



The Morning Email: Treasuries

6/20/2007 5:51

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

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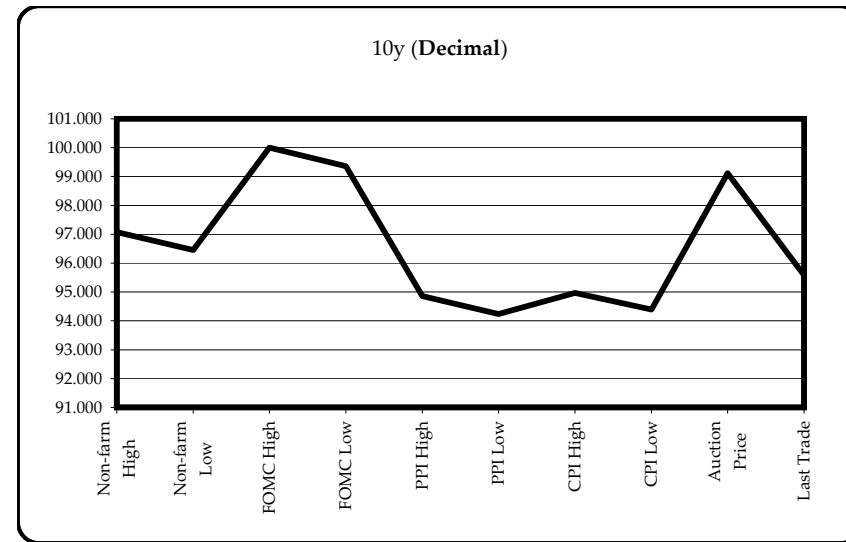
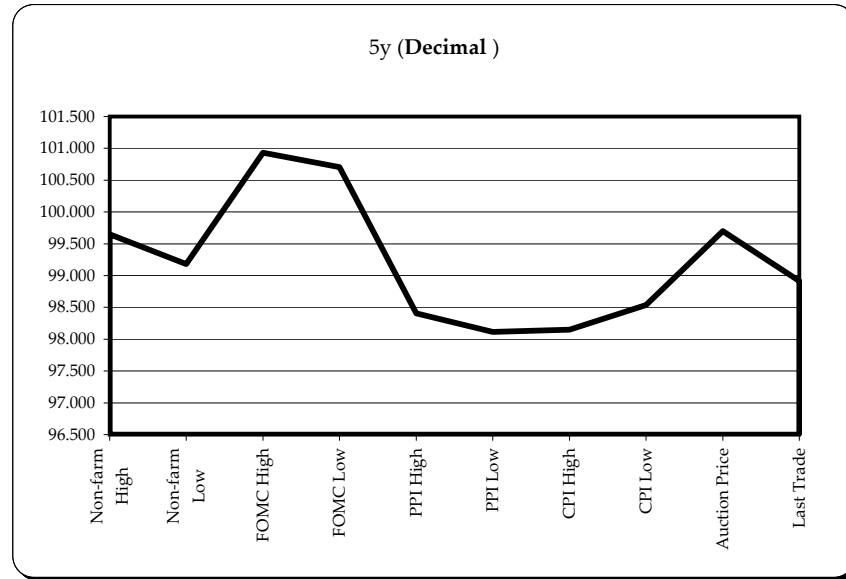
Jim Goulding, jgoulding@ghco.com

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	98.2920	95.185	105.090	107.06	6/20/2007 5:51

Notes: Cash and futures are adjusted roll
 Release times are from release to 2pm cdt
 (Jun07 to Sep07 Futures roll: ZN & ZB even) (ZF = +3tics)

