

The Morning Email: US & Germany



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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.

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| SYM NAME | Symbol | US Cash Treasuries | | | US Bonds/Notes (CBOT) | | | Symbol | SYM NAME |
|------------|--------|--------------------|--------|-------|-----------------------|-------|-------|--------|------------|
| | | 2yr | 5yr | 10yr | ZT | ZF | ZN | | |
| Schatz(2Y) | DGM7 | -63.90 | -22.64 | 95.74 | 94.26 | 96.39 | 94.79 | DGM7 | Schatz(2Y) |
| Bobl(5Y) | DLM7 | -60.23 | -19.01 | 97.08 | 93.05 | 96.76 | 96.45 | DLM7 | Bobl(5Y) |
| Bund(10Y) | DBM7 | -58.38 | -22.61 | 97.55 | 93.23 | 96.54 | 96.21 | DBM7 | Bund(10Y) |

Correlation is based on 10 day historical

Techs for the BUND

As of 05/31

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-----RESISTANCE-----
113.43/.50 point of 05/14 break below the April lows
112.39 40-DMA
112.96 Bollinger band center trigger
112.91 05/18 - 05/21 gap top
112.68 05/22 - 05/23 gap top
112.46 10-DMA, 23.6% of the 04/19 - 05/31 D-move
112.25 05/30 - 05/31 gap top
112.19 5-DMA
112.09 -.18 05/31 Settlement
111.88 05/31 low
111.81 June '04 lows
111.80 post-Dec '06 down-channel support
111.78 lower Bollinger band
-----SUPPORT-----

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Stone & McCarthy
RESEARCH ASSOCIATES

Technical Commentary -EUREX Jun 2007 10yr Euro-Bund

by Mike Sacchitello, CMT

Short-term, developing double bottoms in daily (momentum) oscillators continue to offer better odds for some kind of oversold reaction developing. However, until the simple 5-DMA is removed as a reliable downside smoothing line (the most influential downside driving force since 05/11) we would not recommend making large countertrend bets. If, and only if, the 5-DMA were surpassed (on a closing basis) would we suggest that longer-term short positions be trimmed and aggressive S-T longs be initiated.

To the downside, the lower Bollinger band currently acts as the primary source of supportive liquidity.

Longer-term, our proprietary trading system (a near to long-term trend following system) entered its final short position on 04/13, with the first protective stop not due to be triggered until settlement above 113.41.

Quotes 1



| | 32 nds | | | | | Volume | Yest Volume | SYM NAME |
|-------|---------|-------|---------|---------|---------|--------|-------------|-------------|
| | ls | net | high | low | open | | | |
| TUAU7 | 101.280 | (0.5) | 101.287 | 101.280 | 101.282 | 16,481 | 266,468 | 2y Futures |
| FVAU7 | 104.130 | (1.0) | 104.140 | 104.125 | 104.135 | 26,124 | 706,843 | 5y Futures |
| TYAU7 | 106.105 | (1.0) | 106.115 | 106.095 | 106.115 | 72,338 | 1,553,531 | 10y Futures |
| USAU7 | 109.010 | (3) | 109.030 | 108.310 | 109.030 | 18,908 | 536,825 | 30y Futures |

| | | | | | | Volume | Yest Volume | SYM NAME |
|--------|--------|-------|--------|--------|--------|--------|-------------|----------|
| | ls | net | high | low | open | | | |
| BUS02P | 99.290 | (0.5) | 99.295 | 99.290 | 99.295 | | | 2y |
| BUS05P | 99.170 | (0.7) | 99.175 | 99.165 | 99.167 | | | 5y |
| BUS10P | 96.285 | (2.0) | 96.300 | 96.285 | 96.285 | | | 10y |
| BUS30P | 95.270 | (5) | 95.305 | 95.260 | 95.290 | | | 30y |

