



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, Flats, CFs
- Pg 6 Hedge Ratio's
- Pg 7 Commitment of Traders (COT)
- Pg 8 Closes2pm
- Pg 9 Correlations
- Pg 10 Cash Duration Matrix
- Pg 11 Tic for Tic Matrix

"The Bernanke Fed isn't just looking for inflation to stabilize, but to decline, in contrast to the Fed under Greenspan. Additionally, under the Greenspan Fed it was rare to hear any discussion of the actual inflation rate. However, with more with more Fed officials, including Bernanke, focusing on a particular figure as a goal, the level of inflation has become a hot topic." --Greg Ip

"This is a process, a finite process, that has to run its course. And so, if you concur with that view, than the objective is to let it go and step in when it seems that the dust has settled. In the meantime, yields and the curve are hitting extremes we certainly did not anticipate but believe it's not fundamental/Fed/inflation story so much as an exaggerated unwind that forces more selling as price drop." --David Ader, Head of Government Bond Strategy Ian Lyngen, Strategist Market Strategy Team

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	98.1200	94.210	104.140	106.02	6/14/2007 5:42

*Adjusted for New Issue

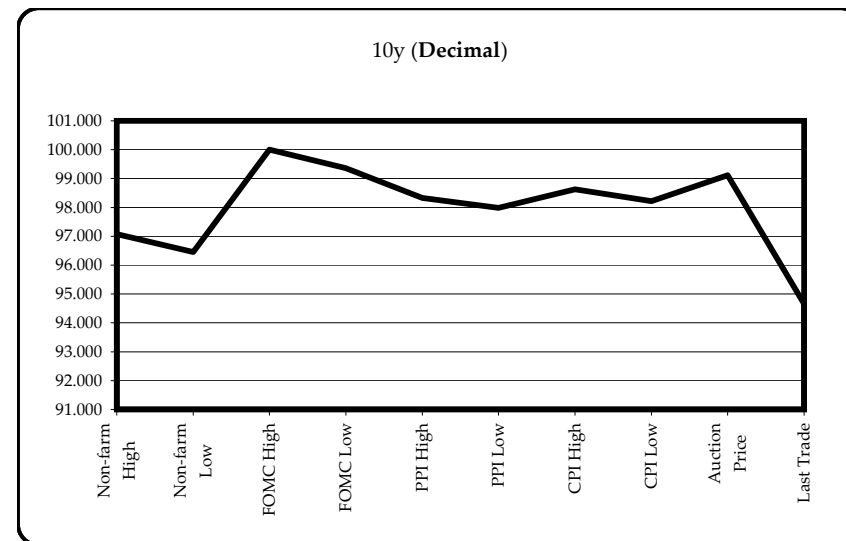
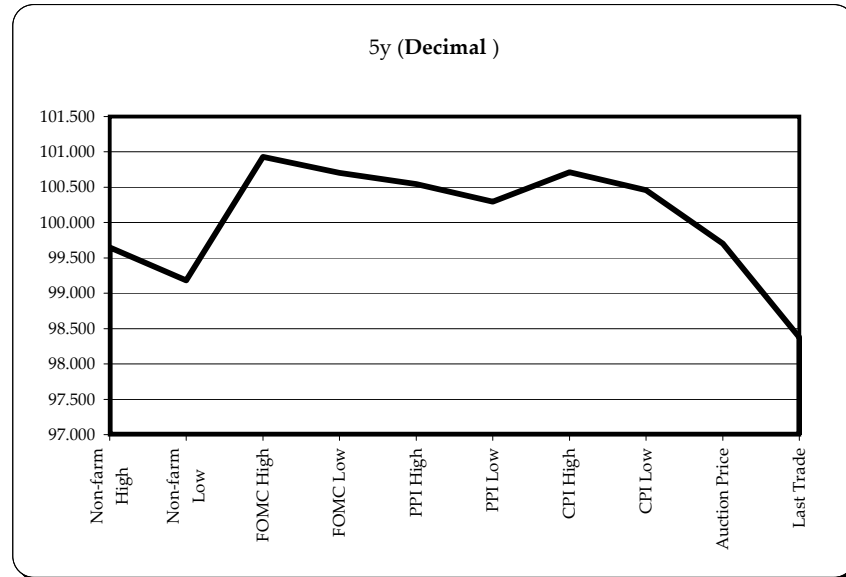
**Adjusted for Futures Roll

