



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 & Global Bond Market Characteristics

"...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	-94.08	-85.97	-83.66	94.49	87.36	85.79	DGU7	Schatz(2Y)
Bobl(5Y)	DLU7	-96.73	-97.37	-96.81	96.10	98.64	98.17	DLU7	Bobl(5Y)
Bund(10Y)	DBU7	-96.13	-98.69	-98.49	94.74	99.42	99.30	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

```

-----R E S I S T A N C E-----
111.39 10-DMA
111.26 23.6% of the 04/19H - 06/08L
111.00 point of break below the Nov '03 corrective lows
110.94 5-DMA
110.80 06/11 close
110.43 lower Bollinger band
110.41  -.39  06/12 Settlement
110.32 06/12 low
110.27 06/08 pivot low
109.79 Oct '02 corrective lows
109.33 76.4% of the Apr '02 - Sep '05 up-move
-----S U P P O R T-----

```

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

Short-term, grossly oversold momentum and Friday's reversal low offer theoretical support at 110.27. However, we must remember that such conditions can exist for longer periods than we can remain solvent.

The continuous Bund contract stepped its lowest level since Nov '02 this past week, with Friday's low of 110.27.

As we have been repeating at nauseam in recent weeks, risks are still skewed to the downside, so no significant countertrend posturing (i.e., sizable reduction of profitable short positions, or large long bets) would be recommended until price closes convincingly above the 5-day line that has been smoothing things lower since 05/11.

(See support/resistance table below for key liquidity ladder)

Longer-term, our proprietary trading system (a near to long-term trend following system), which entered its final short position on 04/13, would not see its first protective stop triggered until settlement above 112.72.

Quotes 1



		32 nds							
	ls	net	high	low	open	Volume	Yest Volume	SYM NAME	
TUAU7	101.140	(3.7)	101.167	101.137	101.152	51,156	237,063	2y Futures	
FVAU7	102.285	(9.0)	103.040	102.270	102.305	94,774	553,382	5y Futures	
TYAU7	103.225	(15.0)	104.030	103.205	103.275	423,700	2,186,788	10y Futures	
USAU7	104.200	(23)	105.080	104.160	104.280	91,516	594,940	30y Futures	
		32 nds							
	ls	net	high	low	open			SYM NAME	
BUS02P	99.177	(0.7)	99.200	99.172	99.185			2y	
BUS05P	97.302	(3.2)	98.060	97.292	98.002			5y	
BUS10P	93.240	(6.5)	94.060	93.215	93.280			10y	
BUS30P	90.015	(14)	90.280	89.290	90.085			30y	
		32 nds							
	ls	net	high	low	open			SYM NAME	
BUS02Y	5.112	1.70	5.129	5.061	5.099			2y Yield	
BUS05Y	5.220	2.40	5.236	5.165	5.191			5y Yield	
BUS10Y	5.314	2.80	5.333	5.255	5.276			10y Yield	
BUS30Y	5.426	3.10	5.441	5.362	5.379			30y Yield	



		Decimal							
	ls	net	high	low	open	Volume	Yest Volume	SYM NAME	
DGU7	102.38	(45.00)	102.43	102.36	102.42	688,544	875,172	Schatz(2Y)	
DLU7	1056.50	(235.00)	1058.80	1055.75	1058.50	499,749	801,394	Bobl(5Y)	
DBU7	109.82	(50.00)	110.36	109.66	110.27	1,607,110	1,739,103	Bund(10Y)	