| | | | | | | Volume | Yest Volume | SYM NAME |
|--------|-------|------|-------|-------|-------|--------|-------------|-----------|
| | ls | net | high | low | open | | | |
| BUS02Y | 4.921 | 0.80 | 4.934 | 4.896 | 4.934 | | | 2y Yield |
| BUS05Y | 4.852 | 0.00 | 4.864 | 4.843 | 4.859 | | | 5y Yield |
| BUS10Y | 4.896 | 1.00 | 4.902 | 4.884 | 4.894 | | | 10y Yield |
| BUS30Y | 5.018 | 1.20 | 5.027 | 5.007 | 5.013 | | | 30y Yield |



| | Decimal | | | | | Volume | Yest Volume | SYM NAME |
|------|---------|--------|--------|--------|--------|---------|-------------|------------|
| | ls | net | high | low | open | | | |
| DGM7 | 102.71 | 0.00 | 102.72 | 102.69 | 102.71 | 267,014 | 796,082 | Schatz(2Y) |
| DLM7 | 106.53 | (0.01) | 106.57 | 106.49 | 106.51 | 255,568 | 733,187 | Bobl(5Y) |
| DBM7 | 112.01 | (0.04) | 112.08 | 111.96 | 112.00 | 453,750 | 1,764,837 | Bund(10Y) |

German Futures

| | Price | Yield | | | Maturity | Volume | Yest Volume | SYM NAME |
|-----------------|--------|-------|--------|-----------|----------|--------|-------------|-----------|
| | ls | ls | Coupon | | | | | |
| T.US.DE036P0309 | 98.93 | 4.371 | 3.750 | 3/13/2009 | | | | 2 yr CTD |
| T.US.DE050P0112 | 102.32 | 4.413 | 5.000 | 1/4/2012 | | | | 5 yr CTD |
| T.US.DE034P0116 | 93.61 | 4.402 | 3.500 | 1/4/2016 | | | | 10 yr CTD |
| DEP2P | 98.95 | 4.371 | 3.750 | 3/13/2009 | | | | 2yr OTR |
| DEP5P | 98.24 | 4.408 | 4.000 | 4/13/2012 | | | | 5yr OTR |
| DEP10P | 94.94 | 4.406 | 3.750 | 1/4/2017 | | | | 10yr OTR |

German Cash

Y = Yield
 CTD = Cheapest to Deliver
 DE = German Country Code

Quotes 2

This page provide a more detailed look at the quotes for the German Bonds
 German Bonds are quoted in decimal, not 32nds.



| | Decimal | | | | | | SYM NAME | |
|------|---------|--------|--------|--------|--------|-------|------------|-------------------|
| | bid | ask | Last | hi | lo | Chng | | |
| DGM7 | 102.71 | 102.71 | 102.71 | 102.72 | 102.69 | 0.00 | Schatz(2Y) | German Futures |
| DLM7 | 106.53 | 106.54 | 106.53 | 106.57 | 106.49 | -0.01 | Bobl(5Y) | |
| DBM7 | 112.01 | 112.02 | 112.01 | 112.08 | 111.96 | -0.04 | Bund(10Y) | |

| | Y Bid | Y Ask | Y Last | Y Hi | Y Lo | SYM NAME | |
|------|-------|-------|--------|-------|-------|-----------|--|
| | DGM7 | 4.554 | 4.552 | 4.554 | 4.565 | | |
| DLM7 | 4.512 | 4.510 | 4.510 | 4.521 | 4.503 | Bobl(5Y) | |
| DBM7 | 4.483 | 4.482 | 4.482 | 4.489 | 4.475 | Bund(10Y) | |

| | Y Bid | Y Ask | Y Last | Y Hi | Y Lo | Chng | SYM NAME | |
|-----------------|-----------------|-------|--------|-------|-------|-------|-----------|--|
| | T.US.DE036P0309 | 4.383 | 4.371 | 4.371 | 4.395 | 4.359 | | |
| T.US.DE050P0112 | 4.423 | 4.413 | 4.413 | 4.425 | 4.401 | -1 | 5 yr CTD | |
| T.US.DE034P0116 | 4.408 | 4.402 | 4.402 | 4.417 | 4.395 | -3 | 10 yr CTD | |
| DEP2P | 4.383 | 4.371 | 4.371 | 4.395 | 4.359 | 0 | 2yr OTR | |
| DEP5P | 4.418 | 4.408 | 4.408 | 4.420 | 4.396 | -1 | 5yr OTR | |
| DEP10P | 4.413 | 4.406 | 4.406 | 4.423 | 4.397 | -4 | 10yr OTR | |

