6/21/2007 5:46

The Morning Email: Treasuries

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

Jim Goulding, jgoulding@ghco.com

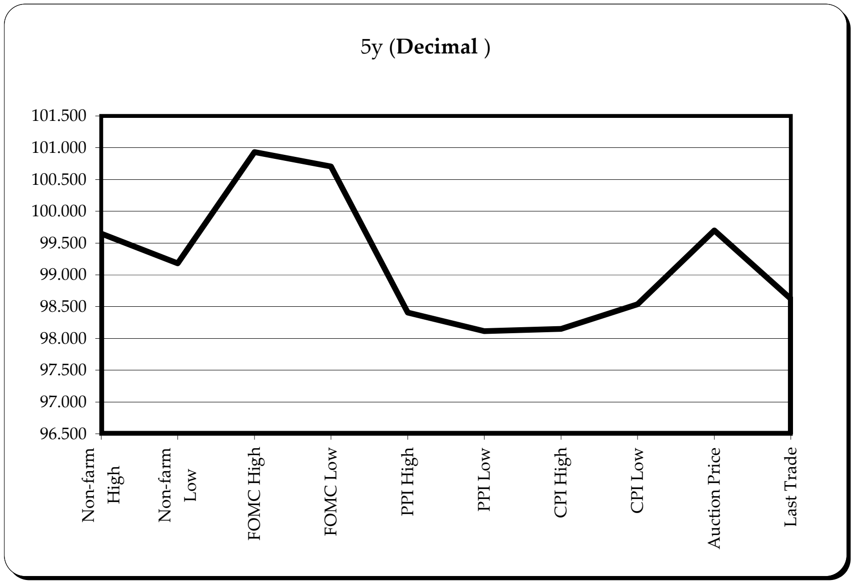
Important Econ Releases, Highs & Lows

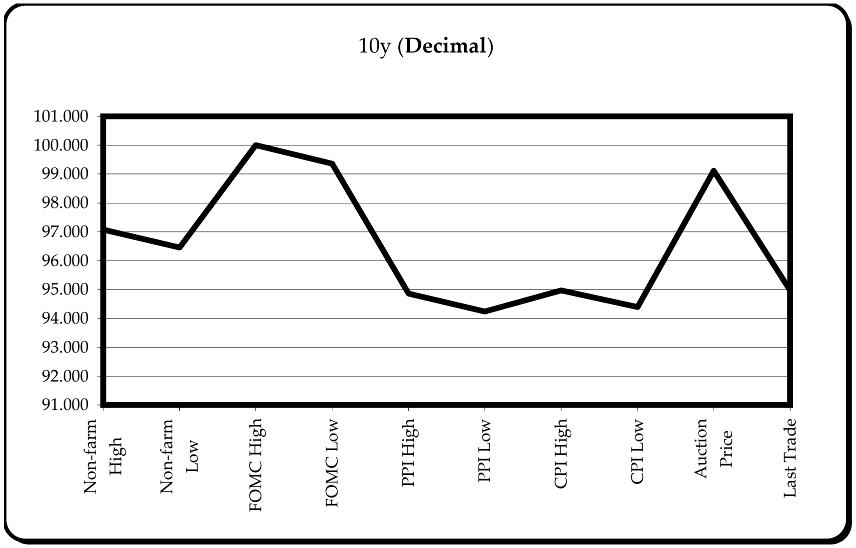
Economic Releases - 32nds	5y	10y	ZNU7	ZBU7	Date
Non-farm High	99.2075	97.025	106.155	109.10	6/1/2007
Non-farm Low	99.0580	96.145	105.290	108.15	6/1/2007
FOMC High	100.2975	100.000	108.075	111.24	5/9/2007
FOMC Low	100.2250	99.115	107.305	111.08	5/9/2007
PPI High	98.1300	94.275	104.185	106.11	6/14/2007
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	98.2000	94.310	104.260	106.09	6/21/2007 5:46

