

The Morning Email: US & Germany

Table of Contents

Pg 1 Correlation Matrix & BUND Technicals

Pg 2 Quotes 1



Pg 3 Quotes 2



Pg 4 News - Yesterday's Recap

Pg 5 News - Overnight Recap



Pg 6 Hedge Ratio's - Bloomberg

Pg 7 Yield Spreads

Pg 8 Volume Questions

I HAVE ROLLED TO SEP
WITHIN THIS EMAIL. YOU ARE
NOW VIEWING INFORMATION
ON SEP BONDS/NOTES FROM
BOTH COUNTRIES

"...monetary policy is still on the accommodative side"---TRICHET
06/06/2007

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.

Jim Goulding, jgoulding@ghco.com

SYM NAME	Symbol	US Cash Treasuries			US Bonds/Notes (CBOT)			Symbol	SYM NAME
		2yr	5yr	10yr	ZT	ZF	ZN		
Schatz(2Y)	DGU7	-62.62	-53.48	80.58	93.91	87.74	83.39	DGU7	Schatz(2Y)
Bobl(5Y)	DLU7	-60.52	-52.04	92.14	96.68	95.81	93.63	DLU7	Bobl(5Y)
Bund(10Y)	DBU7	-54.16	-48.69	96.57	94.95	97.55	96.86	DBU7	Bund(10Y)

Correlation is based on 10 day historical

**Correlations will be off after an auction/rollover.
After 10 days they will return to normal.**

Stone & McCarthy
RESEARCH ASSOCIATES

```

-----RESISTANCE-----
112.85 50% of the 04/19H - 06/06L
112.63 Bollinger band center trigger
112.49 38.2% of the 04/19H - 06/06L
112.25 05/30 - 05/31 gap top
112.05 23.6% of the 04/19H - 06/06L
112.00 10-DMA
111.77 06/04 close
111.76 +.32 06/06 Settlement
111.74 5-DMA
111.34/.40 06/06 pivot
111.29 lower Bollinger band
111.00/.24 Nov '03 corrective lows
109.79 Oct '02 corrective lows
-----SUPPORT-----

```

Technical Commentary - EUREX SEP 2007 10yr Euro-Bund, by Mike Sacchitello, CMT

Short-term, Sep finally delivered on a recent double bottom in the daily slow stochastic, with Wednesday's bullish engulfing work. Technically, this action gives us reason to suggest that aggressive bargain hunters look for opportunities, but only if strict stops are placed just beneath Tuesday's multi-month closing low as protection against the prevailing downtrend.

Worth noting is that even after Wednesday's bullish action, the 5-DMA remains a downside liquidity concern, since Sep failed to forcefully remove it. Given this line's reliability as a shearing line, a follow-through session above this line would help to confirm Wednesday's key reversal.

Remember, at this time, any fresh longs should only be thought of as countertrend in nature. Look for new highs to yield potential to the slower 20-day line and a better retrace of the 04/19 - 06/06 Fibonacci sequence detailed on the opening liquidity table.

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 113.17.

Quotes 1



	32 nds					Volume	Yest Volume	SYM NAME
	ls	net	high	low	open			
TUAU7	101.237	(1.5)	101.257	101.230	101.255	34,825	214,419	2y Futures
FVAU7	103.295	(5.5)	104.045	103.285	104.035	65,116	548,161	5y Futures
TYAU7	105.185	(8.5)	105.295	105.170	105.280	246,121	1,499,958	10y Futures
USAU7	107.270	(13)	108.110	107.250	108.100	43,400	470,340	30y Futures
	ls	net	high	low	open			SYM NAME
BUS02P	99.257	(1.7)	99.275	99.252	99.275			2y
BUS05P	99.012	(5.5)	99.072	99.002	99.072			5y
BUS10P	#VALUE!	(10.0)	96.125	96.005	96.125			10y
BUS30P	94.125	(17)	94.300	94.105	94.300			30y
	ls	net	high	low	open			SYM NAME
BUS02Y	4.976	3.40	4.997	4.93	4.972			2y Yield
BUS05Y	4.967	4.30	4.979	4.918	4.938			5y Yield
BUS10Y	5.003	3.90	5.018	4.96	4.972			10y Yield
BUS30Y	5.117	4.00	5.126	5.076	5.084			30y Yield



	Decimal					Volume	Yest Volume	SYM NAME
	ls	net	high	low	open			
DGU7	102.56	(0.85)	102.63	102.54	102.62	485,810	1,691,792	Schatz(2Y)
DLU7	106.34	(0.23)	106.52	106.31	106.52	384,589	1,537,717	Bobl(5Y)
DBU7	111.36	(0.39)	111.65	111.28	111.64	857,543	2,155,444	Bund(10Y)

