

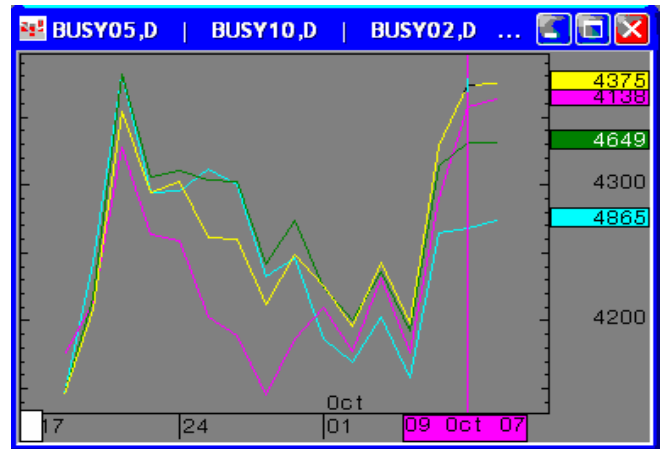


The Morning Email: Treasuries

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Daily Yield Curve



Source: CQG, Inc. © 2007 Wed Oct 10 2007 05:42:07

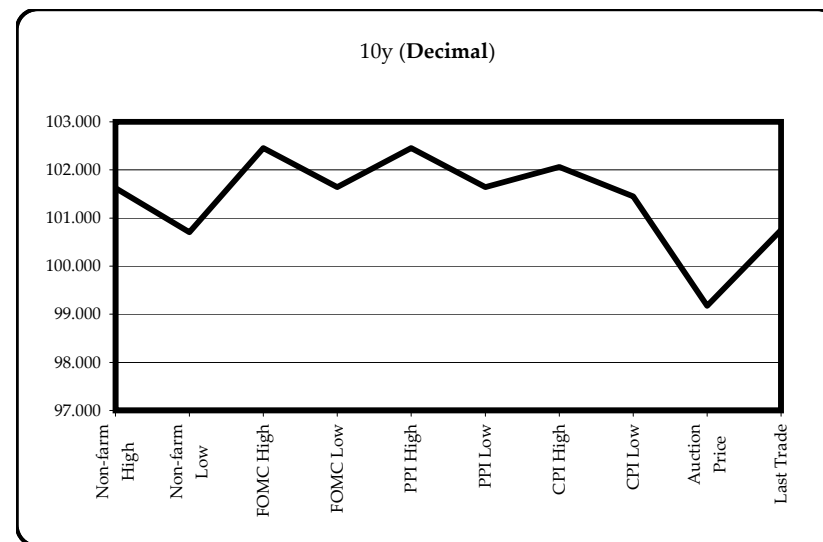
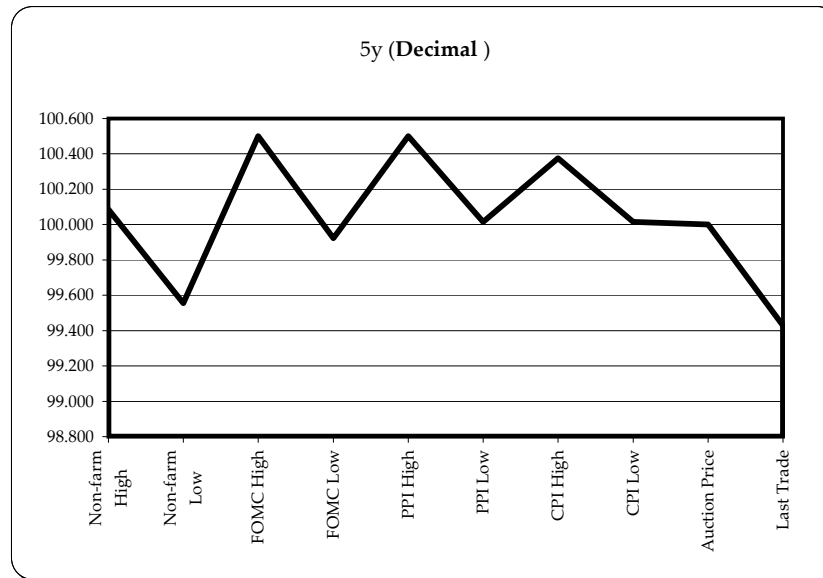


