



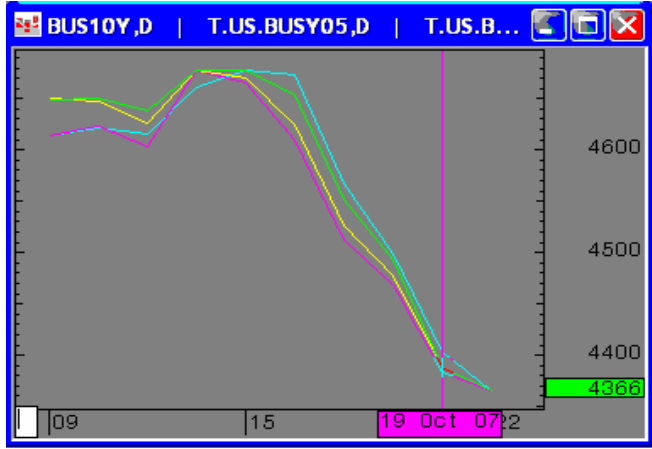
The Morning Email: Treasuries

10/22/2007 5:56

Table of Contents

- Pg 1 Important Econ Releases, Highs & Lows
- Pg 2 Quotes New: Key Rates Matrix
- Pg 3 News: Yesterday & Overnight Recap for the United States
- Pg 4 News: Snapshots throughout the day
- Pg 5 Duration, DV01s, Curve Spreads, CF
- Pg 6 Hedge Ratio's
- Pg 7 Commitment of Traders (COT)
- Pg 8 Closes: 2pm CST vs this Morning
- Pg 9 Cash Duration Matrix
- Pg 10 Tic for Tic & Box for Box Matrix
- Pg 12 Fed Funds Probability of Tightening or Easing

Daily Yield Curve



Source: CQG, Inc. © 2007 Mon Oct 22 2007 05:43:12



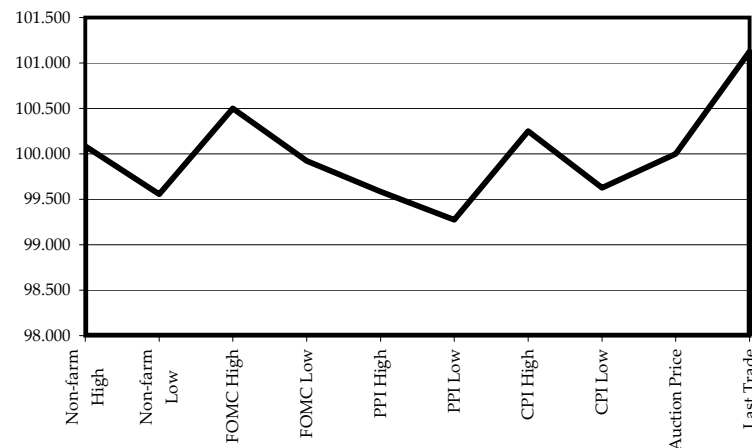
Want something added? Let me know: jgoulding@ghco.com

Disclaimer: All information within this newsletter is meant for internal use at GH Trader's LLC, only. All information has been recorded to the best of my ability. This material is based upon information that I consider reliable, but I do not represent that it is accurate or complete.

