



The Morning Email: Treasuries

Table of Contents

- Pg 1 Important Econ Releases, Highs & Lows
- Pg 2 Quotes
- Pg 3 News: United States
- Pg 4 News: Snapshots throughout the day
- Pg 5 Duration, DV01s, Curve, Flys, CFs
- Pg 6 Hedge Ratio's
- Pg 7 Commitment of Traders (COT)
- Pg 8 Closes2pm
- Pg 9 Correlations

Pg 10 Cash Duration Matrix

NEW

Pg 11 Tic for Tic Matrix

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

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	Economic Releases - 32nds				Date
	5y*	10y*	ZNU7**	ZBU7**	
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	98.0900	94.130	104.100	105.17	6/8/2007 6:16

*Adjusted for New Issue

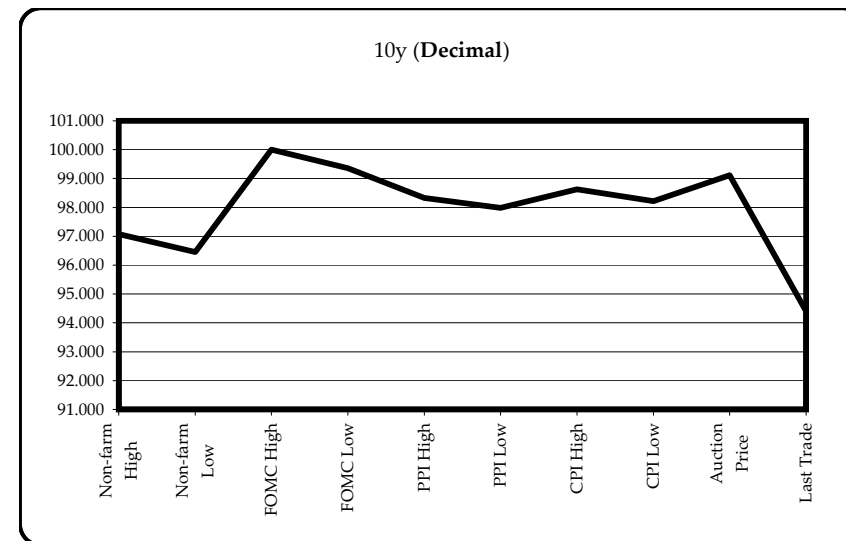
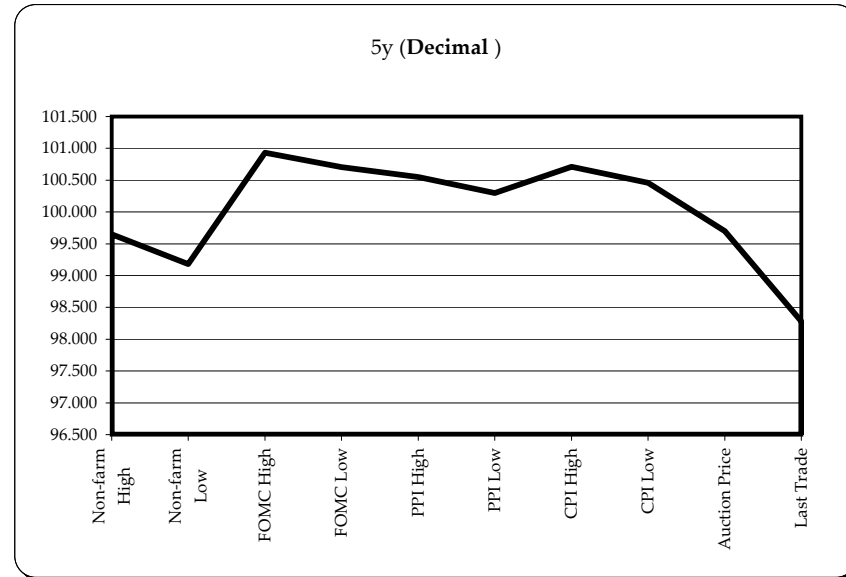
**Adjusted for Futures Roll