Want something added? Let me know: jgoulding@ghco.com

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Economic Releases - 32nds					
	5y	10y	ZNZ7	ZBZ7	Date
Non-farm High	100.0275	101.200	109.160	111.30	10/5/2007
Non-farm Low	99.1775	100.225	108.210	110.15	10/5/2007
FOMC High	100.1600	102.145	110.300	112.30	9/18/2007
FOMC Low	99.2950	101.205	109.115	111.27	9/18/2007
PPI High	100.1600	102.145	110.300	112.30	9/18/2007
PPI Low	100.0050	101.205	109.115	111.27	9/18/2007
CPI High	100.1200	102.020	109.265	112.10	9/19/2007
CPI Low	100.0050	101.145	109.075	111.11	9/19/2007
Auction Price	99.3199	99.056			
Last Trade	99.1370	100.240	108.195	110.24	10/10/2007 5:46

Auctions - 32nds				
	2 y	5y	10y	30y
Auction Price	99.320	99.320	99.056	99.026
Auction Yield Stop	4	4.25	4.855	5.059
Actual Auction Date	9/26/2007	9/27/2007	8/8/2007	8/9/2007



Notes: Cash and futures are adjusted for roll.
 Release times are from release to 2pm cdt
 (Sep07 to Dec07 Futures roll: ZF = +3; ZN = +9.5; ZB = +5 (tics))
 r = reopen

Quotes

	32 nds						
	Last	Net	High	Low	Open	Volume	SYM NAME
TUAZ7	103.060	(0.0)	103.070	103.052	103.065	24,759	2y Fut
FVAZ7	106.120	(0.0)	106.135	106.100	106.115	41,504	5y Fut
TYAZ7	108.195	(0.0)	108.220	108.180	108.195	61,923	10y Fut
USAZ7	110.240	0	110.280	110.220	110.240	12,995	30y Fut
	Last	Net	High	Low	Open	Volume	SYM NAME
BUS02P	99.230	(0.5)	99.242	99.227	99.242	na	2y Cash
BUS05P	99.135	(0.5)	99.152	99.122	99.145	na	5y Cash
BUS10P	100.235	(1.0)	100.265	100.225	100.250	na	10y Cash
BUS30P	102.020	(2)	102.065	102.020	102.025	na	30y Cash
	Last	Net	High	Low	Open	Volume	SYM NAME
BUS02Y	4.142	0.90	4.163	4.117	4.154	na	2y Yield
BUS05Y	4.377	0.30	4.393	4.365	4.383	na	5y Yield
BUS10Y	4.653	0.40	4.663	4.642	4.659	na	10y Yield
BUS30Y	4.864	0.40	4.871	4.856	4.864	na	30y Yield

Notes: SYM = Symbol

**All times Eastern****Yesterday:**

15:09 10/09 **US TSYS/RECAP:** Tsys dip lower Tues. on Sept. 18 FOMC minutes, as some interpreted that to say won't be string of US rate cuts, and on St. Louis Fed's Poole, who said Sept. jobs do not suggest US downside risk. There were mixed flow from Street players (selling in 2Ys but others buying 5s). Also, a money mgr continues to sell premium in 10Y options. P.m. had bank profit-taking in 10Ys, lvrgrd acct buying in 5Ys, corporate rate-lock unwinds in 5Ys too, earlier leveraged buying in 10Y Tsys vs some MBS selling. Some did 5y/10Y steepeners, others exited 2Y/10Y steepeners. Tsys hit day's high after 47 Oct. IBD/TIPP economic optimism vs 48.2 Sept. Tsys also gained earlier amid corporate- related swap receiving, and pension buying too, with deal-tied receiving in swaps, European central bank buying (shift from 2Y to 5Y), other foreign central bank bid for 5s, and foreign central bank buying in 3Ys, 5Ys. Real money earlier sold Dec 10y futures in large size. Morning also had bk bid in 3Ys, buy-and-hold profit-tkg in 5s, Street selling front end.

