



The Morning Email: Treasuries

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14:58 06/12 US TSYS: **Greenspan**

"There will not be merely a psychological shift in liquidity - it will simply disappear. Market participants will simply change their minds about capitalization value - much like a real estate investor could simply change his/her mind tomorrow about how much they want to pay to buy the Waldor Astoria hotel."

[wow]

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	97.3070	93.250	103.235	104.21	6/13/2007 5:36

*Adjusted for New Issue

**Adjusted for Futures Roll

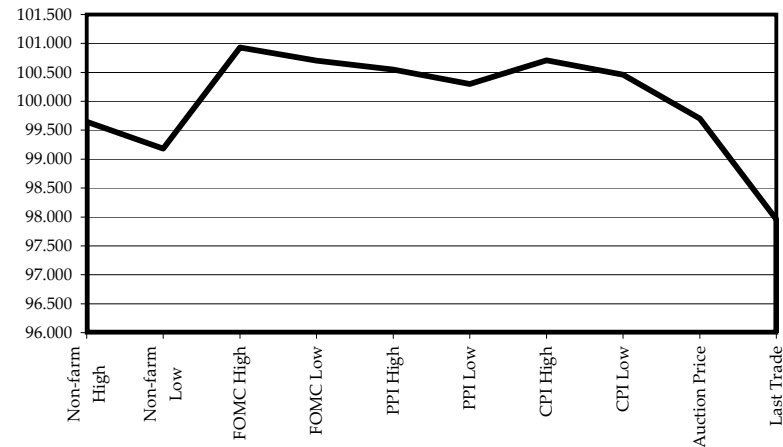
(Jun07 to Sep07 Futures roll: ZN & ZB even) (ZF = +3tics)

Release times are from release to 2pm cdt

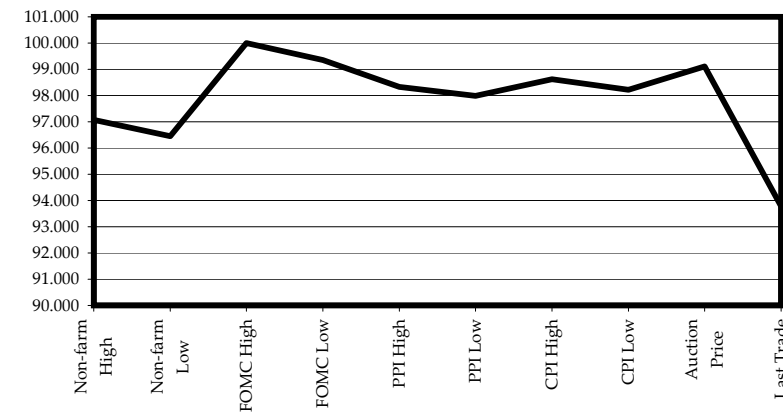
	Auctions - 32nds			
	2 y	5y	10y	30y
Auction Price	99.313	99.224	99.035	98.194
Auction Yield Stop	4.886	4.818	4.612	4.838
Actual Auction Date	5/29/2007	5/30/2007	5/8/2007	5/11/2007 r

r = reopen

5y (Decimal)



10y (Decimal)



	32 nds					Volume	SYM NAME
	ls	net	high	low	open		
TUAU7	101.142	(3.7)	101.167	101.137	101.152	50,820	2y Fut
FVAU7	102.290	(9.0)	103.040	102.270	102.305	94,224	5y Fut
TYAU7	103.235	(14.0)	104.030	103.205	103.275	422,529	10y Fut
USAU7	104.210	(22)	105.080	104.160	104.280	91,181	30y Fut
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.177	(1.0)	99.200	99.172	99.185	na	2y Cash
BUS05P	97.305	(2.7)	98.060	97.292	98.002	na	5y Cash
BUS10P	#VALUE!	(5.5)	94.060	93.215	93.280	na	10y Cash
BUS30P	#VALUE!	(14)	90.280	89.290	90.085	na	30y Cash
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	5.108	1.30	5.129	5.061	5.099	na	2y Yield
BUS05Y	5.220	2.40	5.236	5.165	5.191	na	5y Yield
BUS10Y	5.310	2.40	5.333	5.255	5.276	na	10y Yield
BUS30Y	5.425	3.00	5.441	5.362	5.379	na	30y Yield



News Recap for the United States

Yesterday

15:07 06/12 **US TSYS:** The bear steepening continues on a variety of worries about global growth/inflation, dumping of bad positions, a poor 10Y reopening, and more convexity hedging that was reported picking up steam into the close. At 3PM Tue, 2Y at 5.058% vs. 5.001% Mon. 3Y at 5.107% vs. 5.028%. 5Y at 5.155% vs. 5.057%. 10Y at 5.250% vs. 5.137% 30Y bond at 5.359% vs. 5.240%. 2/10Y at +18.2 vs. +13.6 bps. 2/5Y at +8.7 vs. +5.6 bps. 2/30Y at +29.1 vs. +23.9.

