



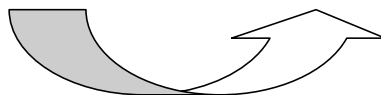
The Morning Email: US & Germany



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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

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.

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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)	DGU7	-88.78	-77.56	-72.72	89.28	78.09	75.83	DGU7	Schatz(2Y)
Bobl(5Y)	DLU7	-93.57	-97.24	-96.17	89.14	97.89	97.58	DLU7	Bobl(5Y)
Bund(10Y)	DBU7	-92.77	-99.15	-98.74	86.59	99.15	99.27	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

No Technicals today.

Quotes 1



	32 nds					Volume	Yest Volume	SYM NAME
	ls	net	high	low	open			
TUAU7	101.200	(2.0)	101.210	101.200	101.205	23,651	166,126	2y Futures
FVAU7	103.115	(7.5)	103.170	103.110	103.150	62,676	379,758	5y Futures
TYAU7	104.165	(11.0)	104.250	104.160	104.230	202,050	1,068,098	10y Futures
USAU7	105.300	(20)	106.130	105.290	106.100	38,012	400,824	30y Futures
	ls	net	high	low	open	SYM NAME		
BUS02P	99.227	(0.7)	99.242	99.230	99.235			2y
BUS05P	98.135	(3.5)	98.197	98.137	98.185			5y
BUS10P	94.210	(6.5)	94.310	94.210	94.290			10y
BUS30P	91.270	(12)	92.115	91.290	92.100			30y
	ls	net	high	low	open	SYM NAME		
BUS02Y	5.027	0.90	5.035	4.989	5.027			2y Yield
BUS05Y	5.110	2.90	5.116	5.061	5.078			5y Yield
BUS10Y	5.194	2.60	5.2	5.145	5.154			10y Yield
BUS30Y	5.296	2.70	5.298	5.252	5.258			30y Yield



	Decimal					Volume	Yest Volume	SYM NAME
	ls	net	high	low	open			
DGU7	102.48	(55.00)	102.53	102.48	102.53	333,825	498,215	Schatz(2Y)
DLU7	1060.05	(115.00)	1061.15	1059.95	1060.90	279,878	480,701	Bobl(5Y)
DBU7	110.60	(19.00)	110.80	110.58	110.75	529,705	1,155,011	Bund(10Y)

German Futures

	Price		Yield		Maturity	SYM NAME
	ls	ls	Coupon			
T.US.DE032P0409	100.02	4.440	4.500	7/4/2009		2 yr CTD
T.US.DE050P0712	97.64	4.505	4.000	4/13/2012		5 yr CTD
T.US.DE042P0717	95.77	4.535	4.000	7/4/2016		10 yr CTD
DEP2P	98.80	4.471	3.750	3/13/2009		2yr OTR
DEP5P	97.68	4.543	4.000	4/13/2012		5yr OTR
DEP10P	93.69	4.577	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	102.48	102.49	102.48	102.53	102.48	-55.00	Schatz(2Y)	German Futures	
DLU7	1060.05	1060.10	1060.05	1061.15	1059.95	-115.00	Bobl(5Y)		
DBU7	110.59	110.60	110.60	110.80	110.58	-19.00	Bund(10Y)		

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo			
DGU7	4.672	4.670	4.672	4.675	4.646		Schatz(2Y)	German Futures
DLU7	4.627	4.626	4.626	4.629	4.603		Bobl(5Y)	
DBU7	4.652	4.650	4.652	4.653	4.627		Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng		
T.US.DE032P0409	4.487	4.471	4.440	4.476	4.435	0	2 yr CTD	German Cash
T.US.DE050P0712	4.553	4.543	4.505	4.531	4.483	0	5 yr CTD	
T.US.DE042P0717	4.581	4.574	4.535	4.561	4.512	0	10 yr CTD	
DEP2P	4.483	4.471	4.471	4.489	4.446	-2	2yr OTR	
DEP5P	4.553	4.543	4.543	4.555	4.517	-11	5yr OTR	
DEP10P	4.584	4.577	4.577	4.588	4.553	-20	10yr OTR	

Decimal								SYM NAME	
bid	ask	Last	hi	lo	Chng				
T.US.DE032P0409	100.02	100.05	100.05	100.09	100.00	-2.00	2 yr CTD	German Cash	
T.US.DE050P0712	97.64	97.68	97.68	97.79	97.63	-11.00	5 yr CTD		
T.US.DE042P0717	95.77	95.82	95.82	96.00	95.74	-21.00	10 yr CTD		
DEP2P	98.78	98.80	98.80	98.84	98.77	-2.00	2yr OTR		
DEP5P	97.64	97.68	97.68	97.79	97.63	-11.00	5yr OTR		
DEP10P	93.64	93.69	93.69	93.87	93.61	-20.00	10yr OTR		