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



Quotes

	32 nds					Volume	SYM NAME
	ls	net	high	low	open		
TUAU7	101.237	0.0	101.250	101.230	101.242	18,655	2y Fut
FVAU7	103.260	(0.5)	103.290	103.245	103.265	61,648	5y Fut
TYAU7	105.090	1.5	105.135	105.060	105.085	209,954	10y Fut
USAU7	107.060	5	107.110	106.310	107.000	40,278	30y Fut
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.280	(0.2)	99.295	99.277	99.282	na	2y Cash
BUS05P	98.292	(0.5)	99.005	98.282	98.295	na	5y Cash
BUS10P	95.185	3.0	96.155	95.140	96.155	na	10y Cash
BUS30P	93.140	5	93.195	93.070	93.075	na	30y Cash
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.930	0.00	4.955	4.913	4.955	na	2y Yield
BUS05Y	4.999	0.60	5.011	4.973	5.006	na	5y Yield
BUS10Y	5.071	(1.20)	5.094	5.052	5.09	na	10y Yield
BUS30Y	5.183	(1.20)	5.208	5.171	5.202	na	30y Yield



News Recap for the United States

Yesterday

15:26 06/19 **US TSYS/RECAP:** Tsys end at Tues price highs after real money buying this afternoon, unwinds of rate-locks vs. corporates/CMBS, ongoing subprime jitters, weak wk-on-wk US chain store sales, weak ZEW which aided German Bunds, some shifting Fed views. Real money buying occurred late as 10Y yield fell below 5.10%-5.12%. Ongoing subprime jitters lingered, while others eyed economic weakness and cited weak chain store sales, expected higher oil prices. Asian central banks said to do overnight RP/general collateral; some noted cd have big cash amts as T-bills matured Jun 15. China said to continue to buy T-bills; had been doing that since May 7 (not doing much buying out curve); though China, SAMA bought total of \$2B in 30Y bds last Wed. Traders cite changing Fed views, wondering if Fed might go to neutral, others eye slim rate cut odds. There was light European central bank profit-taking in Tsys earlier. Earlier, had been strong outright buying in Eurodlr futures. Some MBS profit-taking, but money mgrs too bought MBS.

15:13 06/19 **US SWAPS:** Spds finished out the session off tighter levles despite drop in Tsy ylds. In line with steady 2-year spreads and tempering front end support, sources reported some two-way deal related flow as some accts unwound rate locks, others put new hedges on as the corporate and CMBS pipeline continued. Ongoing front end specialness in overnight repo 2-year contribute to spds resisting the directional move lower in ylds. Directionality main driver for the balance of spreads while one desk reported ongoing two-way flow in belly on modest size. Eurodlr sources reported decent buying of Green packs (Sep09-Jun10) followed by two-way flow in 1- and 2-year bundles.

According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Close	+0.50/45.75	-0.25/50.00	-0.25/58.25	-0.50/63.50
1:25	+0.00/45.25	-0.50/49.75	-0.75/57.75	-0.75/63.25
10:05	+0.00/45.25	-0.50/49.75	-0.75/57.75	-0.75/63.25
Tue Open	+0.25/45.50	-0.50/49.75	-0.50/58.00	-1.00/63.00

EURODLR FUTURES: Eurodlr futures settled higher across the board, front end building in the second half as the curve moved steeper. The Red/Gold pack spd (Sep08-Jun09) vs (Sep11-Jun12) a 2s/10s proxy, expanded 1.125 bps to 37.75. The Fronts (Sep07-Jun08), settled 1.0 to 6.5 bps higher, the Sep07 up 1.0 bps at 94-65 on combined Globex and pit volume of 260,000, the Dec07 up 4.0 bps at 94-67.5 on volume of 374,000, the Mar08 up 5.5 bps at 94-72.5 on volume of 367,000, while the Jun08 was 6.5 bps higher at 94-76 on volume of 345,000. The Red pack (Sep08-Jun09) a 2yr proxy, settled 7.5 to 9.0 bps higher across the pack with 738,000 contracts traded.

News Recap for the United States

Overnight

05:46 06/20 **TSYS:** Treasuries are trading higher across the board in London Wednesday, following European debt markets higher. Prices were little changed in Asia, holding on to the solid gains overnight. Light profit-taking was seen from the getgo, but there was enough buying interest to hold prices steady across the curve. Although volumes were light, traders said modest real money demand in the belly of the curve helped push prices higher.