15:15 06/12 **EURODLR FUTURES:** EuroDlr futures settled sharply lower across the board on heavier volume as the curve continued to steepen. The Red/Gold pack spd (Jun08-Mar09) vs (Jun11-Mar12) a 2s/10s proxy, bear steepened 4.625 bps to 46.0, out 20.5 bps since last Wed. The Fronts (Jun07-Mar08), settled steady to 5.5 bps lower, the Jun07 at 94-63.75 on combined Globex and pit volume of 95,000, the Sep07 in 1.0 bps at 94-63.5 on volume of 163,000, the Dec07 in 3.5 bps at 94-61 on volume of 368,000, while the Mar08 was 5.5 bps lower at 94-62.5 on volume of 424,000. The Red pack (Jun08-Mar09) a 2yr proxy, settled 7.5 to 12.0 bps lower across the pack with 962,000 contracts traded.

15:06 06/12 **US SWAPS:** Spds finished out the session wider across the board on heavier paying/duration tied hedging flow in 30s as well as paying on rate in 5s and 10s by various accts. Some 2-way flow noted in front EuroDlrs. Swap yld spds pushed to new wides, initiating some hybrid note hedges and spurring some 10s/30s steepener flow in turn. According to GovPX:

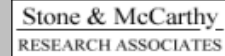
Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Tue 3:05	+0.25/45.50	+1.75/53.75	+2.25/62.75	+2.50/69.50
1:50	+0.50/45.75	+1.75/53.75	+2.50/63.00	+2.50/69.50
11:40	+0.50/45.75	+1.50/53.50	+2.25/62.75	+2.25/69.25
9:30	+0.50/45.75	+1.50/53.50	+1.75/62.25	+2.00/69.00
Tue Open	+0.50/45.75	+1.25/53.25	+1.25/61.75	+1.75/68.75
Mon 3:05	+0.25/45.25	-0.25/52.00	-0.25/60.50	-0.50/67.00

News Recap for the United States

Overnight

04:48 06/13 TSYS: (1) UST cash prices were little changed from late New York levels, but that fact hid the truth of a see-saw overnight session. The initial move in Tokyo saw prices lower, with the yield on the 10-year pushing to 5.31% - the highest level since April 2002. However, this level seemed to trigger a bout of dip-buying from Japanese name investors, with talk of good-sized buying across the curve from life and pension funds. This helped prices rally from their lows, but any decent bounce ran into good selling from U.S. names. Traders said Stateside convexity and real money funds were sellers of paper from the 5-year out, with leveraged players also good sellers of the 10-yr. Prices fell from their best levels as London trade progressed, with cash prices standing just modestly lower from their late NYC levels, pushing the 10-yr back to 5.30%. Futures were sharply lower, as prices caught up with the sell-off in the cash market seen after the Chicago close. Volumes in the cash market were again buoyant, with well over 250,000 10-year lots traded.

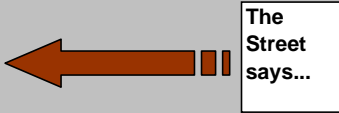
04:48 06/13 TSYS: (2) Despite the weakness in European debt markets, Bunds were trading higher against the US 10-year T-notes, with the spread standing at +72 bps. Ahead of the U.S. session, the 2-yr note was unchanged, trading at 99 19/32 to yield 5.09%. The 10-yr note was 1/3232 lower at 93 29/32 (5.30%), with the Bond 2/32 lower at 90 11/32 (5.41%). The 2-yr/5-yr yield curve was unchanged on overnight levels, trading at +11 bps. The 2-/10-yr curve was also unchanged, trading at +20 bps, as was the 2-yr/30-yr curve, standing at +31 bps. September expiry futures contracts on the CBOT electronic system are trading lower on Tuesday's close, with heavy volumes again noted. The June T-note was 11/32 lower at 103 26/32, while the Bond was 18/32 lower at 104 25/32.



11:02 06/12 **US TSYS/MBS**: Several dealers report selling of Tsys in the long end that is likely mortgage convexity selling. Size is said to be quite decent. Also hearing some of the 30Y payers in swaps from last week could be back in today. If you recall, several large dealers were heavy payers in 30Y swaps last week, likely for a large mortgage portfolio/servicer. Also last week, one large US bond fund/mortgage player was believed to be a persistent seller of 30Y bonds. While some say much of the convexity paying/duration shedding was likely wrung out of the market last week, others wonder if the Friday's large and sudden pop on 10s from 5.25% to 5.13% might have left some of the mortgage players complacent or praying for a push high and therefore did not do all the hedging that was needed. In general, the mortgage market seemed less worried about more shedding unless 10s broke 5.25% and headed nearer to 5.50%. Today's selling/paying suggest there is indeed more mortgage hedging going on. Also, as curve continues to steepen players in flatteners or in bad long-end positions getting wrung out.

