



The Morning Email: Treasuries

6/28/2007 5:58

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12:17 06/27 **US PORTFOLIOS:** In the latest survey, SMRA says "risk profiles became modestly extended as investment managers were attracted by the back-up in market rates." The SMRA survey mean Actual/Target Duration Ratio rose to 100.8% of bogey from a neutral 100% of bogey. The SMRA Asset-Weighted Duration Ratio rose to 101.1% of bogey in the most recent week from 100.4% of bogey.

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13:07 06/27 **US TSYS:** SMRA analyst John Canavan says **the 5y auction** "went very well. As expected, there was a solid pick up in the indirect takedown, helping the auction to stop right on the 100pm bid side." He notes 2.73 cover was best since Sept 2006.

Want something added? Let me know: jgoulding@ghco.com
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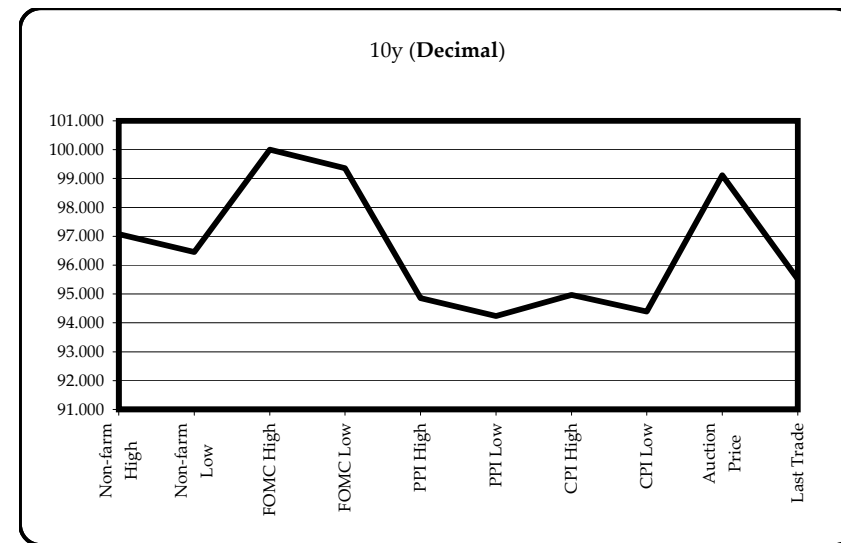
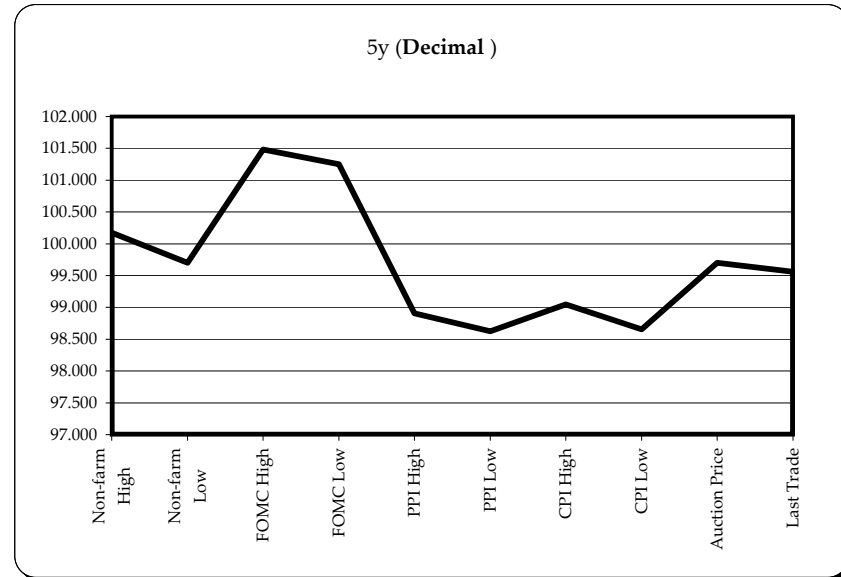
Economic Releases - 32nds					
	5y	10y	ZNU7	ZBU7	Date
Non-farm High	100.0550	97.025	106.155	109.10	6/1/2007
Non-farm Low	99.2250	96.145	105.290	108.15	6/1/2007
FOMC High	101.1550	100.000	108.075	111.24	5/9/2007
FOMC Low	101.0800	99.115	107.305	111.08	5/9/2007
PPI High	98.2900	94.275	104.185	106.11	6/14/2007
PPI Low	98.2000	94.075	104.045	105.23	6/14/2007
CPI High	99.0150	94.310	104.225	106.12	6/15/2007
CPI Low	98.2100	94.125	104.040	105.21	6/15/2007
Auction Price	99.2243	99.035			
Last Trade	99.1800	95.165	105.120	107.01	6/28/2007 5:58

