



The Morning Email: US & Germany



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"...monetary policy is still on the accommodative side".--TRICHET 06/06/2007

Want something added? Let me know: jgoulding@ghco.com

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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	-77.18	-85.99	-87.84	87.44	90.56	92.22	DGU7	Schatz(2Y)
Bobl(5Y)	DLU7	-67.60	-78.45	-81.64	83.16	86.91	89.12	DLU7	Bobl(5Y)
Bund(10Y)	DBU7	-60.92	-72.52	-76.47	78.21	81.56	84.40	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

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-----RESISTANCE-----
111.45 38.2% of the 04/19H - 06/13L
111.40 Bollinger band center line
111.00 point of break below the Nov '03 corrective lows
110.78 23.6% of the 04/19H - 06/13L
110.68 10-DMA
110.44 06/12 - 06/13 gap top
110.20 5-DMA
110.17 06/15 close
110.12 -.05 06/18 Settlement
109.86 06/15 pivot low
109.79 Oct '02 corrective lows
109.66 06/13 low
109.62 lower Bollinger band
109.33 76.4% of the Apr '02 - Sep '05 up-move
-----SUPPORT-----

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Technical Commentary - by Mike Sacchitello, CMT

Short-term, the prevailing theme remains bearish as Sep Bunds continued to yield to the 5-day smoothing line. Daily momentum oscillators are lifting from grossly oversold positions which increases the chances for some type of oversold reaction to develop. But, this argument would only gain short-term steam with a move (preferably on close) above the aforementioned 5-day line.

Very short-term, for any aggressive bottom feeders looking to make countertrend bets should use Wednesday's hammer low as a downside gauge (strict stops just below 109.65).

(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 112.32.

Quotes 1



32 nds								
	ls	net	high	low	open	Volume	Yest Volume	SYM NAME
TUAU7	101.215	0.2	101.215	101.200	101.212	14,363	134,099	2y Futures
FVAU7	103.195	2.0	103.195	103.155	103.180	48,532	387,557	5y Futures
TYAU7	104.280	1.5	104.280	104.235	104.270	113,963	960,215	10y Futures
USAU7	106.140	0	106.160	106.090	106.140	26,223	338,255	30y Futures
32 nds								
	ls	net	high	low	open	Volume	Yest Volume	SYM NAME
BUS02P	99.247	0.2	99.247	99.235	99.245			2y
BUS05P	98.220	0.7	98.220	98.187	98.210			5y
BUS10P	95.030	(0.5)	95.040	94.315	95.020			10y
BUS30P	92.145	0	92.160	92.110	92.120			30y
32 nds								
	ls	net	high	low	open	Volume	Yest Volume	SYM NAME
BUS02Y	4.994	0.10	5.023	4.981	5.019			2y Yield
BUS05Y	5.051	(0.20)	5.08	5.049	5.073			5y Yield
BUS10Y	5.136	0.50	5.157	5.129	5.146			10y Yield
BUS30Y	5.252	0.20	5.271	5.247	5.258			30y Yield



Decimal								
	ls	net	high	low	open	Volume	Yest Volume	SYM NAME
DGU7	102.48	15.00	102.50	102.45	102.46	242,049	543,899	Schatz(2Y)
DLU7	1058.90	20.00	1059.40	1058.15	1058.50	276,329	693,128	Bobl(5Y)
DBU7	110.19	10.00	110.28	110.06	110.10	426,421	1,099,972	Bund(10Y)

German Futures

	Price	Yield			SYM NAME
	ls	ls	Coupon	Maturity	
T.US.DE032P0409	99.98	4.488	4.500	7/4/2009	2 yr CTD
T.US.DE050P0712	97.53	4.566	4.000	4/13/2012	5 yr CTD
T.US.DE042P0717	95.45	4.620	4.000	7/4/2016	10 yr CTD
DEP2P	100.05	4.472	4.500	6/12/2009	2yr OTR
DEP5P	97.57	4.571	4.000	4/13/2012	5yr OTR
DEP10P	96.95	4.637	4.250	7/4/2017	10yr OTR

German Cash

Y = Yield
 CTD = Cheapest to Deliver
 DE = German Country Code

Quotes 2

This page provided 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	102.48	102.48	102.50	102.45	15.00	Schatz(2Y)	German Futures
DLU7	1058.90	1058.95	1058.90	1059.40	1058.15	20.00	Bobl(5Y)	
DBU7	110.18	110.19	110.19	110.28	110.06	10.00	Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo		SYM NAME	
DGU7	4.675	4.672	4.672	4.691	4.662		Schatz(2Y)	German Futures
DLU7	4.653	4.651	4.653	4.669	4.642		Bobl(5Y)	
DBU7	4.701	4.700	4.700	4.715	4.689		Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng	SYM NAME	
T.US.DE032P0409	4.509	4.493	4.488	4.535	4.472	0	2 yr CTD	German Cash
T.US.DE050P0712	4.581	4.571	4.566	4.612	4.552	0	5 yr CTD	
T.US.DE042P0717	4.627	4.620	4.620	4.665	4.600	0	10 yr CTD	
DEP2P	4.482	4.472	4.472	4.499	4.450	1	2yr OTR	
DEP5P	4.581	4.571	4.571	4.595	4.554	3	5yr OTR	
DEP10P	4.643	4.637	4.637	4.661	4.628	13	10yr OTR	

