6/7/2007 5:45

The Morning Email: Treasuries

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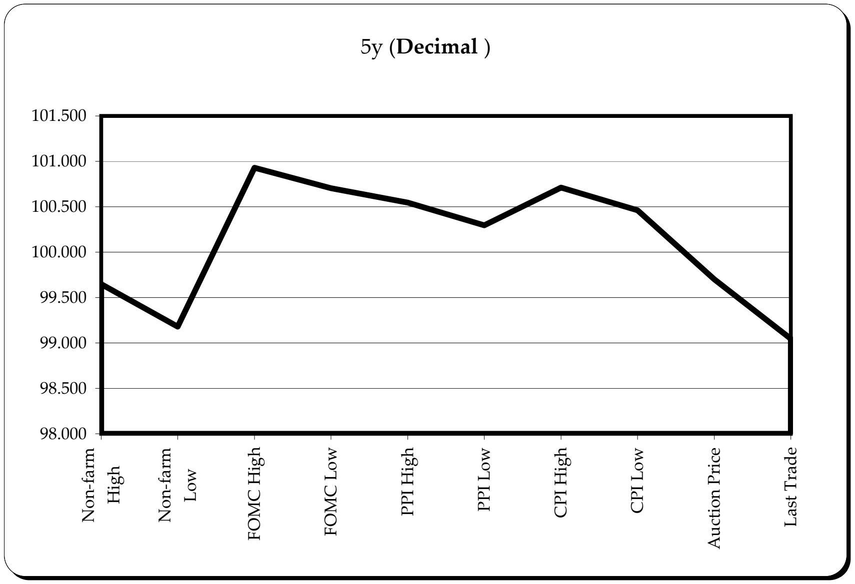
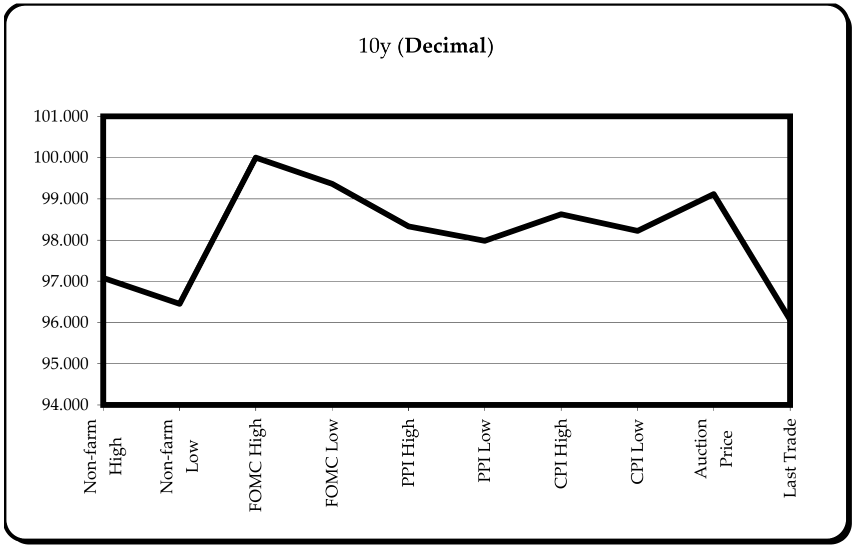
Important Econ Releases, Highs & Lows

	Economic Releases - 32nds				
	5y*	10y*	ZNU7**	ZBU7**	Date
Non-farm High	99.2075	97.025	106.155	109.10	6/1/2007
Non-farm Low	99.0580	96.145	105.290	108.15	6/1/2007
FOMC High	100.2975	100.000	108.075	111.24	5/9/2007
FOMC Low	100.2250	99.115	107.305	111.08	5/9/2007
PPI High	100.1750	98.105	107.195	110.23	4/13/2007
PPI Low	100.0950	97.315	107.080	110.02	4/13/2007
CPI High	100.2275	98.200	107.305	111.11	5/15/2007
CPI Low	100.1475	98.070	107.185	110.21	5/15/2007
Auction Price	99.2243	99.035			
Last Trade	99.0150	96.020	105.185	107.27	6/7/2007 5:45