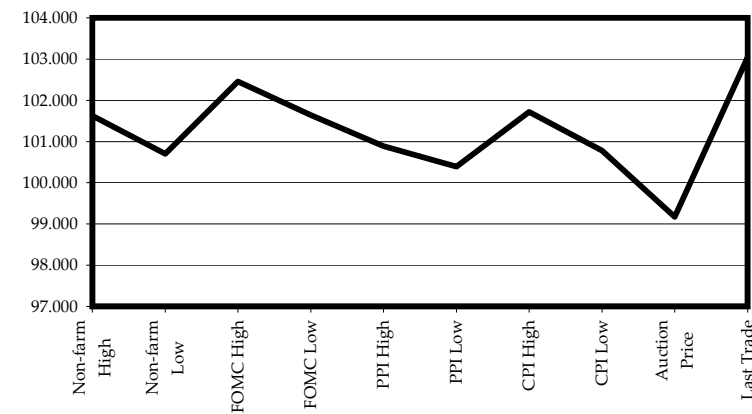
Economic Releases - 32nds					
	5y	10y	ZNZ7	ZBZ7	Date
Non-farm High	100.0275	101.200	109.160	111.30	10/5/2007
Non-farm Low	99.1775	100.225	108.210	110.15	10/5/2007
FOMC High	100.1600	102.145	110.300	112.30	9/18/2007
FOMC Low	99.2950	101.205	109.115	111.27	9/18/2007
PPI High	99.1875	100.285	108.260	110.31	10/12/2007
PPI Low	99.0875	100.125	108.120	110.05	10/12/2007
CPI High	100.0800	101.230	109.220	111.27	10/17/2007
CPI Low	99.2000	100.250	108.260	110.15	10/17/2007
Auction Price	99.3199	99.056			
Last Trade	101.0400	103.015	110.255	113.21	10/22/2007 5:56

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

5y (Decimal)



10y (Decimal)



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

32 nds							
	Last	Net	High	Low	Open	Volume	SYM NAME
TUAZ7	103.265	0.0	103.282	103.227	103.262	40,258	2y Fut
FVAZ7	108.000	0.1	108.025	107.245	107.300	92,571	5y Fut
TYAZ7	110.255	0.1	110.285	110.180	110.210	154,828	10y Fut
USAZ7	113.210	0	113.240	113.080	113.140	33,994	30y Fut
	Last	Net	High	Low	Open	Volume	SYM NAME
BUS02P	100.142	1.7	100.155	100.107	100.145	na	2y Cash
BUS05P	101.040	5.2	101.060	100.295	101.037	na	5y Cash
BUS10P	103.015	8.5	103.045	102.245	103.005	na	10y Cash
BUS30P	105.150	16	105.170	104.170	104.200	na	30y Cash
	Last	Net	High	Low	Open	Volume	SYM NAME
BUS02Y	3.755	(3.00)	3.826	3.73	3.784	na	2y Yield
BUS05Y	3.993	(3.50)	4.045	3.977	4.021	na	5y Yield
BUS10Y	4.360	(2.80)	4.403	4.349	4.384	na	10y Yield
BUS30Y	4.654	(3.40)	4.719	4.642	4.68	na	30y Yield

Term	Libor\$ ^	Tbill	CP ^^
1M	4.893	3.367	4.830
3M	5.093	3.824	4.980
6M	4.925	4.109	4.950
	TSY	Swap	ED Pks ^^^
2y	3.758	69.00	4.361
5y	3.992	68.25	5.018
10y	4.360	64.75	

Term	Libor\$ ^	Repos
0/N	4.804	4.550
1week	4.843	4.400
2week	4.866	4.400

Notes

^Quoted in US Dollars

^^CP = Commercial Paper

^^^ED Pks are colored for pack identifications. Exanple, the red pack is a 2-yr proxy and is colored red.