German Futures

	Price		Yield		Maturity	Volume	Yest Volume	SYM NAME
	ls	ls	Coupon					
T.US.DE032P0409	99.88	4.440	4.500	7/4/2009				2 yr CTD
T.US.DE050P0712	97.31	4.505	4.000	4/13/2012				5 yr CTD
T.US.DE042P0717	95.13		4.000	7/4/2016				10 yr CTD
DEP2P	98.70	4.536	3.750	3/13/2009				2yr OTR
DEP5P	97.35	4.623	4.000	4/13/2012				5yr OTR
DEP10P	93.01	4.672	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	102.38	102.38	102.38	102.43	102.36	-45.00	Schatz(2Y)	German Futures	
DLU7	1056.45	1056.50	1056.50	1058.80	1055.75	-235.00	Bobl(5Y)		
DBU7	109.82	109.83	109.82	110.36	109.66	-50.00	Bund(10Y)		

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo			
DGU7	4.728	4.725	4.725	4.738	4.699		Schatz(2Y)	German Futures
DLU7	4.707	4.706	4.707	4.722	4.655		Bobl(5Y)	
DBU7	4.744	4.743	4.743	4.763	4.679		Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng		
T.US.DE032P0409	4.561	4.545	4.440	4.508	4.451	0	2 yr CTD	German Cash
T.US.DE050P0712	4.632	4.623	4.505	4.579	4.517	0	5 yr CTD	
T.US.DE042P0717	4.672	4.665	4.612	4.612	4.548	0	10 yr CTD	
DEP2P	4.548	4.536	4.536	4.554	4.505	-9	2yr OTR	
DEP5P	4.632	4.623	4.623	4.642	4.575	-28	5yr OTR	
DEP10P	4.679	4.672	4.672	4.699	4.604	-58	10yr OTR	

Decimal								SYM NAME	
bid	ask	Last	hi	lo	Chng				
T.US.DE032P0409	99.88	99.91	99.91	99.99	99.88	-12.00	2 yr CTD	German Cash	
T.US.DE050P0712	97.31	97.35	97.35	97.55	97.27	-28.00	5 yr CTD		
T.US.DE042P0717	95.13	95.18	95.18	95.67	94.98	-57.00	10 yr CTD		
DEP2P	98.68	98.70	98.70	98.75	98.67	-9.00	2yr OTR		
DEP5P	97.31	97.35	97.35	97.55	97.27	-28.00	5yr OTR		
DEP10P	92.96	93.01	93.01	93.50	92.81	-58.00	10yr OTR		

Y = Yield

CTD = Cheapest to Deliver

DE = German Country Code

MarketNews
international

Stone & McCarthy
RESEARCH ASSOCIATES

12/06/2007	15:35	EURO	chg	USA	chg	UK	chg
Futures	Bond	110.39	-0.41	105.66	-0.91	103.92	-0.53
	STIR	95.44	-0.02	94.62	-0.02	93.77	-0.06
Cash	3mth	4.14	0.00	5.36	0.00	5.84	0.02
	2yr	4.49	0.04	5.04	0.03	5.82	0.06
	5yr	4.56	0.05	5.12	0.05	5.89	0.08
	10yr	4.61	0.06	5.22	0.06	5.46	0.08
	30yr	4.74	0.06	5.33	0.07	4.83	0.05
	10yr-2yr	0.13	0.02	0.18	0.04	-0.36	0.01
Spreads	2yr	--	--	0.62	-0.01	1.41	0.03
	vs euro	10yr	--	--	0.67	0.01	0.92
FX	USD	1.332	-0.004	--	--	1.973	0.004
	EUR	--	--	--	--	0.675	-0.004
	YEN	162.09	-0.52	121.71	-0.02	240.18	0.49
Equities		4378.4	-0.8%	1499.3	-0.7%	6525.3	%

Headlines

Bonds lower, long dates underperform - Bund curve steepens

Bunds open lower on UST and JGB weakness overnight

BOE's King: BOE Monetary Policy Committee may need to raise interest rates again if indicators of capacity pressures, pricing intentions and inflation expectations remain "elevated."