*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

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Quotes

	32 nds						
	ls	net	high	low	open	Volume	SYM NAME
TUAU7	101.237	(1.7)	101.257	101.230	101.255	34,825	2y Futures
FVAU7	103.295	(5.5)	104.045	103.285	104.035	65,116	5y Futures
TYAU7	105.185	(8.5)	105.295	105.170	105.280	246,121	10y Futures
USAU7	107.270	(13)	108.110	107.250	108.100	43,400	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.257	(1.7)	99.275	99.252	99.275	na	2y
BUS05P	99.012	(5.5)	99.072	99.002	99.072	na	5y
BUS10P	96.015	(10.0)	96.125	96.005	96.125	na	10y
BUS30P	94.125	(18)	94.300	94.105	94.300	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.976	3.40	4.997	4.93	4.972	na	2y Yield
BUS05Y	4.965	4.10	4.979	4.918	4.938	na	5y Yield
BUS10Y	5.007	4.30	5.018	4.96	4.972	na	10y Yield
BUS30Y	5.118	4.10	5.126	5.076	5.084	na	30y Yield

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MarketNews international

News Recap for the United States
Yesterday

15:30 06/06 **US TSYS/RECAP:** Tsys rose on 1) Europe/US stks slide. DJIA -114 pts, 13,480; 2) technical strength as reject 5% 10Y big level; now back 4.97%; 3) Sept 10Y Bunds earlier had bullish key-day reversal as break above 111.83, later uncertainty amid ECB Weber says rates "far from accommodative" tho Trichet said soothing things earlier. Bunds drew risk-aversion buying. 4) Curve steepening spurred by huge swap pay in 30Y spd main focus; sources mulled many things on trade: including done to shed duration, or vs 10Y to keep 10Y/30Y spd steep and keep 10Y away from 5%, for range accrual purposes, for rate-locking purposes, or a structured note or vs curve. 5) Futures reflected better steepeners in 5/30Y. 6) A.m. 2-way Tsys flow: buy-and-hold 10Y bid, lvrgd acct selling front end, some sell Tsys/Buy Bund (was UK time sale 40K Bund 10Y futures). 7) TIPS buyers (such as p.m. hedge funds), corp real money accts bought 10Y futures. 8) Real, fast money bought MBS, w/ MBS-tied selling in 10Y futures. Hedge fund bid 10Y vol.Fund sold FVU vs buy TYU.

15:15 06/06 **US Eurodlr/Swaps**: Spds finished out the session wider across the board amid heavy swap paying on spread in 30s, appr. $2-$3B, as well as paying in 5s and 10s on good size. Sources reported early bank portfolio paying and dealer selling of 3-year proxies in the front-end into the early weakness but this was followed by receiving in the middle of the curve as fixed income markets bounced. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Wed 3:10	+0.25/43.25	+0.25/50.00	+0.50/57.75	+0.75/62.75
1:20	+0.00/43.00	+0.25/50.00	+0.25/57.50	+0.50/62.50
10:15	+0.00/43.00	+0.00/49.75	+0.00/57.25	+0.25/62.25
9:30	+0.00/43.00	+0.25/50.00	+0.50/57.75	+0.50/62.50
Wed Open	+0.00/43.00	+0.25/50.00	+0.25/57.50	+0.25/62.25
Tue 3:05	+0.00/42.75	+0.00/49.75	+0.00/57.25	+0.50/62.00

News Recap for the United States
Overnight

05:30 06/07 **TSYS**: Treasuries are trading sharply lower across the board in London trade Thursday, as global debt markets trade lower. The selling in the Treasury market pushed the yield on the benchmark 10-year above 5.00% for the first time in almost 11 months. Prices were lower from the getgo in Tokyo trade, weighed by weaker JGBs and selling of longer-dated paper by regional funds. Also, press comments from well-known press commentators also dampened sentiment. Prices continued to slide in London, with selling seen it all sectors of the curve. Real money names were noted selling the 5 and 10-year area, with leveraged players also noted selling longer-dated paper, the market traded lower, as 10-year yields traded at 5.00%. Bunds were trading 1 bps higher 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+/32 lower, trading at 99 26/32 to yield 4.98%. The 10-yr note was 8/32 lower at 96 5/32 (5.00%), with the Bond 14/32 lower at 94 17 (5.11%). [my emphasis]

MarketNews international

10:06 06/06 US TSYS/10Y: **New Tsy coupon** supply will surface next week; will be an 11am ET Tsy announcement Thursday on the 10-year note auction reopening set for Tues, June 12. Barclays Capital's Mike Pond expects an US$8B 10-year note reopening.

