

## The Morning Email: US & Germany



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Want something added? Let me know: [jgoulding@ghco.com](mailto:jgoulding@ghco.com)

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SYM NAME	Symbol	US Cash Treasuries			US Bonds/Notes (CBOT)			Symbol	SYM NAME
		2yr	5yr	10yr	ZT	ZF	ZN		
Schatz(2Y)	DGM7	-46.65	23.45	90.83	92.21	93.27	89.91	DGM7	Schatz(2Y)
Bobl(5Y)	DLM7	-43.95	23.91	92.35	91.89	94.13	91.84	DLM7	Bobl(5Y)
Bund(10Y)	DBM7	-40.71	22.52	92.15	90.81	93.21	90.91	DBM7	Bund(10Y)

Correlation is based on 10 day historical

Techs for the BUND

As of 05/30

Stone & McCarthy  
RESEARCH ASSOCIATES

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-----RESISTANCE-----
113.43/.45 40-DMA, point of 05/14 break below the April lows
112.64 50% of the 05/11H - 05/29L
113.05 Bollinger band center trigger
112.92 05/18 - 05/21 gap top
112.69 05/22 - 05/23 gap top
112.64 23.6% of the 05/11H - 05/29L
112.55 10-DMA
112.31/.32 5-DMA/05/25 settlement
112.23 +.06 05/30 Settlement
112.17 05/29 - 05/30 gap bottom
112.15 05/29 pivot low
111.94 lower Bollinger band
111.89 June '04 lows
111.80 long-term down-channel support
-----SUPPORT-----

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#### Technical Commentary -EUREX Jun 2007 10yr Euro-Bund

by Mike Sacchitello, CMT

Short-term, the recent satisfaction of a key technical count (to 112.30, following the 04/12 confirmation of a 4-month triangle continuation pattern on 05/23), combined with a developing double bottom in the daily slow stochastic increases the odds for a countertrend bounce developing. However, until the simple 5-DMA is surpassed (a reliable downside smoothing line that has been driving the daily ranges lower since 05/11) we would not recommend taking large counter trend bets. If, and only if, the 5-DMA were surpassed (on a closing basis) would we suggest that the initial pocket to open would be up to the point of the 05/14 breakdown (113.43).

Longer-term, our proprietary trading system (a near to long-term trend following system) entered its final short position on 04/13, with the first protective stop not due to be triggered until settlement above 113.50.

Quotes 1



32 nds										
	ls	net	high	low	open	Volume	Yest Volume	SYM NAME		
TUAU7	101.302	(0.5)	101.315	101.300	101.312	32,453	398,975	2y Futures		
FVAU7	104.165	0.0	104.190	104.160	104.190	69,021	513,486	5y Futures		
TYAU7	106.160	0.5	106.180	106.145	106.170	117,721	1,136,126	10y Futures		
USAU7	109.060	2	109.090	109.040	109.080	23,582	279,453	30y Futures		
	ls	net	high	low	open			SYM NAME		
BUS02P	99.307	(0.7)	99.317	99.310	99.317			2y		
BUS05P	99.210	101.7	99.225	99.205	99.217			5y		
BUS10P	97.015	(1.5)	97.045	97.010	97.035			10y		
BUS30P	96.000	(4)	96.050	96.000	96.030			30y		
	ls	net	high	low	open			SYM NAME		
BUS02Y	4.892	1.20	4.901	4.863	4.901			2y Yield		
BUS05Y	4.827	0.60	4.836	4.813	4.829			5y Yield		
BUS10Y	4.874	0.90	4.882	4.864	4.878			10y Yield		
BUS30Y	5.008	1.00	5.012	4.994	5.005			30y Yield		



Decimal										
	ls	net	high	low	open	Volume	Yest Volume	SYM NAME		
DGM7	102.74	0.05	102.75	102.73	102.75	299,452	691,429	Schatz(2Y)		
DLM7	106.62	0.00	106.67	106.60	106.64	249,936	720,659	Bobl(5Y)		
DBM7	112.18	(0.03)	112.28	112.15	112.22	449,404	1,280,124	Bund(10Y)		

German Futures

	Price	Yield							SYM NAME		
	ls	ls	Coupon	Maturity							
T.US.DE036P0309	98.96	4.352	3.750	3/13/2009					2 yr CTD		
T.US.DE050P0112	102.43	4.387	5.000	1/4/2012					5 yr CTD		
T.US.DE034P0116	93.75	4.381	3.500	1/4/2016					10 yr CTD		
DEP2P	98.98	4.352	3.750	3/13/2009					2yr OTR		
DEP5P	98.34	4.385	4.000	4/13/2012					5yr OTR		
DEP10P	95.08	4.387	3.750	1/4/2017					10yr OTR		

German Cash

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

**Quotes 2**

This page provide a more detailed look at the quotes for the German Bonds  
 German Bonds are quoted in decimal, not 32nds.



