

The Morning Email: Treasuries

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Want something added?

Let me know: jgoulding@ghco.com

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Jim Goulding, GH Traders LLC, Treas-Arb, Chicago, jgoulding@ghco.com

	Economic Releases - 32nds				Date
	5y*	10y*	ZNM7**	ZBM7**	
Non-farm High	99.283	99.015	108.090	111.30	5/4/2007
Non-farm Low	99.133	99.140	107.180	110.15	5/4/2007
FOMC High	99.268	100.000	108.075	111.24	5/9/2007
FOMC Low	99.195	99.115	107.305	111.08	5/9/2007
PPI High	99.135	98.105	107.195	110.23	4/13/2007
PPI Low	99.065	97.315	107.080	110.02	4/13/2007
CPI High	99.198	98.200	107.305	111.11	5/15/2007
CPI Low	99.118	98.070	107.185	110.21	5/15/2007
Auction Price	99.208	99.035			
Last Trade	99.145	98.115	107.235	110.31	5/16/2007 5:20

*Adjusted for New Issue

**Adjusted for Futures Roll

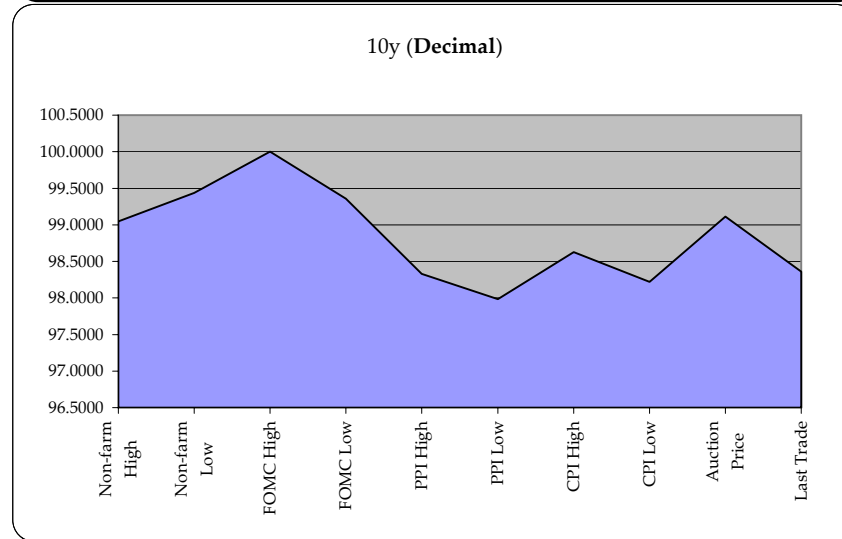
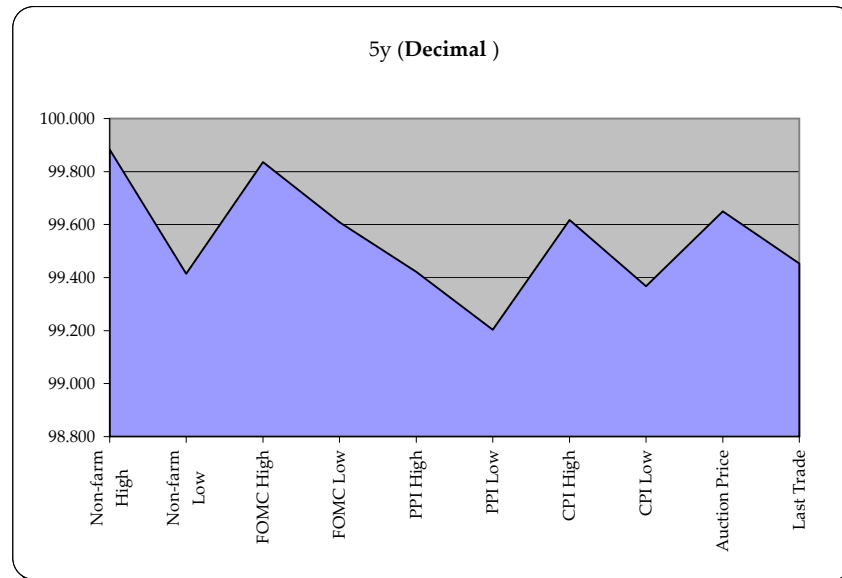
Prices are recorded from econ release to 2pm CDT