15:28 10/09 **US TSYS/RECAP II:** On a 1p.m. Fri to 3:00 pm ET Mon basis close, the cash 2-year note yield rose 5.1 bps to 4.129%. The 3-year yield rose 3.8 bps to 4.159%, while the 5-year yield rose 3.2 bps to 4.368%. The 10-year yield rose 0.8 bps to 4.649%, and the 30-year yield rose 0.8 bps to 4.864%. The 2-year/5-year curve flattened 1.9 bps to +23.9 bps, the 2-year/10-year flattened 4.3 bps to +52.0 bps, and the 2-year/30-year flattened 1.9 bps to +73.5 bps.

15:15 10/09 **US Eurodlr/Swaps:** Spds finished out the session mostly tighter after corporate related receiving has tightened up spds in the front end. Early receiving in 5Y where Deutsche Bank has a 5Y global bond issue scheduled noted. Still, overall flow light after the long weekend and sidelined accts ahead of afternoon release of Sep FOMC minutes. According to GovPX:

Time (ET) 2Y Swap/Mid 5Y Swap/Mid 10Y Swap/Mid 30Y Swap/Mid

Tue 3:00

1:30 -0.75/70.75 -1.00/65.50 -0.25/62.50 +0.25/62.00

12:30 -0.75/70.75 -1.00/65.50 -0.25/62.50 +0.25/62.00

10:00 -0.75/70.75 -1.00/65.50 -0.25/62.50 -0.25/61.50

Tue Open +0.00/71.50 -0.50/66.00 -0.25/62.50 +0.00/61.75

Tue 7:45 +0.25/71.75 -0.25/66.25 -0.25/62.50 +0.00/61.75

Fri 1:00 +1.25/71.50 +0.00/66.50 +0.50/62.75 +0.75/61.75

Fri Open +1.50/71.75 +0.25/66.75 +0.25/62.50 +0.25/61.25

(cont)

Overnight:

05:13 10/10 **TSYS:** Treasuries are little changed in London trade Weds, with many players sidelined with little in the way of fresh trading incentives. Tokyo trade saw prices inch lower from the getgo, but again volumes were muted. This helped prices recover from the light losses to end the session unchanged. Real money accounts were noted as light sellers of the 2 and 5-year notes in early trade, but the supply was easily absorbed by the market. The 10-year sector saw light selling from leveraged accounts, with U.S. paper again underperforming core European bonds. The Bund/T-note was last 1 bps wider on Tuesday's levels, with the spread standing at 37 bps. Ahead of the U.S. session, the 2-yr note was trading unchanged at 99 24/32 to yield 4.12%. The 10-yr note was unchanged at 100 25/32 (4.65%), with the Bond also unchanged at 102 4/32 (4.86%). The 2-yr/5-yr yield curve was unchanged on Tuesday's levels, trading at +25 bps. The 2-/10-yr curve was also unchanged, trading at +52 bps. The 2-yr/30-yr curve was unchanged, standing at +74 bps.


 MarketNews
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13:40 10/09 FED/Poole: The St. Louis Fed pres saying the Sept. jobs report does not suggest a downside risk is occurring. In a speech mainly profiling the real estate industry, Poole says the restoration of normal spreads "appears to be under way." The mkt turmoil, he says, provides "no new lessons." The Fed hasn't the power nor the desire for bailouts, he continues. Events suggest housing is to remain weak for several quarters. And, he says, the housing market may not stabilize until well into next year. See Poole's prepared text on the MNI main wire.

[Cited in this morning's WSJ]

Bloomberg: The biggest quarterly rally for U.S. government securities in five years is getting an extraordinary boost from the burgeoning reinvestment of petrodollars by the Organization of Petroleum Exporting Countries, whose members increased their holdings of Treasuries 12% this year through July to \$123.8 billion, Treasury Department data show.

14:00 10/09 **FED: FOMC** Sept. 18 minutes show ALL voters favored 50BP cut, saying was needed to offset tighter fin'l conditions. All agreed 50BP 'at this meeting' was 'most prudent course of action.' The cut was not seen as interfering w/'realistic' risk pricing or adversely affecting infl outlk Agreed that w/o rate cut, could see broader output, jobs weakness and worried impaired fin'l mkt function could cont. All agreed infl risks remain and should be watched. Infl risk could be heightened if dlr falls significantly. They made no bal of risks statement due to uncertainty & made no decision on additional policy options. Credit mkt tightness was seen restraining econ growth. Noted subprime mtgs 'remained essentially unavailable.' Referenced Aug. 16 conf. call as having decided at the time that 'a change in the federal funds rate target was not yet warranted. However, the situation bore close watching.'