(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



Quotes

32 nds							
	ls	net	high	low	open	Volume	SYM NAME
TUAU7	101.192	(2.5)	101.220	101.185	101.200	99,162	2y Futures
FVAU7	103.085	(12.5)	103.180	103.060	103.165	178,033	5y Futures
TYAU7	104.100	(25.0)	104.280	104.040	104.275	597,009	10y Futures
USAU7	105.170	(113)	106.190	105.100	106.190	142,089	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.212	(1.2)	99.237	99.210	99.215	na	2y
BUS05P	98.090	(8.5)	98.195	98.072	98.185	na	5y
BUS10P	94.125	(21.5)	95.040	94.085	95.040	na	10y
BUS30P	91.095	(114)	92.225	91.040	92.205	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	5.052	2.20	5.06	5.005	5.043	na	2y Yield
BUS05Y	5.143	6.10	5.163	5.059	5.081	na	5y Yield
BUS10Y	5.229	9.30	5.252	5.124	5.135	na	10y Yield
BUS30Y	5.334	10.10	5.353	5.225	5.229	na	30y Yield



News Recap for the United States Yesterday

16:11 06/07 US TSYS/FUNDS: Further: PIMCO writeup of Gross comment in Secular Forum added in major conclusions, "we think that asset managers and bond mgrs, to the extent that they can, should try to take advantage of global growth via minor positions in emerging market currencies. We expect the U.S. dollar to be weak going forward, for a number of reasons. And we think that commodity prices in general, based upon this strong global growth environment and the demand from the BRICs1 and the emerging mkt countries, will produce favorable results for commodities." He cited conclusions "not necessarily bd friendly but asset friendly in some ways" with "favored assets being emerging mkt currencies & commodities" as "some of the more applicable asset categories. We also think that global stocks, especially those outside the US will benefit over this period of time." Gross added "after 25 yrs of being a bull mkt mgr to all of a sudden become a bear mkt mgr-although mildly so in terms of higher interest rates over the next 3 to 5 yrs-is sort of a major shift"

15:05 06/07 US Swaps: Spds finished out the session broadly wider across the board amid heavy duration shedding/paying in 5s and 10s as well as rumored heavy paying in 30yr spd by levered money, w/talk of \$4B+. Repo specials and steeper curve overall added to the widening. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Thu 3:05	+1.25/44.50	+1.25/51.25	+2.00/59.75	+2.75/65.50
12:30	+1.25/44.50	+2.00/52.00	+2.25/60.00	+2.75/65.50
11:45	+1.50/44.75	+1.75/51.75	+2.00/59.75	+2.50/65.25
10:30	+1.50/44.75	+2.25/52.25	+2.25/60.00	+2.50/65.25
9:15	+0.75/44.00	+1.00/51.00	+1.25/59.00	+1.50/64.25
Thu Open	+0.50/43.75	+0.75/50.75	+1.00/58.75	+1.00/63.75

News Recap for the United States Overnight

05:34 06/08 TSYS: Treasuries take another sharp lurch lower, as global bonds trade lower still. The 10Y note was last down 20/32 at 5.21% - adding up to a 24 bps back-up in yields since morning trade in London Thursday. The bond was last at a point and a quarter lower at 5.32% - the highest level in three years.

06:14 06/08 BOND: The long-bond continues to get slaughtered, with yield now up 11.5bps at 5.345%, with swap spreads widening. The yield on the 10-year Note is also up 10.8bps at 5.24% -- hitting highest yield level since June 2006. The 2-/30-year yield spread is now 11bps steeper at +31bps.

06:58 06/08 BUND SUMMARY: Bunds opened lower, extending weakness in the wake of the strong sell-off in USTs late on Thursday. The 10-year Note suffered its largest 1-day fall in nearly 3-years, where yield rose around 16bps on the session, following break above the 5.00% level, with strong mortgage related selling also reported. The sell-off yesterday was further spurred by comments from Pimco's Gross, who said he's now a "Bear Market Manager" after being a bond bull market manager for the past 25 years. Traders attributed the latest leg lower in bond markets to a large US 10-year swap payer. Bunds were further weighed by hawkish comments from ECB members Garganas and Bini-Smaghi. This in turn fuelled further selling in European Government Bonds, where he yield on the benchmark 4.25% July 2017 Bund rose 6.0 bps at 4.605% -- having hit 4.63%, which is the highest level since August 2002. However, prices recovered off their worst levels, as the US 10-year Note yield came very close to 5.25%. 2-/10-yr Bund yield curve is 5bps steeper, 10-/30 +2bps.