10:48 06/12 **US TSYS/OPINION**: Analyst Tony Crescenzi of Miller, Tabak says mkt participants should watch chain store sales. He says sales YOY gain "actually fell and remained at a low level. If recent trends persist, the rebound currently underway in the factory sector will weaken. If this happens, perceptions about the U.S. economic situation would revert back to the sense of moderation that helped to keep U.S. interest rates low for an extended period."

10:50 06/12 **US TSYS/OPINION**: Max Bublitz, Chief Strategist at SCM Advisors, says, "Many of the technical conditions that caused rates to pop in the U.S. have been alleviated; positions are neutral, convexity hedging appears done for now, and sentiment is pretty bearish. That said, I'm a little suspicious of a recent single run at 5.24% in the 10yr, and find it too conveniently close to last June's peak to think that we might not have to take another shot at it before we're in a position to really think about market fundamentals."

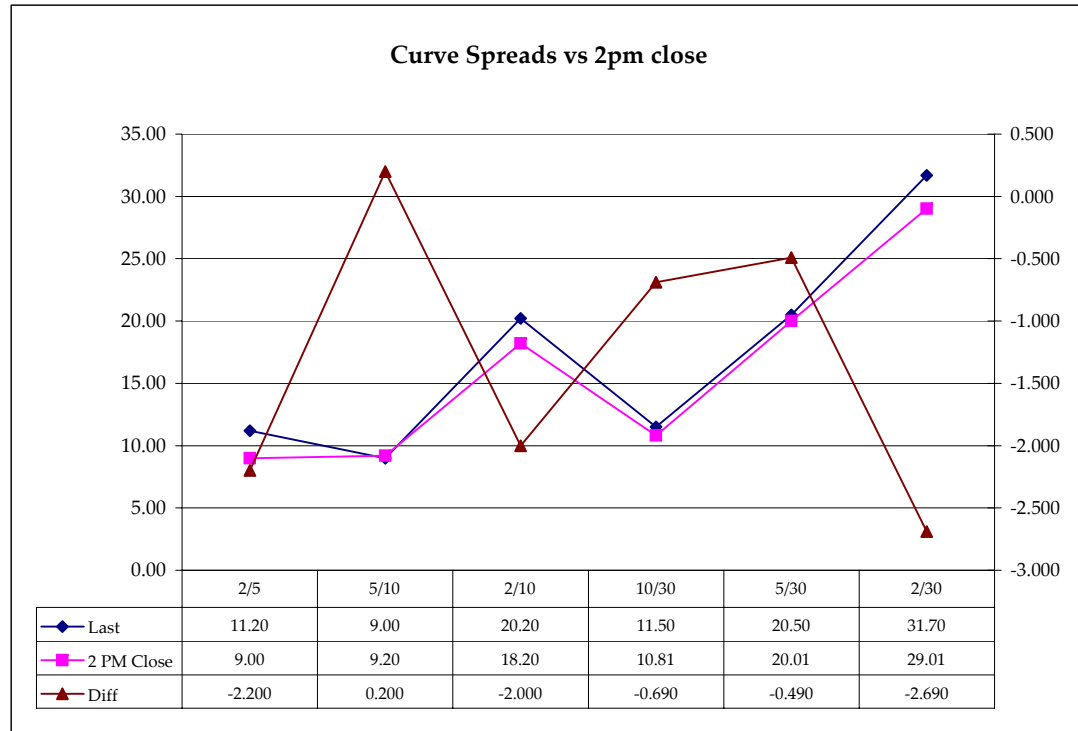


	M Duration	DV01 32	DV01 \$
30y	14.81	4.34	\$1,357
10y	7.80	2.35	\$734
5y	4.35	1.37	\$427
2y	2.03	0.64	\$199
ZB	9.61	3.25	\$102
ZN	5.79	1.94	\$60
ZF	3.98	1.31	\$41
ZT	1.86	1.23	\$38

	CF
ZB	1.1593
ZN	0.9335
ZF	0.9497
ZT	0.9799

	Fly's
2/5/10	2.20
2/10/30	8.70
5/10/30	-2.50

Yield Curve Spreads			
	Last	2pm close	Diff
2/5	11.20	9.00	-2.200
5/10	9.00	9.20	0.200
2/10	20.20	18.20	-2.000
10/30	11.50	10.81	-0.690
5/30	20.50	20.01	-0.490
2/30	31.70	29.01	-2.690