	M Duration	DV01 32	DV01 \$	DV01 Box	CF
30y	15.46	5.09	\$1,590	10.17	n/a
10y	7.75	2.52	\$786	5.03	n/a
5y	4.43	1.41	\$441	5.64	n/a
2y	1.87	0.60	\$187	2.39	n/a
ZB	9.86	3.54	\$111	3.54	1.1103
ZN	5.83	2.04	\$64	4.09	0.9069
ZF	3.92	1.34	\$42	2.68	0.9285
ZT	1.87	0.62	\$19	2.47	0.9569

Yield Curve Spreads			
	Last	2pm close	Diff
2/5	23.50	24.20	(0.70)
5/10	27.60	28.30	(0.70)
10/30	21.10	21.50	(0.40)
2/10	51.10	52.50	(1.40)
5/30	48.70	49.80	(1.10)
2/30	72.20	74.00	(1.80)

DV01 32 said differently is how many TICS is in a basis point. Example, If ZN moves 1-basis point, it's moved 1.94 tics.

Since it trades in half tics 4 boxes = 1 basis point in ZN.

Notes

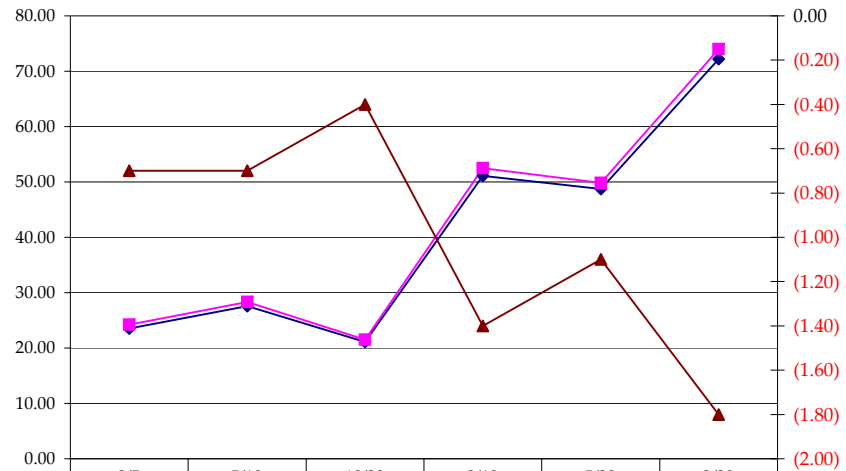
CF = Conversion Factor

MDuration = Modified Macaulay Duration

MDuration & DV01s for Futures are based on proxy issue (CTD)

DV01 Box = Dollar Value of 1 basis point move per Box

Curve Spreads vs 2pm close



	2/5	5/10	10/30	2/10	5/30	2/30
Last	23.50	27.60	21.10	51.10	48.70	72.20
2 PM Close	24.20	28.30	21.50	52.50	49.80	74.00
Diff	(0.70)	(0.70)	(0.40)	(1.40)	(1.10)	(1.80)

US Financial Futures / Eurex Bond

	ZB	ZN	ZF	ZT
Bund (Z)	1.000	1.700	2.600	2.800
Bobl (Z)	0.550	0.960	1.450	1.570
Shatz (Z)	0.246	0.424	0.644	0.690

US Financial Futures

	ZB	ZN	ZF	ZT
ZB		1.731	2.636	5.717
ZN	0.000		1.523	3.302
ZF	0.379	0.657		2.169
ZT	0.175	0.303	0.461	

Eurex Bonds

	Bund (Z)	Bobl (Z)	Shatz (Z)
Bund (Z)	1.0	1.6	3.9
Bobl (Z)	0.6	1.0	2.4
Shatz (Z)	0.3	0.4	1.0

US Treasuries v US Financial Futures

	2y	5y	10y	30y
ZB	1.69	3.99	7.11	14.38
ZN	2.93	6.91	12.32	24.90
ZF	4.46	10.52	18.75	37.91
ZT	4.84	11.40	20.33	41.11

