The Morning Email: Treasuries

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"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

13:22 06/14 US OUTLOOK: **From Goldman:** "We are slightly changing our forecasts for tomorrow's **CPI** release based on information in this morning's PPI. Specifically, we are increasing our forecast of core CPI to +0.13% (from +0.11% previously). Our forecast for overall inflation increases more, rising to +0.67% (from +0.49%) based on the quite fast increases in energy prices reported in the PPI."

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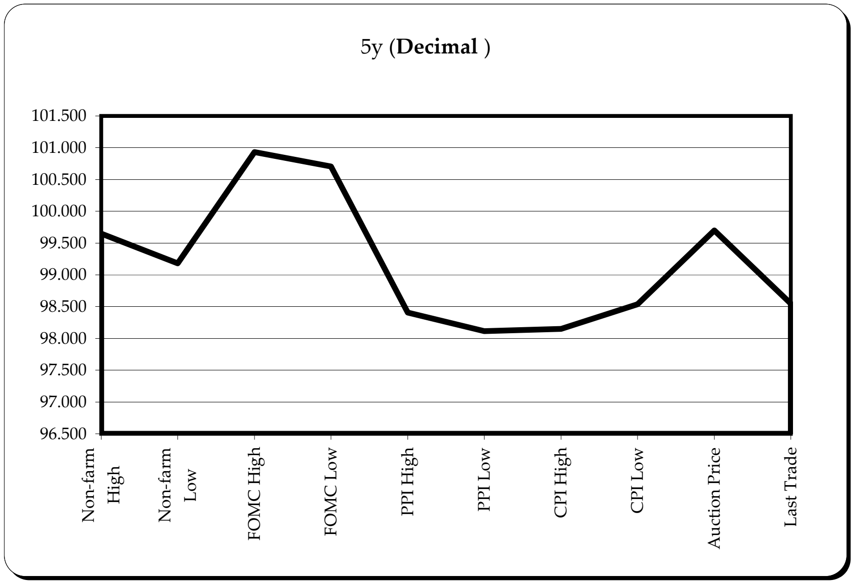
Important Econ Releases, Highs & Lows

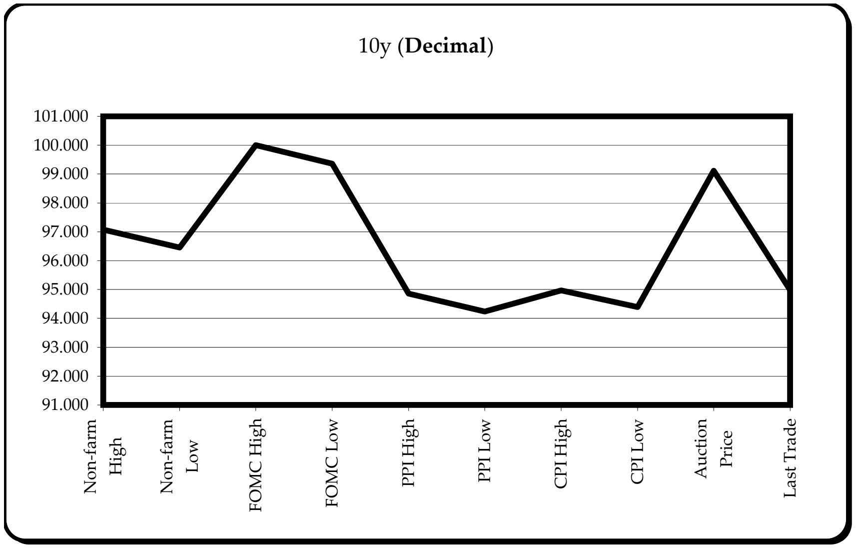
	Economic Releases - 32nds				
	5y*	10y*	ZNU7**	ZBU7**	Date
Non-farm High	99.2075	97.025	106.155	109.10	6/1/2007
Non-farm Low	99.0580	96.145	105.290	108.15	6/1/2007
FOMC High	100.2975	100.000	108.075	111.24	5/9/2007
FOMC Low	100.2250	99.115	107.305	111.08	5/9/2007
PPI High	98.1300	94.275	104.185	106.11	6/14/2007
PPI Low	98.0375	94.075	104.045	105.23	6/14/2007
CPI High	98.0475	94.310	104.225	106.12	6/15/2007
CPI Low	98.1725	94.125	104.040	105.21	6/15/2007
Auction Price	99.2243	99.035			
Last Trade	98.1750	94.315	104.230	106.13	6/18/2007 5:57

