



The Morning Email: US & Germany

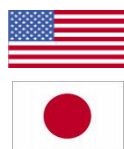


Table of Contents

- Pg 1 Correlation Matrix & BUND Technicals

- Pg 2 Quotes 1

- Pg 3 Quotes 2

- Pg 4 News - Yesterday's Recap

- Pg 5 News - Overnight Recap

- Pg 6 Intrinsic's & Tic for Tic Matrix'

- Pg 7 Hedge Ratio's - Bloomberg

- Pg 8 Yields & Spreads

- Pg 9 Volume Questions & Global Bond Market Characteristics

09:46 06/27 ECB LIEBSCHER: Reported saying,
- Monetary policy is still accommodative
- Credit and money growth are strong
- Liquidity is ample, ECB will act in timely manner, depends on data (Rtrs)

Pg 10/11 The ECB

I'm a knew page. Come visit me.

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

Want something added? Let me know: jgoulding@ghco.com
Disclaimer: All information within this newsletter is meant for internal use at GH Trader's LLC, only. All information has been recorded to the best of my ability. This material is based upon information that I consider reliable, but I do not represent that it is accurate or complete.

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	-85.87	-90.07	-84.57	86.40	86.13	84.38	DGU7	Schatz(2Y)
Bobl(5Y)	DLU7	-79.71	-90.33	-89.86	86.98	88.80	89.69	DLU7	Bobl(5Y)
Bund(10Y)	DBU7	-75.79	-87.55	-88.73	84.74	88.16	90.82	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

```

-----RESISTANCE-----
112.27 Mar - May downtrend line
112.04 50% of the 04/19H - 06/13L
..... top Bollinger band
111.87 40-DMA
111.45 38.2% of the 04/19H - 06/13L
111.18 06/27 high
111.00 Nov '03 corrective lows
111.03 +.44 06/27 Settlement
110.76 Bollinger band center line
110.59 06/26 - 06/27 gap bottom
110.53 06/20 open
110.46 5-DMA
110.39 06/25 - 06/26 gap bottom
110.33 10-DMA
110.23 former 05/11 - 06/20 downtrend line
110.09 06/22 - 06/25 gap bottom
110.05 lowest Jun close
109.79 Oct '02 corrective lows
109.66 06/13 pivot low
109.49 lower Bollinger band
-----SUPPORT-----

```

Technical Commentary EUREX Sep 2007 10yr Euro-Bund - by Mike Sacchitello, CMT

Short-term, Wednesday's break above the 20-day Bollinger band center line offers the gap to the top band near 112.04. Worth noting, though, is that an initial measured move (the height of the 06/13 low to 06/20 high projected northward from the 06/21 pivot low) has been completed. This, combined with a newly overbought 5-day (a very short-term measure), could initially make it difficult to move aggressively above 38.2% of the Apr - Jun slide.

In the background, higher trending momentum lines and oscillators offer secondary support for this countertrend rally.

Initial stops for fresh countertrend longs are placed just beneath Wednesday's open, but for those playing the move off of the 06/13 reversal, things would remain healthy as long as Bund does not fall back below the 06/21 corrective low (109.92).

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 111.77.

Quotes 1

32 nds									
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME	
TUAU7	101.265	(1.7)	101.275	101.255	101.272	22,675	260,720	2y Futures	
FVAU7	103.300	(2.5)	103.310	103.265	103.300	48,574	685,232	5y Futures	
TYAU7	105.120	(3.5)	105.130	105.075	105.130	128,499	1,499,870	10y Futures	
USAU7	107.010	(3)	107.020	106.270	107.000	29,581	404,237	30y Futures	
US Futures Market									
	Last	Net	Hi	Low	Open	Volume			
BUS02P	99.305	(0.2)	99.310	99.297	99.310	2y			
BUS05P	99.180	15.5	99.195	99.155	99.195	5y			
BUS10P	95.165	0.0	95.165	95.120	95.165	10y			
BUS30P	93.110	1	93.110	93.035	93.060	30y			
US Cash Treasury Market									
	Last	Net	Hi	Low	Open	Volume			
BUS02Y	4.896	0.00	4.921	4.884	4.921	2y Yield			
BUS05Y	4.973	1.00	4.997	4.961	4.984	5y Yield			
BUS10Y	5.082	0.40	5.105	5.078	5.091	10y Yield			
BUS30Y	5.190	(0.10)	5.212	5.19	5.202	30y Yield			