German Futures

	Price	Yield			Maturity	Volume	Yest Volume	SYM NAME
	ls	ls	Coupon					
T.US.DE032P0409	100.08		4.500	7/4/2009				2 yr CTD
T.US.DE050P0712	98.00	4.416	4.000	4/13/2012				5 yr CTD
T.US.DE042P0717	96.44	4.429	4.000	7/4/2016				10 yr CTD
DEP2P	98.86	4.431	3.750	3/13/2009				2yr OTR
DEP5P	98.04	4.457	4.000	4/13/2012				5yr OTR
DEP10P	94.35	4.487	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		
DGU7	102.55	102.56	102.56	102.63	102.54	-0.85	Schatz(2Y)	German Futures
DLU7	106.34	#VALUE!	106.34	106.52	106.31	-0.23	Bobl(5Y)	
DBU7	111.36	111.37	111.36	111.65	111.28	-0.39	Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo		SYM NAME	
DGU7	4.636	4.633	4.633	4.641	4.596		Schatz(2Y)	German Futures
DLU7	4.554		4.554	4.560	4.514		Bobl(5Y)	
DBU7	4.560	4.559	4.560	4.570	4.526		Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng	SYM NAME	
T.US.DE032P0409	4.456	4.440		4.481	4.394	0	2 yr CTD	German Cash
T.US.DE050P0712	4.466	4.457	4.416	4.490	4.407	0	5 yr CTD	
T.US.DE042P0717	4.486	4.479	4.429	4.489	4.420	0	10 yr CTD	
DEP2P	4.443	4.431	4.431	4.449	4.382	-9	2yr OTR	
DEP5P	4.466	4.457	4.457	4.471	4.438	-17	5yr OTR	
DEP10P	4.494	4.487	4.487	4.502	4.460	-34	10yr OTR	

	Decimal						SYM NAME	
	bid	ask	Last	hi	lo	Chng		
T.US.DE032P0409	100.08	100.11	100.11	100.18	100.07	-9.00	2 yr CTD	German Cash
T.US.DE050P0712	98.00	98.04	98.04	98.12	97.98	-17.00	5 yr CTD	
T.US.DE042P0717	96.44	96.49	96.49	96.69	96.38	-36.00	10 yr CTD	
DEP2P	98.84	98.86	98.86	98.94	98.83	-9.00	2yr OTR	
DEP5P	98.00	98.04	98.04	98.12	97.98	-17.00	5yr OTR	
DEP10P	94.30	94.35	94.35	94.55	94.24	-34.00	10yr OTR	

Y = Yield

CTD = Cheapest to Deliver

DE = German Country Code

06/06/2007	15:53	EURO	chg	USA	chg	UK	chg
Futures	Bond	111.79	0.32	108.38	0.00	105.27	0.27
	STIR	95.65	0.02	94.69	0.03	93.88	0.05
Cash	3mth	4.13	0.00	5.36	0.00	5.84	0.00
	2yr	4.39	-0.04	4.95	-0.05	5.70	-0.07
	5yr	4.42	-0.05	4.93	-0.04	5.53	-0.05
	10yr	4.45	-0.04	4.97	-0.02	5.27	-0.04
	30yr	4.55	-0.04	5.08	-0.01	4.67	-0.02
	10yr-2yr	0.05	0.00	0.02	0.03	-0.43	0.03
Spreads	2yr	--	--	0.62	-0.01	1.39	-0.02
	vs euro			0.59	0.02	0.90	0.00
FX	USD	1.350	-0.002	--	--	1.992	-0.001
	EUR	--	--	--	--	0.678	-0.001
	YEN	163.36	-0.82	120.99	-0.40	241.06	-0.91
Equities		4452.2	-1.4%	1517.7	-0.9%	6540.2	%

08:32 06/06 **ECB TRICHET:**

- Hiked rate due upside price risks
- Monetary policy still on the accomodative side
- Liquidity ample by all plausible measures
- To monitor closely all developments
- Risks to price stability remain on upside
- Inflation risks mainly due to domestic side
- Risk of wage developments stronger than expected
- Also notes capacity utilisation increasing
- Monetary analysis confirms long term inflation risks

And this from Howard...

Trichet's remarks that the ECB does not precommit and the ECB will tell the market when "strong vigilance" is needed is a clear indication that the ECB code is still firmly in place and implies that a rate hike in September is still very much in play and we are in data dependent modeSome desks are suggesting that Trichet's remarks regarding accomodative could be interpreted as suggesting that the ECB may think they are nearing the top of the current tightening cycle.