10:00 06/06 US OUTLOOK: **National Association of Realtors forecasts** home sales will move in a relatively narrow range with a gradual upturn becoming more pronounced by the end of the year. Existing-home sales are projected to total 6.18 million in 2007 and 6.41 million next year, new-home sales are forecast at 860,000 this year and 901,000 in 2008. "The national median existing-home price should ease by 1.3 percent to $219,100 in 2007 before rising 1.7 percent next year." Text appears on MNI main wire.

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--Stone & McCarthy---Measures of market sentiment and duration risk profiles migrated toward neutral for the **SMR U.S. Portfolio Manager Survey** in the week ended June 5. Sentiment readings are now neutral and measures of duration exposure are also neutral. The migration in duration exposure toward neutrality primarily reflected a passive reaction to the extension of market indices at month-end, rather than an active attempt to shorten duration exposure.

SMR Weekly Money Manager Survey Summary

06/05/07	Survey Average	Range	Prior Week	Range
Cash/Assets		0% - 18%		0% - 18%
Arithmetic	3.7%		3.6%	
Weighted	3.9%		3.8%	
Actual/Target Duration		86% - 113%		90% - 113%
Arithmetic	100.0%		101.0%	
Weighted	100.0%		101.4%	
Bear/Bull Index		3 - 7		3 - 7
Arithmetic	5.0		5.3	
Asset Weighted	5.0		5.5	
*Intending to adjust portfolio in coming week				
Actual/Bogey	N/A		107.1%	
Bear/Bull Index	N/A		5.0	
% Planning to be Active	0%		8%	

Duration, DV01s, Curve, Flys, CFs

	M Duration	DV01 32	DV01 $
30y	15.18	4.66	$1,455
10y	7.85	2.42	$757
5y	4.38	1.39	$434
2y	2.05	0.64	$201
ZB	9.72	3.38	$106
ZN	5.82	1.97	$62
ZF	4.00	1.33	$42
ZT	1.88	1.24	$39

Yield Curve Spreads

2/5	-1.10
5/10	4.20
2/10	3.10
10/30	11.10
5/30	15.30
2/30	14.20

Fly's

2/5/10	-5.30
2/10/30	-8.00
5/10/30	-6.90

	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)

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Hedge Ratio's

US Financial Futures / Eurex Bond

	ZB	ZN	ZF	ZT
Bund (U)	1.000	1.800	2.700	2.900
Bobl (U)	0.580	1.000	1.500	1.600
Shatz (U)	0.250	0.430	0.650	0.700

US Financial Futures

	ZB	ZN	ZF	ZT
ZB		1.714	2.541	2.721
ZN	0.583		1.483	1.588
ZF	0.394	0.674		1.071
ZT	0.368	0.630	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	1.90	4.11	7.17	13.78
ZN	3.26	7.04	12.28	23.62
ZF	4.84	10.44	18.21	35.02
ZT	5.18	11.18	19.50	37.50

US Treasuries v Eurex Bonds

	2y	5y	10y	30y
Bund (U)	1.7	3.9	6.8	13.1
Bobl (U)	3.0	7.0	12.2	23.6
Shatz (U)	6.9	16.1	28.2	54.3

US Treasuries

	2y	5y	10y	30y
2y		2.386	4.163	8.006
5y	0.463		1.744	3.355
10y	0.266	0.561		1.923
30y	0.138	0.292	0.520	

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Commitment of Traders (COT)

	Current Positions									
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	312,769	357,891	(45,122)	180,580	349,139	(168,559)	1,331,901	1,118,219	213,682	ZF
ZN	357,687	502,601	(144,914)	793,871	462,621	331,250	1,965,289	2,151,624	(186,335)	ZN
ZB	170,532	248,799	(78,267)	119,517	242,104	(122,587)	757,606	556,753	200,853	ZB