(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



	32 nds					Volume	SYM NAME
	ls	net	high	low	open		
TUAU7	101.175	0.2	101.175	101.157	101.167	20,712	2y Fut
FVAU7	103.095	1.5	103.095	103.045	103.070	51,657	5y Fut
TYAU7	104.140	2.0	104.145	104.065	104.100	217,532	10y Fut
USAU7	106.020	0	106.030	105.220	105.300	39,453	30y Fut
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.207	0.7	99.207	99.190	99.190	na	2y Cash
BUS05P	98.117	1.2	98.120	98.075	98.097	na	5y Cash
BUS10P	94.205	0.0	94.215	94.140	94.190	na	10y Cash
BUS30P	92.030	(1)	92.040	91.110	91.110	na	30y Cash
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	5.057	(1.70)	5.104	5.057	5.099	na	2y Yield
BUS05Y	5.125	(0.50)	5.162	5.121	5.151	na	5y Yield
BUS10Y	5.196	0.00	5.23	5.19	5.211	na	10y Yield
BUS30Y	5.278	0.20	5.343	5.274	5.282	na	30y Yield



News Recap for the United States

Yesterday

15:15:10 06/13 **US TSYS:** Treasuries end mixed on 3PM to 3PM basis and the curve staged a surprise reflattening. When the market failed to go down on the strong retail sales report, buying in the backend emerged. In addition to reports of strong Asian central bank buying, pension funds, insurance companies and other money managers bought 15-year and out. At 3PM Eed, 2Y at 5.073% vs. 5.068% Tues. 3Y at 5.108% vs. 5.107%. 5Y at 5.135% vs. 5.155%. 10Y at 5.20% vs. 5.250% Tues at 3PM. But this issue hit 5.30% late Tuesday and 5.32% in London this morning so the turnaround was stellar. 30Y bond at 5.276% vs. 5.359%. Issue hit 5.44% in London. 2/5Y at +6.2 bps vs. +8.7. 2/10Y at +12.7 vs. +18.2. 2/30Y at +20.3 vs. +29.1 Tue at 3PM.

11 06/13 **EURODLR FUTURES:** Eurodlr futures settled higher in the long end on heavier volume as the curve unwound some recent steepening. The Red/Gold pack spd (Jun08-Mar09) vs (Jun11-Mar12) a 2s/10s proxy, flattened 7.75 bps to 45.625. The Fronts (Jun07-Mar08), settled steady to 1.0 bps lower, the Jun07 at 94-63.75 on combined Globex and pit volume of 114,000, the Sep07 in 0.5 bps at 94-63 on volume of 271,000, the Dec07 in 1.0 bps at 94-60 on volume of 598,000, while the Mar08 was 1.0 bps lower at 94-61.5 on volume of 588,000. The Red pack (Jun08-Mar09) a 2yr proxy, settled mixed +/- 1. bps across the pack with 1,694,000 contracts traded.

15:06 06/13 **US SWAPS:** Spds finished out the session at tightest level of the session, on late receiver interest in long end. Amid reports of heavy curve unwinds in addition to buying in intermediates by levered, real money, official accounts, swap sources reporting some receiving as well, but not on large size. Better receiving was noted across curve in Asia session as well as early London session. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Wed 3:05	-1.00/44.50	-1.75/52.00	-1.75/61.00	-1.75/67.75
12:45	-0.75/44.75	-1.00/52.75	-1.00/61.75	-0.50/69.00
10:30	-1.25/44.25	-1.00/52.75	-0.75/62.00	-0.25/69.25
9:15	-1.00/44.50	-0.50/53.25	+0.00/62.75	+0.00/69.50
Wed Open	+0.00/45.50	+0.75/54.50	+0.75/63.50	+1.00/70.50
Tue 3:05	+0.50/45.75	+1.50/53.50	+2.25/62.75	+2.25/69.25

News Recap for the United States

Overnight

05:32 06/14 **TSYS:** Treasuries are trading lower in London Thursday, with profit-taking noted after the sharp rally seen in NYC the previous session. However, traders note that despite the overnight recovery, the market is still nervous, with sellers looking to take advantage of rallies. Prices were little changed in Asian trade, with good two-way trade noted as prices consolidated at overnight levels. The front of the curve saw solid demand from official name buyers, with pension funds again noted as buyers of the 10-year. Prices soon traded lower as the London session kicked off, with the prices led lower by futures activity. Volumes were again strong, with around 140,000 lots traded in the 10-year note. Bunds were trading lower against the US 10-year T-notes, with the spread standing at +64 bps. Ahead of the U.S. session, the 2-yr note was unchanged, trading at 99 20/32 to yield 5.08%. The 10-yr note was 5/32 lower at 94 15/32 (5.22%), with the Bond 9/32 lower at 91 26/32 (5.30%).