Decimal									
	Last	Net	Hi	Low	Open	Volume	Yest Volume	SYM NAME	
DGU7	102.53	(50.00)	102.57	102.50	102.56	361,494	791,608	Schatz(2Y)	
DLU7	106.12	(120.00)	106.21	106.04	106.20	351,220	889,048	Bobl(5Y)	
DBU7	110.77	(9.00)	110.82	110.60	110.81	660,637	1,730,758	Bund(10Y)	
German Futures Markets									



	Price	Yield			SYM NAME	
	Last	Last	Coupon	Maturity		
T.US.DE032P0409	100.03	4.441	4.500	7/4/2009	2 yr CTD	German Cash Treasury Market
T.US.DE050P0712	97.77	4.539	4.000	4/13/2012	5 yr CTD	
T.US.DE042P0717	95.91	4.557	4.000	7/4/2016	10 yr CTD	
DEP2P	100.09	4.448	4.500	6/12/2009	2yr OTR	
DEP5P	97.81	4.516	4.000	4/13/2012	5yr OTR	
DEP10P	97.43	4.576	4.250	7/4/2017	10yr OTR	

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					
	Bid	Ask	Last	Hi	Low	Chng
DGU7	#VALUE!	102.53	102.53	102.57	102.50	-50.00
DLU7	106.11	106.12	106.12	106.21	106.04	-120.00
DBU7	#VALUE!	110.77	110.77	110.82	110.60	-9.00

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	
DGU7		4.649	4.649	4.662	4.628	
DLU7	4.604	4.603	4.603	4.621	4.583	
DBU7		4.630	4.630	4.650	4.624	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng
T.US.DE032P0409	4.484	4.468	4.441	4.462	4.404	0
T.US.DE050P0712	4.526	4.516	4.539	4.528	4.461	0
T.US.DE042P0717	4.564	4.557	4.557	4.571	4.499	0
DEP2P	4.459	4.448	4.448	4.470	4.420	-8
DEP5P	4.526	4.516	4.516	4.545	4.504	-14
DEP10P	4.582	4.576	4.576	4.602	4.568	-28

	Decimal					
	Bid	Ask	Last	Hi	Low	Chng
T.US.DE032P0409	100.03	100.06	100.06	100.11	100.02	-9.00
T.US.DE050P0712	97.77	97.81	97.81	97.86	97.69	-14.00
T.US.DE042P0717	95.91	95.96	95.96	96.01	95.77	-26.00
DEP2P	100.07	100.09	100.09	100.14	100.05	-8.00
DEP5P	97.77	97.81	97.81	97.86	97.69	-14.00
DEP10P	97.38	97.43	97.43	97.49	97.23	-28.00

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

SYM NAME	
Schatz(2Y)	German Futures
Bobl(5Y)	
Bund(10Y)	

Schatz(2Y)	German Futures
Bobl(5Y)	
Bund(10Y)	

2 yr CTD	German Cash
5 yr CTD	
10 yr CTD	
2yr OTR	
5yr OTR	
10yr OTR	

SYM NAME	
2 yr CTD	German Cash
5 yr CTD	
10 yr CTD	
2yr OTR	
5yr OTR	
10yr OTR	

Stone & McCarthy
RESEARCH ASSOCIATES

27/06/2007	17:03	EURO	chg	USA	chg	UK	chg
Futures	Bond	111.02	0.43	107.25	0.47	104.10	0.36
	STIR	95.65	0.00	94.75	0.03	93.77	0.02
Cash	3mth	4.16	0.00	5.36	0.00	5.96	0.01
	2yr	4.41	-0.02	4.85	-0.02	5.72	-0.04
	5yr	4.49	-0.05	4.93	-0.03	5.65	-0.05
	10yr	4.55	-0.05	5.06	-0.03	5.42	-0.05
	30yr	4.67	-0.05	5.18	-0.02	4.82	-0.03
	10yr-2yr	0.13	-0.03	0.20	-0.01	-0.30	-0.01
Spreads	2yr	--	--	0.50	0.01	1.39	-0.01
	vs euro			0.57	0.03	0.95	0.01
FX	USD	1.343	-0.002	--	--	1.996	-0.003
	EUR	--	--	--	--	0.673	0.000
	YEN	164.59	-1.13	122.53	-0.67	244.63	-1.66
Equities		4412.1	-0.6%	1493.2	0.1%	6527.6	%