Y = Yield

CTD = Cheapest to Deliver

DE = German Country Code

MarketNews
international

Stone & McCarthy
RESEARCH ASSOCIATES

11/06/2007	15:22	EURO	chg	USA	chg	UK	chg
Futures	Bond	110.79	0.05	106.38	-0.28	104.40	0.01
	STIR	95.47	0.01	94.64	0.00	93.83	0.01
Cash	3mth	4.14	0.00	5.36	0.00	5.82	0.00
	2yr	4.44	-0.01	5.01	0.02	5.76	0.00
	5yr	4.51	-0.01	5.06	0.03	5.61	0.00
	10yr	4.56	-0.01	5.14	0.04	5.38	-0.01
	30yr	4.68	-0.01	5.25	0.04	4.78	0.00
	10yr-2yr	0.11	0.00	0.14	0.02	-0.37	0.00
Spreads	2yr	--	--	0.62	0.03	1.40	0.01
vs euro	10yr	--	--	0.65	0.05	0.90	0.01
FX	USD	1.334	-0.003	--	--	1.967	-0.003
	EUR	--	--	--	--	0.678	0.000
	YEN	162.44	-0.36	121.73	-0.01	239.45	-0.37
Equities		4411.0	0.9%	1504.9	0.0%	6549.1	%

11:09 06/11 **EGB MARKET SUMMARY:** European Government Bonds were trading higher on Monday with little bias. Bunds momentarily pared gains on hawkish comments from ECB President Trichet who testified before the EU Parliament's Economic & Monetary Affairs Committee on Monday afternoon. Bunds opened higher on Monday morning, extending gains following the aggressive bounce witnessed on Friday afternoon, after traders covered shorts ahead of the 5.25% level in US 10-year Treasuries. Bullish sentiment in early trade was supported by weaker than expected French industrial production data. The advance higher however came to a halt on hawkish comments from ECB official Nout Wellink, who suggested that the ECB was not "at the end of the road yet" with regards to monetary policy tightening, "on the condition that the economy remains strong". ECB council member John Hurley also spoke on Monday morning, reiterating ECB President Trichet's pledge to "monitor developments closely."

Headlines

Bonds higher, little bias
ECB's Trichet: Never used the word "pause" with regards to monetary policy tightening ahead

Bunds open higher, extend previous session gains
Apr French Industrial Production: -0.8%mom/1.7%yoy
ECB's Wellink: ECB was not "at the end of the road yet" with regards to monetary policy tightening

Euro Mkt Summary: EGBs Higher, ECB Speak Caps Gains by Charanjeev Chana

European Government Bonds were trading higher on Monday with little bias. Bunds momentarily pared gains on hawkish comments from ECB President Trichet who testified before the EU Parliament's Economic & Monetary Affairs Committee on Monday afternoon. Bunds opened higher on Monday morning, extending gains following the aggressive bounce witnessed on Friday afternoon, after traders covered shorts ahead of the 5.25% level in US 10-year Treasuries. Bullish sentiment in early trade was supported by weaker than expected French industrial production data. The advance higher however came to a halt on hawkish comments from ECB official Nout Wellink, who suggested that the ECB was not "at the end of the road yet" with regards to monetary policy tightening, "on the condition that the economy remains strong". ECB council member John Hurley also spoke on Monday morning, reiterating ECB President Trichet's pledge to "monitor developments closely."



News Recap for Euroland

Overnight

06:11 06/12 **BUND SUMMARY:** Bunds opened lower, taking their cue from weakness in USTs overnight along with rise in JGBs yields despite a fall in the Nikkei-225 (-74pts). This move comes in the wake of the disappointing Y2.0tln 1.50% 5-year #64 JGB auction, which was covered 3.44 times and 0.02 tail vs 3.80 cover and 0.01 tail at the previous auction on May 15. Bund prices were also weighed by fall in Gilts in the wake of hawkish comments from BoE Governor Mervyn King last night, who said that the Bank of England's Monetary Policy Committee may need to raise interest rates again if indicators of capacity pressures, pricing intentions and inflation expectations remain "elevated". Technical selling was also reported after September Bund futures contract broke below 110.65 level, triggering around 25k contracts in stop loss selling. The short-dated were underpinned by release of weaker than expected eurozone industrial production data, and German wholesale prices, where the annual rate of change fell sharply to its lowest level in 18-months.

06:18 06/12 **GILT SUMMARY:** Gilts are lower but off their worst levels following release of UK CPI and trade data. UK headline CPI eased to +0.3% m/m, +2.5% y/y in May -- lowest annual rate since October 2006 vs +0.3% m/m, +2.8% y/y in April. The fall was attributed to lower prices for gas and electricity compared with last year. There was also a downward impact from lower food and beverage prices, which offset the higher costs of transport, notably air travel. The UK global goods deficit narrowed in April to Stg6.313bn, the lowest since Oct 2005, a lower shortfall than analysts had expected. The main reasons were a significant drop in the balance with EU countries and a sharp improvement in the oil deficit, with a new field coming on stream. Attention now turns to the announcement from the DMO on the size of the 5.25% 2012 Gilt issue, which is due to be sold on June 21 -- expected to be Stg2.5bn. The Gilt 2-/10-year yield spread was 0.3 bps flatter at -30.0 bps, whilst the 10-/30-year yield spread was 0.6 bps flatter at -61.2 bps.