Decimal							SYM NAME	
bid	ask	Last	hi	lo	Chng			
T.US.DE032P0409	99.98	100.01	100.01	100.06	99.97	0.00	2 yr CTD	German Cash
T.US.DE050P0712	97.53	97.57	97.57	97.64	97.47	3.00	5 yr CTD	
T.US.DE042P0717	95.45	95.50	95.50	95.56	95.34	13.00	10 yr CTD	
DEP2P	100.03	100.05	100.05	100.09	100.00	1.00	2yr OTR	
DEP5P	97.53	97.57	97.57	97.64	97.47	3.00	5yr OTR	
DEP10P	96.90	96.95	96.95	97.02	96.76	13.00	10yr OTR	

Y = Yield

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18/06/2007	15:18	EURO	chg	USA	chg	UK	chg
Futures	Bond	109.93	-0.24	106.09	-0.16	103.51	-0.21
	STIR	95.45	-0.01	94.62	-0.01	93.81	-0.01
Cash	3mth	4.15	0.00	5.36	0.00	5.85	0.00
	2yr	4.49	0.00	5.04	0.02	5.76	0.01
	5yr	4.60	0.01	5.12	0.03	5.71	0.02
	10yr	4.67	0.02	5.18	0.02	5.51	0.03
	30yr	4.83	0.03	5.29	0.03	4.90	0.03
	10yr-2yr	0.18	0.02	0.14	0.00	-0.25	0.02
Spreads	2yr	--	--	0.61	0.02	1.35	0.01
	vs euro	--	--	0.58	0.00	0.91	0.00
FX	USD	1.340	0.001	--	--	1.981	0.005
	EUR	--	--	--	--	0.676	-0.001
	YEN	165.58	0.30	123.56	0.11	244.77	0.81
Equities		4534.1	-0.4%	1531.0	-0.1%	6719.6	%

Euribor futures were unchanged to 0.5 ticks lower with the Sep-07 contract at 95.630/-0.010 (4.205% implied). Jun-07 Bunds were 24 ticks lower at 109.93. In cash, German government benchmark yields were flat to 3bps higher with the 30-year sector underperforming. The 2s/10s spread was 18bps vs. 16bps and the 10s/30s spread was 16bps vs. 15bps.

Gilts were trading higher on Monday afternoon. With a dearth of macroeconomic data releases, Gilts have followed their European counterparts throughout the day.

With no major data releases scheduled for Tuesday, Gilts are likely to track European trade once again.

Short sterling futures were 1 tick to 4 ticks lower with the Sep-07 contract at 93.920/-0.010 (6.080% implied). Jun-07 Gilts were 21 ticks lower at 103.51. In cash, UK government benchmark yields were 1bp to 3bps higher with the 2-year sector outperforming. The 2s/10s spread was -25bps vs. -27bps and the 10s/30s spread was unchanged at -61bps.

Headlines

Bonds mixed, long end underperforms
 ECB's Garganas: Sees 2007 inflation dangers higher than expected, will 'monitor closely' inflation risks
 Market declines on stop-loss and rate lock selling

Bonds open moderately lower on gains in Asian equities overnight
 Reverse losses on dovish BOJ comments

Euro Mkt Summary:

by Charanjeev Chana

European Government Bonds were trading lower on Monday afternoon with long dated issues underperforming. Bunds declined in afternoon trade on hawkish comments from ECB official Nicholas Garganas, who said he saw 2007 inflation dangers higher than expected, adding that the ECB would "monitor closely" inflation risks in the Eurozone. Bunds extended losses to session lows on stop loss selling and rate-lock trades. Bonds opened moderately lower on Monday morning as prices succumbed to early pressure on expectations of a stronger open in European equities after gains in Wall Street and Asian stocks overnight. Prices soon reversed losses on bargain hunting in long dated issues - with MNI sources also reporting leverage accounts placing flattening trades. Amidst a dearth of Eurozone macroeconomic data, Bonds continued to push higher with markets noting tame comments by BOJ Governor Fukui made on Friday - who downplayed the impact of the recent rise in JGB yields on BOJ monetary policy intentions.

Attention in the Eurozone falls on the release of the German ZEW survey on Tuesday morning. Also eyed will be comments from ECB governing council member Bini-Smaghi, who speaks on 'Economic divergences on the EMU: Facts, Dangers and Cures.'



