

The Morning Email: Treasuries



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Did you know that you can find the *Fed Funds percent chance* of hike/cut is in the Morning email "ED,FF"? It's on pg4.

**ROLLOVER IN CBOT US TREASURY FUTURES,
TODAY 05/31/2007**

LOOK AT THIS

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

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	Economic Releases - 32nds				Date
	5y*	10y*	ZNU7**	ZBU7**	
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	99.224	99.035			
Last Trade	99.215	97.025	106.165	109.06	5/31/2007 6:04

*Adjusted for New Issue

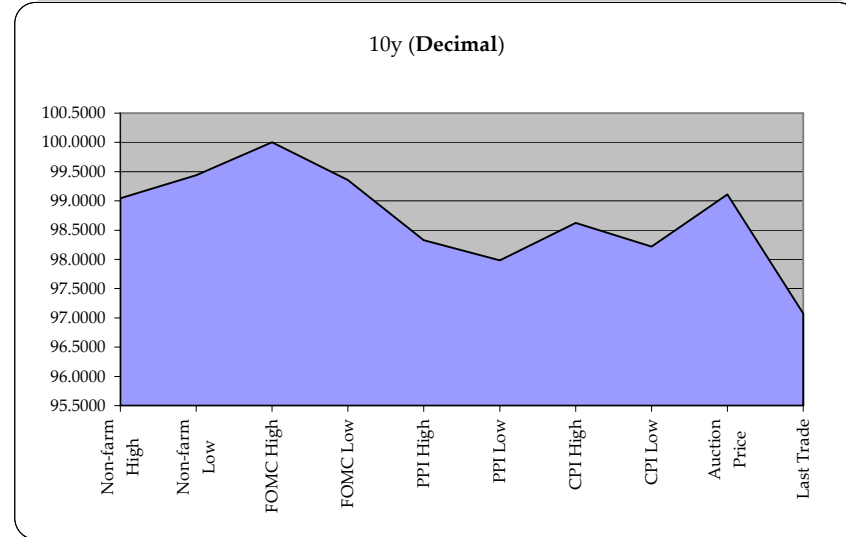
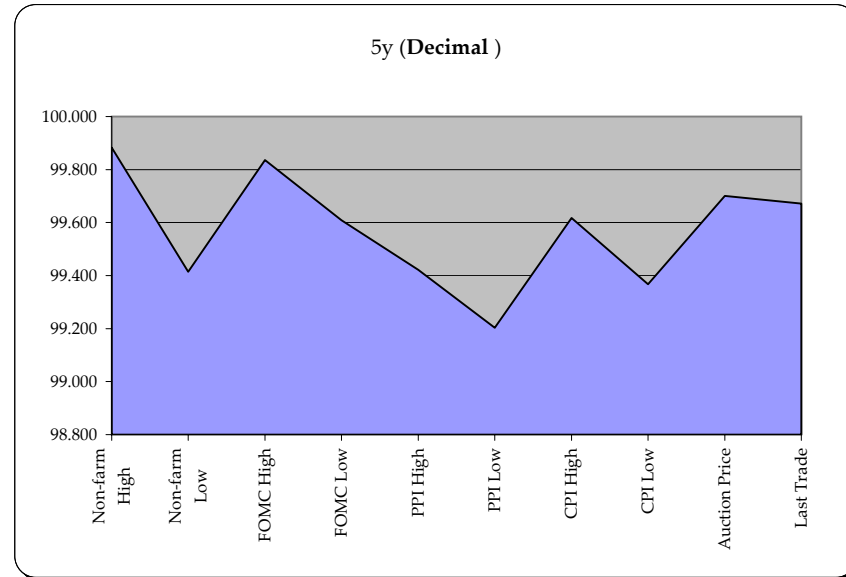
**Adjusted for Futures Roll

(Jun07 to Sep07 Futures roll: ZN & ZB even) (ZF = +3tics)

Release times are from release to 2pm cdt

	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



Quotes

32 nds							
	ls	net	high	low	open	Volume	SYM NAME
TUAU7	101.302	0.0	101.315	101.300	101.312	32,519	2y Futures
FVAU7	104.170	(0.5)	104.190	104.160	104.190	70,285	5y Futures
TYAU7	106.165	1.0	106.180	106.145	106.170	121,664	10y Futures
USAU7	109.060	3	109.090	109.040	109.080	25,105	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.307	(0.5)	99.317	99.310	99.317	na	2y
BUS05P	99.212	102.2	99.225	99.205	99.217	na	5y
BUS10P	#VALUE!	(1.5)	97.045	97.010	97.035	na	10y
BUS30P	96.010	(4)	96.050	96.000	96.030	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.888	0.80	4.901	4.863	4.901	na	2y Yield
BUS05Y	4.825	0.40	4.836	4.813	4.829	na	5y Yield
BUS10Y	4.870	0.50	4.882	4.864	4.878	na	10y Yield
BUS30Y	5.007	0.90	5.012	4.994	5.005	na	30y Yield