ZBH/ZBM Rolled at -2 tics

ZNH/ZNM Rolled at +.5 tics

	Auctions - 32nds			
	2 y	5y	10y	30y
Auction Price	99.256	99.208	99.035	98.194
Auction Yield Stop	4.606	4.579	4.612	4.838
Actual Auction Date	4/25/2007	4/26/2007	5/8/2007	5/11/2007

re = reopen



Quotes

32 nds							
	ls	net	high	low	open	Volume	SYM NAME
TUAM7	102.037	(0.5)	102.055	102.020	102.035	223,962	2y Futures
FVAM7	105.105	(3.0)	105.150	105.065	105.110	586,309	5y Futures
TYAM7	107.235	(5.0)	107.305	107.185	107.255	1,702,996	10y Futures
USAM7	110.310	(8)	111.110	110.210	111.010	484,184	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.177	0.0	99.197	99.167	99.182	na	2y
BUS05P	99.142	(2.2)	99.197	99.117	99.167	na	5y
BUS10P	98.115	(3.0)	98.205	98.070	98.150	na	10y
BUS30P	97.300	(8)	98.165	97.215	98.080	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.732	0.00	4.766	4.698	4.753	na	2y Yield
BUS05Y	4.625	1.50	4.646	4.584	4.617	na	5y Yield
BUS10Y	4.706	1.40	4.728	4.668	4.698	na	10y Yield
BUS30Y	4.876	1.10	4.9	4.842	4.867	na	30y Yield

News Recap for the United States from Yesterday



15:22 05/15 **US TSYS/RECAP:** Tsys ended much weaker Tues amid: 1) Tame yr-on-yr April CPI fails to spur rally amid severe German Bund pressure on Tsys; 2) Technicals more bearish; 3) US stocks jumped midday, though now day's gain halved; 4) US\$ nerves as some say \$ weakness big factor, spurs some to not want \$ paper; 5) leveraged account selling earlier but also buy-and-hold accounts bid in intermediates; 6) Asian central banks' appear to buy T-bills, not much out curve though was Japanese buying in T-bills, 2Ys earlier today, and some in belly. Asian central banks supported Tsys for past few mos, say traders. 7) talk of midday asset allocation (sell Tsys/buy stocks); 8) European bd yields hit 3-yr highs, German Bund now more competition for Tsys, as Bund yld gains; 9) 10Y temporary break Tues above 4.70% yield quite bearish. 10) Corporate rate-lock selling earlier; 11) Concern on tighter policy in Japan, China at some point; BOJ meeting is May 16-17. 12) Pain trade skewed to the downside. 13) Bund futures hit fresh contract low earlier today, 112.83.

15:11 05/15 **Eurodlr Futures:** Eurodlr futures settled lower, the curve flattened off earlier steeper levels w/late buyer of Greens to Purples. The Red/Gold pack spd (Jun08-Mar09) vs (Jun11-Mar12) a 2s/10s proxy, was 0.25 bps flatter on at bell--was -1.00 flatter...The Red pack (Jun08-Mar09) a 2yr proxy, settled 2.00 to 3.00 bps lower across the pack with 963,000 contracts traded.

15:03 05/15 **US Eurodlr/Swaps:** Spds finished session dead steady, were marginally wider in 5s and 30s late session--off earlier tighter levels as spds push out directionally w/higher Tsy ylds in second half. In the first half, sources had reported modest front end receiver support followed by two-way deal related hedges/unwinds, a German bank bought nearly 1,000.