US Treasuries v Eurex Bonds

	2y	5y	10y	30y
Bund (Z)	1.7	3.9	7.1	14.3
Bobl (Z)	3.1	7.1	12.8	25.8
Shatz (Z)	7.8	15.9	28.8	58.1

US Treasuries

	2y	5y	10y	30y
2y		2.358	4.205	8.500
5y	0.432		1.816	3.670
10y	0.238	0.561		0.000
30y	0.118	0.277	0.495	

Note: Any ratio with the Bund, Bobl, or Shatz is from Bloomberg. Bloomberg hedge ratio's are static. Meaning, I only update them once a week and on rolls. My hedge ratio's are live, meaning, they're updated in real-time. I've managed to get the Eurex to Eurex ratio's updating live as of 07/05/2007. I'll be working on Eurex to the USA ratio's soon.

Current Positions										
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	276,437	229,371	47,066	377,157	185,109	192,048	1,024,217	1,263,331	(239,114)	ZF
ZN	349,215	421,233	(72,018)	723,790	310,290	413,500	1,579,756	1,921,238	(341,482)	ZN
ZB	152,352	178,874	(26,522)	108,542	171,344	(62,802)	727,631	638,307	89,324	ZB

WoW^ Position Change				As of
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	
ZF	15,596	83,140	(98,736)	10/2/2007
ZN	(6,214)	62,701	(56,488)	
ZB	7,713	(12,973)	5,259	

