



The Morning Email: US & Germany



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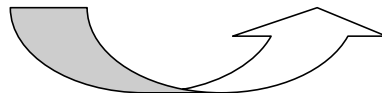
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NEW



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

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

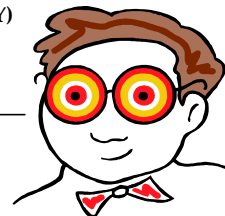
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Jim Goulding, jgoulding@ghco.com

SYM NAME	Symbol	US Cash Treasuries			US Bonds/Notes (CBOT)			Symbol	SYM NAME
		2yr	5yr	10yr	ZT	ZF	ZN		
Schatz(2Y)	DGU7	-90.77	-76.20	-68.84	90.18	77.08	72.28	DGU7	Schatz(2Y)
Bobl(5Y)	DLU7	-93.95	-96.68	-94.84	91.32	97.75	96.77	DLU7	Bobl(5Y)
Bund(10Y)	DBU7	-92.15	-98.92	-98.35	88.24	99.26	99.29	DBU7	Bund(10Y)

Correlation is based on 10 day historical

Correlations for the US Cash Treasuries are done on a YIELD basis. Therefore, you'll see negative values. The reason for this is due to the new issues. Every new issue takes too long to 'catch up' because the correlation formula looks back 10days.



Stone & McCarthy
RESEARCH ASSOCIATES

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

Quotes 1



32 nds										
	ls	net	high	low	open	Volume	Yest Volume	SYM NAME		
TUAU7	101.220	0.2	101.225	101.205	101.210	15,636	310,815	2y Futures		
FVAU7	103.195	0.5	103.200	103.150	103.175	43,576	679,831	5y Futures		
TYAU7	104.300	0.0	105.000	104.250	104.300	139,902	2,428,676	10y Futures		
USAU7	106.190	(2)	106.250	106.110	106.180	34,313	797,412	30y Futures		
	ls	net	high	low	open			SYM NAME		
BUS02P	99.245	(0.5)	99.247	99.235	99.237			2y		
BUS05P	98.230	(0.5)	98.230	98.187	98.210			5y		
BUS10P	95.065	(3.5)	95.085	95.015	95.060			10y		
BUS30P	92.260	(11)	93.010	92.195	92.265			30y		
	ls	net	high	low	open			SYM NAME		
BUS02Y	4.997	0.40	5.031	4.98	5.018			2y Yield		
BUS05Y	5.045	0.60	5.079	5.041	5.057			5y Yield		
BUS10Y	5.120	1.70	5.147	5.11	5.12			10y Yield		
BUS30Y	5.228	2.50	5.246	5.211	5.219			30y Yield		



Decimal										
	ls	net	high	low	open	Volume	Yest Volume	SYM NAME		
DGU7	102.55	10.00	102.57	102.51	102.51	272,913	882,985	Schatz(2Y)		
DLU7	1061.80	60.00	1062.50	1060.80	1060.90	243,024	845,356	Bobl(5Y)		
DBU7	110.92	4.00	111.05	110.70	110.77	610,453	2,251,545	Bund(10Y)		

German Futures

	Price	Yield							SYM NAME		
	ls	ls	Coupon	Maturity							
T.US.DE032P0409	100.08	4.440	4.500	7/4/2009					2 yr CTD		
T.US.DE050P0712	97.81	4.505	4.000	4/13/2012					5 yr CTD		
T.US.DE042P0717	96.05	4.535	4.000	7/4/2016					10 yr CTD		
DEP2P	98.86	4.433	3.750	3/13/2009					2yr OTR		
DEP5P	97.85	4.502	4.000	4/13/2012					5yr OTR		
DEP10P	93.97	4.539	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	#VALUE!	102.55	102.55	102.57	102.51	10.00	Schatz(2Y)	German Futures	
DLU7	1061.75	1061.80	1061.80	1062.50	1060.80	60.00	Bobl(5Y)		
DBU7	110.91	110.92	110.92	111.05	110.70	4.00	Bund(10Y)		