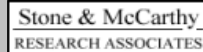
Decimal								SYM NAME	
bid	ask	Last	hi	lo	Chng				
DGM7	102.74	102.74	102.74	102.75	102.73	0.05	Schatz(2Y)	German Futures	
DLM7	106.61	106.62	106.62	106.67	106.60	0.00	Bobl(5Y)		
DBM7	112.17	112.18	112.18	112.28	112.15	-0.03	Bund(10Y)		

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo		SYM NAME	
DGM7	4.539	4.536	4.539	4.544	4.531		Schatz(2Y)	German Futures
DLM7	4.495	4.492	4.495	4.497	4.481		Bobl(5Y)	
DBM7	4.465	4.463	4.463	4.467	4.452		Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng		
T.US.DE036P0309	4.364	4.352	4.352	4.376	4.346	-1	2 yr CTD	German Cash
T.US.DE050P0112	4.396	4.387	4.387	4.404	4.377	-4	5 yr CTD	
T.US.DE034P0116	4.387	4.381	4.381	4.392	4.368	-6	10 yr CTD	
DEP2P	4.364	4.352	4.352	4.376	4.346	-1	2yr OTR	
DEP5P	4.394	4.385	4.385	4.401	4.375	-4	5yr OTR	
DEP10P	4.394	4.387	4.387	4.400	4.374	-4	10yr OTR	

Decimal								SYM NAME	
bid	ask	Last	hi	lo	Chng				
T.US.DE036P0309	98.96	98.98	98.98	98.99	98.94	-0.01	2 yr CTD	German Cash	
T.US.DE050P0112	102.43	102.47	102.47	102.51	102.40	-0.04	5 yr CTD		
T.US.DE034P0116	93.75	93.79	93.79	93.88	93.72	-0.06	10 yr CTD		
DEP2P	98.96	98.98	98.98	98.99	98.94	-1.00	2yr OTR		
DEP5P	98.30	98.34	98.34	98.38	98.27	-4.00	5yr OTR		
DEP10P	95.03	95.08	95.08	95.18	94.99	-4.00	10yr OTR		

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

MarketNews  
internationalStone & McCarthy  
RESEARCH ASSOCIATES**Yesterday**

10:21 05/30 **BUNDS/LINKER**: The German federal government has no definite plans to launch a new inflation-linked bond for up to E2 billion this year, a spokesman for the German Finance Agency said Wednesday, denying an earlier news agency report to that effect. "There are no concrete plans to launch a new linker bond in 2007" in another segment next to the 10-year issue that Germany recently topped up, said the spokesman for the agency, which manages the government's debt for the Federal Finance Ministry. "There has been no decision on issuance timing of a possible new linker, on possible issuance volume or on particular maturities," the spokesman said. He added that he was in the process of trying to get a clarification of the news report, by Bloomberg News, which he complained gave the false impression that specific plans have already been worked out. For full details, please see MNI mainwire at 1017EDT.

10:39 05/30 **BUNDS/UST**: Traders report selling **Bunds** and switching into US Treasuries, as the 10-year UST/Bund yield spread narrows to +52.7 bps. This yield spread narrowed to +45 bps earlier this month -- level not seen since November 5 2004.

11:00 05/30 **ECB**: Code words like "vigilance" are losing their significance in monetary policy and macroeconomic analysis is more emphasized, ECB Governing Council member Erkki Liikanen said in a speech in Helsinki Wednesday. Read full story on Mainwire at 1500 GMT/1100 EDT.



### Overnight

06:39 05/31 **GILT SUMMARY:** Gilts are mixed, with long-dated issues outperforming on month-end buying and Liability Driven Investment (LDI) flows. In addition, Gilts outperformed Bunds following release of weak BoE lending data, which showed mortgage approvals falling to their lowest level since September 2005, and consumer credit to its lowest level for just over a decade. Elsewhere, there was very little reaction in UK markets to CBI distributive trades survey, which came in mixed. Whilst the monthly data showed the sales volume balance was weaker than expected at +31 in May vs +44% in April -- the highest level since May 2004, the quarterly data showed pricing pressures in the retail sector hit record highs. In addition, traders noted switching out of Bunds into Gilts in the 10-year sector, with bargain-hunting from real money accounts as 10-year yield briefly broke above the 5.25% level. The Gilt 2-/10-year yield spread was 0.1 bps steeper at -42.4 bps, whilst the 10-/30-year yield spread was 0.7 bps flatter at -61.0 bps.