News Recap for Euroland

Overnight

05:00 06/19 **GERMANY: ZEW**; June economic expectations +20.3 vs May +24.0
 - June current conditions indicator +88.7 vs May +88.0

05:02 06/19 **REACTS**: Sept Bunds extend gains by 7 ticks in knee-jerk reaction following release of weaker than expected German ZEW data. Sept euribor is up another 0.5 tick. Euro-dollar is little changed at \$1.3394, having fallen to \$1.3390.

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05:07 06/19 **BUNDS**: Around 60k volume in Sept Bund futures contracts went through screen trading following release of German ZEW data.

05:10 06/19 **GERMANY: ZEW** Economist; Doesn't see sharp change in expectations ahead

- Current conditions assessment still at high level
- June drop in expectations not due to change in economy

News Recap for Euroland

Overnight

02:37 06/19 **BONDS**: EGBs are opening moderately firmer on Tuesday, taking cue from gains in US Treasuries towards the Chicago close following release of weaker than expected US NAHB index for June at 28 -- the weakest since February 1991 -- vs. 30 for May. This move higher comes despite weakness in JGBs overnight on back of comments from BoJ Governor Fukui who told the upper house financial committee that "it is desirable for real interest rates to rise in the long-term in case of pension funds" investment in bonds. JGBs were also weighed ahead of BoJ deputy governor Muto speech on Wednesday and the 20-year JGB auction on Thursday. Bunds put in a strong reversal lower the previous session, which was futures led, amid stop-loss selling. Traders also reported strong swap paying interest in long-dated issues - in turn steepening the 2-/10-year Bund yield curve to +17bps - level not seen since September 25, 2006. The attention today turns to German June ZEW data at 0900GMT, where both the current conditions index & expectations measure is seen rising.

02:41 06/19 **JGB SUMMARY**: Japanese government bonds ended Tuesday's session mixed, with the curve flattening as the ultra-long sector of the curve outperforming on talk of potential investor demand. Prices were generally lower from the getgo, and slipped further in afternoon trade, with little in the way of fresh buying incentives to attract buyers. The long-end of the curve was helped by a report in The Nikkei, suggesting domestic life insurers planned to increase their holdings of longer-dated JGBs by more than Y2 trillion in fiscal 2007. However, longer-dated paper fell from the best levels late in the day, weighed by hedge selling ahead of Thursday's Y800 billion 20-year auction.

- Benchmark 10-year #285 yield was 3.6 bps higher at 1.930%.
- Benchmark 5-year #63 yield was 4 bps higher at 1.540%.
- Benchmark 20-year #94 yield was 0.5 bps higher at 2.305%.
- Benchmark 30-year #26 yield was unchanged at 2.510%.
- Lead Sept JGB futures contract was 0.29 lower at 131.35.



	US Intrinsic's ^			
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	14.99	4.51	\$1,410	€ 1,890
10y	7.81	2.39	\$746	€ 1,000
5y	4.34	1.37	\$430	€ 576
2y	2.02	0.63	\$198	€ 265
ZB	9.65	3.32	\$104	€ 139
ZN	5.78	1.95	\$61	€ 82
ZF	3.96	1.32	\$41	€ 55
ZT	1.88	1.22	\$38	€ 51

^Futures are Based on CTD

	Tic for Tic Matrix (\$)		
	Bund	Bobl	Schatz
30y	17.30	31.06	40.28
10y	9.15	16.42	21.30
5y	5.27	9.46	12.27
2y	2.43	4.36	5.66
ZB	1.27	2.28	2.96
ZN	0.75	1.34	1.74
ZF	0.50	0.91	1.18
ZT	0.47	0.84	1.09

What is this?:
The Schatz moves XX.XX tics for every 1 tic the 10yr cash moves.

	German Intrinsic's ^			
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.09	€ 109	\$82	0.872569
Bobl	4.24	€ 61	\$45	0.959013
Schatz	1.82	€ 47	\$35	0.966386
DE10Y	7.64	€ 973	\$726	
DE5Y	4.24	€ 559	\$417	
DE2Y	1.71	€ 226	\$169	

^Futures are Based on CTD

Last

EURUSD 134.02

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	

Yields & Spreads

US Cash Treasuries (OTR)			
	Bid	Ask	Last
US2y	4.998	4.994	4.994
US5y	5.053	5.051	5.051
US10y	5.138	5.136	5.136