| | Decimal | | | | | | SYM NAME | |
|-----------------|---------|--------|--------|--------|--------|-------|-----------|----------------|
| | bid | ask | Last | hi | lo | Chng | | |
| T.US.DE036P0309 | 98.93 | 98.95 | 98.95 | 98.97 | 98.91 | 0.00 | 2 yr CTD | German Cash |
| T.US.DE050P0112 | 102.32 | 102.36 | 102.36 | 102.41 | 102.31 | -0.01 | 5 yr CTD | |
| T.US.DE034P0116 | 93.61 | 93.65 | 93.65 | 93.70 | 93.55 | -0.03 | 10 yr CTD | |
| DEP2P | 98.93 | 98.95 | 98.95 | 98.97 | 98.91 | 0.00 | 2yr OTR | |
| DEP5P | 98.20 | 98.24 | 98.24 | 98.29 | 98.19 | -1.00 | 5yr OTR | |
| DEP10P | 94.89 | 94.94 | 94.94 | 95.01 | 94.82 | -4.00 | 10yr OTR | |

Y = Yield

CTD = Cheapest to Deliver

DE = German Country Code



Yesterday

[EST]11:04 05/31 EGB CLOSING SUMMARY: EGBs were trading lower on Thursday afternoon in thin trading conditions, with long dated issues outperforming. Month end duration extension buying underpinned the longer-end of the curve as the iBoxx Euro sovereign index extends by +0.08 years - above average for this time of the year. Bunds spiked lower on US personal consumption data and extended losses to fresh contract lows following the release of the Chicago PMI index. EGBs opened lower on Thursday on risk-aversion unwinds as equity bourses in Wall Street hit record highs overnight, and Asian equity bourses recovered sharp losses that followed Beijing's decision to triple stamp duty on share transactions. Bunds were moderately weighed by French consumer sentiment data, which rose above expectations after respondents were overall more optimistic following Nicholas Sarkozy's Presidential victory. Markets posted little reaction to Eurozone HICP data, which came inline with expectations, and Eurozone confidence data which came in mixed.

Headlines

Bonds Mixed, Long dates outperform on month end buying

Bonds open lower on risk aversion unwinds

May French Consumer Confidence: -14 vs. -19 expected

Apr French PPI: 0.5%mom/1.9%yoy

May German Employment Change: 3k vs. -2k expected

May EMU Consumer Confidence: -1 vs. -3 expected

May Eurozone HICP Estimate: 1.9%yoy vs. 1.9%yoy expected

| | 31/05/07 | 14:03 | EURO | chg | USA | chg | UK | chg |
|-----------------|-----------------|-------|--------|-------|--------|-------|--------|-------|
| Futures | Bond | | 112.18 | -0.09 | 109.19 | 0.06 | 105.59 | -0.01 |
| | STIR | | 95.63 | -0.01 | 94.73 | -0.02 | 93.87 | -0.02 |
| Cash | 3mth | | 4.12 | 0.01 | 5.36 | 0.00 | 5.81 | 0.00 |
| | 2yr | | 4.36 | 0.01 | 4.90 | 0.03 | 5.72 | 0.02 |
| | 5yr | | 4.39 | 0.01 | 4.83 | 0.01 | 5.52 | 0.01 |
| | 10yr | | 4.40 | 0.01 | 4.88 | 0.01 | 5.24 | 0.00 |
| | 30yr | | 4.50 | 0.00 | 5.01 | 0.00 | 4.63 | -0.01 |
| | 10yr-2yr | | 0.04 | 0.00 | -0.03 | -0.02 | -0.48 | -0.01 |
| Spreads | 2yr | | -- | -- | 0.61 | 0.02 | 1.45 | 0.01 |
| | vs euro | | -- | -- | 0.54 | 0.00 | 0.91 | 0.00 |
| FX | USD | | 1.347 | 0.004 | -- | -- | 1.979 | 0.003 |
| | EUR | | -- | -- | -- | -- | 0.681 | 0.001 |
| | YEN | | 163.76 | 0.38 | 121.59 | -0.05 | 240.57 | 0.20 |
| Equities | | | 4514.6 | 1.0% | 1530.2 | 0.8% | 6638.8 | % |



