10y	0.264	0.559		1.945
30y	0.136	0.287	0.514	

Commitment of Traders (COT)

Current Positions										
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	248,484	277,116	(28,632)	199,225	364,635	(165,410)	1,286,243	1,092,201	194,042	ZF
ZN	280,920	394,519	(113,599)	811,779	457,750	354,029	2,092,227	2,332,657	(240,430)	ZN
ZB	149,957	209,092	(59,135)	127,264	243,423	(116,159)	780,987	605,693	175,294	ZB

WoW* Position Change				
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	As of
ZF	(23,120)	(36,536)	59,656	5/22/2007
ZN	(22,513)	(66,906)	89,420	
ZB	(16,876)	(19,415)	36,290	

**WoW = Week over week

Closes2pm

	Cpn	Mty	32nds	Yield
2y	4.875	5/31/09	99.2950	4.916
5y	4.750	5/31/12	99.1750	4.853
10y	4.500	5/15/17	96.305	4.890
30y	4.750	2/15/37	95.32	5.011

	CF Basis* (decimal)	GHCO Basis		32nds
5y	0.27	31.320	ZF	104.140
10y	(2.76)	3.158	ZN	106.120
30y	(31.10)	293.265	ZB	109.04

Curve Spreads bps

2/5	(0.063)
5/10	0.037
2/10	(0.026)
10/30	0.121
5/30	0.158
2/30	0.095

CF = Conversion Factor

Cash - (Futures * CF)

Correlations

All correlations based on 10 day historical

Symbol	US Cash Treasuries (price)				US Bonds/Notes (CBOT)			
	2yr	5yr	10yr	30yr	ZT	ZF	ZN	ZB
2yr	100.0	53.3	-51.3	-32.0	-74.7	-65.2	-58.6	-40.7
5yr	53.3	100.0	-18.9	-2.5	-39.9	-26.0	-19.8	1.9
10yr	-51.3	-18.9	100.0	96.2	94.0	98.1	99.0	95.4
30yr	-32.0	-2.5	96.2	100.0	82.2	90.2	94.1	97.6
ZT	-74.7	-39.9	94.0	82.2	100.0	98.1	95.4	83.6
ZF	-65.2	-26.0	98.1	90.2	98.1	100.0	99.2	92.1
ZN	-58.6	-19.8	99.0	94.1	95.4	99.2	100.0	96.0
ZB	-40.7	1.9	95.4	97.6	83.6	92.1	96.0	100.0

Symbol	US Cash Treasuries (price)				US Bonds/Notes (CBOT)			
	2yr	5yr	10yr	30yr	ZT	ZF	ZN	ZB
emini SP	77.4	56.9	(24.1)	(6.8)	(49.3)	(34.7)	(26.0)	(5.3)
Dow Futures	86.4	58.1	(40.3)	(21.7)	(64.1)	(51.2)	(42.4)	(21.1)
USDJPY	43.9	27.1	(79.2)	(76.2)	(76.6)	(76.5)	(78.8)	(74.8)
EURUSD	(37.5)	12.7	64.1	63.6	60.4	65.7	69.7	74.0

Guessing that
these are off
because of
the ROLL