Apr Eurozone Industrial Production: -0.8%mom/2.8%yoy

Dutch Issuance: DSTA sold E1.94bln of the 5.00% July 2012 DSL, average yield 4.555%

Euro Mkt Summary: EGBs Lower, Curve Steeper as Long Dates Underperform by Charanjeev Chana

EGBs were trading lower with long dated issues underperforming, steepening the Bund curve. Shorter dates were underpinned by weaker than expected Eurozone data and received further support after European equity bourses turned negative on Tuesday afternoon. Bonds opened lower on Tuesday morning taking cue from JGB weakness overnight, which followed after a poor take up at the Y2.0tln 1.50% 5-year JGB auction. The market was also weighed by Gilts, which opened lower on hawkish overnight comments from BOE Governor Mervyn King, who raised speculation of further BOE tightening after saying the BOE may need to hike rates if indicators of capacity pressures and inflation expectations remain "elevated." Short dated issues outperformed on weaker than expected Eurozone industrial production data, which fell sharply in April. On the supply front, the DSTA sold E1.94bln of the 5.00% July 2012 DSL and Germany announced a 4.50% coupon for the new June 2009 Schatz, to be launched on Wednesday for up to E7.0bln.



News Recap for Euroland

Overnight

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.

05:26 06/13 **BUNDS**: The 2-/10-year Bund yield curve is steepening further to +14bps, and now 4bps steeper on the session. Risk is on further curve steepening as the long-end continues to trade under pressure, with +20bps eyed, which is a resistance line from March 11, 2005 and +25bps level, being the value of a longer term trend line from August 20, 2004.

05:19 06/13 **BUNDS**: Strong volume so far in Sept Bunds -- above 1.0mln mark already.

05:16 06/13 **SCHATZ**: Traders note that the strong auction results of the new 4.50% June 2009 Schatz, where cover at 1.9 times was above the average of the last 3-auction at 1.766 and also note the aggressive price premium of 3.5 cents. Traders say this is quite impressive, given this new 2-year Schatz was already trading expensive.

04:41 06/13 **BUNDS**: Stop-losses continue to dictate move lower for Sept Bunds, where around 40k contracts were sold on break below 109.99.

03:47 06/13 **BUNDS**: Traders report long-end selling as the German 30-year swap rate breaks above the key 5.00% level.

03:28 06/13 **BUNDS**: The 10-year benchmark 4.25% July 2017 Bund yield breaks above 4.65% -- hits 4.66%, amid stop loss selling in Sept Bund futures. Support is now at 109.96 -- projected support line from 112.59 Sept 2005 high.

03:24 06/13 **BUNDS**: Traders say stop losses were triggered in Sept Bund futures on break below 110.20 -- around 90k contracts sold.

News Recap for Euroland

Overnight

04:05 06/13 **ECB GARGANAS**: Policy flexible, incoming data key

-- Hints further policy tightening needed

-- Eurozone recovery has become an upswing

-- Inflation risks clearly on the upside

-- To act in a firm manner on price risks. (DJ)

04:02 06/13 **ECB LIIKANEN**: Monetary policy still on the accommodative side

-- Governing council to closely monitor developments

-- EMU financing conditions favourable

-- Money/credit growth vigorous, liquidity ample

-- Considerable uncertainty on oil price trends.

03:12 06/13 **BONDS: EGBs** are opening lower on Wednesday, following sharp falls in US Treasuries the previous session, amid continuous mortgage-related hedging and swap paying. The yield on the benchmark 10-year Note broke above the key 4.25% level -- hitting levels not seen since April 2, 2002 at 5.30%. In addition, poor \$8.0bln 10-year Note auction also weighed, which was awarded at 5.23% and covered 2.55 times vs 2.30 cover at previous refunding auction on May 8. However, indirect bidders took down only 10.9% of the sale vs 44.3% at previous refunding auction and 15.4% at previous re-opening auction in March. The risk is on further liquidation of stale long positions, and also mortgage convexity selling as the US 10-year swap rate eyes 6.00% level and the German 10-year swap rate eyes 5.00% level. The German 30-year swap rate is currently hovering around 5.00% level. Also weighing on sentiment is supply today, where Germany sells new 2-year Schatz, Portugal taps 10-year PGB and Spain prices its new long-dated 33-year issue.