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	4.906	4.94	4.612	4.838
Actual Auction Date	6/26/2007	6/27/2007	5/8/2007	5/11/2007 r

r = reopen

5yr has been rolled



Quotes

		32 nds					
	ls	net	high	low	open	Volume	SYM NAME
TUAU7	101.265	(1.7)	101.275	101.255	101.272	22,675	2y Fut
FVAU7	103.300	(2.5)	103.310	103.265	103.300	48,574	5y Fut
TYAU7	105.120	(3.5)	105.130	105.075	105.130	128,499	10y Fut
USAU7	107.010	(3)	107.020	106.270	107.000	29,581	30y Fut
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.302	(0.5)	99.310	99.297	99.310	na	2y Cash
BUS05P	99.180	15.5	99.195	99.155	99.195	na	5y Cash
BUS10P	95.160	(0.5)	95.165	95.120	95.165	na	10y Cash
BUS30P	93.105	2	93.110	93.035	93.060	na	30y Cash
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.896	0.00	4.921	4.884	4.921	na	2y Yield
BUS05Y	4.973	1.00	4.997	4.961	4.984	na	5y Yield
BUS10Y	5.080	0.20	5.105	5.078	5.091	na	10y Yield
BUS30Y	5.190	(0.10)	5.212	5.19	5.202	na	30y Yield



News Recap for the United States

Yesterday

15:07 06/27 **US TSYS**: On a 3PM to 3PM basis, Treasury ended higher on the day on subprime worries, SEC's investigations in CDO pricing, yen carry unwinds and a return of some decent Asian buying in belly of curve. Market's next hurdle appears to be getting thru qtr-end and half-year end where there is concern that firms could be forced to mark down CDO paper based on emerging market transparency and that could force margin calls. Market came off the top, despite a good \$13B 5-year auction, as 10s sub-5.05% looked risky heading into the Fed tomorrow. At 3PM, 2Y at 4.879% vs. 4.904%. 3Y at 4.910% vs. 4.936%. 5Y at 4.950% vs. 4.984%. WI 5Y at 4.957% vs. award level of 4.94%. 10Y at 5.072% vs. 5.101%. 30Y bond at 5.190% vs. 5.223%. 2/5Y curve at +7.1 vs. +8.0. 2/10Y at +19.3 vs. +19.7. 2/30Y at +31.1 vs. +31.9.

15:02 06/27 **US SWAPS**: After drifting at steady to wider levels all session, spds moved tighter late as debt mkt gave back early gains. On the heels of heavy overnight receiving across the curve, ongoing credit/CDO concerns were cited by many for swap spreads pushing out, resisting directional factors. During NY session, sources reported more muted swap tied volume, though receiver interest continued in the fronts to intermediates. Flow turned two-way in the front end around midmorning.

According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Wed 3:02	-0.50/48.50	-0.25/54.75	-0.75/61.75	-0.75/66.50
1:45	+0.00/49.00	+0.50/55.50	+0.00/62.50	+0.00/67.25
10:45	+0.25/49.25	+0.25/55.25	+0.00/62.50	+0.25/67.50
Wed 9:15	+0.50/49.50	+0.50/55.50	+0.25/62.75	+0.50/67.75
Wed Open	+0.00/49.00	+0.25/55.25	+0.00/62.50	+0.25/67.50
Tue 3:05	-0.50/49.00	+0.00/55.00	+0.00/62.50	-0.50/67.25

News Recap for the United States

Overnight

06:15 06/28 **TSYS SUMMARY**: U.S. Treasuries are trading lower on Thursday on back of profit-taking and unwinding of risk-aversion trades as stocks attempt to recover. In addition, position-squaring was also noted ahead of the key FOMC meeting today. Traders said that early flows were predominately swap related, and also weighed by gains in European equity bourses. In the London session, swap receiving interest seen in 2s. A European bank was also seen as a large payer in 5-year swaps. However, fast money accounts along with leverage accounts were seen selling 5-year Notes. Japanese accounts were seen switching into USTs and out of Bunds, as the 10-year yield spread narrowed 3bps to +56.8bps. Attention now turns to the FOMC rate decision at 1815GMT, where it is considered a foregone conclusion that the FOMC will leave the federal funds rate at 5.25% again. The focus is likely to be once again on the statement, where the Fed is seen reiterating "the Committee's predominant policy concern remains the risk that inflation will fail to moderate as expected".