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





Jim Goulding, jgoulding@ghco.com

Quotes

	32 nds						
	ls	net	high	low	open	Volume	SYM NAME
TUAU7	101.215	(0.5)	101.222	101.205	101.217	21,968	2y Fut
FVAU7	103.165	(3.5)	103.200	103.150	103.195	44,326	5y Fut
TYAU7	104.260	(5.0)	104.300	104.230	104.300	144,152	10y Fut
USAU7	106.090	(9)	106.180	106.040	106.170	35,120	30y Fut
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.257	(0.5)	99.267	99.250	99.262	na	2y Cash
BUS05P	98.197	(2.7)	98.230	98.187	98.230	na	5y Cash
BUS10P	94.305	(5.5)	95.035	94.275	95.035	na	10y Cash
BUS30P	92.095	(10)	92.155	92.040	92.140	na	30y Cash
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.977	0.50	5.002	4.955	4.994	na	2y Yield
BUS05Y	5.066	2.00	5.081	5.04	5.062	na	5y Yield
BUS10Y	5.151	2.10	5.172	5.132	5.149	na	10y Yield
BUS30Y	5.264	2.20	5.279	5.239	5.259	na	30y Yield

Stone & McCarthy RESEARCH ASSOCIATES

MarketNews international

News Recap for the United States
Yesterday

14:27 06/20 **US TSYS:** Tsys pressured today by:
1) Corporate rate-lock selling amid brisk issuance.
2) Some MBS-tied pressure.
3) But as market trades down, some buy front-end Tsys as still do have subprime fears.
4) Subprime situation leads to some selling in less-liquid bond mkts.
5) Day traders, Street both selling Tsys as bearish tone had roots overseas today; that plus trapped spec longs weighed on Tsys earlier.
6) Real money also had sold 5Y, 10Ys in cash, futures, while hedge funds also sold there, and MBS portfolios and servicers.
7) But the Far East has done some buying on weakness in Tsys long end.
8) A US$7.6B CMBS appears headed for Thurs-Fri pricing, not Wed pricing; that could have spurred some disappointment among Tsys players who hope for rate-lock unwind buying of Tsys.
9) German Bunds had had heavy stop-loss selling earlier today.

15:16 06/20 **US TSYS/RECAP**: Tsys weakened Wed amid
10)German Bunds had heavy stop-loss selling earlier.
11) Overall uncertainty amid subprime situation; one ABS index (07-01) hit record low today.
12)Early buyers in Eurodlr 2Y-, 3-yr proxies hurt by rate lock selling as Home Depot (HD) eyes $12B corp issuance.
13) MBS spread wider earlier as lvgd accts, money mgrs sold MBS;then disct MBS buying,MBS tone better.

15:32 06/20 **US SWAPS:** Spds finished out the session broadly wider...

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Wed 3:05	+1.75/47.50	+2.00/52.00	+2.00/60.25	+1.50/65.00
1:00	+1.50/47.25	+1.50/51.50	+1.25/59.50	+1.25/64.75
10:30	+1.00/46.75	+1.25/51.25	+1.00/59.25	+1.00/64.50
10:00	+1.00/46.75	+1.25/51.25	+1.25/59.50	+1.25/64.75
9:15	+1.00/46.75	+1.00/51.00	+1.00/59.25	+1.00/64.50
Wed Open	+1.00/46.75	+0.75/50.75	+0.50/58.75	+0.50/64.00
Tue 3:05	+0.50/45.75	-0.25/50.00	-0.25/58.25	-0.50/63.50

EURODOLLAR RECAP on next page.

News Recap for the United States
Overnight

05:17 06/21 TSYS: Treasuries are trading lower across the board in London Thurs, as the weaker European debt markets weigh on sentiment. Tokyo prices were modestly lower from the getgo, as follow-through selling in the wake of overnight weakness triggered a round of selling. However, volumes were light in Asia and initially dip-buying offered a platform. The front of the curve outperformed in London, helping the curve steepen modestly. Real money names were sellers of the 5-year sector of the curve, with leveraged players seen selling the 10-year note. The long bond was also pressured in London, with traders talking of selling from Asian real money accounts. Bunds were trading 1 bps lower against the US 10-year T-notes, with the spread standing at +56 bps. The 2-yr note was unch, trading at 99 26/32 to yield 4.97%. The 10-yr note was 4/32 lower at 95 1/32 (5.15%), with the Bond 8/32 lower at 92 12/32 (5.26%). The 2-/10-yr curve was also 1 bps steeper, trading at +18 bps, while the 2-yr/30-yr curve was 2 bps steeper, standing at +29 bps.

