

The Morning Email: Treasuries

Table of Contents

Pg 1 Important Econ Releases, Highs & Lows

Pg 2 Quotes

Pg 3 News: United States

Pg 4 News: Snapshots ← NEW

Pg 5 Duration, DV01s, Curve, Flys, CFs

Pg 6 Hedge Ratio's

Pg 7 Commitment of Traders (COT)

Pg 8 Closes2pm

Pg 9,10 Correlations 1 ← NEW

Want something added?

Let me know: jgoulding@ghco.com

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	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	99.152	98.125	107.235	110.31	5/17/2007 5:39

*Adjusted for New Issue

**Adjusted for Futures Roll

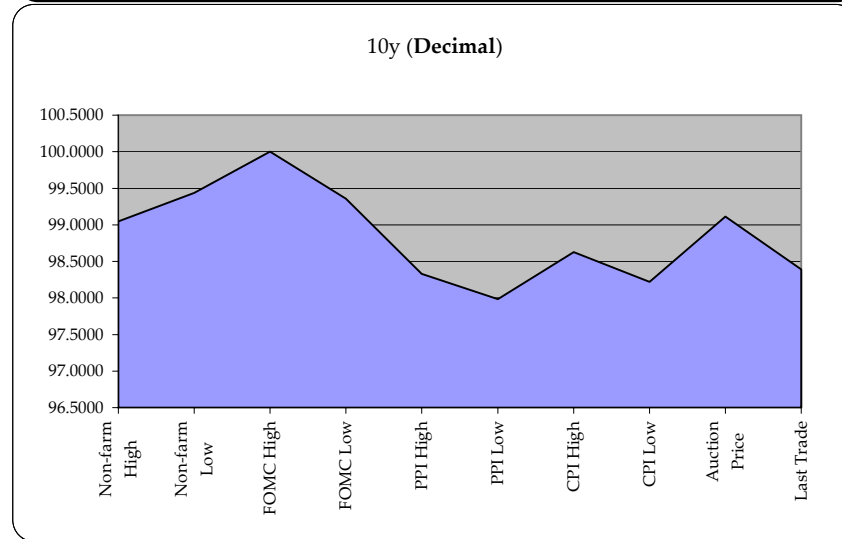
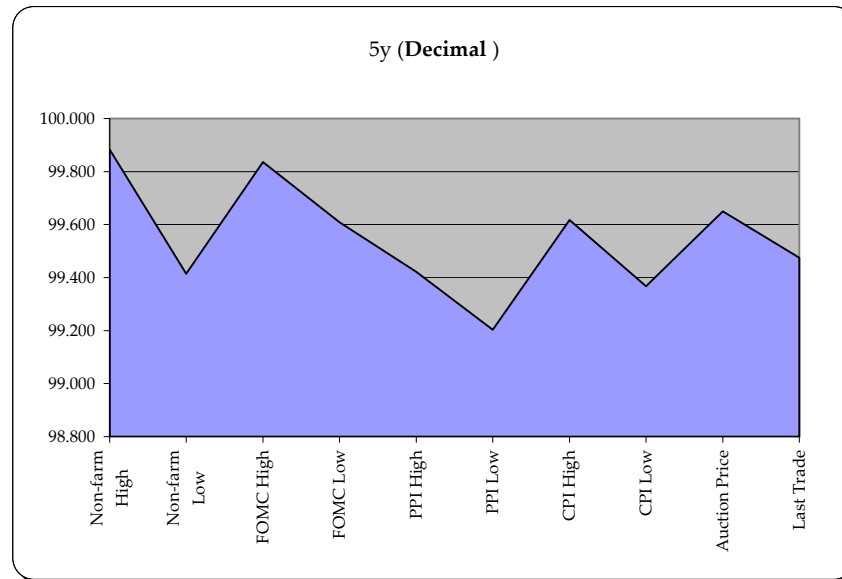
Prices are recorded from econ release to 2pm CDT

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	0.2	102.040	102.030	102.032	13,609	2y Futures
FVAM7	105.105	0.5	105.110	105.095	105.095	28,426	5y Futures
TYAM7	107.235	1.5	107.240	107.215	107.215	79,391	10y Futures
USAM7	110.310	1	111.010	110.280	110.280	18,806	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.182	0.2	99.187	99.180	99.180	na	2y
BUS05P	99.152	1.5	99.157	99.145	99.145	na	5y
BUS10P	98.125	2.0	98.135	98.110	98.110	na	10y
BUS30P	98.020	4	98.040	98.005	98.025	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.720	(1.20)	4.754	4.716	4.754	na	2y Yield
BUS05Y	4.616	(0.90)	4.634	4.612	4.634	na	5y Yield
BUS10Y	4.702	(0.80)	4.716	4.696	4.716	na	10y Yield
BUS30Y	4.872	(0.80)	4.885	4.866	4.882	na	30y Yield