Headlines

EGBs higher on subprime loan market jitters and equity market losses

June French Business Confidence: 110

ECBs Weber: ECB tightening has not yet come to an end

Euro Mkt Summary: EGBs Track USTs Higher On Aversion Buying by Charanjeev Chana

EGBs tracked USTs higher on Wednesday afternoon, underpinned by ongoing jitters over the subprime loan market and equity market losses. EGBs had opened stronger on the back of gains in Treasury's during Asian trade. Technical stop loss buying also lifted EGBs. This meant that stronger than expected French business sentiment for June as well as hawkish comments from Wellink failed to weigh on sentiment, despite Wellink saying that it was likely the ECB would raise interest rates again. A further boost to EGBs came from the release of weaker than expected US durable goods orders for May.

Thursday sees the release of a plethora of Eurozone data including German state CPI for June and EMU M3 for May. However, the main focus will be on the US, with the FOMC interest rate decision due later in the day where interest rates are expected to remain at 5.25%.

Gilts tracked EGBs higher on Wednesday afternoon, with the belly of the curve outperforming. Gilts shrugged off hawkish overnight comments from Bank of England MPC member John Gieve who said that he was not convinced that interest rates were high enough to bring credit growth and nominal demand back to their long-term sustainable path. UK data was mixed but made little impact following the release of strong BBA loans for house purchases and soft CBI June Distributive Trades report.

All eyes on Thursday in the UK will focus on the seven Bank of England MPC members, including the Governor, who testify to the Treasury Select Committee.



News Recap for Euroland & Japan Overnight

06:44 06/28 **BUND SUMMARY:** Bunds opened lower, taking cue from weaker US Treasuries and JGBs overnight, amid profit-taking in wake of recent squeeze higher. Traders reported unwinding of risk-aversion trades as European equity bourses opened higher. Volumes are also very strong, with over 600k contracts traded so far in September Bund futures. In addition, the short-dated issues were pressured following release of stronger than expected eurozone M3 data, up seasonally adjusted 10.7% in May from an unrevised 10.4% in April, which in turn was down from 10.9% -- the highest rate since February 1983 -- in March. The rise in May's headline M3 number will augment concerns among ECB hawks about inflation risks, thereby increasing the likelihood of further interest rate tightening. The euribor strip is pricing in a 62.0% chance of a 25bps rate hike by September and around 35bps worth of rate hikes by year-end. Hawkish comments from ECB Liebscher also weighed and position-squaring was also seen ahead of the key FOMC rate decision.

05:29 06/28 **GILTS:** Gilt yield are higher on back of unwinding of safe-haven trades, with the belly of the curve underforming the wings. Traders have reported some Liability Driven Investment (LDI) flows in the long-end, which explains the 1.8bps flattening move in the Gilt 10-/30-year yield spread to -61.8bps. Elsewhere, comments from BoE MPC members have been largely mixed in their testimony before the Treasury Select Committee. The comments so far say very little to alter the market view of another rate hike as soon as the July meeting, where the SONIA swap curve is implying a 90.0% chance of a 25bps rate hike.

News Recap for Euroland & Japan Overnight (cont)

06:45 06/28 **EUROZONE: Data** released in the eurozone Thursday.....(1),

- ** ECB: EMU May sa M3 growth 10.7% y/y, MNI median 10.4% y/y
- May EMU sa private loan growth 10.3% y/y; April 10.3% y/y
- ** GERMANY: June s/adj jobless total -37,000 m/m
- June unadj jobless total falls 125,000 to 3.687mln
- ** GERMANY: June CPI in Saxony flat m/m, +2.0% y/y vs +2.3% y/y in May.
- Medians in an MNI survey of analysts were +0.2% m/m; +1.9% y/y.
- * NRW June CPI +0.2% m/m, +2.1% y/y; May +2.0% y/y
- * Hesse June CPI flat m/m, +1.6% y/y after being +1.7% y/y in May.
- * Brandenburg June CPI was flat m/m, +1.6% y/y vs May +1.9% y/y.
- ** GERMANY: May real wholesale sales -1.8% y/y; nominal -0.8% y/y
- ** GERMANY: May seasonally adjusted payroll employment rose 14,000 to 39.458mln m/m, using ILO methodology.

