

The Morning Email: US & Germany



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

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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	-72.79	-61.14	95.77	96.68	96.94	95.45	DGM7	Schatz(2Y)
Bobl(5Y)	DLM7	-71.26	-60.63	96.72	96.61	97.38	96.36	DLM7	Bobl(5Y)
Bund(10Y)	DBM7	-67.14	-62.64	97.64	96.77	97.59	97.04	DBM7	Bund(10Y)

Correlation is based on 10 day historical

Techs for the BUND

As of 06/04

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-----RESISTANCE-----
112.75 Bollinger band center trigger
112.70 38.2% of the 04/19 - 06/01 D-move
112.68 05/22 - 05/23 gap top
112.30 23.6% of the 04/19 - 06/01 D-move
112.25 05/30 - 05/31 gap top
112.20 10-DMA
111.98 5-DMA
111.75 +.04 06/04 Settlement
111.64/.67 06/01/06/04 lows
111.48 lower Bollinger band
111.00/.24 Nov '03 corrective lows
109.79 Oct '02 corrective lows
-----SUPPORT-----
    
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SEPTEMBER BUND NOT JUNE

Stone & McCarthy
RESEARCH ASSOCIATES

Technical Commentary -EUREX SEP 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, and Monday's constructive harami work lends some weight to this argument. 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 (short-term) longs be attempted.

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

Quotes 1



	32 nds					Volume	Yest Volume	SYM NAME
	ls	net	high	low	open			
TUAU7	101.245	(0.7)	101.260	101.242	101.250	8,669	187,228	2y Futures
FVAU7	104.035	(2.5)	104.070	104.030	104.055	41,856	577,834	5y Futures
TYAU7	105.290	(4.5)	106.030	105.285	106.010	106,925	1,139,421	10y Futures
USAU7	108.210	(9)	108.290	108.190	108.270	24,750	379,425	30y Futures
	ls	net	high	low	open			SYM NAME
BUS02P	99.257	(1.0)	99.272	99.260	99.267			2y
BUS05P	99.070	(3.2)	99.107	99.072	99.097			5y
BUS10P	96.155	(6.5)	96.220	96.160	96.200			10y
BUS30P	95.160	(12)	95.285	95.165	95.245			30y
	ls	net	high	low	open			SYM NAME
BUS02Y	4.976	1.70	4.984	4.942	4.984			2y Yield
BUS05Y	4.927	2.30	5.04	4.898	4.918			5y Yield
BUS10Y	4.946	2.50	4.954	4.921	4.937			10y Yield
BUS30Y	5.041	2.40	5.045	5.014	5.03			30y Yield



	Decimal					Volume	Yest Volume	SYM NAME
	ls	net	high	low	open			
DGM7	102.63	(0.20)	102.66	102.62	102.64	596,657	887,899	Schatz(2Y)
DLM7	106.34	(0.06)	106.42	106.32	106.37	494,697	980,985	Bobl(5Y)
DBM7	111.60	(0.12)	111.77	111.57	111.68	810,969	1,462,533	Bund(10Y)

German Futures

	Price	Yield			Maturity	Volume	Yest Volume	SYM NAME
	ls	ls	Coupon					
T.US.DE036P0309	98.85	4.421	3.750	3/13/2009				2 yr CTD
T.US.DE050P0112	102.13	4.458	5.000	1/4/2012				5 yr CTD
T.US.DE034P0116	93.26	4.455	3.500	1/4/2016				10 yr CTD
DEP2P	98.87	4.421	3.750	3/13/2009				2yr OTR
DEP5P	98.06	4.451	4.000	4/13/2012				5yr OTR
DEP10P	94.53	4.462	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	102.63	102.63	102.63	102.66	102.62	-0.20	Schatz(2Y)	German Futures
DLM7	106.34	106.35	106.34	106.42	106.32	-0.06	Bobl(5Y)	
DBM7	#VALUE!	111.60	111.60	111.77	111.57	-0.12	Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	SYM NAME	
	DGM7	4.596	4.594	4.594	4.599		
DLM7	4.554	4.551	4.554	4.558	4.536	Bobl(5Y)	
DBM7		4.532	4.532	4.535	4.512	Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng	SYM NAME	
	T.US.DE036P0309	4.433	4.421	4.421	4.439	4.403		
T.US.DE050P0112	4.468	4.458	4.458	4.473	4.434	-8	5 yr CTD	
T.US.DE034P0116	4.461	4.455	4.455	4.464	4.432	-16	10 yr CTD	
DEP2P	4.433	4.421	4.421	4.439	4.403	-2	2yr OTR	
DEP5P	4.461	4.451	4.451	4.465	4.427	-9	5yr OTR	
DEP10P	4.469	4.462	4.462	4.471	4.442	-17	10yr OTR	

	Decimal						SYM NAME	
	bid	ask	Last	hi	lo	Chng		
T.US.DE036P0309	98.85	98.87	98.87	98.90	98.84	-0.02	2 yr CTD	German Cash
T.US.DE050P0112	102.13	102.17	102.17	102.27	102.11	-0.08	5 yr CTD	
T.US.DE034P0116	93.26	93.30	93.30	93.45	93.24	-0.16	10 yr CTD	
DEP2P	98.85	98.87	98.87	98.90	98.84	-2.00	2yr OTR	
DEP5P	98.02	98.06	98.06	98.16	98.00	-9.00	5yr OTR	
DEP10P	94.48	94.53	94.53	94.68	94.46	-17.00	10yr OTR	

Y = Yield

CTD = Cheapest to Deliver

DE = German Country Code

MarketNews
international

Stone & McCarthy
RESEARCH ASSOCIATES

Yesterday

11:01 06/04 ECB: **ECB's Wellink**, says in long-term, real equilibrium interest rate may rise.