MarketNews International

15:28 06/20 EURODLR FUTURES: Eurodlr futures settled lower across the board, the long end lagging as the curve moved steeper. The Red/Gold pack spd (Sep08-Jun09) vs (Sep11-Jun12) a 2s/10s proxy, expanded 2.25 bps to 39.25. The Fronts (Sep07-Jun08), settled steady to 4.5 bps lower, the Sep07 steady at 94-65 on combined Globex and pit volume of 189,000, the Dec07 in 2.0 bps at 94-65.5 on volume of 407,000, the Mar08 in 3.5 bps at 94-69 on volume of 464,000, while the Jun08 was 4.5 bps lower at 94-71.5 on volume of 455,000. The Red pack (Sep08-Jun09) a 2yr proxy, settled 4.5 to 6.0 bps lower across the pack with 865,000 contracts traded.

Stone & McCarthy RESEARCH ASSOCIATES

U.S. Portfolio Survey: Reverting To Neutral, Light On Cash
by John Canavan

--Stone & McCarthy---Measures of market sentiment improved and duration risk profiles reverted to neutral in this week's SMR U.S. Portfolio Manager Survey as the recent spike in yields appeared to have run its course ahead of the June 19 Survey date. Cash positions declined as duration measures rose.

Corporate allocations reversed last week's rise in the most recent week, and MBS and ABS allocations also declined, while Treasury and Agency allocations rose. The Spread Expectations Index fell to a 10 week low.

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

SMR Weekly Money Manager Survey Summary

06/19/07	Survey Average	Range	Prior Week	Range
Cash/Assets		0% - 18%		0% - 18%
Arithmetic	3.0%		4.1%	
Weighted	3.7%		4.0%	
Actual/Target Duration		86% - 104%		86% - 104%
Arithmetic	100.0%		98.8%	
Weighted	100.4%		99.7%	
Bear/Bull Index		3 - 7		3 - 7
Arithmetic	5.2		5.0	
Asset Weighted	5.4		5.1	
*Intending to adjust portfolio in coming week				
Actual/Bogey	101.2%		100.6 %	
Bear/Bull Index	5.5		5.8	
% Planning to be Active	23%		15%	

Duration, DV01s, Curve, Flys, CFs

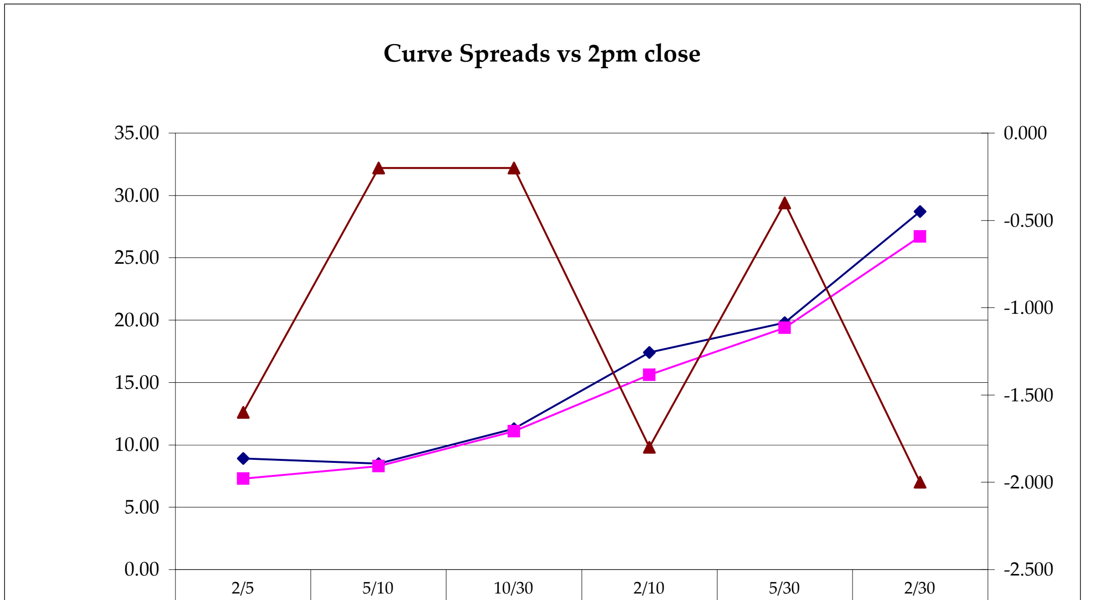
	M Duration	DV01 32	DV01 $
30y	14.96	4.50	$1,406
10y	7.80	2.38	$744
5y	4.33	1.37	$429
2y	2.01	0.63	$198
ZB	9.64	3.32	$104
ZN	5.77	1.95	$61
ZF	3.96	1.31	$41
ZT	1.88	1.22	$38