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo		SYM NAME	
DGU7		4.638	4.638	4.657	4.628		Schatz(2Y)	German Futures
DLU7	4.590	4.589	4.589	4.611	4.573		Bobl(5Y)	
DBU7	4.614	4.612	4.612	4.639	4.597		Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng		
T.US.DE032P0409	4.456	4.440	4.440	4.487	4.440	0	2 yr CTD	German Cash
T.US.DE050P0712	4.512	4.502	4.505	4.569	4.497	0	5 yr CTD	
T.US.DE042P0717	4.541	4.534	4.535	4.620	4.527	0	10 yr CTD	
DEP2P	4.445	4.433	4.433	4.464	4.427	3	2yr OTR	
DEP5P	4.512	4.502	4.502	4.526	4.483	8	5yr OTR	
DEP10P	4.546	4.539	4.539	4.565	4.517	13	10yr OTR	

Decimal								SYM NAME	
bid	ask	Last	hi	lo	Chng				
T.US.DE032P0409	100.08	100.11	100.11	100.12	100.05	3.00	2 yr CTD	German Cash	
T.US.DE050P0712	97.81	97.85	97.85	97.93	97.75	8.00	5 yr CTD		
T.US.DE042P0717	96.05	96.10	96.10	96.26	95.92	11.00	10 yr CTD		
DEP2P	98.84	98.86	98.86	98.87	98.81	3.00	2yr OTR		
DEP5P	97.81	97.85	97.85	97.93	97.75	8.00	5yr OTR		
DEP10P	93.92	93.97	93.97	94.13	93.78	13.00	10yr OTR		

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MarketNews
international

Stone & McCarthy
RESEARCH ASSOCIATES

08/06/2007	16:06	EURO	chg	USA	chg	UK	chg
Futures	Bond	110.76	-0.25	106.56	-0.34	104.40	-0.34
	STIR	95.65	0.01	94.64	-0.01	93.82	-0.03
Cash	3mth	4.14	0.00	5.36	0.00	5.82	-0.02
	2yr	4.45	-0.01	5.01	-0.02	5.76	0.03
	5yr	4.51	0.01	5.07	-0.01	5.62	0.04
	10yr	4.56	0.03	5.13	0.00	5.39	0.04
	30yr	4.69	0.04	5.24	0.01	4.78	0.04
	10yr-2yr	0.12	0.03	0.12	0.02	-0.37	0.02
Spreads	2yr	--	--	0.63	-0.01	1.40	0.03
vs euro	10yr	--	--	0.63	-0.03	0.90	0.02
FX	USD	1.336	-0.007	--	--	1.967	-0.011
	EUR	--	--	--	--	0.679	0.000
	YEN	162.36	0.04	121.54	0.72	239.07	0.08
Equities		4394.0	0.2%	1492.4	0.2%	6518.3	%

10:57 06/08 **EGB CLOSING SUMMARY:** Bonds were trading mixed on Friday afternoon with long dates underperforming - in turn steepening the Bund curve. The market partially recovered earlier losses on short covering after the US 10-year Note yield approached the 5.25% level. June-07 Bunds eased slightly on narrower than expected US trade balance data before continuing to recover losses. Bonds opened lower on Friday morning, extending previous session losses after US Treasuries suffered their largest 1-day fall in nearly 3-years overnight. Long end weakness led the market decline on Friday morning ahead of a heavy slew of long dated issuance next week, where Italy taps the 4.00% Feb 2037 BTP and Spain launches a new 2040 Bono. Also weighing on sentiment was hawkish comments from ECB officials Lorenzo Bini-Smaghi and Nicholas Garganas, who declined to rule out further interest rate hikes by the ECB. The steeping bias gained momentum in the morning session as weaker stocks underpinned short dated issues.

11:10 06/08 **US TSYS/GERMANY:** Traders noted that when European accounts who had been off for holiday on Thurs. came in to work, they were shocked to find sharply higher yields and thus moved to sell, spurring the weakness seen in Tsys in London.

Headlines

Bonds mixed, long dates underperforming

Bonds open lower, extend previous session losses

Long dates underperform ahead of long dated supply expected next week

Market pares losses ahead of 5.25% level in US 10-year Note on bargain hunting.

Comments from ECB's Garganas suggest further ECB tightening ahead

Euro Mkt Summary: EGBs Partially Recover Losses on Bargain Hunting by Charanjeev Chana

European Government Bonds were trading mixed on Friday afternoon with long dates underperforming - in turn steepening the Bund curve. Bonds partially recovered earlier losses on bargain hunting after the US 10-year Note yield approached the 5.25% level. Bunds eased slightly on narrower than expected US trade balance data before continuing to recover losses. Bonds opened lower on Friday morning, extending previous session losses after US Treasuries suffered their largest 1-day fall in nearly 3-years overnight. Long end weakness led the market decline on Friday morning ahead of a heavy slew of long dated issuance next week, where Italy taps the 4.00% Feb 2037 BTP and Spain launches a new 2040 Bono. Also weighing on sentiment was hawkish comments from ECB officials Bini-Smaghi and Garganas, who declined to rule out further interest rate hikes by the ECB. The steeping bias gaining momentum in the morning session, after weaker stocks underpinned short dated issues.