Headlines

Bonds higher on risk aversion bids, low volumes

Bonds open higher on risk aversion following decline in Chinese Stocks
April Eurozone Producer Prices: +0.4%mom/+2.4%yoy

04/06/2007	14:26	EURO	chg	USA	chg	UK	chg
Futures	Bond	111.82	0.11	108.72	0.22	105.24	0.03
	STIR	95.63	0.01	94.68	0.02	93.82	-0.01
Cash	3mth	4.13	0.00	5.36	0.00	5.83	0.01
	2yr	4.41	-0.01	4.95	-0.02	5.77	0.01
	5yr	4.43	-0.02	4.91	-0.02	5.55	-0.01
	10yr	4.44	-0.01	4.94	-0.02	5.28	-0.01
	30yr	4.54	-0.01	5.04	-0.02	4.65	0.00
	10yr-2yr	0.03	0.00	-0.02	0.00	-0.49	-0.01
Spreads	2yr	--	--	0.60	-0.01	1.44	0.01
vs euro	10yr	--	--	0.56	0.00	0.91	0.00
FX	USD	1.349	0.005	--	--	1.990	0.008
	EUR	--	--	--	--	0.678	-0.001
	YEN	164.02	-0.15	121.58	-0.53	241.96	-0.05
Equities		4531.5	-0.5%	1536.3	0.4%	6659.0	%

Euro Mkt Summary: EGBs Higher on Risk Aversion
by Charanjeev Chana

EGBs were trading higher on Monday, marginally paring losses as European equity bourses recovered ground after trading lower following Chinese stock market declines overnight. Volumes remained light as a system failures on the Euronext-Liffe exchange on Monday morning sidelined many traders. European Government Bonds opened higher on risk aversion buying after Chinese stocks declined more than 8% amid rumours the government may impose a capital gains tax to cool the Chinese stock market. The move follows sharp declines in China's benchmark stock index last week, after Beijing tripled stamp duty on share transactions. On the data front, Eurozone producer prices rose above expectations in April, taking cue from the third consecutive rise in energy prices.

Attention on Tuesday will fall on the release of Eurozone Service PMIs. Also eyed will be Eurozone retail sales data. ECB President Jean Claude Trichet is due to speak at the 'Lisbon Council', in Brussels however we expect little references to the economy or monetary policy of the ECB policy meeting on Thursday.



Overnight

03:53 06/05 EGBs: **The Bund curve** is holding a marginally steeper bias in early Tuesday trading session, with longer dated issues weighed by supply pressures. The UK sells a new 35-year Gilt today for Stg2.25bln and France taps the 4.00% Oct 2038 OAT on Thursday. Strategists say that the announcement of the 30-year OAT instead of the 15-year OAT was a surprise. The 2-/10-year Bund yield curve is at +3.6bps vs +2.4bps on Monday.

05:49 06/05 **GILT NEW 2042 AUCTION RESULTS:** The UK's Debt Management Office announced Tuesday that it sold Stg2.25bln of the new 4.50% Dec 2042 Gilt, with a cover of 1.64 times. Tail 0.4 bps.

05:59 06/05 **GILTS:** Sept Gilt futures contract are up around 5 ticks following the new 4.50% Dec 2042 Gilt auction results, which came in much better than most strategists had expected -- cover at 1.64 times vs average cover of last three 2046 Gilt at 1.56. Ahead of the auction, most strategists said that the auction is equivalent to just 51,500 long Gilt futures contracts, and should be easily absorbed. In addition, today's auction was seen supported by the Stg4.1bln coupon payments due on June 7 and the issue was also seen as cheap given long-dated yields are at their highest since late 2004.

06:31 06/05 **EUROZONE:** Reported comments from eurozone officials Tuesday, ** IMF/EMU: Some further tightening of interest rates by the ECB is needed, though how much is unclear, the IMF said Tuesday at the conclusion of a mission to monitor the eurozone economy. The IMF said in a written statement that ECB policy rates are now "within the range of neutral." but it noted that inflation in the 13-nation single currency union would firm gradually to around 2% this year and next - just above the ECB's upper limit for price stability. The IMF also said the euro zone economy is moving from "recovery" to "upswing," with the fundamentals in place for solid growth.
 ** EU: Approves ending excess deficit process vs Germany, Greece, Malta
 ** EMU: EU Finance Ministers have provisionally backed Cyprus and Malta's plan to adopt the euro from Jan 2008.