	CF
ZB	1.1593
ZN	0.9335
ZF	0.9497
ZT	0.9799

	Fly's
2/5/10	0.40
2/10/30	6.10
5/10/30	-2.80

Yield Curve Spreads

	Last	2pm close	Diff
2/5	8.90	7.30	-1.600
5/10	8.50	8.30	-0.200
10/30	11.30	11.10	-0.200
2/10	17.40	15.60	-1.800
5/30	19.80	19.40	-0.400
2/30	28.70	26.70	-2.000



	2/5	5/10	10/30	2/10	5/30	2/30
Last	8.90	8.50	11.30	17.40	19.80	28.70
2 PM Close	7.30	8.30	11.10	15.60	19.40	26.70
Diff	-1.600	-0.200	-0.200	-1.800	-0.400	-2.000

Notes

1) CF = Conversion Factor

2) MDuration = Modified Macaulay Duration

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

Jim Goulding, jgoulding@ghco.com

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		1.704	2.524	2.719
ZN	0.587		1.481	1.596
ZF	0.396	0.675		1.077
ZT	0.368	0.627	0.928	

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	1.91	4.14	7.18	13.57
ZN	3.25	7.05	12.24	23.12
ZF	4.81	10.44	18.13	34.25
ZT	5.18	11.25	19.53	36.89

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		2.403	4.172	7.882
5y	0.461		1.736	3.279
10y	0.265	0.564		1.889
30y	0.141	0.298	0.529	

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	6/12/2007
ZN	1,140	43,987	(45,128)	
ZB	910	34,466	(35,376)	

**WoW = Week over week

Jim Goulding, jgoulding@ghco.com

Closes2pm

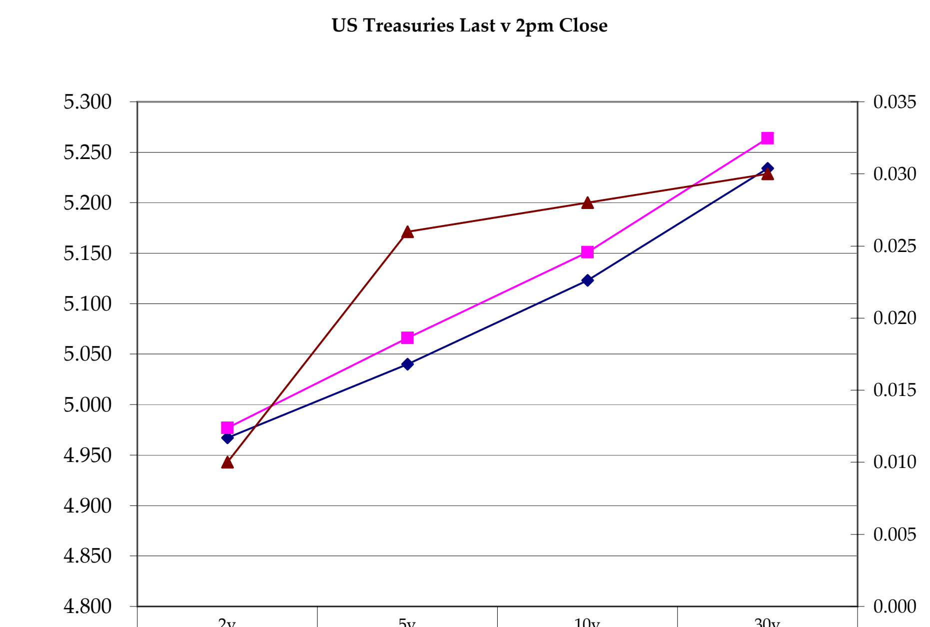
	Cpn	Mty	32nds	Yield	Last	Diff
2y	4.875	5/31/09	99.2650	4.967	4.977	0.010
5y	4.750	5/31/12	98.2375	5.040	5.066	0.026
10y	4.500	5/15/17	95.065	5.123	5.151	0.028
30y	4.750	2/15/37	92.24	5.234	5.264	0.030