MarketNews
international

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10:00 06/27 **US MBS/SubPrime:** While the fear of a subprime meltdown may be affecting spreads across the board, in absolute terms, subprime losses are a drop in the bucket, or "a inch deep but a mile wide", according to Citigroup Chief Economist Steven Wieting. The \$1B to \$5B in losses suffered by BSAM, depending on which report is relied upon, is minor in comparison to the largest US equity index mutual fund loss of \$7.2B during 3 weeks earlier this year or a single company loosing over \$400B in market value between 2000 and 2002. Other main points from Citigroup: 1)Subprime lending excesses and subsequent mortgage foreclosures will add to the mounting concerns about income and wealth inequality in the U.S. By contrast, there will be no tears shed for losses suffered by hedge funds, 2)subprime losses will likely to result in a lowered appetite to lend on terms as favorable as seen in recent years, 3) losses for speculative, leveraged investors within capital markets are somewhat more contained and benign than large losses suffered across the US banking system.

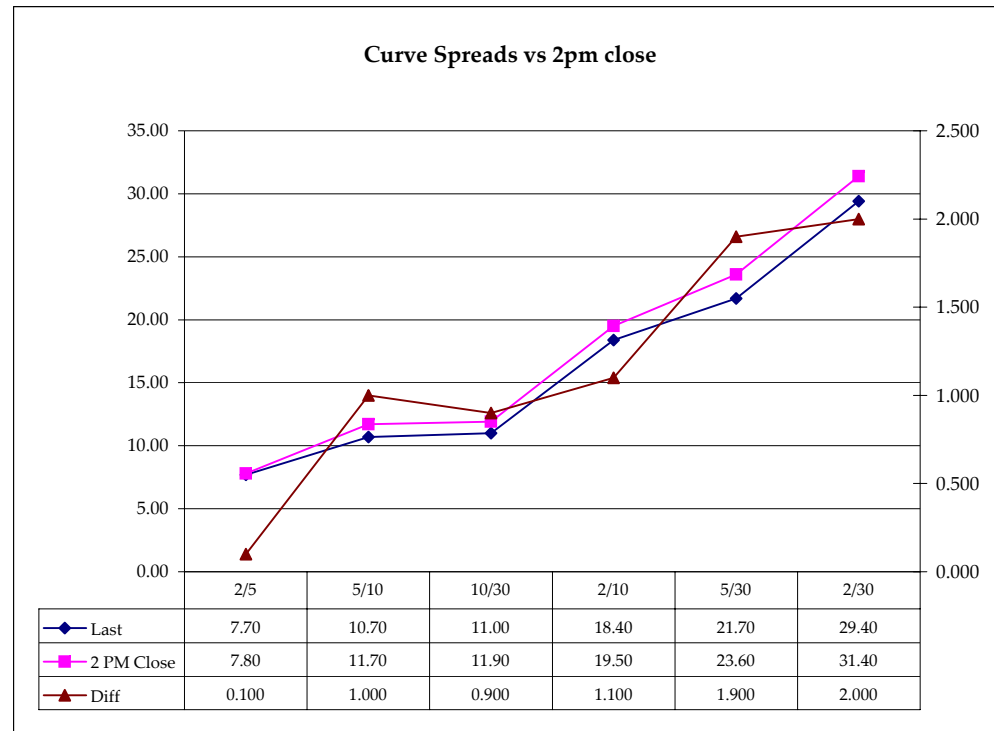
10:01 06/27 **US MBS:** Subprime fears over the lost few weeks should be looked at against the broader backdrop of the still liquid and borrower-friendly environment of global credit markets, according to according to Citigroup Chief Economist Steven Wieting. Citigroup points out: 1)the lowest-rated high yield borrowers have seen a 2% drop in their borrowing costs over the past year, even amid the latest spread widening, 2)it would take quite a change from today's conditions to view credit markets as an outright headwind to macro activity, 3)if the U.S. could have a recession amid a housing upturn, as it did in 2001, it is also possible to achieve broader expansion amid a housing downturn, as is the case at present. "Our concern remains with market psychology, which, at its extremes, can have some independent impact on fundamentals. Fears spreading far from the initial source of trouble have been known," says Wieting. "The principal market concern both in February and today is that risk appetite retreats generally, i.e. the "fear of fear itself."