US Intrinsic's				
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	14.81	4.34	\$1,357	€ 1,802
10y	7.80	2.35	\$734	€ 974
5y	4.35	1.37	\$427	€ 567
2y	2.03	0.64	\$199	€ 264
ZB	9.61	3.25	\$102	€ 135
ZN	5.79	1.94	\$60	€ 80
ZF	3.98	1.31	\$41	€ 54
ZT	1.86	1.23	\$38	€ 51



German Intrinsic's^				
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.09	€ 932	\$702	0.872569
Bobl	4.25	€ 553	\$417	0.959013
Schatz	1.83	€ 225	\$170	0.966386
DE10Y				
DE5Y				
DE2Y				



^Futures are Based on CTD

Last

EURUSD 132.72

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	5.116	5.112	5.112
US5y	5.227	5.220	5.220
US10y	5.319	5.314	5.314



German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	4.548	4.536	4.536
DE5y	4.632	4.623	4.623
DE10y	4.679	4.672	4.672

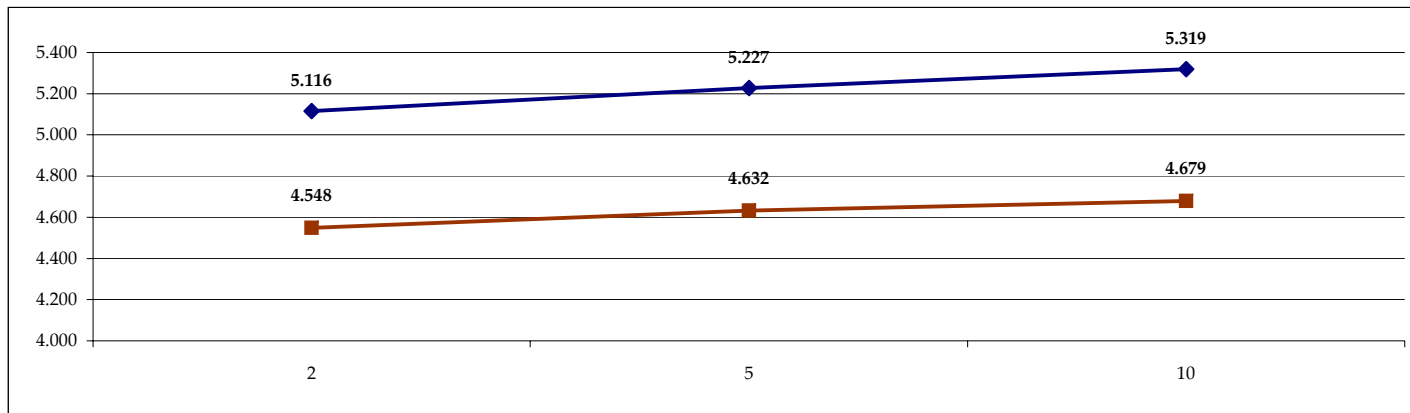
Spreads [^]	
US2y-Schatz	0.411
US5y-Bobl	0.565
US10y-Bund	0.631
US2y- 3.250 of 04/09	0.672
US5y- 4.000 of 07/12	0.715
US10y- 4.250 of 07/17	#VALUE!
US2y-DE2y	0.576
US5y-DE5y	0.597
US10y-DE10y	0.642

[^]Last minus Last

German Futures [^]			
	Bid	Ask	Last
Schatz	4.728	4.725	4.701
Bobl	4.707	4.706	4.655
Bund	4.744	4.743	4.683

[^]Interpolated. NOT based on CTD

German Futures (CTD)			
	Bid	Ask	Last
3.250 of 04/09	4.561	4.545	4.440
4.000 of 07/12	4.632	4.623	4.505
4.250 of 07/17	4.672	4.665	



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