### 06:38 05/31 EUROZONE: Reported comments from eurozone officials

Thursday,

**\*\* ECB WELLINK:** Problem is emerging with Chinese dollar reserves.

- Trend growth in Europe is on rising trend.
- Eurozone recovery reflects strong cyclical upswing.

**\*\* ECB DRAGHI:** ECB monetary policy still favourable to growth

- Short term interest rates below 20 year average

**\*\* ECB LIEBSCHER:** Eurozone interest rates still moderate

- Sees bright economic environment
- Sees strong EMU upswing continuing in 2007, 08
- EMU economy to grow by around 2.50% in 2007, 2008
- Sees EMU inflation around 2.00% in 2007
- Sees upside inflation risks in eurozone
- Need strong vigilance regarding price risks.

**\*\* AUSTRIAN CENBANK:** Eurozone growth in 2007 remains robust

- Eurozone inflation risks remain on the upside

### Overnight

06:34 05/31 **BUND SUMMARY:** Bunds opened lower, taking their direction from gains in stocks after the Dow hit another record high. Overnight, the Nikkei-225 closed up 287pts (+1.63%), its highest level since Feb 27, while the Shanghai Composite Index closed up 57pts (+1.4%) -- recovering from sharp losses in the previous session after the government announced a tripling of the stamp duty on stock transactions to 0.3%. However, prices recovered off lows after June Bund futures bounced off contract low at 112.15, amid bargain-hunting by real money accounts in UK Gilts as 10-year yield briefly broke above the 5.25% level. Traders also reported month-end duration extension buying, given the iBoxx Euro sovereign index extends by a large +0.08 years. Position-squaring ahead of the key US payrolls data due on Friday was also seen. Bunds paid little attention to eurozone HICP data, which came in as expected and was steady in May at the 1.9% rate seen in April and March. Moreover, markets also shrugged off EMU confidence data, which came in mixed.

US Intrinsic's			
	M Duration	DV01 32	DV01 \$
30y	15.32	4.78	\$1,493
10y	7.89	2.46	\$767
5y	4.34	1.37	\$429
2y	2.07	0.65	\$203
ZB	9.78	3.44	\$107
ZN	5.84	2.00	\$62
ZF	4.02	1.34	\$42
ZT	1.90	1.26	\$39



German Intrinsic's^			
	M Duration	DV01(€)	DV01(\$)
Bund			0.836007
Bobl			0.960701
Schatz			0.963364
DE10Y			
DE5Y			
DE2Y			

^Futures are Based on CTD

Last

EURUSD 134.42



I'm working on the intrinsic's. It will take some time to complete.  
I hope to have it done soon.

#### 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 (M)	1.800	2.700	3.000
Bobl (M)	0.950	1.500	1.600
Shatz (M)	0.390	0.600	0.660

## US Treasuries v Eurex Bonds

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

	Bund (M)	Bobl (M)	Shatz (M)
Bund (M)		1.873	4.608
Bobl (M)	0.534		2.460
Shatz (M)	0.210	0.400	

### Yield Spreads



US Cash Treasuries (OTR)			
	Bid	Ask	Last
US2y	4.896	4.892	4.892
US5y	4.829	4.827	4.827
US10y	4.878	4.874	4.874



German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	4.364	4.352	4.352
DE5y	4.394	4.385	4.385
DE10y	4.394	4.387	4.387