Lastly, SYM = Symbol

**All times Eastern**

15:14 10/19 **US TSYS/RECAP:** US Tsys rallied Fri amid 1) sliding US stocks (DJIA off 2%; S&P 500 futures broke both 30-day, 100-day averages at 1535, 1522), which 2) spurred macro funds, black-box accounts to sell stocks/buy fixed income/Tsys; 3) UK FTSE-100 off 1.23%; Japan Nikkei-225 -1.71%; 4) credit/ABCP/subprime/SIV concerns; 5) fear of another credit crunch as in Aug. 2007; 6) fear as is 20th anniversary of 1987 US stocks crash; asset-allocation aids 2Y, 5Ys, hurt US stocks; 7) German Bunds rallied amid sell stocks/buy Bunds; 8) Buy-and-hold accts buy 5Ys, lvrgrd accts do brisk buying in 10s. 9) Some concern too on Super-SIV M-LEC idea; there is lot of ABCP paper to roll in Nov; 9) Mortgage originator-servicer earlier bought Calls, Tsys futures; servicers move dn in cpn; 10) MBS-tied swaps receiving in 10Ys, also MBS buying too. 11) Weak earnings. 12) Some Tsys profit-taking: some selling by buy-and-hold accounts in 10Ys, others 10Y/30Y Tsys steepeners. 13) bank bid in 5s. 14) S&P cuts Cheyenne Finance SIV to default;

15:15 10/19 **US SWAPS:** Spds ended session well off early tights despite heavy receiving both overnight and during NY session, some tied to servicer duration grab across curve as ylds dropped precipitously. Origination selling noted all week, contributed to move off tights before the midsession as well as a consistent amount of steepener unwinds as "smart money respects that the mkt has moved towards the upper end of the range," in terms of pricing in another Fed ease on Oct 31.

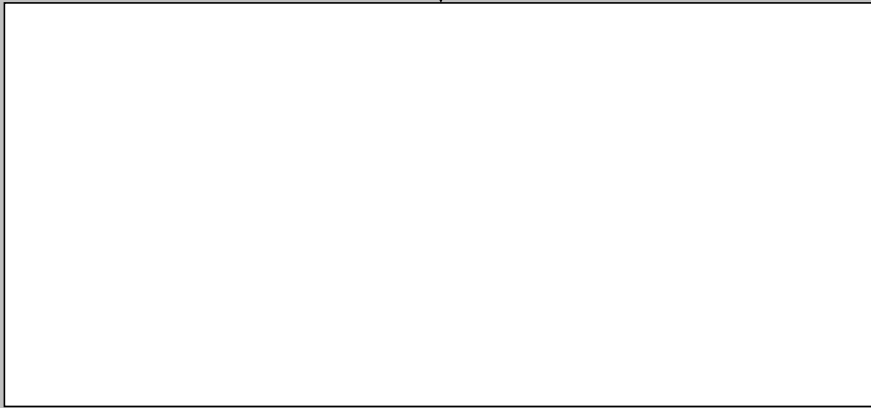
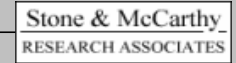
According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Fri 3:10	+0.75/69.50	+0.75/68.00	+0.00/64.50	-0.75/60.50
1:30	+0.25/69.00	+0.25/67.50	-0.50/64.00	-1.00/60.25
12:30	+0.25/69.00	-0.25/67.00	-0.75/63.75	-1.00/60.25
10:10	+0.50/69.25	+0.25/67.50	-0.50/64.00	-0.75/60.50
9:00	-1.75/67.00	-1.25/66.00	-1.25/63.25	-0.75/60.50
Fri Open	-1.25/67.50	-0.50/66.75	-0.50/64.00	-0.50/60.75
Thu 3:00	+0.00/68.75	+0.75/67.25	+0.75/64.50	+0.00/61.25

(cont)

06:43 10/22 **TSYS SUMMARY:** U.S. Treasuries are trading mixed on Tuesday, with the long-dated issues outperforming, amid unwinds by leverage accounts, in turn flattening the curve. Treasuries opened sharply higher in the Tokyo session as Japanese stocks came under pressure following the strong losses on Wall Street on Friday, which coincided with the 20th anniversary of the 1987 stock market crash. However, the rally in US Treasuries prompted selling from Japanese and Asian real money accounts in the belly of the curve. Traders also noted unwinding of curve steepening trades by leverage accounts. The UST curve is also flatter ahead of the 2-year Note auction on Wednesday and 5-year Note sale on Thursday -- for an estimated size of \$18.0bln and \$13.0bln respectively. Ahead of this, the US Treasury sells \$6.0bln 5-year TIPs on Tuesday. In cross-border flows, US Treasuries underperformed Bunds as the 10-year UST/Bund yield spread widened to +25.0 bps vs +21.7 bps Friday.