News Recap for the United States

Yesterday

15:15 05/16 **US TSYS/CHINA**: Talk is now rumored China buying, leveraged acct buying and regular money mkt acct buying fueling the 6M T-bill squeeze. "It's not surprising," said one trader. "We have not had a paydown this large since 2001, and haven't had weekly 3month, 6-month bills this small since 2002. So, it all comes to a head." He noted that the talk was that China buying began about 2 weeks ago and "this is the end-game, it's not completely over with." He added that "they own a trillion dollars worth of US Treasury debt" and said that "maybe they didn't like the rest of the (other Tsy market issue) levels, so they parked it in T-bills, to see what happens." There are also leveraged accounts doing the same buying, plus there is usual rollover type bid from money market accounts, said traders. It is not believed that China sold issues out the curve to buy T-bills, but rather that money received from interest payments, and/or maturing issues, has been plowed into T-bills, said traders. "It's a perfect storm," he said. "People got caught short."

15:05 05/16 **US EurodIr/Swaps**: Spds finished session dead steady across the curve, little variation on the range bound session amid modest corporate deal-tied hedges and unwinds. Tsy sources reported ongoing light two-way swap-tied flow in intermediates. Similar flow in Eurodlrs, a NY dealer bought 2yr bundles after a German bank sold Sep07 1yr bundles, adding to short from late Tuesday.

15:11 05/16 **EurodIr Futures**: EurodIr futures settled steady to higher in the front, the curve rebounding slightly from recent flats. The Red/Gold pack spd (Jun08-Mar09) vs (Jun11-Mar12) a 2s/10s proxy, was 0.25 bps steeper on at bell-off steeper levels earlier in the session. The Fronts (Jun07-Mar08), settled steady to 2.0 bps higher, the Jun07 steady at 94-65.25 on combined Globex and pit volume of 89,000, the Sep07 up 0.5 bps at 94-74 on volume of 221,000, the Dec07 up 2.00 bps at 94-87.5 on volume of 345,000, while the Mar08 closed 2.0 bps higher at 95-01.5 on volume of 366,000. The Red pack (Jun08-Mar09) a 2yr proxy, settled steady to 1.00 bps higher across the pack with 577,000 contracts traded.

News Recap for the United States

Overnight

05:09 05/17 **TSYS**: Treasuries are trading modestly higher across the board in London trade Thursday, helped by light dip-buying from Asian investors. However, with many European market participants on holiday, volumes were light ahead of the New York session. Treasuries inched higher across the board in Tokyo, with bond markets getting a bounce on the back of weaker than expected Japanese GDP data. However, volumes were modest, with flows largely interdealer. In London trade, the curve flattened modestly, helped by early demand at the long end of the curve. Leveraged players were seen as buyers of the 10-year note, with Japanese names buyers of the Bond. Bunds are trading unchanged against U.S. 10-year T-notes, standing at 46 bps. Ahead of the U.S. session, the 2-yr note was unchanged, trading at 99 18/32 to yield 4.73%. The 10-year note was 1/23 higher at 98 12/32 (4.70%), with the Bond 2/32 higher at 98 2/32 (4.87%). The 2-/10-yr curve was flattened 1 bps, trading at -2 bps, as was the 2-yr/30-yr curve, standing at +15 bps.

--Stone & McCarthy--Measures of market sentiment remained bullish, and duration risk profiles became more extended among participants in the **SMR U.S. Portfolio Manager Survey this week**. While there was two-way activity, overall changes in portfolio risk profiles resulted in greater duration exposure.

Stone & McCarthy
RESEARCH ASSOCIATES

MarketNews
international

08:29 05/16 US
TSYS/RESEARCH: UBS bond analysts noted that "**yen-based investors**" are being "**awakened**" by 4.70% 10yr yields" as such "investors typically repatriate foreign bond holdings back into yen during the Q1 run-up to their March 31st year-end." They added that "history shows that Japanese accounts then plow back into the foreign bond markets beginning in April (this feeds the Feb-May bear seasonal and the May-Oct bull seasonal) and we see evidence that the recent back-up has attracted Japanese accounts back into the market." Traders overnight had cited brisk buying by Japanese accounts in Tsys in bargainhunting in Tokyo after severe weakness in Tsys on Tues, and also waves of Japanese buying in intermediates in the London session.