News Recap for the United States

Yesterday

15:25 05/30 **US TSYS/RECAP:** Tsys ended near the day's lows after late Tsys slide as 1) some feared unwind of Wed. overnight stks-tied safe-haven buying, so sold Tsys on idea Asian, European stocks could rebound, thus hurt global bonds, including Tsys, in overnight action. 2) Also, some dealers sold 2Y, 5Y leftover supply to redistribute auctioned issues; 5Y had weak 19% indirect bid. 3) Some may have sold as FOMC May 9 minutes left no ease hope hint. 4) Earlier Tsys had firmed on overnight safe-haven buying amid Chinese stks weakness, also tame 97,000 ADP private payrolls; also was pre-auction short-setting, Asian buying in intermediates in NY (after Asian, Japanese, private Chinese entities Tsys buying overnight.) 5) Traders cited selling Bunds/buying US Tsys. 6) Bank buying, 5Y buying, after early intermediate fast money selling, 2Y/10Y flatteners. 7) A.m. swap payers in 1,3Y early then 2Y receivers. 8) Relative value accts did 2-way curve flows. 9) Servicer shedding long call positions in Sep 10y 109 calls. 10) Lehman Tsy index +0.22-yr mo-end.

This from Howard re the FED minutes

- housing to 'weigh' on growth longer than anticipated
- job market still significant risk to upside inflation
- dollar drop may reinforce pressure on import prices
- inflation remains 'predominant concern'
- prospects for growth, prices haven't changed much
- expects consumer spending to grow at 'more moderate pace'
- inflation remains 'uncomfortably high'

15:05 05/30 US EURODLR/SWAPS: Spds finished session steady to mixed, marginally wider in 10s to 30s.

15:08 05/30 **EURODLR FUTURES:** Eurodlr futures settled steady to mixed, well off session highs as the curve continued to flatten/front end lagging. The Red/Gold pack spd (Jun08-Mar09) vs (Jun11-Mar12) a 2s/10s proxy, contracted 0.875 bps at 29.0. The Fronts (Jun07-Mar08), settled steady to 0.50 higher, the Jun07 at 94-64 on combined Globex and pit volume of 450,000, the Sep07 up 0.50 bps at 94-68 on volume of 207,000, the Dec07 at 94-74.5 on volume of 329,000, while the Mar08 closed at 94-83 on volume of 388,000. The Red pack (Jun08-Mar09) a 2yr proxy, settled steady to 1.0 bps lower across the pack with 755,000 contracts traded.

News Recap for the United States

ROLL OVER!!!ROLL OVER!!!ROLL OVER!!!ROLL OVER!!!ROLL OVER!!!ROLL OVER!!!ROLL OVER!!!ROLL OVER!!!ROLL OVER!!!

Overnight

05:19 05/31 **TSYS:(1)** USTs were trading flat in London trade Thursday, as the market consolidated at late New York levels. Traders said volumes were light, with many players sidelined ahead of the U.S data due later in the session. Traders also noted that the longer-end of the curve was finding support from institutional investors continuing their month end duration buying, as the Lehman Treasury Index extends by a factor of 0.22 years. Treasuries were modestly higher in Asian trade Thursday, helped by the further duration weighted buying at the longer-end of the curve.

However, the front of the curve saw no safe-haven demand despite further initial weakness in China. Additionally, traders said there was little in the way of unwinds as Chinese stocks rallied through the day. Real money buying was noted at the long end of the curve, and traders also said there was good Asian buying in the belly. However, despite good demand, there seemed plenty of supply to match the interest.



05/29/2007
NFP - Median Est are for +135k
 Range: +45k to +175k
 AHE: +.3
 URate: 4.5

Earl Spencer (05/29/07 08:31:18):
 US TSYS/LEHMAN: The very latest estimate from Lehman Bros shows U.S. Tsy index at +0.22 yrs so heavy month-end buying in Tsys at some point could show up.

ROLL OVER!!

10:42 05/30 US DATA REACT: **From Goldman:** "The ADP employment report's estimate of private sector payrolls showed an increase of 97,000. Adding in government jobs, which ADP does not measure, this is consistent with a decent, though not great, payroll report on Friday. This report underscores what could be an overstatement of the strength of the labor market by the jobless claims data and implies some downside risk to our payroll forecast of 150,000."

SMRA UNEMP, NFP & AHE FORECAST (05/29/2007)
 NFP: +60,000
 AHE: +.3
 URate: 4.5
 "How Have Forecasters Done in Predicting May Payrolls? Over the past 11 years the standard error of the median May payroll forecast was 82,000, about the same as the average standard error for all months."

05/30/2007
 "Assuming Government payrolls rise about 15,000, the ADP sample base estimate would be consistent with a May payroll outcome of +110,000 or so. This is a bit softer than the +135,000 MNI median and BBG median, but somewhat stronger than the +60,000 SMRA estimate."

"Does the 97,000 estimated gain in Private Sector payrolls per the ADP data warrant an upward adjustment to our +60,000 Nonfarm Payroll estimate? The ADP estimate is sufficiently close to our forecast as to not warrant any adjustments. What is important in the ADP reading is that there has been a slowing underway."