12:36 06/13 **US BONDS:** While much of the bond, curve, volatility rout that began May 8 is being blamed on mortgage duration shedding, a bond strategist is quick to point out that it did not begin with MBS. In early May, reports began to circulate that China was buying T-bills at the expense of longer coupons and that got the ball rolling. This was followed by heavy selling in German bunds and 30-year Treasury bonds, possibly by some large US portfolios and/or dealer shops that were in the process of pulling the plug on their calls for Fed rate cuts. Strong economic data in US and abroad finished the job and anyone who was long mortgages or duration in other markets and had flatteners on was bailing out. "The rout began when the Treasury market lost its underlying bid from China," the strategist said. Going forward, if China is going to be investing in US companies and stocks, it remains to be seen what happens to Treasury yields, the strategist said. "China certainly will not sell Treasuries, but the risk is that they allow maturing issues to just run off or take those proceeds and put them in T-bills."

13:12 06/13 **US TSYS/OPINION:** "In another negative development, Stone and McCarthy's Portfolio manager survey shows weighted durations were only reduced a tad, despite the vicious rate rise since last Wed's poll (to 99.7% from 100.0% wtd last week). They mention that real money players view current levels as attractive, and at fair value. To us, it suggests that the market will still see sellers on strength, and that today's bullish reversal from 5.325% is a correction in a bear trend, rather than a major yield peak." Mike Krauss - JPMSecs.

--Stone & McCarthy---**Measures of market sentiment were unchanged**, but duration risk profiles became moderately defensive in the SMR U.S. Portfolio Manager Survey in the week ended June 12. Measures of duration exposure reflected a clear migration into moderately defensive posture. Sentiment readings were moderated by the spike in yields to levels that are considered to be fair value by some, and attractive to others. Corporate allocations rose this week, all other allocations declined. The define in Treasury and GSE allocations were the most pronounced. Both MBS and ABS allocations slipped marginally. The Spread Expectations Index improved marginally, but sentiment remains negative and fairly steady.

The following table summarizes the most recent survey structural statistics, and compares them with the prior week.

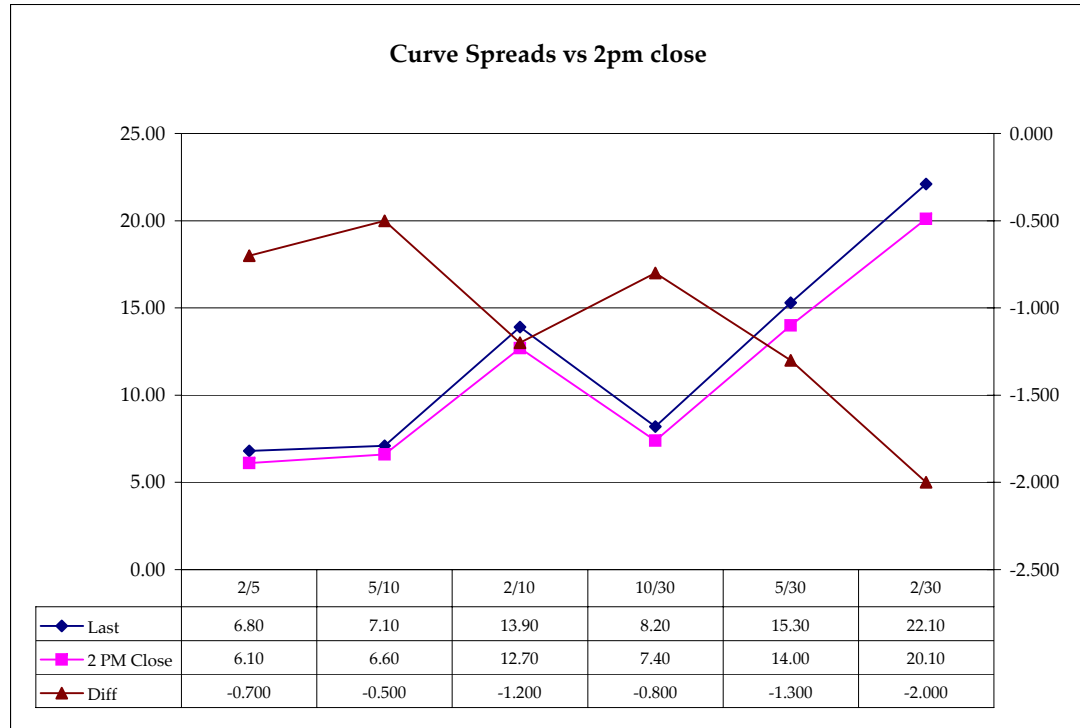
SMR Weekly Money Manager Survey Summary				
06/12/07	Survey Average	Range	Prior Week	Range
Cash/Assets		0% - 18%	0% - 18%
Arithmetic	4.1%			3.7%
Weighted	4.0%			3.9%
Actual/Target Duration		86% - 104%	86% - 113%
Arithmetic	98.8%			100.0%
Weighted	99.7%			100.0%
Bear/Bull Index		3 - 7	3 - 7
Arithmetic	5.0			5.0
Asset Weighted	5.1			5.1
*Intending to adjust portfolio in coming week				
Actual/Bogey	100.6%			N/A
Bear/Bull Index	5.8			N/A
% Planning to be Active	15%			0%