	32nds
ZF	103.200
ZN	104.305
ZB	106.19

	CF Basis (decimal)	GHCO Basis
5y	0.23	30.109
10y	(2.30)	-11.414
30y	(30.87)	254.208

Curve Spreads

	bps	MDuration
2/5	7.3	
5/10	8.3	
10/30	11.1	
2/10	15.6	
5/30	19.4	
2/30	26.7	



	2y	5y	10y	30y
2pm Cls	4.967	5.040	5.123	5.234
Last	4.977	5.066	5.151	5.264
Diff	0.010	0.026	0.028	0.030

Notes:

CF = Conversion Factor

CF Basis = Cash - (Futures * CF)

Mduration for Curve Spreads:

Longer duration minus shorter duration

Jim Goulding, jgoulding@ghco.com

Correlations

All correlations based on 10 day historical

	US Cash Treasuries (Yield)				US Bonds/Notes (CBOT)			
Symbol	2yr Yield	5yr Yield	10yr Yield	30yr Yield	ZT	ZF	ZN	ZB
2yr Yield	100.0	96.8	91.7	81.9	-96.1	-97.5	-97.6	-90.8
5yr Yield	96.8	100.0	98.4	92.4	-92.6	-97.5	-98.8	-97.9
10yr Yield	91.7	98.4	100.0	97.3	-85.9	-93.0	-95.7	-98.5
30yr Yield	81.9	92.4	97.3	100.0	-73.4	-83.7	-88.0	-96.4
ZT	-96.1	-92.6	-85.9	-73.4	100.0	97.5	96.4	86.6
ZF	-97.5	-97.5	-93.0	-83.7	97.5	100.0	99.5	94.3
ZN	-97.6	-98.8	-95.7	-88.0	96.4	99.5	100.0	96.3
ZB	-90.8	-97.9	-98.5	-96.4	86.6	94.3	96.3	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	(42.3)	(48.1)	(52.3)	(57.4)	21.9	35.0	37.5	48.8
Dow Futures	(46.4)	(51.2)	(55.7)	(60.4)	24.9	37.9	40.8	51.3
USDJPY	(47.5)	(40.3)	(39.6)	(36.0)	24.3	32.0	32.9	30.9
EURUSD	(95.4)	(92.7)	(88.2)	(77.5)	89.3	91.3	91.1	85.2

Correlations for the US Cash Treasuries are done on a YIELD basis.
Therefore, you'll see negative values against certain fixed income instruments.

Jim Goulding, jgoulding@ghco.com

Cash Duration Matrix

Cash Duration Matrix				
	2	5	10	30
2	**100%**			
5	49%	~~**100%**~~		
10	27%	55%	**100%**	
30	13%	27%	50%	**130%**
Cash Matrix [DV01 x Duration]				
	2	5	10	30
2	**$198**			
5	$200	~~**$409**~~		
10	$196	$400	**$734**	
30	$189	$385	$707	**$1,406**
Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	($3)			
10	$1	$9		
30	$8	$23	$27	
Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	-1.44%			
10	0.67%	2.14%		
30	4.49%	6.02%	3.79%	

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

Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.52	1.07	1.93	3.69
ZF	0.48	1.00	1.79	3.42
ZN	0.32	0.67	1.21	2.31
ZB	0.19	0.39	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	2.07	3.71	7.12
5y	0.48	1.00	1.80	3.44
10y	0.27	0.56	1.00	1.92
30y	0.14	0.29	0.52	1.00

	ZT	ZF	ZN	ZB
ZT	1.00	1.08	1.60	2.72
ZF	0.93	1.00	1.48	2.52
ZN	0.63	0.68	1.00	1.70
ZB	0.37	0.40	0.59	1.00

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

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