Overnight

03:11 06/01 **BONDS: EGBs** opened lower on Friday, but risks reversal higher following the sudden collapse in the Shanghai Composite Index, amid rumours that China Government is planning a capital gains tax. In addition, a recovery is expected on position-squaring ahead of the key US payrolls data and recent price action suggests that the bond market is positioned short into this release. Traders also say that some accounts who were absent at yesterday's month-end buying event, may be looking to exercise that option, once the US payrolls data is out of the way. Non-farm payrolls are expected to rise 135k in May after a very tame 88k gain in April that was partially caused by weather factors and the timing of the Easter holiday. However, a number of economists have since downgraded their forecasts following the ADP private payrolls and weekly jobless claims data. Analysts at Stone McCarthy are forecasting a small gain in payrolls of only 60k in May. Also eyed is european manufacturing PMI releases & comments from ECB President Trichet.

02:42 06/01 **JGB SUMMARY:** Japanese government bonds ended Friday's sharply lower, benchmark yields rising to a seven-month high. Overnight weakness in the U.S. Treasury market and a continuing stockmarket rally weighed on investor sentiment. However, traders said after the initial move lower, prices traded in a narrow range in thin volumes, as pension fund buying of longer-dated paper helped underpin the market. Earlier, the 10-year was sold by both domestic and offshore accounts, taking their lead from weaker futures. The five-year note also ended at the highest level since August 2006, up 3 bps at 1.375%.

- Benchmark 10-year #285 yield was 3 bps higher at 1.780%.
- Benchmark 5-year #63 yield was 3 bps higher at 1.370%.
- Benchmark 20-year #94 yield was 2 bps higher at 2.165%.
- Benchmark 30-year #26 yield was 2 bps higher at 2.360%.
- Lead June JGB futures contract was 0.31 lower at 132.86.

Overnight

02:41 06/01 U07 **EURIBOR:** Attempting to Recover 5-Day Average

RES 4: 95.760 Daily high 1 May

RES 3: 95.695 Daily high 16 May

RES 2: 95.675 21-day moving average

RES 1: 95.670 High 24, 25 May

PREVIOUS CLOSE: 95.625

SUP 1: 95.595 Base of daily Bollinger band

SUP 2: 95.590 Lows May/June 2004

SUP 3: 95.470 Declining support from 12 March

SUP 4: 95.260 Sept contract low Nov 2003

COMMENTARY: Bull cross for daily stochastics and a pickup in momentum as the market tests the 5-DMA, although gains should be limited by the 21-DMA as the broader downtrend remains in place.

02:39 06/01 U07 **SHORT-STERLING:** Weak Close

RES 4: 94.23/24 Daily high 5 April, 50% retracement of 94.42/93.94

RES 3: 94.15 Daily low 3 Apr, high 17 Apr

RES 2: 94.13 Daily highs 19, 24 April

RES 1: 94.01/02 Daily high 23 May, 21-day moving average

PREVIOUS CLOSE: 93.94

SUP 1: 93.94 Low 23, 24, 25, 29 May

SUP 2: 94.91 50% of H&S projection target, Bollinger band base

SUP 3: 93.78 Trend support from August 2005

SUP 4: 93.69 Support line 9 March

COMMENTARY: The market remains weak after popping below the 93.94 low. The next target for the H&S projection is 93.91, while there is a long-term trendline at 93.78.

| US Intrinsic's | | | |
|----------------|------------|---------|---------|
| | 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 |



| German Intrinsic's^ | | | |
|---------------------|------------|---------|----------|
| | M Duration | DV01(€) | DV01(\$) |
| Bund | | | 0.836007 |
| Bobl | | | 0.960701 |
| Schatz | | | 0.963364 |
| DE10Y | | | |
| DE5Y | | | |
| DE2Y | | | |

^Futures are Based on CTD

Last

EURUSD 134.36



I'm working on the intrinsic's. It will take some time to complete.
I hope to have it done soon.