Overnight

05:17 05/16 **TSYS:** Treasuries are trading higher across the board in London trade Wednesday, as light Asian name buying helped the market recover from late Tuesday levels. Treasuries were higher across the board in Tokyo, helped by early stock weakness and a mildly positive article from a well-know "Fedwatcher". However, traders said volumes remained light. London saw prices remain bid, although volumes were still light and flows were largely interdealer. The front of the curve found modest bids from real money accounts, with light bids seen in the belly of the curve from leveraged players. Bunds are trading modestly lower against U.S. 10-year T-notes, down 0.5 bps from Friday at 46 bps. Ahead of the U.S. session, the 2-yr note was 1/32 higher, trading at 99 19/32 to yield 4.71%. The 10-year note was 3/23 higher at 98 16/32 (4.60%), with the Bond 5/32 higher at 98 6/32 (4.86%).

CPI US Data React: Economists at Greenwich Capital say despite the bond friendly Apr CPI report, they are not willing to entirely let down their guard, but admit the ingredients for a sustainable deceleration in core inflation are in the cards. If the slower pace of rent and OER increases seen in April continue, then core inflation will probably turn out better than they have projected and "the Fed will have less urgency to hike rates if/when the economy returns to trend-like growth," as they expect in the 2nd half of the year. "and more room to ease in the event that we are wrong about the economy and activity becomes dangerously weak."

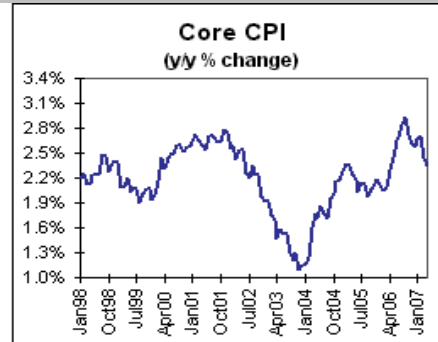
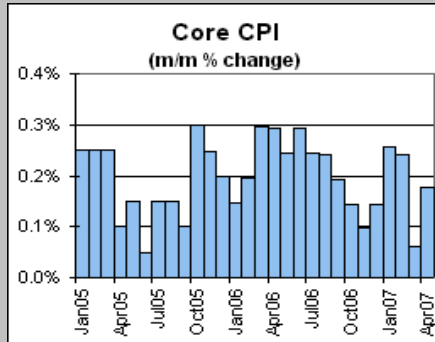
"As part of our continuing effort to improve **e-cbot** customer service, beginning Sunday, May 20, Market Operations will implement a new Emergency Phone Line which will supplement the current 312-347-4600 line. In high call volume situations, 312-347-4606 will be activated and is to be used only for e-cbot Order Status and Order Cancel requests to Market Operations. Calls to 312-347-4606 during non high call volume periods will be rerouted back to the main 312-347-4600 line." --from the CBOT

The declining year-over-year **core inflation rate** will provide comfort to Fed policy makers that expect inflation pressures to moderate towards 2.0%.
 ---SOURCE SMRA.COM (All charts below, also)

Stone & McCarthy
 RESEARCH ASSOCIATES

Stone & McCarthy (Princeton)-- Net overseas activity in the U.S. bond market in March reaccelerated from the sluggish February pace, as purchases of Corporate bonds remained strong and purchases of Treasury coupons were the strongest since August, 2006. Net activity in the GSE/MBS markets improved from the sluggish March activity. Total fixed income purchases were \$113.5 bln, \$93 bln of which were coupons.

Private investors purchased \$83.3 bln, including \$76 bln coupons comprised of \$30.7 bln Treasury coupons, \$42.4 bln corporates and \$2.9 bln in the GSE/MBS markets. Central banks purchased totaled \$30.1 bln, including \$13.1 bln bills and \$17 bln coupons. CBs were most active in the GSE/MBS market with purchases of \$12.6 bln. Total year-to-date overseas purchases in the US Fixed Income markets are up to \$278 bln, almost half of which has been Corporate bonds. The following table summarizes.