	WoW* Position Change			
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	As of
ZF	(16,490)	(36,536)	59,656	5/29/2007
ZN	(22,513)	(66,906)	89,420	
ZB	(16,876)	(19,415)	36,290	

**WoW = Week over week

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Closes2pm

	Cpn	Mty	32nds	Yield
2y	4.875	5/31/09	99.2725	4.954
5y	4.750	5/31/12	99.0650	4.932
10y	4.500	5/15/17	96.110	4.970
30y	4.750	2/15/37	94.29	5.084

	CF Basis* (decimal)	GHCO Basis
5y	0.27	30.702
10y	(2.16)	-1.319
30y	(31.02)	280.246

	32nds
ZF	104.030
ZN	105.275
ZB	108.09

Curve Spreads bps	
2/5	(0.022)
5/10	0.038
2/10	0.016
10/30	0.114
5/30	0.152
2/30	0.130

CF = Conversion Factor

Cash - (Futures * CF)

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Correlations

All correlations based on 10 day historical

	US Cash Treasuries (price)				US Bonds/Notes (CBOT)			
Symbol	2yr	5yr	10yr	30yr	ZT	ZF	ZN	ZB
2yr	100.0	59.9	-46.8	-33.7	-65.3	-59.0	-54.3	-42.9
5yr	59.9	100.0	-44.6	-29.5	-60.3	-53.3	-49.5	-34.3
10yr	-46.8	-44.6	100.0	96.4	94.7	98.2	99.1	95.9
30yr	-33.7	-29.5	96.4	100.0	83.4	90.7	94.0	98.3
ZT	-65.3	-60.3	94.7	83.4	100.0	98.7	96.6	85.9
ZF	-59.0	-53.3	98.2	90.7	98.7	100.0	99.5	92.7
ZN	-54.3	-49.5	99.1	94.0	96.6	99.5	100.0	95.9
ZB	-42.9	-34.3	95.9	98.3	85.9	92.7	95.9	100.0

	US Cash Treasuries (price)				US Bonds/Notes (CBOT)			
Symbol	2yr	5yr	10yr	30yr	ZT	ZF	ZN	ZB
emini SP	61.4	42.3	(24.2)	(0.6)	(49.9)	(37.1)	(28.7)	(4.9)
Dow Futures	47.1	30.8	2.5	25.1	(24.2)	(10.2)	(1.6)	21.4
USDJPY	(4.0)	8.3	33.1	46.2	16.7	26.4	30.3	42.3
EURUSD	30.7	43.9	(77.8)	(69.4)	(76.7)	(77.2)	(75.3)	(64.6)

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Cash Duration Matrix

Cash Duration Matrix				
	2	5	10	30
2	**100%**			
5	50%	**100%**		
10	27%	55%	**100%**	
30	14%	27%	50%	**130%**

What is this? (1):
2yr cash has X% duration of 5yr cash .

Cash Matrix [DV01 x Duration]				
	2	5	10	30
2	**$201**			
5	$205	**$413**		
10	$202	$408	**$746**	
30	$197	$397	$727	**$1,455**

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.

Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	($4)			
10	($1)	$6		
30	$4	$16	$19	

Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	-1.75%			
10	-0.35%	1.43%		
30	2.27%	4.10%	2.63%	

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

Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.52	1.07	1.92	3.75
ZF	0.48	0.99	1.79	3.50
ZN	0.33	0.67	1.21	2.36
ZB	0.19	0.39	0.71	1.38

	2y	5y	10y	30y
2y	1.00	2.06	3.71	7.24
5y	0.49	1.00	1.80	3.52
10y	0.27	0.55	1.00	1.95
30y	0.14	0.28	0.51	1.00

	ZT	ZF	ZN	ZB
ZT	1.00	1.07	1.59	2.72
ZF	0.93	1.00	1.48	2.54
ZN	0.63	0.67	1.00	1.71
ZB	0.37	0.39	0.58	1.00

What is this? (1):
The 30 yr cash moves X.XX tics for every 1 tic ZT moves.

What is this? (2):
ZB moves X.XX tics for every 1 tic ZN moves.