06:32 06/28 **EUROZONE:** Reported **comments from eurozone officials** Thursday,

- ** ECB LIEBSCHER: The current interest rate of the European Central Bank remains accommodative, but the Bank's Governing Council will act in a firm and timely manner to ensure price stability in the medium-term, ECB Governing Council member Klaus Liebscher was quoted as saying late Wednesday. He was also reported to have said that "strong vigilance" was required to counter inflation risks.
- ** GERMANY: HDE Retail Association sticks to 2007 nominal retail sales forecast around 1.00%
- Sees 1H07 nominal retail sales growth of +0.5%
- Sees 2007 retail sales price growth average +1.4%
- Sees real retail sales down in 2007, up in 2008.



	US Intrinsic's ^			
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	15.03	4.57	\$1,430	€ 1,924
10y	7.79	2.39	\$748	€ 1,007
5y	4.28	1.37	\$427	€ 574
2y	1.99	0.63	\$196	€ 264
ZB	9.74	3.42	\$107	€ 144
ZN	5.76	1.96	\$61	€ 82
ZF	3.94	1.32	\$41	€ 55
ZT	1.86	1.21	\$38	€ 51

^Futures are Based on CTD

	Tic for Tic Matrix (\$)		
	Bund	Bobl	Schatz
30y	17.47	31.53	41.33
10y	9.14	16.50	21.63
5y	5.21	9.41	12.34
2y	2.40	4.33	5.68
ZB	1.31	2.36	3.09
ZN	0.75	1.34	1.77
ZF	0.50	0.91	1.19
ZT	0.46	0.83	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	7.07	€ 110	\$82	0.872569
Bobl	4.22	€ 61	\$45	0.959013
Schatz	1.79	€ 47	\$35	0.966386
DE10Y	7.62	€ 981	\$729	
DE5Y	4.22	€ 560	\$416	
DE2Y	1.69	€ 224	\$167	

^Futures are Based on CTD

Last

EURUSD 134.57

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	

Notes:

Bloomberg ratio's are static.

Yields & Spreads

US Cash Treasuries (OTR)			
	Bid	Ask	Last
US2y	4.901	4.896	4.896
US5y	4.975	4.973	4.973
US10y	5.084	5.082	5.082