	M Duration	DV01 32	DV01 \$
30y	14.98	4.49	\$1,403
10y	7.81	2.38	\$742
5y	4.35	1.37	\$429
2y	2.03	0.64	\$199
ZB	9.65	3.30	\$103
ZN	5.79	1.95	\$61
ZF	3.98	1.32	\$41
ZT	1.89	#NUM!	#NUM!

	CF
ZB	1.1593
ZN	0.9335
ZF	0.9497
ZT	0.9799

	Fly's
2/5/10	-0.30
2/10/30	5.70
5/10/30	-1.10

Yield Curve Spreads			
	Last	2pm close	Diff
2/5	6.80	6.10	-0.700
5/10	7.10	6.60	-0.500
2/10	13.90	12.70	-1.200
10/30	8.20	7.40	-0.800
5/30	15.30	14.00	-1.300
2/30	22.10	20.10	-2.000



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		1.695	2.510	#NUM!
ZN	0.590		1.481	#NUM!
ZF	0.398	0.675		#NUM!
ZT	#NUM!	#NUM!	#NUM!	

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	1.93	4.15	7.19	13.59
ZN	3.27	7.04	12.19	23.04
ZF	4.84	10.43	18.05	34.12
ZT	#NUM!	#NUM!	#NUM!	#NUM!

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		2.387	4.131	7.809
5y	0.464		1.731	3.272
10y	0.268	0.565		1.890
30y	0.142	0.299	0.529	

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

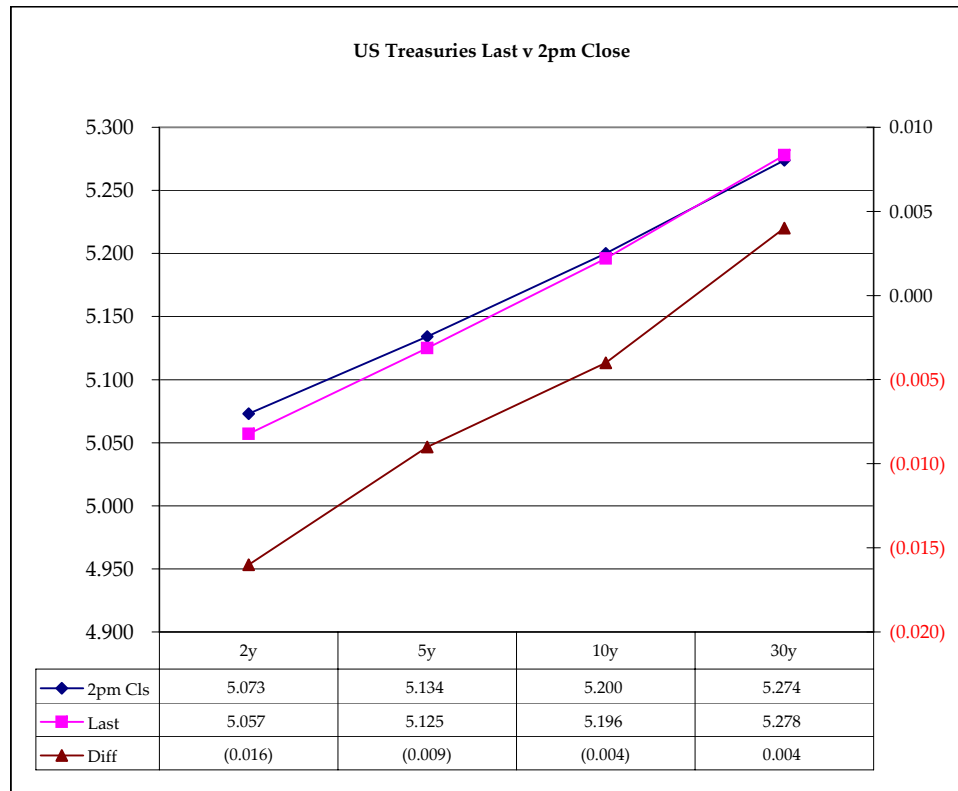
	Cpn	Mty	32nds	Yield	Last	Diff
2y	4.875	5/31/09	99.2025	5.073	5.057	(0.016)
5y	4.750	5/31/12	98.1075	5.134	5.125	(0.009)
10y	4.500	5/15/17	94.200	5.200	5.196	(0.004)
30y	4.750	2/15/37	92.06	5.274	5.278	0.004