*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



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Quotes

	32 nds						
	ls	net	high	low	open	Volume	SYM NAME
TUAU7	101.202	0.5	101.207	101.195	101.205	15,958	2y Fut
FVAU7	103.150	3.0	103.170	103.120	103.140	37,884	5y Fut
TYAU7	104.230	3.5	104.260	104.175	104.205	118,673	10y Fut
USAU7	106.130	5	106.180	106.040	106.100	27,266	30y Fut
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.230	(0.2)	99.237	99.225	99.227	na	2y Cash
BUS05P	98.172	1.5	98.195	98.147	98.155	na	5y Cash
BUS10P	94.315	3.5	95.040	94.250	94.260	na	10y Cash
BUS30P	92.155	6	92.210	92.085	92.090	na	30y Cash
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	5.023	0.80	5.045	4.993	5.032	na	2y Yield
BUS05Y	5.084	(0.30)	5.109	5.067	5.086	na	5y Yield
BUS10Y	5.150	(1.30)	5.184	5.129	5.157	na	10y Yield
BUS30Y	5.251	(0.60)	5.275	5.238	5.248	na	30y Yield

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MarketNews international

News Recap for the United States
Yesterday

15:05 06/15 **US TSYS**: The market ended higher across the curve today with the long end outperforming. Weak economic data, good buying in 10s from real money, central banks and hedge funds and the execution of flattening trades (by Treasury players and by mbs-players in swap space) all contributed to the price action. There was also good MBS buying in the morning before some profit taking came in on the tightening. On a 3PM to 3PM basis, 2Y note settled at 5.035% vs. 5.086%. 3Y at 5.066% vs. 5.126%. 5Y at 5.097% vs. 5.156%. 10Y at 5.169% vs. 5.217%. 30Y bond at 5.262% vs. 5.294%. Despite the flattening bias much of the day, the curves ended mixed. 2/5Y curve settled at +6.2 bps vs. +7.0. The 2/10Y at +13.4 vs. +13.1. The 2/30Y was at 22.6 vs. +21.0.

News Recap for the United States
Overnight

05:22 06/18 TSYS: Treasuries are trading modestly higher in light trade Monday, as follow-through buying underpins after the rally seen in the U.S. Friday. However, traders say volumes are light, with many players sidelined ahead of the U.S. open. Prices were better bid from the getgo in Tokyo trade, helped by light buying across the curve from Japanese names. However, the curve eventually started to flatten, as traders started to unwind defensive steepening trades entered into during the recent sell-off. Volumes remained light into the London session, with few stand-out features, although the curve continued to flatten. Bunds were trading 1 bps lower against the US 10-year T-notes, with the spread standing at +58 bps. Ahead of the U.S. session, the 2-yr note was unchanged, trading at 99 23/32 to yield 5.02%. The 10-yr note was 5/32 higher at 95 1/32 (5.14%), with the Bond 7/32 lower at 91 19/32 (5.24%). The 2-/10-yr curve was 2 bps flatterer, trading at +12 bps, as was the 2-yr/30-yr curve, standing at +23 bps.

News: Snapshots throughout the day

MarketNews international

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Duration, DV01s, Curve, Flys, CFs

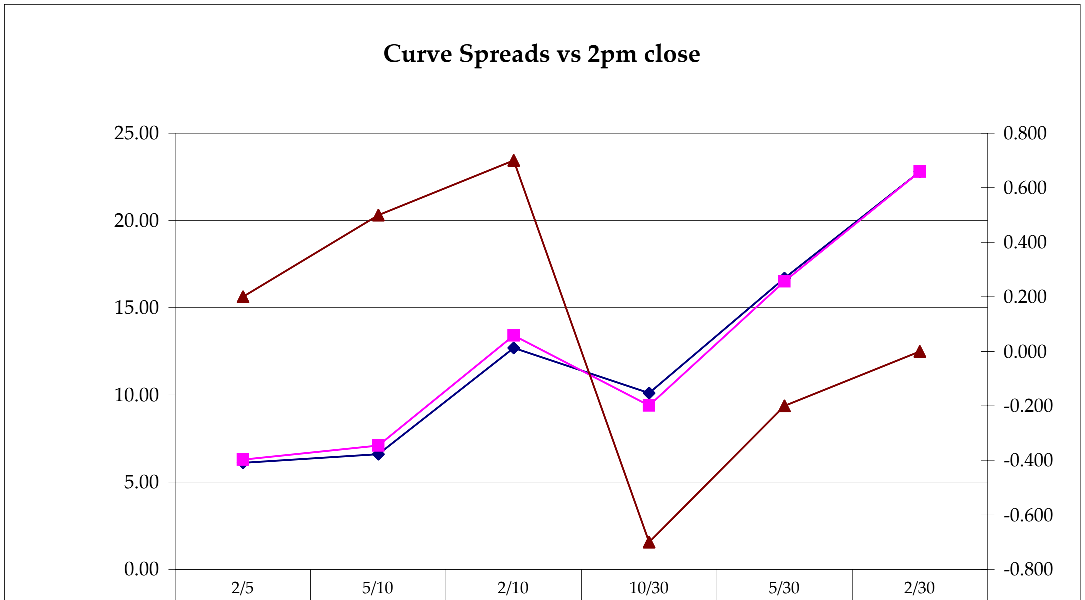
	M Duration	DV01 32	DV01 $
30y	14.99	4.52	$1,411
10y	7.81	2.38	$745
5y	4.34	1.37	$429
2y	2.02	0.63	$198
ZB	9.65	3.31	$104
ZN	5.78	1.94	$61
ZF	3.96	1.31	$41
ZT	1.88	1.22	$38