05:11 10/22 **TSYS FLOWS:** Asset allocation trades out of stocks into bonds is central theme in early European session Monday. Also noted are flows out of US Treasuries into Bunds as the 10-year UST/Bund yield spread widens to +24bps vs +21.7bps on Friday. The UST curve is flatter ahead of the 2-year Note auction on Wednesday and 5-year Note sale on Thursday -- for an estimated size of \$18.0bln and \$13.0bln respectively. Ahead of this, the US Treasury sells \$6.0bln 5-year TIPs on Tuesday.



	M Duration	DV01 32	DV01 \$	DV01 Box	CF
30y	15.66	5.33	\$1,667	10.67	n/a
10y	7.75	2.58	\$806	5.16	n/a
5y	4.41	1.43	\$447	5.72	n/a
2y	1.84	0.59	\$186	2.38	n/a
ZB	9.91	3.65	\$114	3.65	1.1103
ZN	5.82	2.08	\$65	4.16	0.9069
ZF	3.90	1.36	\$42	2.71	0.9285
ZT	1.84	0.61	\$19	2.46	0.9569

Yield Curve Spreads			
	Last	2pm close	Diff
2/5	23.80	23.60	0.20
5/10	36.70	35.90	0.80
10/30	29.40	28.70	0.70
2/10	60.50	59.50	1.00
5/30	66.10	64.60	1.50
2/30	89.90	88.20	1.70

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

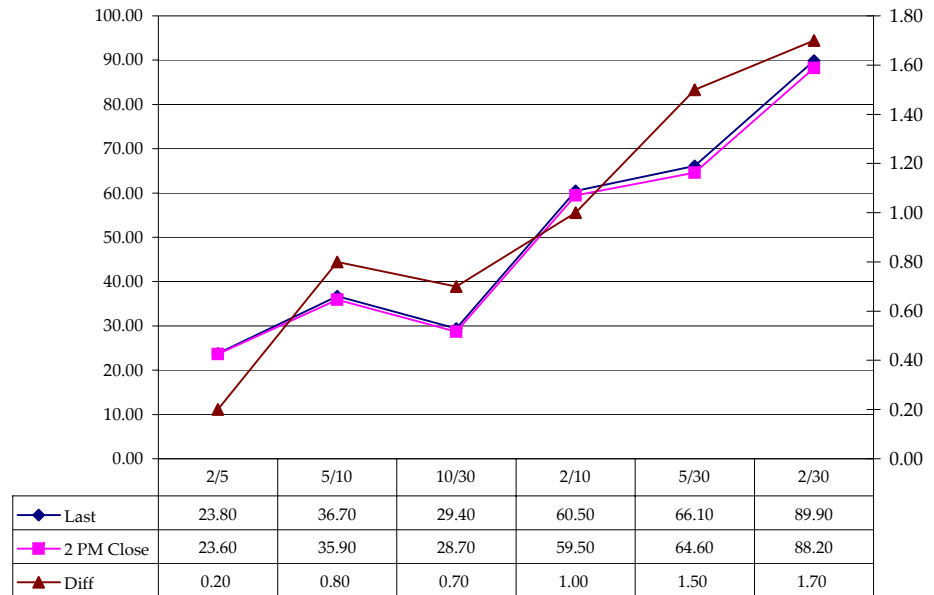
CF = Conversion Factor

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



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 Treasuries v US Financial Futures

	2y	5y	10y	30y
ZB	1.63	3.92	7.06	14.61
ZN	2.85	6.87	12.38	25.61
ZF	4.38	10.55	19.01	39.31
ZT	4.84	11.64	20.98	43.39