The front of the curve also saw good buying interest from semi-official names, helping the 2/10-year curve flatten slightly. Bunds were trading 1 bps lower against the US 10-year T-notes, with the spread standing at +55 bps. Ahead of the U.S. session, the 2-yr note was 1/32 higher, trading at 99 29/32 to yield 4.92%. The 10-yr note was 6/32 higher at 95 22/32 (5.06%), with the Bond 10/32 higher at 93 19/32 (5.17%). The 2-yr/5-yr yield curve was unchanged on overnight levels, trading at +6 bps. The 2-/10-yr curve was 1 bps flatter, trading at +14 bps, while the 2-yr/30-yr curve was unch, standing at +26 bps.

MarketNews
internationalStone & McCarthy
RESEARCH ASSOCIATES

09:34 [EST] 06/19 **JAPAN WATANABE**: Vice Finance Minister Hiroshi Watanabe reported saying,

- CPI inflation to return to positive this summer and remain stable
- Surge in oil prices may have negative impact on consumer spending
- Global interest rate rises having no negative impact on capital markets.
- Carry trades may be only half estimates of US\$1tn. (Rtrs)

10:14 [EST] 06/19 **US TSYS/JAPAN**: Some have noted that the Tsys market also supported by comments cited on BBG by Vice Fin Min **Watanabe** that Japan's economic risks include lower prices, and that Japanese inflation is very weak, somewhat negative. That is being read by Tsys traders that Japan won't be fueling global growth too much, said traders.

11:55 [EST] 06/19 **JAPAN**: Vin finmin **Watanabe** still hitting wires sporadically, reportedly says Japan has no plans to diversify reserves away from US dollars for now. Acknowledges it could have a negative impact on mkts. Says Japan will only diversify if the dollar becomes solid and stable (RTRS).

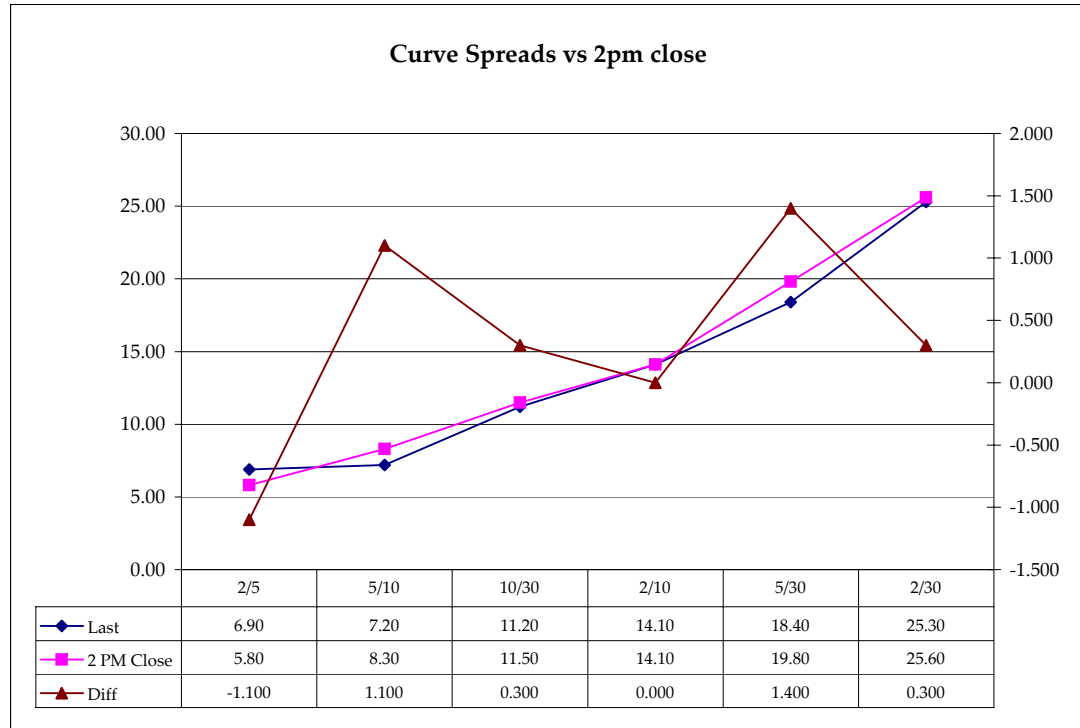
13:05 06/19 **US MBS/ABX**: Market sources say the ABX BBB- 06-02 index (which reflects weaker collateral standards) was recently trading around 67.5-68.5, about unchanged from Monday but off the Friday lows. Market sources are watching this index feeling that a collapse in the index would indicate a rise in tensions in the sector. Tsy 10s have slipped below 5.10% partly reflecting ongoing concerns about the situation at the Bear hedge fund. Certainly there is much talk but no panic. So far no new CDO bid lists have been reported but there is talk some paper might come in for the bid and depending upon how the lists are bid it could pressurize other similar paper. Talks on the hedge fund situation are said to be ongoing. ABX BBB-07-01 is around 59.24 vs, 60.4.