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		1.681	2.482	2.649
ZN	0.595		1.477	1.576
ZF	0.403	0.677		1.067
ZT	0.378	0.635	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	1.95	4.20	7.22	13.35
ZN	3.28	7.06	12.14	22.44
ZF	4.85	10.43	17.93	33.14
ZT	5.18	11.12	19.13	35.36

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		2.376	4.086	7.552
5y	0.465		1.720	3.179
10y	0.271	0.569		1.848
30y	0.146	0.308	0.541	

Commitment of Traders (COT)

Current Positions										
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	256,798	330,182	(73,384)	ZF	165,049	342,655	(177,606)	ZF	1,306,480	ZF
ZN	327,272	488,027	(160,755)	ZN	681,321	481,870	199,451	ZN	2,046,172	ZN
ZB	154,416	210,454	(56,038)	ZB	114,431	256,007	(141,576)	ZB	695,045	ZB

WoW* Position Change				
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	
ZF	(28,262)	(9,047)	37,380	As of
ZN	(15,841)	(131,799)	147,640	6/5/2007
ZB	22,229	(18,989)	(3,239)	

**WoW = Week over week

	Cpn	Mty	32nds	Yield	Last	Diff
2y	4.875	5/31/09	99.2075	5.064	5.108	0.044
5y	4.750	5/31/12	98.0800	5.154	5.220	0.066
10y	4.500	5/15/17	94.090	5.246	5.310	0.064
30y	4.750	2/15/37	91.02	5.354	5.425	0.071

	32nds
ZF	103.055
ZN	104.055
ZB	105.11

	CF Basis* (decimal)	GHCO Basis
5y	0.21	28.044
10y	(3.05)	-18.152
30y	(30.83)	283.032

Curve Spreads (bps)	
2/5	9.0
5/10	9.2
2/10	18.2
10/30	10.8
5/30	20.0
2/30	29.0

CF = Conversion Factor
Cash - (Futures * CF)



Correlations

All correlations based on 10 day historical

Symbol	US Cash Treasuries (Yield)				US Bonds/Notes (CBOT)			
	2yr Yield	5yr Yield	10yr Yield	30yr	ZT	ZF	ZN	ZB
2yr Yield	100.0	97.2	95.4	94.7	-97.4	-95.5	-94.7	-93.0
5yr Yield	97.2	100.0	99.7	99.3	-97.2	-98.9	-98.9	-98.5
10yr Yield	95.4	99.7	100.0	99.8	-96.2	-99.0	-99.3	-99.3
30yr Yield	94.7	99.3	99.8	100.0	-95.7	-98.7	-99.2	-99.5
ZT	-97.4	-97.2	-96.2	-95.7	100.0	98.5	97.6	96.0
ZF	-95.5	-98.9	-99.0	-98.7	98.5	100.0	99.8	99.2
ZN	-94.7	-98.9	-99.3	-99.2	97.6	99.8	100.0	99.7
ZB	-93.0	-98.5	-99.3	-99.5	96.0	99.2	99.7	100.0

Symbol	US Cash Treasuries (Yield)				US Bonds/Notes (CBOT)			
	2yr Yield	5yr Yield	10yr Yield	30yr Yield	ZT	ZF	ZN	ZB
emini SP	(76.2)	(86.9)	(87.5)	(87.8)	76.9	83.3	84.3	86.9
Dow Futures	(75.8)	(86.1)	(86.4)	(86.5)	76.6	82.4	83.1	85.4
USDJPY	33.2	26.9	28.2	29.8	(39.2)	(35.1)	(35.9)	(34.1)
EURUSD	(80.4)	(86.5)	(89.1)	(90.3)	83.2	88.5	90.5	91.8

**Correlations for the US Cash Treasuries are done on a YIELD basis.
Therefore, you'll see negative values against certain fixed income instruments.**

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	\$199			
5	\$201	\$407		
10	\$196	\$396	\$724	
30	\$186	\$377	\$690	\$1,357
Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	(\$2)			
10	\$3	\$11		
30	\$12	\$30	\$35	
Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	-1.15%			
10	1.56%	2.75%		
30	6.68%	7.92%	5.04%	

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	3.54	
ZF	0.49	0.99	1.77	3.31	
ZN	0.33	0.67	1.20	2.24	
ZB	0.20	0.40	0.71	1.34	
Tic for Tic Matrix					
	2y	5y	10y	30y	
2y	1.00	2.05	3.65	6.83	
5y	0.49	1.00	1.78	3.33	
10y	0.27	0.56	1.00	1.87	
30y	0.15	0.30	0.53	1.00	
Tic for Tic Matrix					
	ZT	ZF	ZN	ZB	
ZT	1.00	1.07	1.58	2.65	
ZF	0.94	1.00	1.48	2.48	
ZN	0.63	0.68	1.00	1.68	
ZB	0.38	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.