Headlines

Bonds Higher, short dates outperform on Trichet press statement
 ECB's Trichet: to "monitor closely" price developments, fails to mention interest rates at "moderate" levels

Bonds open lower on extended losses overnight in USTs
 ECB Interest Rates: Hikes 25bps to 4.00%
 Apr German Factory Orders: -1.2%mom/11.7%yoy

**Euro Mkt Summary: EGBs Higher on Short Covering Post ECB Conf.
 by Charanjeev Chana**

[posted 11:06 am CST 06/06/2007]

Bonds were trading higher, with the short end outperforming on short covering following comments by ECB President Jean-Claude Trichet at the June ECB interest rate press conference. Bunds hit fresh contract lows after Trichet described interest rates at 4.00% as "still on the accommodative side" and suggested the possibility of further monetary tightening after re-deploying the "monitor closely" phrase. Losses were short lived as traders covered shorts on the realization that Trichet failed to mention that interest rates were at "moderate" levels and on the omission of "very" from the phrase "monitor very closely." EGBs opened lower after US Treasuries extended losses overnight following stronger than expected US ISM data. Prices however recovered losses on position squaring and short-covering ahead of the ECB press conference. Risk aversion buying on equity weakness was also noted after a Morgan Stanley report advised clients to slash exposure to the stock market.

Wednesday sees a lack of macroeconomic data for the Eurozone, and attention turns to supply from France, which sells E4.2-4.7bln of the 3.75% Apr 2017 OAT and 4.00% Oct 2038 OAT



News Recap for Euroland Overnight

05:25 06/07 **BUNDS**: Sept Bunds continue to trade under pressure as the yield on the 10-year Note breaks above the 5.00% -- trading at highest level since July 28, 2006.

03:20 06/07 **BONDS**: **EGBs** are opening lower on Thursday, taking cue from sell-off in JGBs overnight and weakness in USTs, as Chinese stocks continue to retrace higher from stamp duty related losses. The 10-year Note yield is now threatening to break above 5.00% level, whilst the yield on the benchmark 10-year JGB hit a 10-month high at 1.890%, with the 2-year JGB yield hitting a fresh 10-year high at 1.025%. Overnight, the Reserve Bank of New Zealand raised its official cash rate by 25bps to 8.00% in an effort to dampen still strong domestic demand, sending the local currency to a 22-year high. Most economists had expected the central bank to keep rates on hold. Attention now turns to the Bank of England rate decision at 1100GMT, where the SONIA swap curve is only pricing in around 16% chance of a back-to-back 25bps rate hike today. Long-dated Gilts are seen underpinned by the Stg4.1bln coupon payments due today, where around Stg2.0bln are expected to be reinvested back into +15-year Gilts.

02:49 06/07 **JGB SUMMARY**: Japanese government bonds ended Thursday's session lower across the board, although rallying off their afternoon lows. Prices were lower from the getgo, weighed by the overnight US Treasury sell-off, and moved lower in early afternoon trade, despite weaker stocks. As domestic stocks rallied in afternoon trade, so JGBs were sold off, pushing yields across the curve to multi-month highs. The yield on the benchmark 10-year hit a 10-month high at 1.890%, with the 2-year yield hitting a fresh 10-year high at 1.025%. However, a bout of late dip-buying helped prices rally off their lows, as a futures-led rally. Losses were pared across the curve, with buying seen from both offshore and domestic accounts.

- Benchmark 10-year #285 yield was 2.5 bps higher at 1.870%.
- Benchmark 5-year #63 yield was 2.5 bps higher at 1.470%.
- Benchmark 20-year #94 yield 2 bps higher at 2.220%.
- Lead June JGB futures contract was 0.23 lower at 132.24.

News Recap for Euroland Overnight

06:43 06/07 **EUROZONE**: Reported comments from eurozone officials Thursday, ** ECB MERSCH: Capacity utilisation in eurozone reaching limits

- Danger that service sector companies could raise prices
- Growing disposable income causing inflation risk
- Positive signs that rising interest rates taking effect, normalising mortgage market
- Sees 2008 and 2009 eurozone growth at around 2.5% (press)

06:42 06/07 **EUROZONE BOND AUCTION SUMMARY**:

** SPANISH BONO AUCTION RESULTS: Spain sold E1.5bln of the 3.90% Oct 2012 Bono issue on Thursday at average yield 4.489%, covered 2.27 times.