	CF
ZB	1.1593
ZN	0.9335
ZF	0.9497
ZT	0.9799

	Fly's
2/5/10	-0.50
2/10/30	2.60
5/10/30	-3.50

Yield Curve Spreads

	Last	2pm close	Diff
2/5	6.10	6.30	0.200
5/10	6.60	7.10	0.500
2/10	12.70	13.40	0.700
10/30	10.10	9.40	-0.700
5/30	16.70	16.50	-0.200
2/30	22.80	22.80	0.000



	2/5	5/10	2/10	10/30	5/30	2/30
Last	6.10	6.60	12.70	10.10	16.70	22.80
2 PM Close	6.30	7.10	13.40	9.40	16.50	22.80
Diff	0.200	0.500	0.700	-0.700	-0.200	0.000

Notes

1) CF = Conversion Factor

2) MDuration = Modified Macaulay Duration

3) MDuration & DV01s for Futures are based on proxy issue (CTD)

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Hedge Ratio's

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		1.708	2.523	2.707
ZN	0.586		1.478	1.585
ZF	0.396	0.677		1.073
ZT	0.369	0.631	0.932	

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	1.92	4.14	7.20	13.63
ZN	3.27	7.08	12.29	23.28
ZF	4.83	10.46	18.16	34.40
ZT	5.19	11.22	19.48	36.90

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		2.398	4.163	7.886
5y	0.462		1.736	3.289
10y	0.266	0.564		1.894
30y	0.141	0.298	0.528	

Commitment of Traders (COT)

	Current Positions									
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	214,844	276,386	(61,542)	152,570	353,208	(200,638)	1,335,549	1,073,369	262,180	ZF
ZN	365,496	525,111	(159,615)	727,818	484,380	243,438	2,276,855	2,360,678	(83,823)	ZN
ZB	158,064	213,192	(55,128)	152,511	259,621	(107,110)	744,652	582,414	162,238	ZB

	WoW* Position Change			
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	As of
ZF	11,842	(23,032)	11,118	6/5/2007
ZN	1,140	43,987	(45,128)	
ZB	910	34,466	(35,376)	

**WoW = Week over week

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Closes2pm

	Cpn	Mty	32nds	Yield	Last	Diff
2y	4.875	5/31/09	99.2275	5.031	5.023	(0.008)
5y	4.750	5/31/12	98.1625	5.094	5.084	(0.010)
10y	4.500	5/15/17	94.285	5.165	5.150	(0.015)
30y	4.750	2/15/37	92.13	5.259	5.251	(0.008)