10:31 06/27 **US TSYS/FOREIGN:** Word drifts out that overnight, was Asian, European central bank buying action across the Tsys curve, and also other accounts doing asset allocation out of stocks/into US Tsys. "You're through the 5.05%" 10-year yield, said one trader. "They have certain breakout levels." Traders also are still eyeing, what will China do next after having been been active buyers mainly only in T-bills since May 7, through recent days have been more fluid. Traders brace for more yen carry unwinds and will watch spreads of credit, riskier products etc. to see where de-leveraging/yen-carry-trade unwinds most occurring; Tsys expected to be bought vs. de-leveraging/yen carry unwinds as Tsys less risk. "Look at spreads," advised the veteran. "You will see widening spreads in credit, the whole gamut of riskier stuff" as yen carry unwinds occur. There also will be more buying of Tsys/selling stocks expected as some rebalance into quarter-end/mo-end as stocks gains this qrtr mean some need to trim back stock position/boost up Tsys.

	M Duration	DV01 32	DV01 \$	CF
30y	15.03	4.58	\$1,430	
10y	7.79	2.39	\$748	
5y	4.28	1.37	\$427	
2y	1.99	0.63	\$196	
ZB	9.74	3.43	\$107	0.8285
ZN	5.76	1.96	\$61	0.8926
ZF	3.94	1.32	\$41	0.9540
ZT	1.86	1.21	\$38	0.9815

Yield Curve Spreads

	Last	2pm close	Diff
2/5	7.70	7.80	0.100
5/10	10.70	11.70	1.000
10/30	11.00	11.90	0.900
2/10	18.40	19.50	1.100
5/30	21.70	23.60	1.900
2/30	29.40	31.40	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		1.751	2.606	2.855
ZN	0.571		1.488	1.630
ZF	0.384	0.672		1.096
ZT	0.350	0.614	0.913	

US Treasuries v US Financial Futures

	2y	5y	10y	30y
ZB	1.72	3.98	6.99	13.35
ZN	3.01	6.98	12.24	23.38
ZF	4.48	10.38	18.21	34.79
ZT	4.91	11.37	19.95	38.11

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		2.318	4.065	7.766
5y	0.431		1.754	3.351
10y	0.246	0.562		1.911
30y	0.129	0.294	0.523	

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.

Current Positions										
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	215,522	278,650	(63,128)	183,938	395,060	(211,122)	1,308,338	1,034,088	274,250	ZF
ZN	331,339	504,278	(172,939)	732,860	487,724	245,136	2,177,970	2,250,167	(72,197)	ZN
ZB	158,186	209,328	(51,142)	161,033	266,243	(105,210)	773,549	617,197	156,352	ZB

WoW* Position Change				As of
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	
ZF	(1,586)	(10,484)	12,070	6/19/2007
ZN	(13,324)	1,698	11,626	
ZB	3,986	1,900	(5,886)	