News Recap for Euroland

Overnight

04:30 06/12 **UK Data: May CPI** +0.3% m/m; +2.5% y/y; median +0.3% m/m; +2.5% y/y
 --May RPIX +0.4% m/m; +3.3% y/y; median +3.3% y/y
 --May RPI +0.4% m/m; +4.3% y/y; median +0.4% m/m; +4.3% y/y

 CPI inflation came in bang in-line with expectations in May as higher costs of transport, notably air travel, were more than offset by lower prices for gas and electricity compared with last year. There was also a downward impact from lower food and beverage prices. The core measure of CPI which excludes energy, food, alcohol and tobacco, rose to 1.9% y/y to 1.8% previously. Other measures of inflation the RPI and RPIX were also in-line with the median forecast. While CPI inflation has fallen this month, barring a large m/m fall in June, it looks likely for Q2 it will breach the BOE's latest forecast. King clearly knew this when he made his hawkish remarks yesterday where he gave a firm indication that interest rates will most likely need to rise again.

US Intrinsic's				
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	14.96	4.47	\$1,398	
10y	7.82	2.38	\$743	
5y	4.36	1.37	\$430	
2y	2.04	0.64	\$199	
ZB	9.66	3.31	\$103	
ZN	5.79	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 133.46

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	5.031	5.027	5.027	
US5y	5.114	5.110	5.110	
US10y	5.196	5.194	5.194	



German Cash Treasuries (OTR)				
	Bid	Ask	Last	
DE2y	4.483	4.471	4.471	
DE5y	4.553	4.543	4.543	
DE10y	4.584	4.577	4.577	

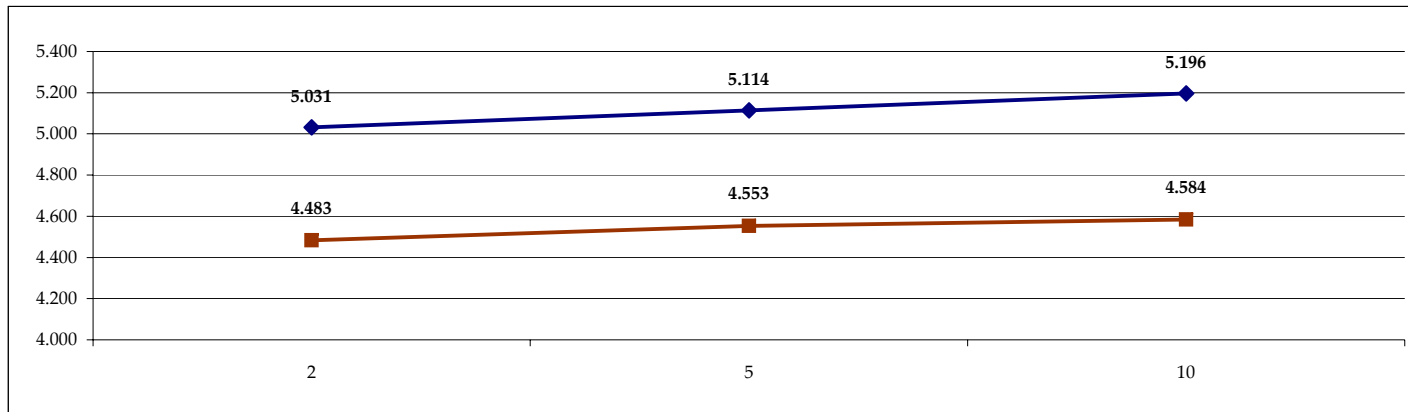
Spreads [^]	
US2y-Schatz	0.383
US5y-Bobl	0.509
US10y-Bund	0.565
US2y- 3.250 of 04/09	0.587
US5y- 4.000 of 07/12	0.605
US10y- 4.250 of 07/17	0.659
US2y-DE2y	0.556
US5y-DE5y	0.567
US10y-DE10y	0.617

[^]Last minus Last

German Futures [^]				
	Bid	Ask	Last	
Schatz	4.672	4.670	4.644	
Bobl	4.627	4.626	4.601	
Bund	4.652	4.650	4.629	

[^]Interpolated. NOT based on CTD

German Futures (CTD)				
	Bid	Ask	Last	
3.250 of 04/09	4.487	4.471	4.440	
4.000 of 07/12	4.553	4.543	4.505	
4.250 of 07/17	4.581	4.574	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

Domestic	T+2	T+3	T+3
International	T+3	na	na

Trading Basis

Quotation	price	simple yield	price
Tick	decimal	bp	decimal
Tax (resident)	0	0	0
Price/Yield Method	ISMA	Simple	DMO

Repo

Accrual basis	actual	actual	actual
Year basis	360	0	365