U.S. Portfolio Survey: Risk Profiles Drift Lower, Asset Re-allocation
 Stone & McCarthy--Measures of market sentiment were steady, while duration risk profiles slipped marginally in the SMR U.S. Portfolio Manager Survey for the week ended May 29. Sentiment readings remain bullish and measures of duration exposure remain moderately extended. Activity this week was again mixed, but again caused little change in the survey summary statistics. Despite the recent market setback, investment managers remain positive on market prospects and are positioned accordingly.

Duration, DV01s, Curve, Flys, CFs

	M Duration	DV01 32	DV01 \$
30y	15.32	4.78	\$1,493
10y	7.89	2.46	\$768
5y	4.34	1.37	\$429
2y	2.07	0.65	\$203
ZB	9.79	3.44	\$108
ZN	5.85	2.00	\$62
ZF	4.02	1.34	\$42
ZT	1.90	1.26	\$39

Everything reflects the new September Futures contracts.

Yield Curve Spreads

2/5	-6.30
5/10	4.50
2/10	-1.80
10/30	13.70
5/30	18.20
2/30	11.90

Fly's

2/5/10	-10.80
2/10/30	-15.50
5/10/30	-9.20

CF

ZB	1.1593
ZN	0.9335
ZF	0.9497
ZT	0.9799

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		1.724	2.561	2.739
ZN	0.580		1.486	1.589
ZF	0.390	0.673		1.070
ZT	0.365	0.629	0.935	

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	1.89	3.99	7.14	13.88
ZN	3.26	6.88	12.30	23.92
ZF	4.84	10.22	18.28	35.55
ZT	5.18	10.93	19.55	38.02

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		2.335	4.175	8.119
5y	0.473		1.788	3.478
10y	0.265	0.559		1.945
30y	0.136	0.288	0.514	

Commitment of Traders (COT)

Current Positions										
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	248,484	277,116	(28,632)	199,225	364,635	(165,410)	1,286,243	1,092,201	194,042	ZF
ZN	280,920	394,519	(113,599)	811,779	457,750	354,029	2,092,227	2,332,657	(240,430)	ZN
ZB	149,957	209,092	(59,135)	127,264	243,423	(116,159)	780,987	605,693	175,294	ZB

WoW* Position Change				
	Sml Spec	Lrg Spec	Comm	As of
	Net	Net	Net	
ZF	(23,120)	(36,536)	59,656	5/22/2007
ZN	(22,513)	(66,906)	89,420	
ZB	(16,876)	(19,415)	36,290	

**WoW = Week over week

	Cpn	Mty	32nds	Yield	
2y	4.875	5/31/09	99.3125	4.887	New
5y	4.750	5/31/12	99.2075	4.830	
10y	4.500	5/15/17	97.015	4.878	
30y	4.750	2/15/37	95.32	5.011	

	CF Basis* (decimal)	GHCO Basis		32nds
5y			ZF	104.140
10y			ZN	106.160
30y			ZB	109.05

Curve Spreads bps

2/5	(0.057)
5/10	0.048
2/10	(0.009)
10/30	0.133
5/30	0.181
2/30	0.124

	Cpn	Mty	32nds	Yield
New 5yr	4.75%	5/31/12	99.2075	4.83

CF = Conversion Factor
 Cash - (Futures * CF)

Correlations

All correlations based on 10 day historical

Symbol	US Cash Treasuries (price)				US Bonds/Notes (CBOT)			
	2yr	5yr	10yr	30yr	ZT	ZF	ZN	ZB
2yr	100.0	40.3	-27.0	-16.0	-58.3	-44.5	-33.2	-22.6
5yr	40.3	100.0	32.8	35.7	12.9	26.2	33.6	38.1
10yr	-27.0	32.8	100.0	98.6	92.8	97.7	99.2	98.3
30yr	-16.0	35.7	98.6	100.0	86.2	93.3	97.3	98.8
ZT	-58.3	12.9	92.8	86.2	100.0	98.0	93.9	87.9
ZF	-44.5	26.2	97.7	93.3	98.0	100.0	98.6	95.0
ZN	-33.2	33.6	99.2	97.3	93.9	98.6	100.0	98.8
ZB	-22.6	38.1	98.3	98.8	87.9	95.0	98.8	100.0

Symbol	US Cash Treasuries (price)				US Bonds/Notes (CBOT)			
	2yr	5yr	10yr	30yr	ZT	ZF	ZN	ZB
emini SP	68.6	27.5	(27.0)	(20.5)	(49.2)	(35.3)	(27.8)	(19.2)
Dow Futures	80.1	31.4	(36.7)	(28.3)	(61.5)	(47.5)	(37.9)	(27.6)
USDJPY	14.5	(30.4)	(72.4)	(71.9)	(62.8)	(68.4)	(70.7)	(72.9)
EURUSD	(33.9)	31.9	77.3	74.3	75.0	79.4	81.1	81.5

Guessing that
these are off
because of
the ROLL