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

| | ZN | ZF | ZT |
|-----------|-------|-------|-------|
| Bund (M) | 1.700 | 2.600 | 2.800 |
| Bobl (M) | 0.930 | 1.400 | 1.500 |
| Shatz (M) | 0.370 | 0.550 | 0.590 |

US Treasuries v Eurex Bonds

| | 2y | 5y | 10y |
|-----------|-----|------|------|
| Bund (M) | 1.7 | 3.9 | 6.8 |
| Bobl (M) | 3.0 | 7.1 | 12.3 |
| Shatz (M) | 6.9 | 16.2 | 28.3 |

| | Bund (M) | Bobl (M) | Shatz (M) |
|-----------|----------|----------|-----------|
| Bund (M) | | 1.873 | 4.608 |
| Bobl (M) | 0.534 | | 2.460 |
| Shatz (M) | 0.210 | 0.400 | |

Yield Spreads



| US Cash Treasuries (OTR) | | | |
|--------------------------|-------|-------|-------|
| | Bid | Ask | Last |
| US2y | 4.925 | 4.921 | 4.921 |
| US5y | 4.859 | 4.852 | 4.852 |
| US10y | 4.898 | 4.896 | 4.896 |



| German Cash Treasuries (OTR) | | | |
|------------------------------|-------|-------|-------|
| | Bid | Ask | Last |
| DE2y | 4.383 | 4.371 | 4.371 |
| DE5y | 4.418 | 4.408 | 4.408 |
| DE10y | 4.413 | 4.406 | 4.406 |

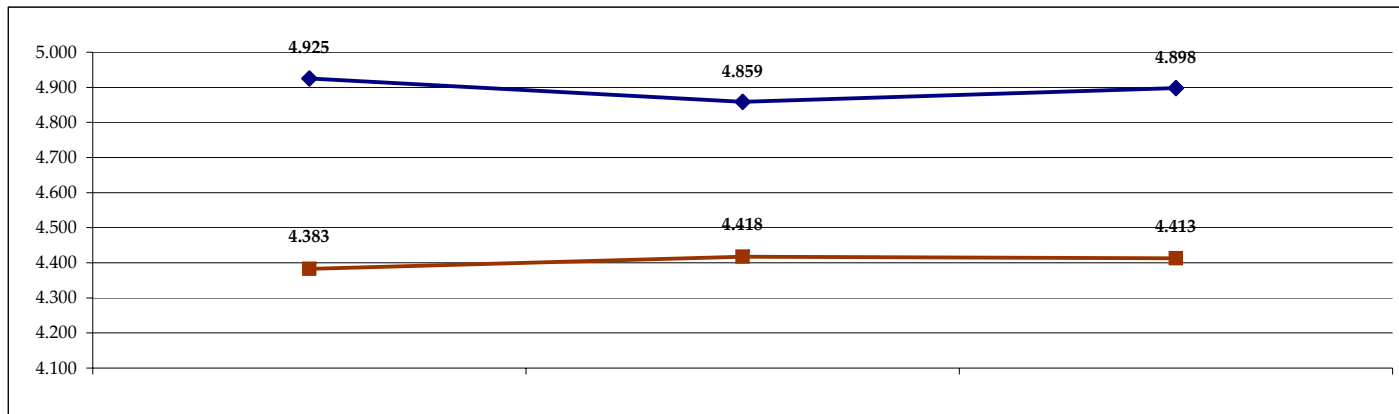
| Spreads^ | |
|-----------------------|-------|
| US2y-Schatz | 0.367 |
| US5y-Bobl | 0.344 |
| US10y-Bund | 0.418 |
| US2y- 3.750 of 03/09 | 0.550 |
| US5y- 4.000 of 01/12 | 0.439 |
| US10y- 3.500 of 01/16 | 0.494 |
| US2y-DE2y | 0.550 |
| US5y-DE5y | 0.444 |
| US10y-DE10y | 0.490 |