**WoW = Week over week

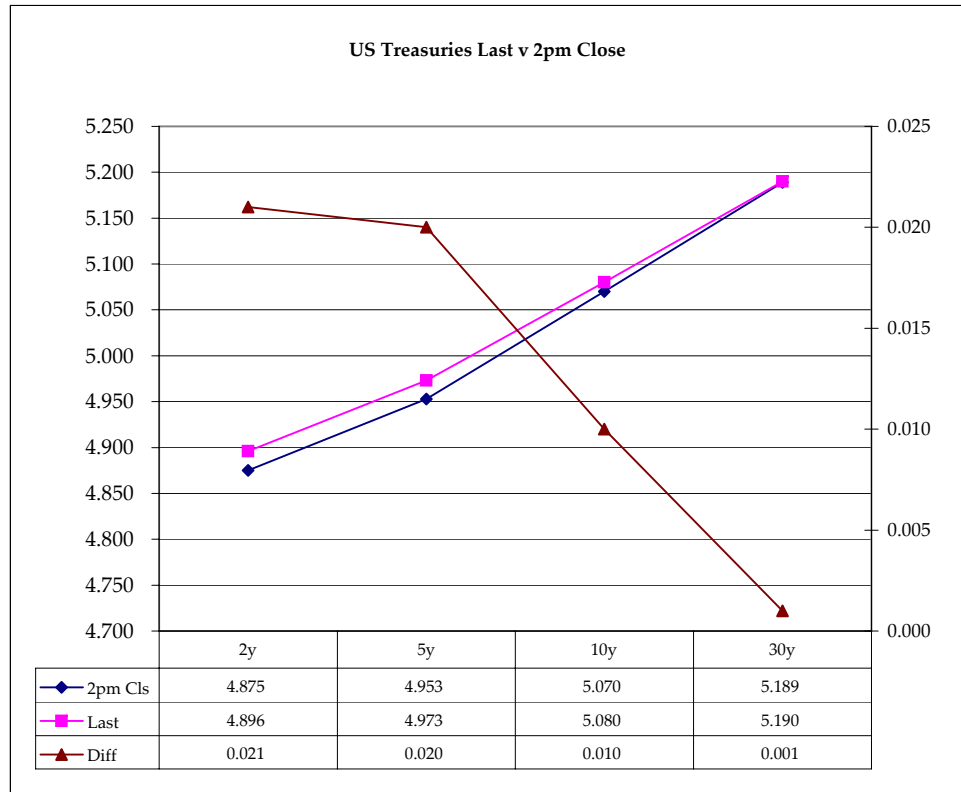
	Cpn	Mty	Close 32	Close	Last	Diff	Roll	Basis
2y	4.875	6/30/09	100.0000	4.875	4.896	0.021		
5y	4.875	6/30/12	99.2100	4.953	4.973	0.020		13.61
10y	4.500	5/15/17	95.195	5.070	5.080	0.010		46.53
30y	4.750	2/15/37	93.13	5.189	5.190	0.001		148.40

	Close 32
ZF	104.005
ZN	105.155
ZB	107.04

Curve Spreads

	bps
2/5	7.8
5/10	11.7
10/30	11.9
2/10	19.5
5/30	23.6
2/30	31.4

Old 5 y
99.045



Notes:
 Basis = (Cash Decimal - (Futures Decimal * CF))*32
 Mduration for Curve Spreads:
 Longer duration minus shorter duration
 32 = price is quoted in 32nds

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	95.2	81.2	72.5	-94.1	-90.8	-87.0	-70.2
5yr Yield	95.2	100.0	94.7	88.6	-95.9	-97.4	-96.5	-87.5
10yr Yield	81.2	94.7	100.0	97.7	-85.0	-92.4	-94.7	-95.8
30yr Yield	72.5	88.6	97.7	100.0	-78.1	-86.3	-90.4	-95.8
ZT	-94.1	-95.9	-85.0	-78.1	100.0	97.4	95.0	81.2
ZF	-90.8	-97.4	-92.4	-86.3	97.4	100.0	99.3	91.0
ZN	-87.0	-96.5	-94.7	-90.4	95.0	99.3	100.0	94.9
ZB	-70.2	-87.5	-95.8	-95.8	81.2	91.0	94.9	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	84.1	72.7	54.2	45.9	(77.2)	(67.2)	(62.3)	(40.4)
Dow Futures	86.6	74.4	54.6	45.8	(79.9)	(69.6)	(63.9)	(40.8)
USDJPY	37.1	54.7	62.7	70.7	(55.3)	(58.8)	(64.7)	(70.0)
EURUSD	(91.5)	(89.1)	(78.8)	(71.4)	87.2	84.7	80.4	66.3

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

Notes:

All correlations based on 10 day historical

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	\$196			
5	\$200	\$409		
10	\$196	\$401	\$738	
30	\$190	\$389	\$715	\$1,430
Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	(\$3)			
10	\$1	\$8		
30	\$7	\$20	\$23	
Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	-1.65%			
10	0.27%	1.94%		
30	3.53%	5.26%	3.25%	

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	1.08	1.95	3.78
ZF	0.48	1.00	1.80	3.48
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	2.08	3.76	7.28
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	1.09	1.62	2.76
ZF	0.92	1.00	1.49	2.54
ZN	0.62	0.67	1.00	1.71
ZB	0.36	0.39	0.59	1.00

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