MarketNews
international

Stone & McCarthy
RESEARCH ASSOCIATES

11:07 [EST] 06/07 US TSYS/TECHNICALS: Bank of Tokyo-Mitsubishi UFJ's Chris Rupkey noted that in US Tsys market, "the dam burst releasing a torrent of panic sales when the all-important 5.00 level broke this morning before NY opened. Mortgage servicers are off-loading duration as prepayments are falling with the rise in yields. 30-yr slightly outperforming and this is an indication that mortgage-backed security players are hedging their rising duration risk with heavy selling of 10-yr Treasuries. Market is searching for buyers and may have found them basically at 5.10% after a clean 10-bps break of 5.00% yield resistance." He noted that "on a day like today, don't even pretend you understand the fundamental inner workings and valuations of the bond market" as "this move is complete panic and the result of stop loss sales, and the pain is very great for many investors who had been positioning wrongly as it turns out for rate cuts by the Fed this year." The 10-year is now at 5.088%, with the WI 10-year at 5.089%.

12:55 [EST] 06/07 US TSYS: On news that pension funds are selling Tsys, we had a source say earlier in week that the front end of the curve had already capitulated mostly by street and fast money but the next move would come when the long end capitulated. He noted that real money is long the back end and they have more staying power, but that if rates continued to rise, they too would have to capitulate. "If the Fed is not going to ease," this

[Posted at 11:26 EST 06/07]

Treasuries Collapse, 5% Fails For 10s As Selloff Accelerates by John Canavan

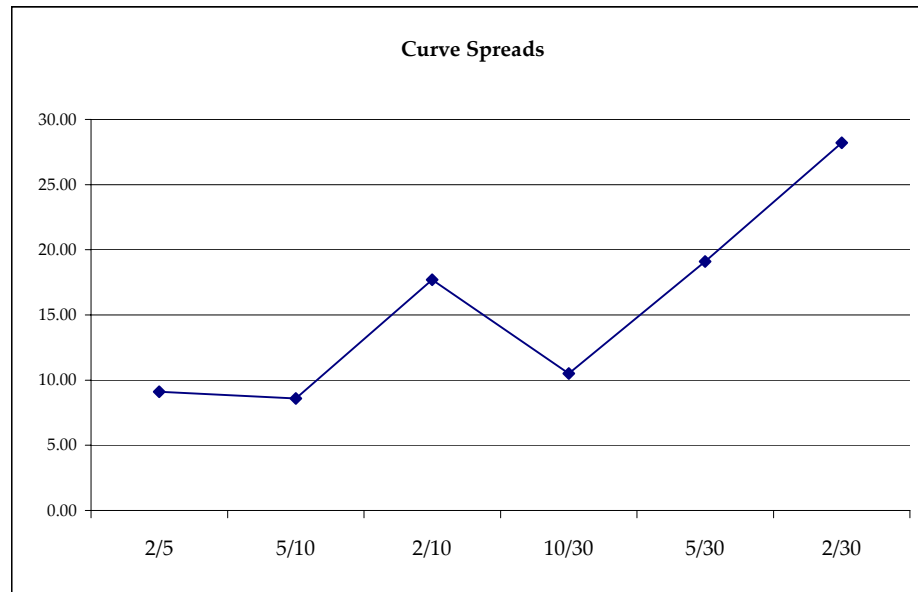
--Stone & McCarthy (Princeton)-- Treasuries continue to collapse this morning. The market began to fade in the Far East overnight and the selloff has generally accelerated since, particularly out the curve. The rate hike out of New Zealand overnight created some additional pressure on an already struggling market. An article by John Berry suggesting that if the U.S. economy behaves as Fed Chairman Ben Bernanke and most of his colleagues expect, there won't be a change this year and possibly not in 2008 also didn't help. Also, Market News International has been reporting rumors of a \$2 bln to \$4 bln rate paying on bonds from a hedge fund in the Tokyo session. The combination of events overnight hammered the long-end in particular and in Europe forced the 10-year note through the key 5% level that had been holding. That technical break attracted additional selling, helping to accelerate the selloff.