SMR Weekly Money Manager Survey Summary				
05/15/07	Survey Average	Range	Prior Week	Range
Cash/Assets		0% - 18%	0% - 18%
Arithmetic	3.4%		3.2%	
Weighted	3.3%		3.4%	
Actual/Target Duration		96% - 113%	94% - 110%
Arithmetic	101.6%		100.7%	
Weighted	101.9%		101.3%	
Bear/Bull Index		3 - 7	3 - 7
Arithmetic	5.3		5.4	
Asset Weighted	5.4		5.4	
*Intending to adjust portfolio in coming week				
Actual/Bogey	103.4%		100.0%	
Bear/Bull Index	5.0		4.0	
% Planning to be Active	8%		8%	

	SMR Money Manager Survey Asset Allocation					Spread Expectations
	Treasury	Corporate	Agency	MBS	ABS	
This week 05/15/07						
% Held In	28.2%	23.1%	13.3%	27.6%	4.4%	4.54
Prior Week						
% held in	28.1%	22.3%	12.7%	29.2%	4.5%	4.38
Two Weeks Prior						
% held in	27.1%	22.7%	12.8%	29.2%	5.2%	4.46
Three Weeks Prior						
% held in	26.5%	23.5%	12.8%	28.6%	5.2%	4.31

Fed Rate Cut Possible If Inflation Keeps Easing: John M. Berry

By John M. Berry. May 16 (Bloomberg) -- The Federal Reserve's forecast that core inflation would begin to decline this year appears to be falling into place.

Duration, DV01s, Curve, Flys, CFs

	M Duration	DV01 32	DV01 \$
30y	15.51	4.93	\$1,540
10y	7.95	2.50	\$782
5y	4.38	1.40	\$437
2y	1.84	0.59	\$184
ZB	9.73	3.51	\$110
ZN	5.77	2.01	\$63
ZF	3.81	1.30	\$41
ZT	1.76	1.16	\$36

Yield Curve Spreads

2/5	-10.40
5/10	8.60
2/10	-1.80
10/30	17.00
5/30	25.60
2/30	15.20

Fly's

2/5/10	-19.00
2/10/30	-18.80
5/10/30	-8.40

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	2.704	3.029
ZN	0.574		1.553	1.740
ZF	0.370	0.644		1.000
ZT	0.330	0.575	0.893	

US Treasuries v US Financial Futures

	2y	5y	10y	30y
ZB	1.68	3.99	7.14	14.05
ZN	2.92	6.94	12.43	24.46
ZF	4.54	10.78	19.30	37.99
ZT	5.08	12.07	21.62	42.56

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		2.476	4.433	8.727
5y	0.421		1.791	3.525
10y	0.235	0.558		1.969
30y	0.119	0.284	0.508	

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	
	Net	Net	Net	
ZF	(937)	33,162	(32,226)	As of
ZN	33,725	17,104	(50,830)	5/8/2007
ZB	4,748	31,367	(36,115)	

**WoW = Week over week

	Cpn	Mty	32nds	Yield
2y	4.500	3/31/09	99.1800	4.736
5y	4.500	4/30/12	99.1450	4.624
10y	4.500	5/15/17	98.115	4.708
30y	4.750	2/15/37	98.02	4.874

	CF Basis* (decimal)	GHCO Basis		32nds
5y	0.59	2.366	ZF	105.0950
10y	2.65	9.917	ZN	107.2200
30y	6.68	313.620	ZB	110.30

Curve Spreads bps

2/5	(0.112)
5/10	0.084
2/10	(0.028)
10/30	0.166
5/30	0.250
2/30	0.138

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	96.9	92.7	94.5	98.4	95.7	95.9	95.5
5yr	96.9	100.0	88.7	96.8	96.8	99.1	99.1	97.4
10yr	92.7	88.7	100.0	93.8	94.8	90.3	91.6	95.3
30yr	94.5	96.8	93.8	100.0	94.5	96.2	97.1	98.7
ZT	98.4	96.8	94.8	94.5	100.0	97.5	97.5	97.2
ZF	95.7	99.1	90.3	96.2	97.5	100.0	99.8	98.3
ZN	95.9	99.1	91.6	97.1	97.5	99.8	100.0	98.9
ZB	95.5	97.4	95.3	98.7	97.2	98.3	98.9	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	(21.9)	(27.7)	5.0	(12.8)	(16.0)	(21.5)	(21.0)	(10.0)
Dow Futures	(76.5)	(86.3)	(64.1)	(79.5)	(77.9)	(85.5)	(85.3)	(79.6)
USDJPY	(60.4)	(72.4)	(53.0)	(68.7)	(61.6)	(72.1)	(71.7)	(66.4)
EURUSD	20.8	12.6	47.4	31.2	24.4	16.6	19.0	28.5

Symbol	US Cash Treasuries (yield)				US Bonds/Notes (CBOT)				[jims notes]	
	2yr yield	5yr yield	10yr yield	30yr yield	ZT	ZF	ZN	ZB	yield	price
2/5	40.1								[q47]	[q38]
2/10	(92.6)								[q39]	[q39]
2/30	33.3								[q46]	[q41]
5/10	(71.8)								[q48]	[q40]
5/30	(3.3)								[q49]	[q42]
10/30	31.8								[q44]	[q43]

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^	86.2	78.5	98.0	85.8	88.4	80.6	82.2	87.5

[jims notes]
[Q1]

Notes

Correlation is based on 10 day historical
All contracts electronic
NOB 1: (BUS10P-(USA*.7))*32