Foreign Activity Summary	March		-----Total Purchases-----		
	Total	CBs	2006	YTD	12-month
Treasuries	\$55.5	\$17.5	\$94.1	\$94.1	\$114.6
Bills	\$20.4	\$13.1	(\$103.6)	\$26.9	(\$120.5)
Notes & Bonds	\$35.1	\$4.4	\$197.7	\$67.2	\$235.1
Corporates	\$42.4	\$0.0	\$503.0	\$130.9	\$514.4
Agencies/MBS	\$15.5	\$12.6	\$290.8	\$53.3	\$268.2
Coupons	\$93.0	\$17.0	\$991.4	\$251.4	\$1,017.7
Total	\$113.5	\$30.1	\$887.8	\$278.3	\$897.2

Say what you want, but something has changed. Good PPI number mkt cannot hold gains. Good retail sales number, mkt cannot hold gains. Good CPI and NAHB, mkt cannot hold gains. Obviously, something has changed, but what is it. Here are some thoughts:

1. Economic numbers in the EU keep getting stronger. Euro had a quick spike to the upside today of about 60 tics.
2. China economy remains very strong.
3. Every CB on the planet talking hawkish on inflation (US has calmed down).
4. Global stock mkt are strong (giving support to thoughts of growing global economies)
5. Rumors that CB are investing in Tbills because they are concerned about global economic strength. If this is true and persists, you have to be wary of the curve. It may steepen.
6. Extremely strong housing mkt in GB.
7. Only GB has positive carry in their 2yr securities.
8. Fed is not going to ease any time soon.
9. It seems like for the 1st time in a long, long time, we are reacting to currency moves and moves in the stock mkt.

-earl [05/15/2007]

Duration, DV01s, Curve, Flys, CFs

	M Duration	DV01 32	DV01 \$
30y	15.54	4.95	\$1,546
10y	7.95	2.50	\$782
5y	4.38	1.40	\$438
2y	1.85	0.59	\$184
ZB	9.73	3.52	\$110
ZN	5.77	2.02	\$63
ZF	3.81	1.30	\$41
ZT	1.76	1.16	\$36

Yield Curve Spreads

2/5	-10.70
5/10	8.10
2/10	-2.60
10/30	17.00
5/30	25.10
2/30	14.40

Fly's

2/5/10	-18.80
2/10/30	-19.60
5/10/30	-8.90

CF

ZB	0.8281
ZN	0.8904
ZF	0.9378
ZT	0.9742

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 (M)	1.000	1.800	2.700	3.000
Bobl (M)	0.540	0.950	1.500	1.600
Shatz (M)	0.220	0.390	0.600	0.660

US Financial Futures

	ZB	ZN	ZF	ZT
ZB		1.741	2.706	3.030
ZN	0.574		1.555	1.740
ZF	0.369	0.643		1.000
ZT	0.330	0.575	0.893	

US Treasuries v US Financial Futures

	2y	5y	10y	30y
ZB	1.68	3.98	7.12	14.08
ZN	2.92	6.93	12.40	24.50
ZF	4.54	10.78	19.27	38.09
ZT	5.08	12.07	21.57	42.65

US Treasuries v Eurex Bonds

	2y	5y	10y	30y
Bund (M)	1.7	3.9	6.9	13.9
Bobl (M)	3.1	7.3	13.0	26.1
Shatz (M)	7.6	18.0	31.9	64.2

US Treasuries

	2y	5y	10y	30y
2y		2.475	4.424	8.745
5y	0.421		1.788	3.534
10y	0.235	0.559		1.977
30y	0.119	0.283	0.506	

Note:

Eurex Ratio's from Bloomberg. They are static.
All other Ratio's from GH Trader's LLC and they are live.