^Last minus Last

| German Futures ^ | | | |
|------------------|-------|-------|-------|
| | Bid | Ask | Last |
| Schatz | 4.554 | 4.552 | 4.554 |
| Bobl | 4.512 | 4.510 | 4.508 |
| Bund | 4.483 | 4.482 | 4.478 |

^Interpolated. NOT based on CTD

| German Futures (CTD) | | | |
|----------------------|-------|-------|-------|
| | Bid | Ask | Last |
| 3.750 of 03/09 | 4.383 | 4.371 | 4.371 |
| 4.000 of 01/12 | 4.423 | 4.413 | 4.413 |
| 3.500 of 01/16 | 4.408 | 4.402 | 4.402 |



Contract Specs

Price Quotation and Minimum Price Change

The Price Quotation is in percent of the par value.

| Contract | Minimum Price Change | |
|---------------------|----------------------|--------|
| | Percent | Value |
| Euro-Schatz Futures | 0.005 | EUR 5 |
| Euro-Bobl Futures | 0.01 | EUR 10 |
| Euro-Bund Futures | 0.01 | EUR 10 |
| Euro-Buxl® Futures | 0.02 | EUR 20 |

Contract Standards

Notional short-, medium- or long-term debt instruments issued by the Federal Republic of Germany or the Swiss Confederation with remaining terms and a coupon of:

| Contract | Product ID | Remaining Term | Coupon | Currency |
|---------------------|------------|----------------|---------|----------|
| | | Years | Percent | |
| Euro-Schatz Futures | FGBS | 1.75 to 2.25 | 6 | EUR |
| Euro-Bobl Futures | FGBM | 4.5 to 5.5 | 6 | EUR |
| Euro-Bund Futures | FGBL | 8.5 to 10.5 | 6 | EUR |
| Euro-Buxl® Futures | FGBX | 24.0 to 35.0 | 4 | EUR |

Trading Hours

Eurex operates in three [trading phases](#): pre-trading, trading and post-trading. The [post-trading phase](#) is further split in several periods where different functions are available.

| Pre-Trading | Regular Trading Day | | | Last Trading Day | | | Exercise/Notify until |
|-------------|---------------------|--------------|--------|------------------|-------|--------|-----------------------|
| | Trading | Post-Trading | | Post-Trading | | | |
| | | Full | Late 1 | Restricted | Full | Late 1 | Late 2 |
| 07:30 | 08:00 | 22:00 | | 22:30 | 12:30 | | 20:00 |

TIMES ARE CET

Contract Month

Up to 9 months: The three nearest quarterly months of the March, June, September and December cycle.

Delivery Day

The tenth calendar day of the respective quarterly month, if this day is an exchange trading day; otherwise, the exchange trading day immediately succeeding that day.

Last Trading Day

Two exchange trading days prior to the Delivery Day of the relevant maturity month. Close of trading in the maturing futures on the Last Trading Day is at 12:30 CET.

Daily Settlement Price

Standard Method

Volume-weighted average price of all trades during the final minute of trading before 17:15 CET provided that more than five trades occurred during this minute;

otherwise the volume-weighted average price of the last five trades before 17:15 CET provided that these are not older than 15 minutes. If such a price cannot be determined,

or the price so determined does not reflect the prevailing market conditions, Eurex will establish the official settlement price.

If the price so determined does not reasonably reflect the prevailing market conditions at the close of trading, Eurex may change and redetermine the official settlement price.

Volume Questions

When does the volume trade? Between what ours of the day? These are the two questions most frequently asked, by new traders to this contract. Of course number releases pertaining to the German economy will produce volume. Past that we can look at a chart of the Bund as determine when volume occurs.

| Time | Volume | Volume |
|---------------------|--------|--------|
| | Rises | Drops |
| 1:00 AM CST | x | |
| 7:00 AM CST | x | |
| 10:00 AM CST | | x |
| 11:00 AM CST | | x |
| German Econ Release | x | |
| US Econ Release | x | |