US Financial Futures

	ZB	ZN	ZF	ZT
ZB		1.754	2.692	5.942
ZN	0.000		1.535	3.388
ZF	0.372	0.652		2.208
ZT	0.168	0.295	0.453	

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

Eurex Bonds

	Bund (Z)	Bobl (Z)	Shatz (Z)
Bund (Z)	1.0	1.7	4.0
Bobl (Z)	0.6	1.0	2.4
Shatz (Z)	0.2	0.4	1.0

US Treasuries

	2y	5y	10y	30y
2y		2.407	4.338	8.973
5y	0.423		1.835	3.796
10y	0.231	0.555		2.068
30y	0.111	0.268	0.483	

Note: Any ratio with the Bund, Bobl, or Shatz is from Bloomberg. So, the Bloomberg hedge ratios, in this spreadsheet, are static. Meaning, I only update them once in a while but always on rolls. My hedge ratio's are live, meaning, they're updated in real-time.

Current Positions										
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	247,905	236,940	10,965	408,666	211,444	197,222	1,060,243	1,268,429	(208,186)	ZF
ZN	343,958	458,178	(114,220)	694,738	343,652	351,086	1,734,349	1,971,215	(236,866)	ZN
ZB	149,906	176,764	(26,858)	117,724	163,178	(45,454)	744,820	672,507	72,313	ZB

WoW^ Position Change				
	Sml Spec	Lrg Spec	Comm	As of
	Net	Net	Net	
ZF	(16,180)	34,334	(18,153)	10/9/2007
ZN	(18,515)	(5,502)	24,018	
ZB	7,947	7,894	(15,838)	