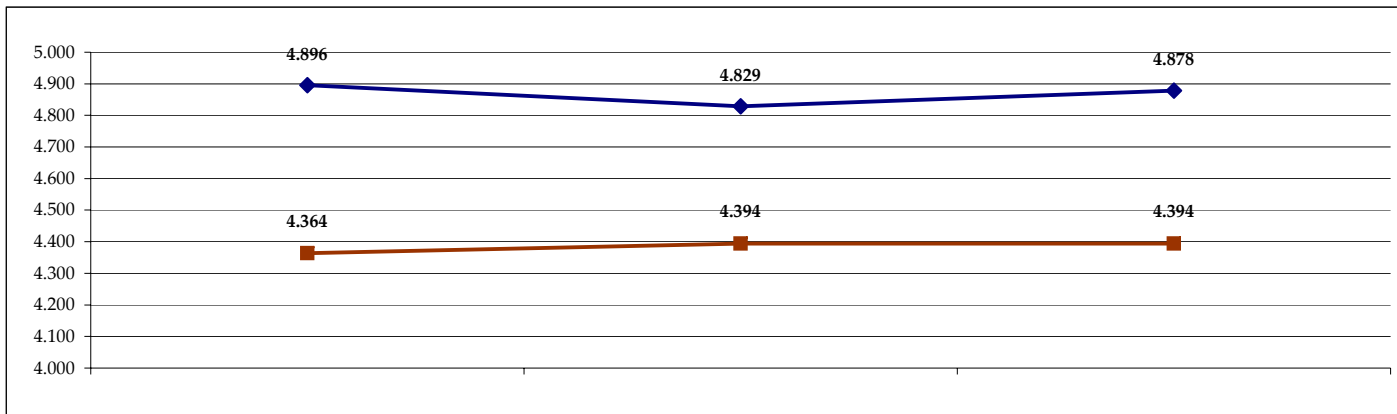
Spreads^	
US2y-Schatz	0.351
US5y-Bobl	0.332
US10y-Bund	0.414
US2y- 3.750 of 03/09	0.540
US5y- 4.000 of 01/12	0.440
US10y- 3.500 of 01/16	0.493
US2y-DE2y	0.540
US5y-DE5y	0.442
US10y-DE10y	0.487

^Last minus Last

German Futures ^			
	Bid	Ask	Last
Schatz	4.539	4.536	4.541
Bobl	4.495	4.492	4.495
Bund	4.465	4.463	4.460

^Interpolated. NOT based on CTD

German Futures (CTD)			
	Bid	Ask	Last
3.750 of 03/09	4.364	4.352	4.352
4.000 of 01/12	4.396	4.387	4.387
3.500 of 01/16	4.387	4.381	4.381



## Contract Specs

### Price Quotation and Minimum Price Change

The Price Quotation is in percent of the par value.

Contract	Minimum Price Change	
	Percent	Value
Euro-Schatz Futures	0.005	EUR 5
Euro-Bobl Futures	0.01	EUR 10
Euro-Bund Futures	0.01	EUR 10
Euro-Buxl® Futures	0.02	EUR 20

### Contract Standards

Notional short-, medium- or long-term debt instruments issued by the Federal Republic of Germany or the Swiss Confederation with remaining terms and a coupon of:

Contract	Product ID	Remaining Term	Coupon	Currency
		Years	Percent	
Euro-Schatz Futures	FGBS	1.75 to 2.25	6	EUR
Euro-Bobl Futures	FGBM	4.5 to 5.5	6	EUR
Euro-Bund Futures	FGBL	8.5 to 10.5	6	EUR
Euro-Buxl® Futures	FGBX	24.0 to 35.0	4	EUR

## Trading Hours

Eurex operates in three [trading phases](#): pre-trading, trading and post-trading. The [post-trading phase](#) is further split in several periods where different functions are available.

Pre-Trading	Regular Trading Day			Last Trading Day			Exercise/Notify until
	Trading	Post-Trading		Post-Trading			
		Full	Late 1	Restricted	Full	Late 1	Late 2
07:30	08:00	22:00		22:30	12:30		20:00

TIMES ARE CET

### Contract Month

*Up to 9 months:* The three nearest quarterly months of the March, June, September and December cycle.

### Delivery Day

The tenth calendar day of the respective quarterly month, if this day is an exchange trading day; otherwise, the exchange trading day immediately succeeding that day.

### Last Trading Day

Two exchange trading days prior to the Delivery Day of the relevant maturity month. Close of trading in the maturing futures on the Last Trading Day is at 12:30 CET.

### Daily Settlement Price

#### Standard Method

Volume-weighted average price of all trades during the final minute of trading before 17:15 CET provided that more than five trades occurred during this minute;

otherwise the volume-weighted average price of the last five trades before 17:15 CET provided that these are not older than 15 minutes. If such a price cannot be determined,

or the price so determined does not reflect the prevailing market conditions, Eurex will establish the official settlement price.

If the price so determined does not reasonably reflect the prevailing market conditions at the close of trading, Eurex may change and redetermine the official settlement price.

**Volume Questions**

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	