Euribor futures were unchanged to 4 ticks lower with the Jun-07 contract at 95.845/0.000 (4.155% implied). Jun-07 Bunds were 25 ticks lower at 110.76. In cash, German government benchmark yields were 1bp lower to 4bps higher. The 2s/10s spread was 12bps vs. 9bps and the 10s/30s spread was 13bps vs. 12bps.

Gilts were trading lower on Friday afternoon, with 10-year dates underperforming. There was little reaction to the release of industrial production. Meanwhile underperformed European counterparts throughout Friday's trading session.

Short sterling futures unchanged to 7 ticks lower with the Jun-07 contract at 94.160/0.000 (5.840% implied). Jun-07 Gilts were 34 ticks lower at 104.40. In cash, UK government benchmark yields were 3bps to 4bps higher with the short end of the curve outperforming. The 2s/10s spread was -37bps vs. -39bps and the 10s/30s spread was unchanged at -61bps.



News Recap for Euroland

Overnight

05:14 06/11 **BUNDS**: Sept Bunds so far capped this morning at 111.05 following MNI's exclusive interview with ECB Governing Council member Nout Wellink, who sounded hawkish noises by saying that the European Central Bank's monetary tightening cycle has probably not yet reached its end if the recovery in the eurozone remains on track. The interview this morning came in at an important time for Bunds, which bounced aggressively on Friday after the US 10-year Note recovered ahead of the 5.25% yield level and traders were looking for further short-covering today. Sept Bunds are now up 14 ticks at 110.88.

03:51 06/11 **BUNDS/UST**: The 10-year Bund/UST yield spread is trading 1bps wider at +64.7bps -- having widened to +65bps on June 7 -- the widest since April 9. Traders look for further spread widening and hence trigger further re-positioning on a break above +71bps level, as Bunds continue to claw back recent underperformance.

03:35 06/11 **ECB**: The European Central Bank's monetary tightening cycle has probably not yet reached its end if the recovery in the eurozone remains on track, ECB Governing Council member Nout Wellink said Saturday. Speaking to Market News International on the margins of a meeting here, the president of the Dutch National Bank said the ECB would monitor economic developments and await new data, but he made clear that in an environment of surprisingly strong growth, forward-looking monetary authorities still need to prevent largely upside risks to price stability from materializing. Read the full story on Mainwire.

News Recap for Euroland

Overnight

02:57 06/11 **BONDS**: EGBs are opening higher on Monday, but seen reversing lower to extend the downtrend following overnight weakness in USTs and JGBs in the wake of the upward revision to Japanese Q1 final GDP data. Japan's economy grew a revised 0.8% in real terms in the January-March quarter from the previous three months, up from the 0.6% rise initially reported, as an upward revision to corporate capital investment offset a downward revision to government spending. On an annualized basis, gross domestic product rose a revised 3.3%, up from a preliminary 2.4% gain. Bunds are also underpinned by release of weaker than expected French industrial production/manufacturing output data this morning. Attention now turns to Italy industrial production data at 0800GMT. UK PPI is due at 0830GMT. In terms of speakers, Fed's Pianalto, Moskow and ECB's Hurley and ECB President Jean-Claude Trichet are due. BoE's Governor Mervyn King is due to speak at a CBI dinner, in Wales at 1900GMT.

02:47 06/11 **JGB SUMMARY**: Japanese government bonds ended Monday's session lower across the board, unable to hold on to early gains. Prices were higher from the getgo, taking little notice of the upward revision to first quarter growth data and taking their lead from Friday's late Treasury rally. Prices ran into selling pressure mid-morning, as domestic investors looked to book profits from the morning rally. Prices soon moved into negative territory across the curve, with the 10-year yield hitting a fresh 10-month high and the 2-year at a fresh 10-year high. Although prices ended in negative territory, dip-buying in the 5-yr sector ahead of auction provided an interim floor. There was also late demand in the 20-yr sector from domestic life and pension funds.