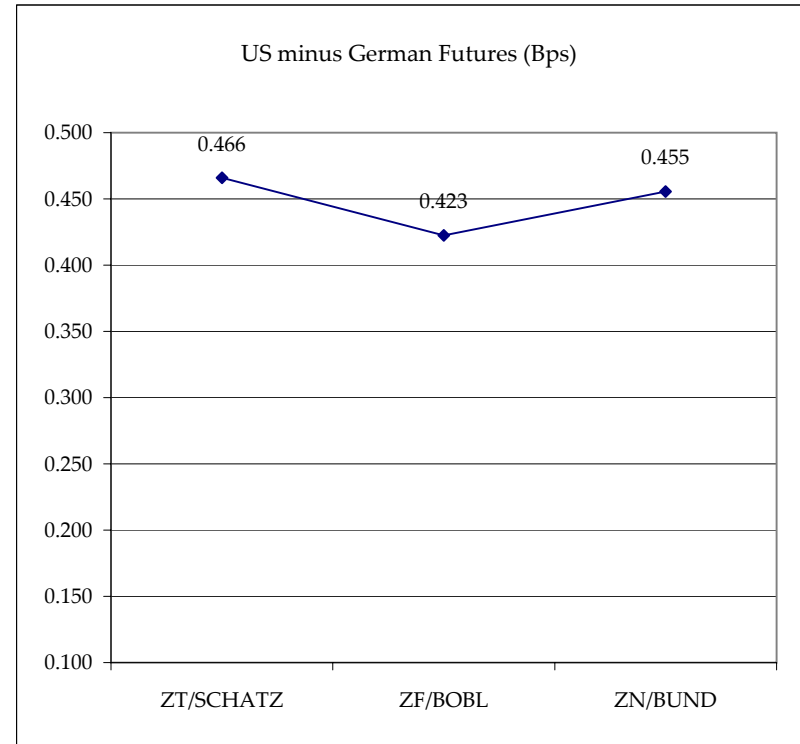
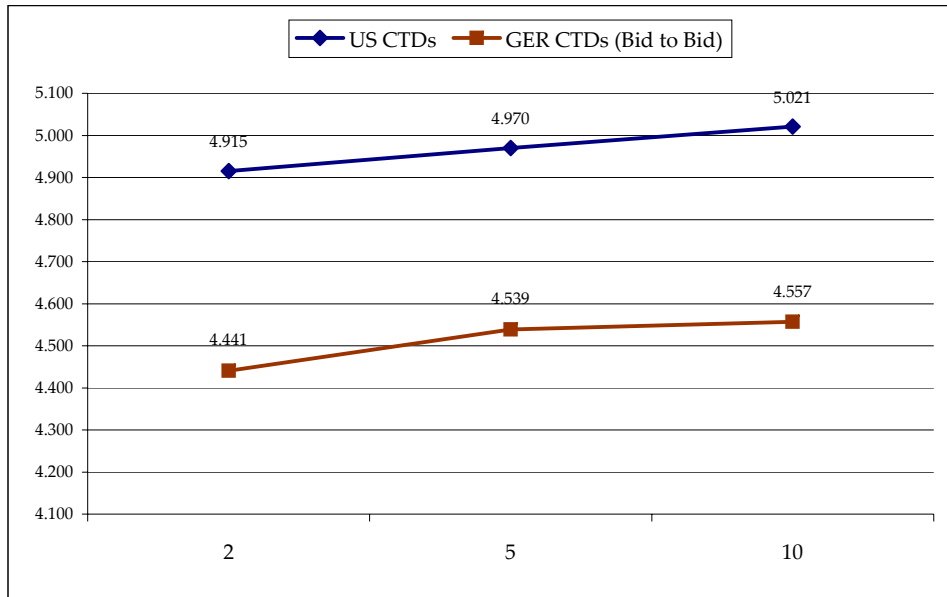
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	4.459	4.448	4.448
DE5y	4.526	4.516	4.516
DE10y	4.582	4.576	4.576

Spreads Bps	
ZT/SCHATZ	0.466
ZF/BOBL	0.423
ZN/BUND	0.455

US Cash Treasuries (CTD)			
	Bid	Ask	Last
4.000 of 06/09	4.915	4.907	4.907
4.500 of 11/11	4.970	4.962	4.962
4.750 of 05/14	5.021	5.013	5.013

German Futures (CTD)			
	Bid	Ask	Last
4.500 of 07/09	4.484	4.468	4.441
4.000 of 04/12	4.526	4.516	4.539
4.000 of 07/16	4.564	4.557	4.557

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.



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

Domestic	T+2	T+3	T+3
International	T+3	na	na

Trading Basis

Quotation	price	simple yield	price
Tick	decimal	bp	decimal
Tax (resident)	0	0	0
Price/Yield Method	ISMA	Simple	DMO

Repo

Accrual basis	actual	actual	actual
Year basis	360	0	365

Stone & McCarthy
RESEARCH ASSOCIATES

--> Euro Market Focus: Bonds End Higher, Wings Outperform
by Charanjeev Chana [published 06/22]

ECB Outlook

Earlier this month ECB official Yves Mersch suggested that ECB interest rates may need to rise to 4.50% after noting that the most recent ECB staff projections unveiled by ECB President Trichet in his June press statement, "include the assumption that short-term market interest rates will rise to 4.5% by the end of this year. This week, ECB official Axel Weber made further reference to the risks of inflation exceeding the 2% price stability ceiling according to staff projections, saying "According to our assessment the average inflation rate is likely to be above our upper limit for price stability this year and next." He followed by hinting at additional tightening to counter these risks after saying "I do not see a threat to the economic cycle" if interest rates were to go higher."