	32nds
ZF	103.125
ZN	104.200
ZB	106.08

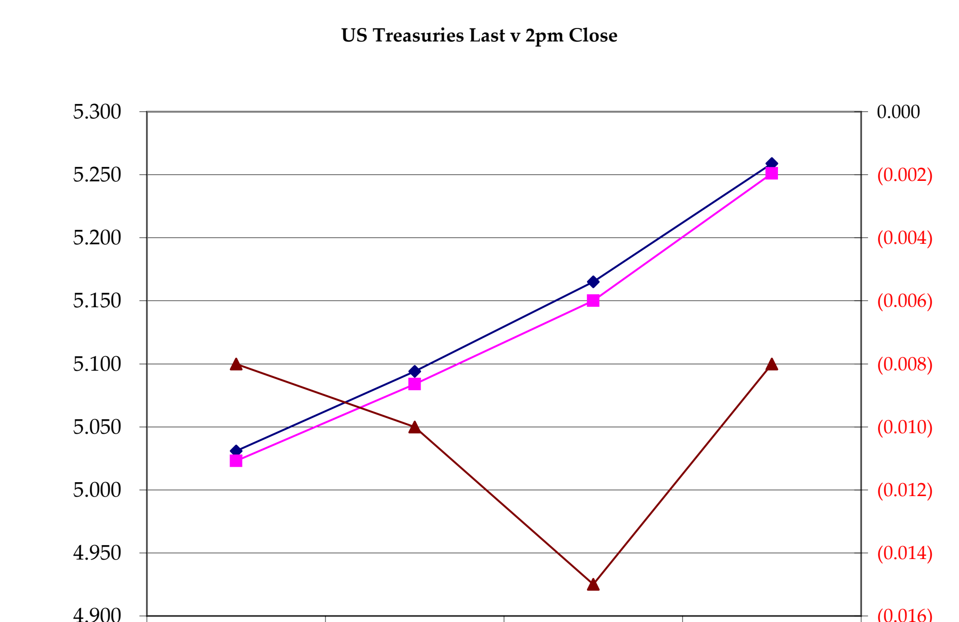
	CF Basis* (decimal)	GHCO Basis
5y	0.22	29.688
10y	(2.99)	-11.854
30y	(30.85)	251.460

Curve Spreads (bps)

2/5	6.3
5/10	7.1
2/10	13.4
10/30	9.4
5/30	16.5
2/30	22.8

CF = Conversion Factor

Cash - (Futures * CF)



	2y	5y	10y	30y
2pm Cls	5.031	5.094	5.165	5.259
Last	5.023	5.084	5.150	5.251
Diff	(0.008)	(0.010)	(0.015)	(0.008)

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Correlations

All correlations based on 10 day historical

	US Cash Treasuries (Yield)				US Bonds/Notes (CBOT)			
Symbol	2yr Yield	5yr Yield	10yr Yield	30yr	ZT	ZF	ZN	ZB
2yr Yield	100.0	93.4	89.3	86.6	-91.7	-89.6	-88.3	-85.1
5yr Yield	93.4	100.0	99.1	96.7	-93.5	-96.9	-97.0	-96.4
10yr Yield	89.3	99.1	100.0	98.8	-90.7	-97.1	-97.8	-98.4
30yr Yield	86.6	96.7	98.8	100.0	-84.7	-94.3	-95.8	-98.2
ZT	-91.7	-93.5	-90.7	-84.7	100.0	96.4	94.7	89.6
ZF	-89.6	-96.9	-97.1	-94.3	96.4	100.0	99.8	97.9
ZN	-88.3	-97.0	-97.8	-95.8	94.7	99.8	100.0	99.0
ZB	-85.1	-96.4	-98.4	-98.2	89.6	97.9	99.0	100.0

	US Cash Treasuries (Yield)				US Bonds/Notes (CBOT)			
Symbol	2yr Yield	5yr Yield	10yr Yield	30yr Yield	ZT	ZF	ZN	ZB
emini SP	(28.7)	(29.9)	(31.6)	(38.1)	4.2	13.6	17.0	25.6
Dow Futures	(21.7)	(22.7)	(24.3)	(30.4)	(2.5)	5.8	9.1	17.7
USDJPY	35.2	46.3	46.5	40.9	(62.5)	(62.0)	(60.3)	(54.8)
EURUSD	(87.1)	(91.6)	(93.3)	(92.9)	90.1	95.7	96.3	95.7

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	13%	27%	50%	**130%**

What is this? (1):
2yr cash has X% duration of 5yr cash .

Cash Matrix [DV01 x Duration]				
	2	5	10	30
2	**$198**			
5	$201	**$409**		
10	$197	$401	**$734**	
30	$190	$387	$709	**$1,411**

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.

Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	($3)			
10	$1	$8		
30	$8	$22	$25	

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.

Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	-1.37%			
10	0.65%	2.05%		
30	4.27%	5.71%	3.59%	

Or you can look at the over/under value as a percentage instead of dollar terms.

Tic for Tic Matrix

Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.52	1.07	1.92	3.69
ZF	0.48	1.00	1.79	3.44
ZN	0.33	0.67	1.21	2.33
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	2.06	3.70	7.12
5y	0.48	1.00	1.80	3.45
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	1.07	1.59	2.71
ZF	0.93	1.00	1.48	2.52
ZN	0.63	0.68	1.00	1.71
ZB	0.37	0.40	0.59	1.00

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