- Benchmark 10-year #285 yield was 1.5 bps higher at 1.915%.
- Benchmark 5-year #63 yield was unchanged at 1.510%.
- Benchmark 20-year #94 yield 3 bps higher at 2.265%.
- Lead Sept JGB futures contract was 0.07 lower at 131.47.

US Intrinsic's				
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	15.04	4.54	\$1,419	
10y	7.83	2.39	\$748	
5y	4.36	1.38	\$431	
2y	2.04	0.64	\$200	
ZB	9.68	3.33	\$104	
ZN	5.80	1.95	\$61	
ZF	3.98	1.32	\$41	
ZT	1.86	1.23	\$39	



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

^Futures are Based on CTD

Last

EURUSD 133.44



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	5.001	4.997	4.997
US5y	5.047	5.045	5.045
US10y	5.122	5.120	5.120



German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	4.445	4.433	4.433
DE5y	4.512	4.502	4.502
DE10y	4.546	4.539	4.539

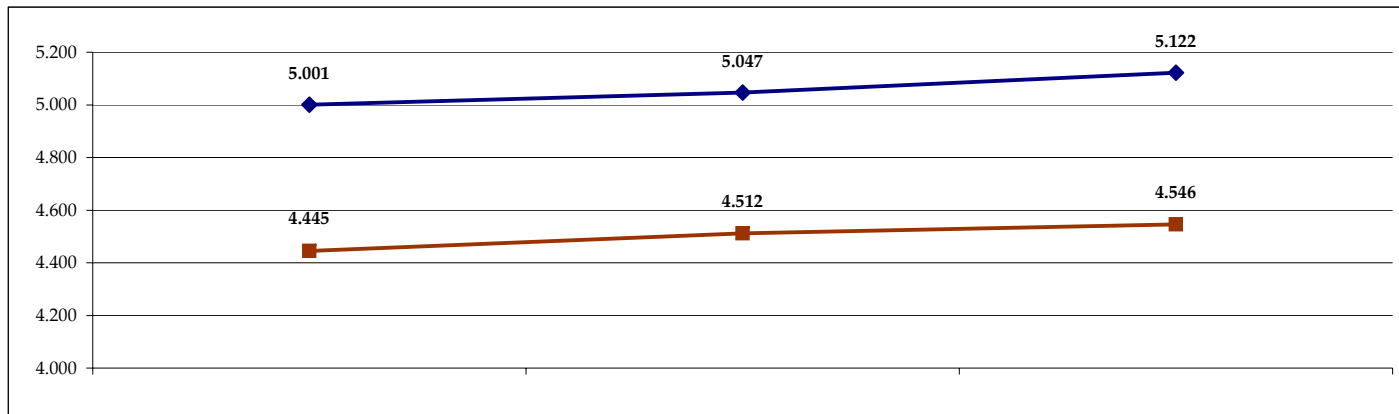
Spreads^	
US2y-Schatz	0.353
US5y-Bobl	0.443
US10y-Bund	0.503
US2y- 3.250 of 04/09	0.557
US5y- 4.000 of 07/12	0.540
US10y- 4.250 of 07/17	0.585
US2y-DE2y	0.564
US5y-DE5y	0.543
US10y-DE10y	0.581

^Last minus Last

German Futures ^			
	Bid	Ask	Last
Schatz		4.638	4.644
Bobl	4.590	4.589	4.602
Bund	4.614	4.612	4.617

^Interpolated. NOT based on CTD

German Futures (CTD)			
	Bid	Ask	Last
3.250 of 04/09	4.456	4.440	4.440
4.000 of 07/12	4.512	4.502	4.505
4.250 of 07/17	4.541	4.534	4.535



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.

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	

Bond Market Characteristics

From The Treasury Bond Basis Book 3rd Edition, by Galen Burghardt

Accrued Interest	Germany	Japan	UK
Coupon (date)	Annual	semi (20th)	semi
Ex-dividend (days)	no	no	yes (7)
Accrual basis	actual	actual	actual
Year Basis	actual	365	actual

Settlement time frame	Germany	Japan	UK
Domestic	T+2	T+3	T+3
International	T+3	na	na

Trading Basis	Germany	Japan	UK
Quotation	price	simple yield	price
Tick	decimal	bp	decimal
Tax (resident)	0	0	0
Price/Yield Method	ISMA	Simple	DMO

Repo	Germany	Japan	UK
Accrual basis	actual	actual	actual
Year basis	360	0	365