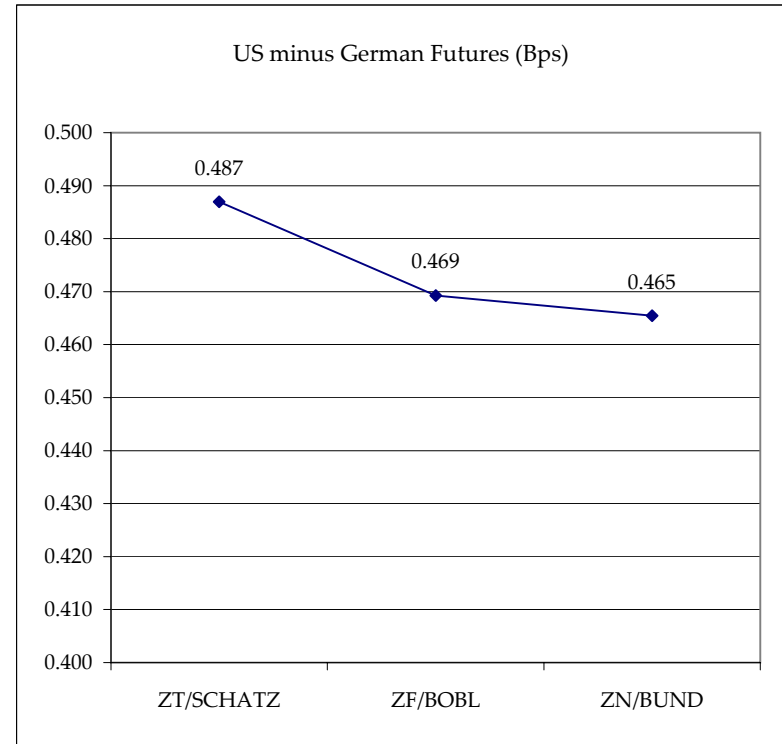
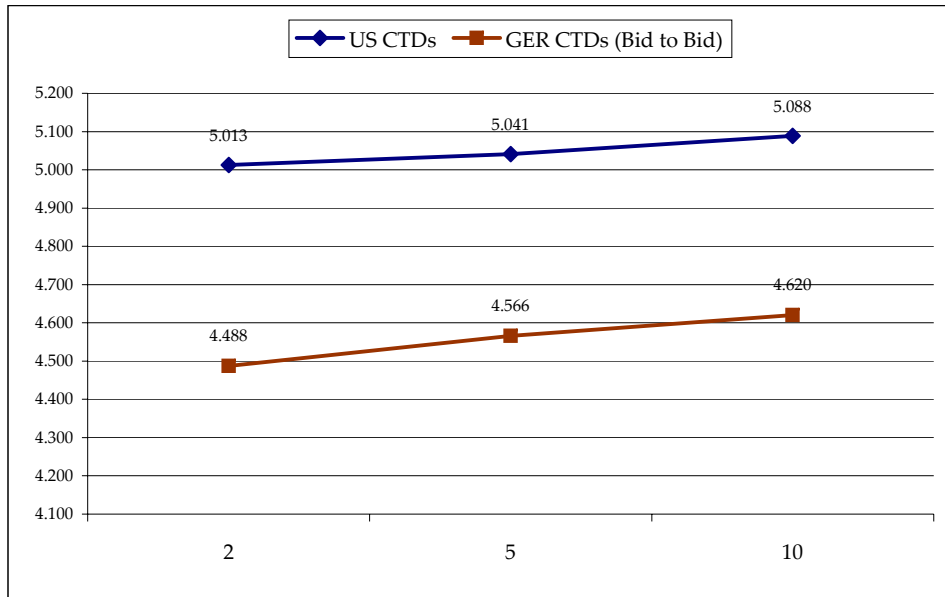
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	4.482	4.472	4.472
DE5y	4.581	4.571	4.571
DE10y	4.643	4.637	4.637

Spreads Bps	
ZT/SCHATZ	0.487
ZF/BOBL	0.469
ZN/BUND	0.465

US Cash Treasuries (CTD)			
	Bid	Ask	Last
4.000 of 06/09	5.013	4.975	4.975
4.500 of 11/11	5.041	5.035	5.035
4.750 of 05/14	5.088	5.086	5.086

German Futures (CTD)			
	Bid	Ask	Last
4.500 of 07/09	4.509	4.493	4.488
4.000 of 04/12	4.581	4.571	4.566
4.000 of 07/16	4.627	4.620	4.620

This chart shows the US futures, ZT, ZF, and ZN as a yield compared to the German Futures, the Schatz (2yr), Bobl (5yr), and Bund (10yr). Cheapest to Deliver (CTD) are used as proxies for the yields.



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		Restricted	Post-Trading			
		Full	Late 1		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	Germany	Japan	UK
Domestic	T+2	T+3	T+3
International	T+3	na	na

Trading Basis	Germany	Japan	UK
Quotation	price	simple yield	price
Tick	decimal	bp	decimal
Tax (resident)	0	0	0
Price/Yield Method	ISMA	Simple	DMO

Repo	Germany	Japan	UK
Accrual basis	actual	actual	actual
Year basis	360	0	365