	M Duration	DV01 32	DV01 \$
30y	15.06	4.58	\$1,432
10y	7.81	2.40	\$750
5y	4.34	1.38	\$430
2y	2.02	0.63	\$198
ZB	9.67	3.35	\$105
ZN	5.78	1.96	\$61
ZF	3.96	1.32	\$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	-0.30
2/10/30	2.90
5/10/30	-4.00

Yield Curve Spreads			
	Last	2pm close	Diff
2/5	6.90	5.80	-1.100
5/10	7.20	8.30	1.100
10/30	11.20	11.50	0.300
2/10	14.10	14.10	0.000
5/30	18.40	19.80	1.400
2/30	25.30	25.60	0.300



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		1.712	2.542	2.745
ZN	0.584		1.485	1.603
ZF	0.393	0.674		1.080
ZT	0.364	0.624	0.926	

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	1.89	4.11	7.16	13.67
ZN	3.24	7.03	12.26	23.40
ZF	4.81	10.44	18.20	34.74
ZT	5.19	11.27	19.65	37.51

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		2.407	4.195	8.009
5y	0.460		1.743	3.327
10y	0.264	0.562		1.909
30y	0.138	0.294	0.524	

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	As of
	Net	Net	Net	
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

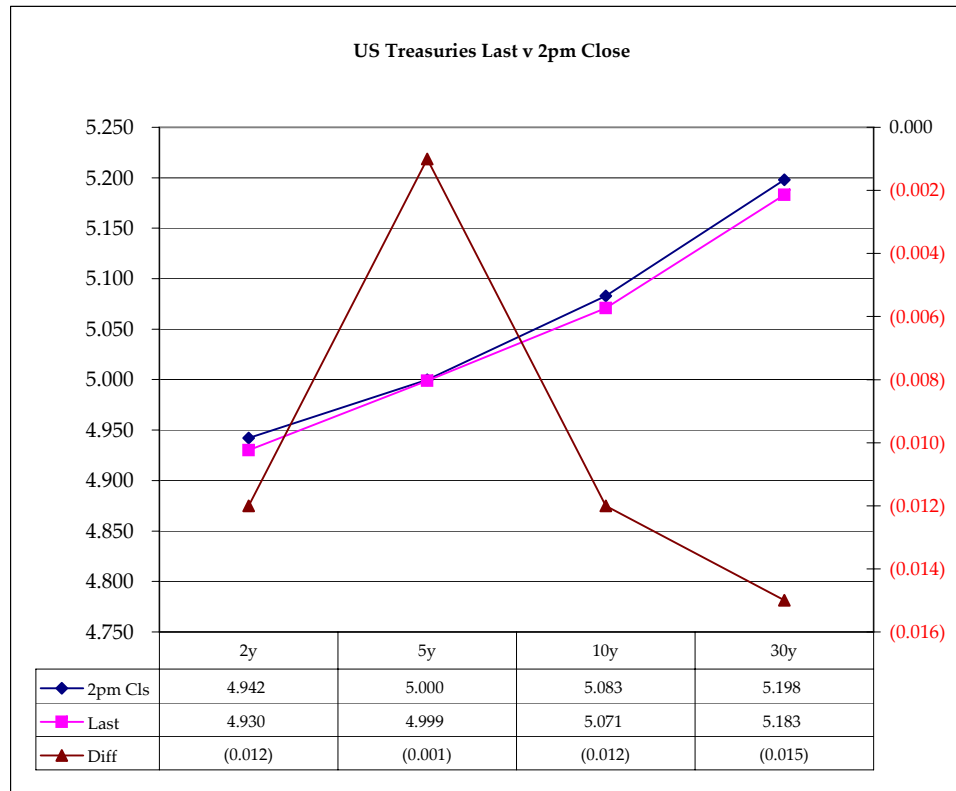
	Cpn	Mty	32nds	Yield	Last	Diff
2y	4.875	5/31/09	99.2800	4.942	4.930	(0.012)
5y	4.750	5/31/12	98.2925	5.000	4.999	(0.001)
10y	4.500	5/15/17	95.160	5.083	5.071	(0.012)
30y	4.750	2/15/37	93.08	5.198	5.183	(0.015)