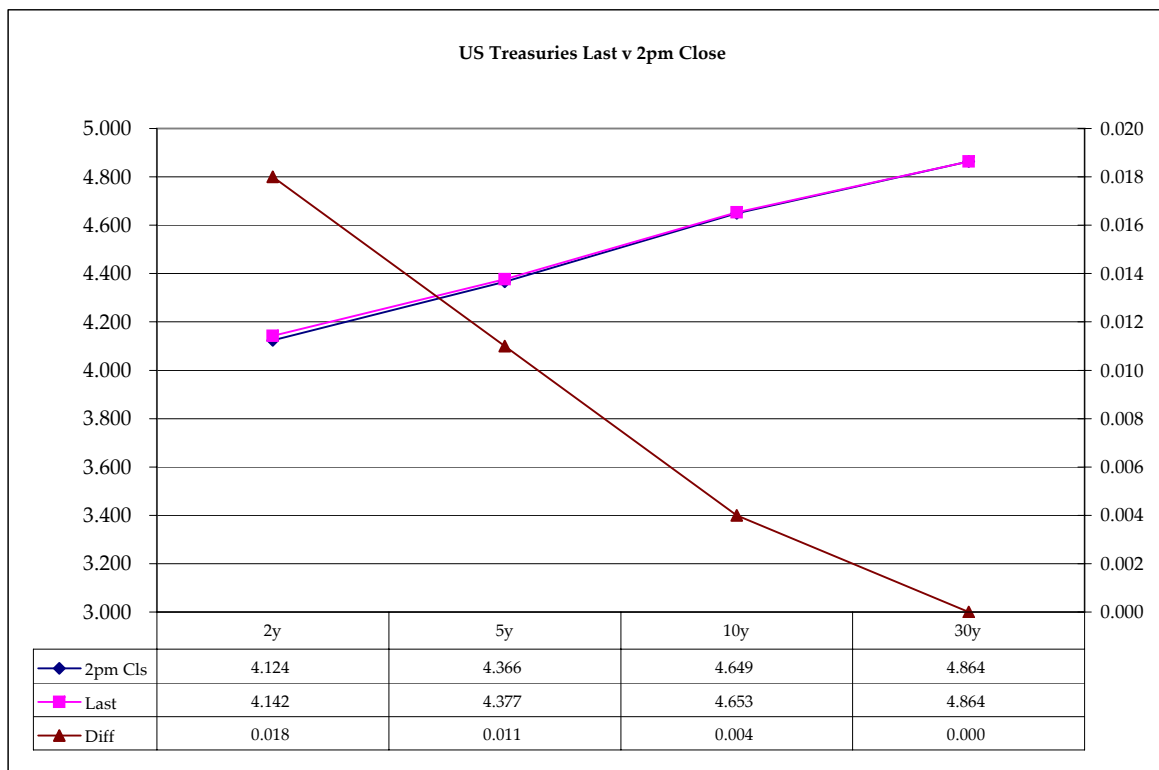
^WoW = Week over week

Closes: 2pm CST vs this Morning

	Cpn	Mty	Close 32	Close	Last	Diff	Basis		Roll
							Close	Last	
2y	4.000	9/30/09	99.2450	4.124	4.142	0.018			
5y	4.125	8/31/12	99.1550	4.366	4.377	0.011	21.49	21.09	
10y	4.750	8/15/17	100.250	4.649	4.653	0.004	71.26	72.07	
30y	5.000	5/15/37	102.04	4.864	4.864	0.000	-668.01	-668.90	

	Close 32	Last
ZFZ7	106.135	106.120
ZNZ7	108.215	108.195
ZBZ7	110.25	110.240

Curve Spreads		
	Close bps	Last bps
2/5	24.2	23.5
5/10	28.3	27.6
10/30	21.5	21.1
2/10	52.5	51.1
5/30	49.8	48.7
2/30	74.0	72.2



Notes:
 Basis = (Cash Decimal - (Futures Decimal * CF))*32
 MDuration for Curve Spreads:
 Longer duration minus shorter duration
 32 = price is quoted in 32nds

Cash Duration Matrix

Cash Duration Matrix				
	2	5	10	30
2	100%			
5	42%	100%		
10	24%	57%	100%	
30	12%	29%	50%	133%
Cash Matrix [DV01 x Duration]				
	2	5	10	30
2	\$187			
5	\$186	\$441		
10	\$190	\$449	\$786	
30	\$193	\$455	\$797	\$1,590
Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	\$1			
10	(\$3)	(\$9)		
30	(\$6)	(\$14)	(\$10)	
Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	0.28%			
10	-1.62%	-1.89%		
30	-2.91%	-3.18%	-1.31%	

What is this? (1):
 2yr cash has X% duration of 5yr cash .

What is this? (2):
 -2yr cash has DV01 of \$202
 -Multiply the 2yr DV01 by the percent duration to come up with what the 2yrs DV01 SHOULD be compared to the 5yr.

What is this? (3):
 -Now you can see the over/under value, based on the DV01, from contract to contract. In this example we are looking at the 2yr compared to the 5yr.

Or you can look at the over/under value as a percentage instead of dollar terms.

Tic for Tic Matrix				
	2y	5y	10y	30y
ZT	0.97	2.28	4.07	8.22
ZF	0.45	1.05	1.88	3.79
ZN	0.29	0.69	1.23	2.49
ZB	0.17	0.40	0.71	1.44

Box for Box Matrix				
	2y	5y	10y	30y
ZT	0.97	2.28	8.13	16.44
ZF	0.45	2.10	3.75	7.58
ZN	0.59	1.38	1.23	2.49
ZB	0.68	1.60	1.42	2.88

	2y	5y	10y	30y
2y	1.00	2.36	4.20	8.50
5y	0.42	1.00	1.78	3.61
10y	0.24	0.56	1.00	2.02
30y	0.12	0.28	0.49	1.00

	2y	5y	10y	30y
2y		2.36	2.10	4.25
5y	0.42		0.45	1.80
10y	0.48	2.24		2.02
30y	0.24	0.55	0.49	

	ZT	ZF	ZN	ZB
ZT	1.00	2.17	3.30	5.72
ZF	0.46	1.00	1.52	2.64
ZN	0.30	0.66	1.00	1.73
ZB	0.17	0.38	0.58	1.00

	2y	5y	10y	30y
ZT		2.17	6.60	22.87
ZF	0.46		1.52	5.27
ZN	0.15	0.66		3.46
ZB	0.04	0.19	0.29	

October	avg target	400	425	450	475	500
10/4/2007	4.6%	0.4%	11.4%	49.9%	38.2%	0.0%
10/5/2007	4.6%	0.5%	3.3%	41.5%	54.7%	0.0%

December	avg target	375	400	425	450	475	500	525
10/4/2007	4.4%	6.2%	5.5%	37.1%	31.2%	13.9%	5.7%	0.5%

These probabilities take options into account and are much better at forecasting the FOMC intentions than the 'day-count' equation most analysts on the street use.

Notes:

All probabilities are taken from The Cleveland Federal Reserve