	M Duration	DV01 32	DV01 \$
30y	14.92	4.43	\$1,385
10y	7.82	2.37	\$741
5y	4.36	1.37	\$429
2y	2.04	0.64	\$200
ZB	9.65	3.29	\$103
ZN	5.80	1.95	\$61
ZF	3.99	1.32	\$41
ZT	1.87	1.23	\$39

	CF
ZB	1.1593
ZN	0.9335
ZF	0.9497
ZT	0.9799

Yield Curve Spreads

2/5	9.10
5/10	8.60
2/10	17.70
10/30	10.50
5/30	19.10
2/30	28.20



Fly's

2/5/10	0.50
2/10/30	7.20
5/10/30	-1.90

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 (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		1.693	2.501	2.668
ZN	0.591		1.477	1.576
ZF	0.400	0.677		1.067
ZT	0.375	0.634	0.937	

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	1.94	4.17	7.19	13.45
ZN	3.29	7.06	12.18	22.77
ZF	4.85	10.43	17.99	33.65
ZT	5.18	11.12	19.20	35.89

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		2.375	4.098	7.663
5y	0.465		1.725	3.226
10y	0.270	0.567		1.870
30y	0.144	0.303	0.535	

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

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		32nds
5y	0.27	30.702	ZF	104.030
10y	(2.16)	-1.319	ZN	105.275
30y	(31.02)	280.246	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)

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	49.3	-4.9	2.1	-34.5	-19.0	-11.3	-2.1
5yr	49.3	100.0	46.3	54.6	10.0	31.8	41.1	52.8
10yr	-4.9	46.3	100.0	99.1	89.6	97.8	99.3	98.7
30yr	2.1	54.6	99.1	100.0	83.4	94.7	97.8	99.5
ZT	-34.5	10.0	89.6	83.4	100.0	96.4	92.1	84.1
ZF	-19.0	31.8	97.8	94.7	96.4	100.0	99.1	95.4
ZN	-11.3	41.1	99.3	97.8	92.1	99.1	100.0	98.5
ZB	-2.1	52.8	98.7	99.5	84.1	95.4	98.5	100.0

Symbol	US Cash Treasuries (price)				US Bonds/Notes (CBOT)			
	2yr	5yr	10yr	30yr	ZT	ZF	ZN	ZB
emini SP	30.6	70.5	80.4	86.4	48.1	67.7	75.4	84.2
Dow Futures	27.2	66.6	82.9	88.0	53.7	71.6	78.2	85.7
USDJPY	(9.3)	21.6	42.1	42.1	37.6	38.9	37.0	36.9
EURUSD	17.3	66.4	50.9	58.4	19.2	40.1	50.3	61.4

Cash Duration Matrix

Cash Duration Matrix				
	2	5	10	30
2	100%			
5	49%	100%		
10	27%	55%	100%	
30	14%	28%	51%	130%
Cash Matrix [DV01 x Duration]				
	2	5	10	30
2	\$200			
5	\$202	\$409		
10	\$198	\$400	\$730	
30	\$189	\$383	\$700	\$1,385
Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	(\$3)			
10	\$2	\$10		
30	\$10	\$26	\$30	
Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	-1.28%			
10	1.10%	2.41%		
30	5.45%	6.81%	4.30%	

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

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.

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					
	2y	5y	10y	30y	
ZT	0.52	1.06	1.89	3.59	
ZF	0.49	0.99	1.77	3.36	
ZN	0.33	0.67	1.20	2.28	
ZB	0.19	0.40	0.71	1.35	
Tic for Tic Matrix					
	2y	5y	10y	30y	
2y	1.00	2.05	3.66	6.93	
5y	0.49	1.00	1.78	3.38	
10y	0.27	0.56	1.00	1.90	
30y	0.14	0.30	0.53	1.00	
Tic for Tic Matrix					
	ZT	ZF	ZN	ZB	
ZT	1.00	1.07	1.58	2.67	
ZF	0.94	1.00	1.48	2.50	
ZN	0.63	0.68	1.00	1.69	
ZB	0.37	0.40	0.59	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.