Overnight

05:31 06/05 **ECB:** Not so long ago, many market players thought the ECB would take a break from monetary tightening after its policy rate reached 4%. But with the key refinancing rate poised to hit that level on Wednesday and the eurozone economy galloping ahead at a surprising, potentially inflationary pace, few are thinking in those terms any longer. Read the full "ECB State of Play" analysis on Mainwire.

04:27 06/05 **SCHATZ:** The German federal government will auction about E7bln in the initial sale of its June 2009 2-year Schatz next week, the Financing Agency confirmed Tuesday. This issue is scheduled to be topped up by E7bln in July, before a new September 2009 2-year Schatz is launched in September.

04:14 06/05 **GERMANY:** The German federal government will auction about E7 billion in the initial sale of its June 2009 two-year Schatz next week, the Financing Agency confirmed Tuesday. The formal tender offer will be made on Tuesday, June 12, at which time the coupon for the new issue will be announced.

04:00 06/05 **EMU:** Some further tightening of interest rates by the European Central Bank is needed, though how much is unclear, the International Monetary Fund said Tuesday at the conclusion of a mission to monitor the eurozone economy. The IMF said in a written statement that ECB policy rates are now "within the range of neutral." but it noted that inflation in the 13-nation single currency union would firm gradually to around 2% this year and next - just above the ECB's upper limit for price stability. The IMF also said the euro zone economy is moving from "recovery" to "upswing," with the fundamentals in place for solid growth. It projected euro area GDP growth of 2.5% this year and next, with risks to GDP on the upside in the short-term but on the downside further out. Read the full story on Mainwire.

US Intrinsic's				
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	15.27	4.74	\$1,481	
10y	7.87	2.44	\$761	
5y	4.38	1.39	\$435	
2y	2.06	0.65	\$202	
ZB	9.75	3.41	\$107	
ZN	5.83	1.98	\$62	
ZF	4.00	1.33	\$42	
ZT	1.88	1.25	\$39	



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

^Futures are Based on CTD

Last

EURUSD 135.16



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	4.980	4.976	4.976
US5y	4.929	4.927	4.927
US10y	4.954	4.946	4.946



German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	4.433	4.421	4.421
DE5y	4.461	4.451	4.451
DE10y	4.469	4.462	4.462

Spreads^

US2y-Schatz	0.393
US5y-Bobl	0.387
US10y-Bund	0.428
US2y- 3.750 of 03/09	0.555
US5y- 4.000 of 01/12	0.469
US10y- 3.500 of 01/16	0.491
US2y-DE2y	0.555
US5y-DE5y	0.476
US10y-DE10y	0.484

^Last minus Last

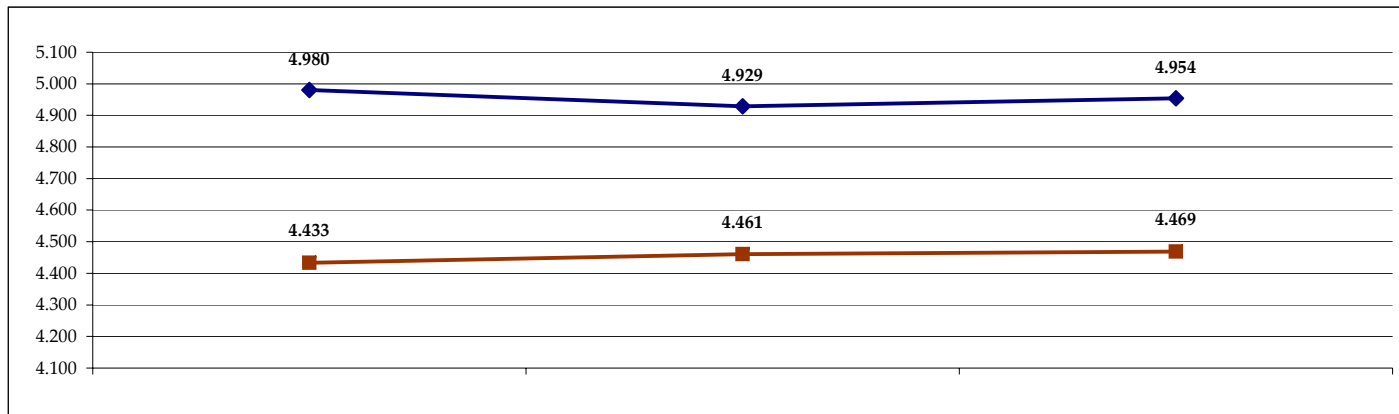
German Futures ^

	Bid	Ask	Last
Schatz	4.596	4.594	4.583
Bobl	4.554	4.551	4.540
Bund		4.532	4.518

^Interpolated. NOT based on CTD

German Futures (CTD)

	Bid	Ask	Last
3.750 of 03/09	4.433	4.421	4.421
4.000 of 01/12	4.468	4.458	4.458
3.500 of 01/16	4.461	4.455	4.455



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	