The ECB June 2007 Monthly Bulletin states that "the average rate of increase in the overall Harmonised Index of Consumer Prices (HICP) is projected to be between 1.8% and 2.2% in 2007, and between 1.4% and 2.6% in 2008." The technical assumptions with regards to short-term interest rates imply "an increase from the mid-May level of 4.0% to an average of 4.2% in 2007, and a further increase to an average of 4.5% in 2008."

In the Q&A session of the June interest rate press conference, ECB President Trichet was questioned on whether the staff projections, which saw inflation above 2% for 2007 and 2008 based on the expectation of one more interest rate increase - would essentially mean that the ECB would have to tighten more than once to contain inflation below 2%. President Trichet's response was unsurprisingly non-committal, after he repeated the mantra "there is no pre-commitment", adding "The Governing Council is alert and we will do whatever is needed, as we have in the past, to ensure price stability and be credible in ensuring and delivering price stability."

Whilst ECB President Trichet was non-committal, we view the latest comments by ECB Governing Council members as firm indication of ECB interest rates reaching 4.50% by year-end if inflation expectations remain elevated close to or above the ECB's 2% price stability ceiling.

GO to next page to learn more
about the ECB



Most Recent MPC Meetings:










	King (Gov)	Lomax (Dep Gov)	Gieve (Dep Gov)	Bean	Tucker	Barker	Blanchflower	Besley	Sentance	Result	Level	Vote	Dissent bias
Jul-06	unch	unch	unch	unch	unch	unch	unch			unch	4.50%	7-0	none
Aug-06	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	unch			+25bps	4.75%	6-1	no chg
Sep-06	unch	unch	unch	unch	unch	unch	unch	unch		unch	4.75%	8-0	none
Oct-06	unch	unch	unch	unch	unch	unch	unch	+25bps	+25bps	unch	4.75%	7-2	tightening
Nov-06	+25bps	unch	+25bps	+25bps	+25bps	+25bps	unch	+25bps	+25bps	+25bps	5.00%	7-2	no chg
Dec-06	unch	unch	unch	unch	unch	unch	unch	unch	unch	unch	5.00%	9-0	none
Jan-07	+25bps	unch	+25bps	unch	unch	+25bps	unch	+25bps	+25bps	+25bps	5.25%	5-4	no chg
Feb-07	unch	unch	unch	unch	unch	unch	unch	+25bps	+25bps	unch	5.25%	7-2	tightening
Mar-07	unch	unch	unch	unch	unch	unch	-25bps	unch	unch	unch	5.25%	8-1	easing
Apr-07	unch	unch	unch	unch	unch	unch	unch	+25bps	+25bps	unch	5.25%	7-2	tightening
May-07	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	+25bps	5.50%	9-0	none
Jun-07	+25bps	unch	+25bps	unch	unch	unch	unch	+25bps	+25bps	unch	5.50%	5-4	tightening

Stone & McCarthy
RESEARCH ASSOCIATES

BOE Hawkometer - MPC Split Points to a July Rate Hike
by Niraj Shah
 -- Stone & McCarthy (London) --
June was a Close Call

The MPC were shown to have been split over its decision to leave rates on hold at the June meeting, with four out of the nine members, including Governor Mervyn King, backing a 25bps hike in June. The hawks argued that they saw no reason to wait to hike rates and by tightening sooner rather than later would result in a lower rate peak. The doves argued that a June hike would lead to an unwarranted rise in the market yield curve, which was already factoring in 50 bps of further tightening this year. The minutes were more hawkish than expected and the June split suggests that a rate hike in July is now looking more likely.
 [published 6/2007]

BOE HAWKOMETER (to June 2007 meeting)

	Dissenting Hawkish Votes	Dissenting Dovish Votes	Non-Dissenting Votes	Total Votes	Hawkishness Rating
 Sentance	4	0	5	9	44%
 Besley	4	0	6	10	40%
 King (Gov)	14	0	108	122	11%
 Tucker	6	1	54	61	8%
 Gieve (Dep Gov)	1	0	16	17	6%
 Lomax (Dep Gov)	2	2	44	48	0%
 Barker	1	4	69	74	-4%
 Bean	0	4	78	82	-5%
 Blanchflower	0	4	9	13	-31%