	32nds
ZF	103.260
ZN	105.075
ZB	107.01

	CF Basis* (decimal)	GHCO Basis
5y	0.23	29.946
10y	(2.93)	-10.109
30y	(30.98)	259.070

Curve Spreads (bps)	
2/5	5.8
5/10	8.3
10/30	11.5
2/10	14.1
5/30	19.8
2/30	25.6

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 Yield	ZT	ZF	ZN	ZB
2yr Yield	100.0	97.7	93.1	86.0	-94.1	-93.7	-92.0	-88.7
5yr Yield	97.7	100.0	98.2	93.6	-92.8	-94.9	-94.6	-94.0
10yr Yield	93.1	98.2	100.0	98.1	-89.0	-93.8	-95.1	-97.0
30yr Yield	86.0	93.6	98.1	100.0	-80.1	-87.4	-90.3	-95.6
ZT	-94.1	-92.8	-89.0	-80.1	100.0	98.0	96.5	90.4
ZF	-93.7	-94.9	-93.8	-87.4	98.0	100.0	99.5	96.3
ZN	-92.0	-94.6	-95.1	-90.3	96.5	99.5	100.0	98.2
ZB	-88.7	-94.0	-97.0	-95.6	90.4	96.3	98.2	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	(57.3)	(52.4)	(48.2)	(48.0)	26.7	30.0	28.6	32.8
Dow Futures	(56.4)	(51.5)	(47.5)	(47.7)	25.6	28.6	27.4	31.7
USDJPY	(42.6)	(35.8)	(31.0)	(29.1)	11.7	14.8	12.4	14.6
EURUSD	(85.5)	(86.6)	(87.2)	(80.6)	88.9	92.2	92.7	89.7

**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%	54%	100%	
30	13%	27%	50%	130%
Cash Matrix [DV01 x Duration]				
	2	5	10	30
2	\$198			
5	\$201	\$440		
10	\$198	\$403	\$740	
30	\$192	\$391	\$717	\$1,432
Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	(\$3)			
10	\$0	\$7		
30	\$6	\$20	\$23	
Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	-1.59%			
10	0.16%	1.79%		
30	3.38%	5.05%	3.21%	

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	1.07	1.94	3.75
ZF	0.48	1.00	1.79	3.47
ZN	0.32	0.67	1.21	2.34
ZB	0.19	0.39	0.71	1.37

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	2.07	3.73	7.23
5y	0.48	1.00	1.80	3.49
10y	0.27	0.55	1.00	1.94
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	1.08	1.60	2.74
ZF	0.93	1.00	1.48	2.54
ZN	0.62	0.67	1.00	1.71
ZB	0.36	0.39	0.58	1.00

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