** FRENCH OAT AUCTION RESULTS: France sold 10 & 30-year OATs
-- E3.315bln of 3.75% Apr 2017 OAT, average yield 4.529%, cover 2.193.
-- E1.195bln of 4.00% Oct 2038 OAT, average yield 4.661%, cover 2.891.

06:19 06/07 **EUROPEAN STOCKS**: Stocks fall on news that N.Korea has fired several short range missiles off west coast. FTSE-100 has surrendered morning gains and now in the red. CAC -0.52%, Xetra-DAX -0.09%.

06:17 06/07 **N.KOREA**: Wire reporting that N.Korea has fired several short range missiles off west coast, Yonhap quoting a government official. (Rtrs)

US Intrinsic's			
	M Duration	DV01 32	DV01 \$
30y	15.18	4.66	\$1,456
10y	7.86	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



German Intrinsic's^			
	M Duration	DV01(€)	DV01(\$)
Bund			0.872569
Bobl			0.959013
Schatz			0.966386
DE10Y			
DE5Y			
DE2Y			



^Futures are Based on CTD

Last

EURUSD 134.76

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

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 (U)	1.800	2.700	2.900
Bobl (U)	1.000	1.500	1.600
Shatz (U)	0.430	0.650	0.700

US Treasuries v Eurex Bonds

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

	Bund (U)	Bobl (U)	Shatz (U)
Bund (U)		1.873	4.608
Bobl (U)	0.534		2.460
Shatz (U)	0.210	0.400	

Yield Spreads



US Cash Treasuries (OTR)			
	Bid	Ask	Last
US2y	4.980	4.976	4.976
US5y	4.970	4.967	4.967
US10y	5.012	5.003	5.003



German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	4.443	4.431	4.431
DE5y	4.466	4.457	4.457
DE10y	4.494	4.487	4.487

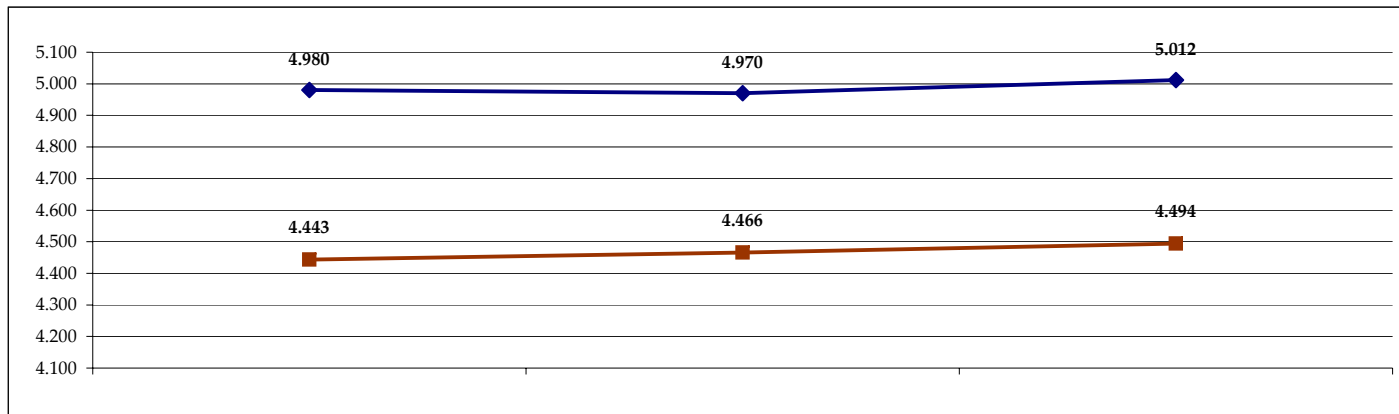
Spreads^	
US2y-Schatz	0.388
US5y-Bobl	0.464
US10y-Bund	0.489
US2y- 3.250 of 04/09	#VALUE!
US5y- 4.000 of 07/12	0.551
US10y- 4.250 of 07/17	0.574
US2y-DE2y	0.545
US5y-DE5y	0.510
US10y-DE10y	0.516

^Last minus Last

German Futures ^			
	Bid	Ask	Last
Schatz	4.636	4.633	4.588
Bobl	4.554		4.503
Bund	4.560	4.559	4.514

^Interpolated. NOT based on CTD

German Futures (CTD)			
	Bid	Ask	Last
3.250 of 04/09	4.456	4.440	
4.000 of 07/12	4.466	4.457	4.416
4.250 of 07/17	4.486	4.479	4.429



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	