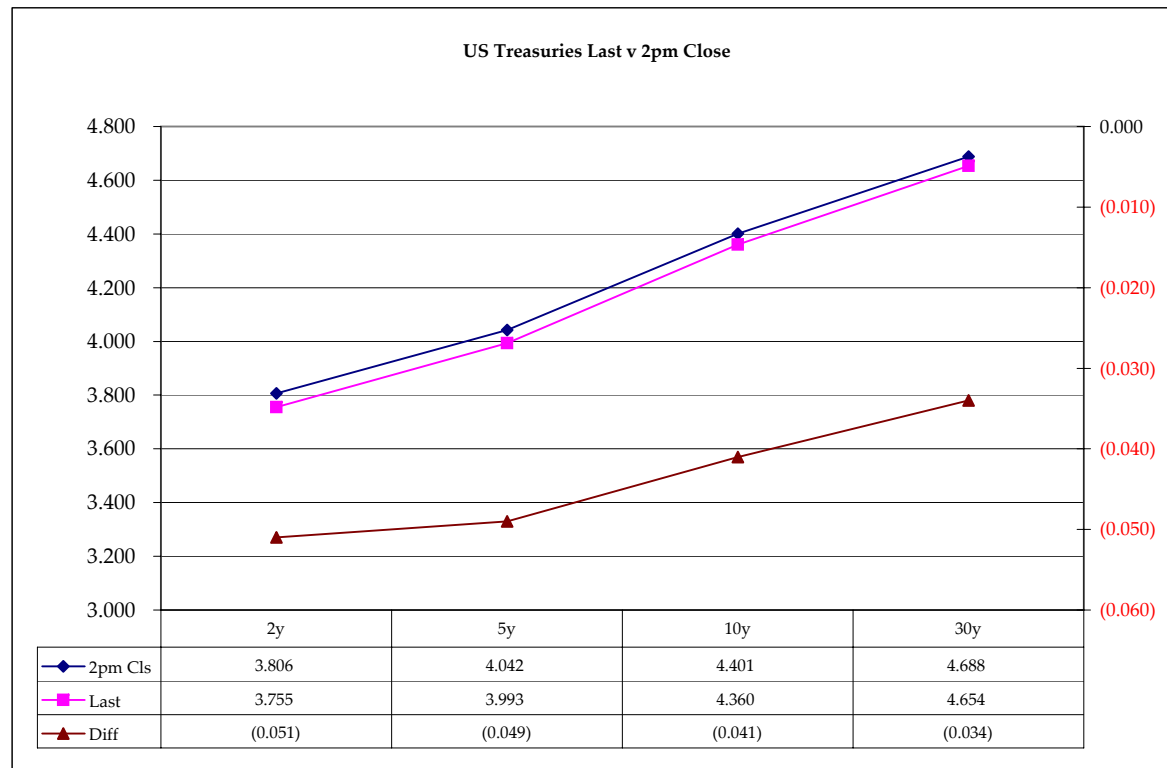
^WoW = Week over week

Closes: 2pm CST vs this Morning

	Cpn	Mty	Close 32	Close	Last	Diff	Basis		Roll
							Close	Last	
2y	4.000	9/30/09	100.1150	3.806	3.755	(0.051)			
5y	4.125	8/31/12	100.2950	4.042	3.993	(0.049)	25.71	27.10	
10y	4.750	8/15/17	102.240	4.401	4.360	(0.041)	79.39	82.09	
30y	5.000	5/15/37	104.31	4.688	4.654	(0.034)	-664.12	-663.16	

	Close 32	Last
ZFZ7	107.265	108.000
ZNZ7	110.180	110.255
ZBZ7	113.07	113.210

Curve Spreads		
	Close bps	Last bps
2/5	23.6	23.8
5/10	35.9	36.7
10/30	28.7	29.4
2/10	59.5	60.5
5/30	64.6	66.1
2/30	88.2	89.9



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%	28%	49%	133%
Cash Matrix [DV01 x Duration]				
	2	5	10	30
2	\$186			
5	\$187	\$447		
10	\$192	\$458	\$806	
30	\$196	\$469	\$825	\$1,667
Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	(\$1)			
10	(\$6)	(\$11)		
30	(\$11)	(\$22)	(\$19)	
Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	-0.69%			
10	-3.11%	-2.43%		
30	-5.36%	-4.70%	-2.32%	

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	2.33	4.20	8.68
ZF	0.44	1.05	1.90	3.93
ZN	0.29	0.69	1.24	2.56
ZB	0.16	0.39	0.71	1.46

Box for Box Matrix				
	2y	5y	10y	30y
ZT	0.97	2.33	8.39	17.36
ZF	0.44	2.11	3.80	7.86
ZN	0.57	1.37	1.24	2.56
ZB	0.65	1.57	1.41	2.92

	2y	5y	10y	30y
2y	1.00	2.41	4.34	8.97
5y	0.42	1.00	1.80	3.73
10y	0.23	0.55	1.00	2.07
30y	0.11	0.27	0.48	1.00

	2y	5y	10y	30y
2y		2.41	2.17	4.49
5y	0.42		0.45	1.86
10y	0.46	2.22		2.07
30y	0.22	0.54	0.48	

	ZT	ZF	ZN	ZB
ZT	1.00	2.21	3.39	5.94
ZF	0.45	1.00	1.53	2.69
ZN	0.30	0.65	1.00	1.75
ZB	0.17	0.37	0.57	1.00

	2y	5y	10y	30y
ZT		2.21	6.78	23.77
ZF	0.45		1.53	5.38
ZN	0.15	0.65		3.51
ZB	0.04	0.19	0.29	

October	avg target	400	425	450	475	500
10/18/2007	4.6%	0.8%	8.6%	52.3%	38.1%	0.0%
10/19/2007	4.5%	0.8%	16.7%	57.9%	24.3%	0.0%

December	avg target	375	400	425	450	475	500	525
10/18/2007	4.4%	4.1%	7.1%	36.1%	35.0%	16.3%	1.2%	0.3%
10/19/2007	4.3%	2.3%	15.9%	38.1%	36.2%	7.1%	0.0%	0.3%

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