	32nds
ZF	103.080
ZN	104.120
ZB	106.01

	CF Basis* (decimal)	GHCO Basis
5y	0.21	28.435
10y	(3.00)	-13.070
30y	(30.84)	250.029

Curve Spreads (bps)	
2/5	6.1
5/10	6.6
2/10	12.7
10/30	7.4
5/30	14.0
2/30	20.1

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	95.4	93.0	91.1	-95.8	-93.0	-92.1	-89.6
5yr Yield	95.4	100.0	99.6	98.8	-95.2	-98.3	-98.3	-98.1
10yr Yield	93.0	99.6	100.0	99.7	-93.9	-98.5	-98.8	-99.2
30yr Yield	91.1	98.8	99.7	100.0	-91.2	-97.2	-97.7	-98.9
ZT	-95.8	-95.2	-93.9	-91.2	100.0	97.4	96.6	93.4
ZF	-93.0	-98.3	-98.5	-97.2	97.4	100.0	99.9	98.9
ZN	-92.1	-98.3	-98.8	-97.7	96.6	99.9	100.0	99.4
ZB	-89.6	-98.1	-99.2	-98.9	93.4	98.9	99.4	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	(60.0)	(76.8)	(77.8)	(80.5)	57.1	69.5	70.9	77.0
Dow Futures	(56.7)	(73.6)	(74.5)	(77.4)	53.5	65.8	67.2	73.3
USDJPY	46.0	36.4	35.6	30.0	(60.2)	(48.2)	(47.1)	(39.5)
EURUSD	(84.1)	(89.2)	(90.7)	(89.2)	91.3	93.9	94.6	93.5

**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%	27%	50%	130%
Cash Matrix [DV01 x Duration]				
	2	5	10	30
2	\$199			
5	\$202	\$409		
10	\$197	\$400	\$732	
30	\$190	\$386	\$706	\$1,403
Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	(\$3)			
10	\$2	\$9		
30	\$9	\$23	\$26	
Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	-1.29%			
10	0.94%	2.25%		
30	4.63%	5.99%	3.66%	

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	#NUM!	#NUM!	#NUM!	#NUM!
ZF	0.48	0.99	1.78	3.41
ZN	0.33	0.67	1.20	2.30
ZB	0.19	0.40	0.71	1.36

What is this? (1):
The 30 yr cash moves X.XX tics for every 1 tic ZT moves.

	2y	5y	10y	30y
2y	1.00	2.05	3.68	7.05
5y	0.49	1.00	1.79	3.43
10y	0.27	0.56	1.00	1.92
30y	0.14	0.29	0.52	1.00

What is this? (2):
ZN moves X.XX tics for every 1 tic ZF moves.

	ZT	ZF	ZN	ZB
ZT	1.00	#NUM!	#NUM!	#NUM!
ZF	#NUM!	1.00	1.48	2.51
ZN	#NUM!	0.68	1.00	1.69
ZB	#NUM!	0.40	0.59	1.00

For US vs German Tic for Tic matrix, go to Morning Email, US&GER