Commitment of Traders (COT)

Current Positions										
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	281,241	276,035	5,206	291,889	373,681	(81,792)	1,215,751	1,139,165	76,586	ZF
ZN	336,821	424,421	(87,600)	770,389	346,080	424,309	1,782,270	2,118,980	(336,710)	ZN
ZB	139,450	185,278	(45,828)	138,725	198,905	(60,180)	658,557	552,549	106,008	ZB

WoW* Position Change				
	Sml Spec	Lrg Spec	Comm	As of
	Net	Net	Net	
ZF	(937)	33,162	(32,226)	5/8/2007
ZN	33,725	17,104	(50,830)	
ZB	4,748	31,367	(36,115)	

**WoW = Week over week

Closes2pm

	Cpn	Mty	32nds	Yield
2y	4.500	3/31/09	99.1800	4.736
5y	4.500	4/30/12	99.1400	4.628
10y	4.500	5/15/17	98.110	4.710
30y	4.750	2/15/37	97.30	4.883

	CF Basis* (decimal)	GHCO Basis		32nds
5y	0.58	1.866	ZF	105.0950
10y	2.64	9.417	ZN	107.2200
30y	5.97	310.711	ZB	110.28

Curve Spreads bps

2/5	(0.108)
5/10	0.082
2/10	(0.026)
10/30	0.173
5/30	0.255
2/30	0.147

CF = Conversion Factor

Cash - (Futures * CF)

Symbol	US Cash Treasuries (price)				US Bonds/Notes (CBOT)			
	2yr	5yr	10yr	30yr	ZT	ZF	ZN	ZB
2yr	100.0	96.1	84.1	92.4	97.6	94.9	95.1	92.6
5yr	96.1	100.0	79.4	95.5	94.4	98.5	98.7	95.4
10yr	84.1	79.4	100.0	87.6	89.6	84.3	84.6	91.6
30yr	92.4	95.5	87.6	100.0	91.3	94.8	96.1	97.9
ZT	97.6	94.4	89.6	91.3	100.0	96.2	95.8	94.7
ZF	94.9	98.5	84.3	94.8	96.2	100.0	99.7	97.5
ZN	95.1	98.7	84.6	96.1	95.8	99.7	100.0	98.1
ZB	92.6	95.4	91.6	97.9	94.7	97.5	98.1	100.0

Correlation is based on 10 day historical

Symbol	US Cash Treasuries (price)				US Bonds/Notes (CBOT)			
	2yr	5yr	10yr	30yr	ZT	ZF	ZN	ZB
emini SP	6.4	9.9	35.0	28.9	(26.7)	(8.5)	1.9	12.3
Dow Futures	(60.0)	(66.6)	(62.3)	(60.0)	(63.8)	(67.1)	(65.1)	(66.7)
USDJPY	(54.8)	(69.0)	(29.5)	(61.4)	(46.6)	(61.5)	(62.4)	(55.5)
EURUSD	1.2	(17.1)	22.8	3.4	3.3	(14.9)	(11.8)	(0.8)

Symbol	US Cash Treasuries (yield)				US Bonds/Notes (CBOT)			
	2yr yield	5yr yield	10yr yield	30yr yield	ZT	ZF	ZN	ZB
2/5	20.1							
2/10	(84.5)							
2/30	15.3							
5/10	(71.3)							
5/30	(1.1)							
10/30	32.2							

Based on yields

This matrix is under construction

Correlation is based on 10 day historical

Spreads calculated as follows: Example, 2/5 = 5yr yield minus 2yr yield

Correlations 2

Symbol	US Cash Treasuries (price)				US Bonds/Notes (CBOT)			
	2yr	5yr	10yr	30yr	ZT	ZF	ZN	ZB
NOB 1^	73.4	64.8	97.5	75.5	80.4	70.9	71.1	80.4

Notes

Correlation is based on 10 day historical

All contracts electronic

NOB 1: (BUS10P-(USA*.7))*32

