

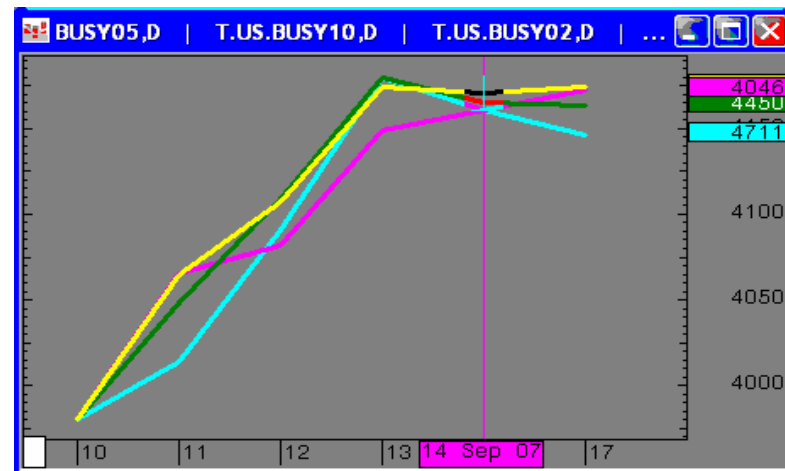


The Morning Email: Treasuries

Table of Contents

- Pg 1 Important Econ Releases, Highs & Lows
- Pg 2 Quotes
- 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 All rights reserved worldwide Mon Sep 17 2007

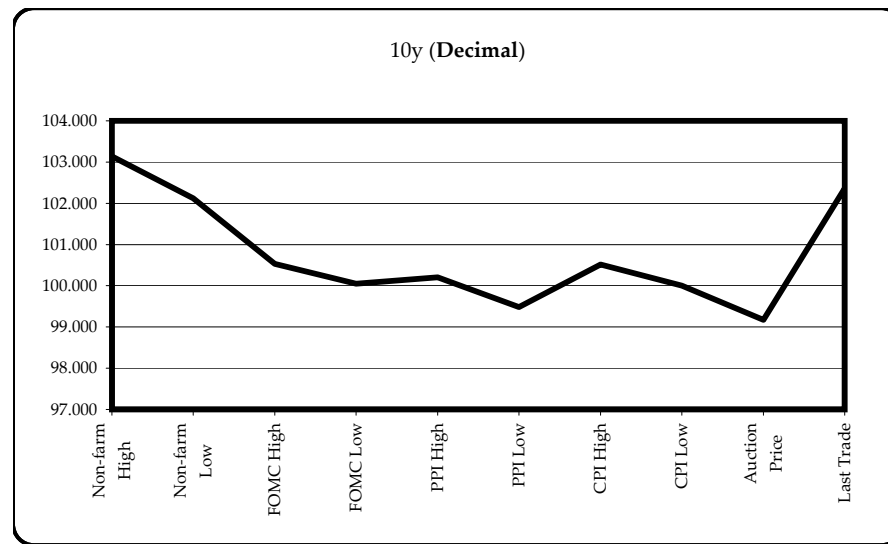
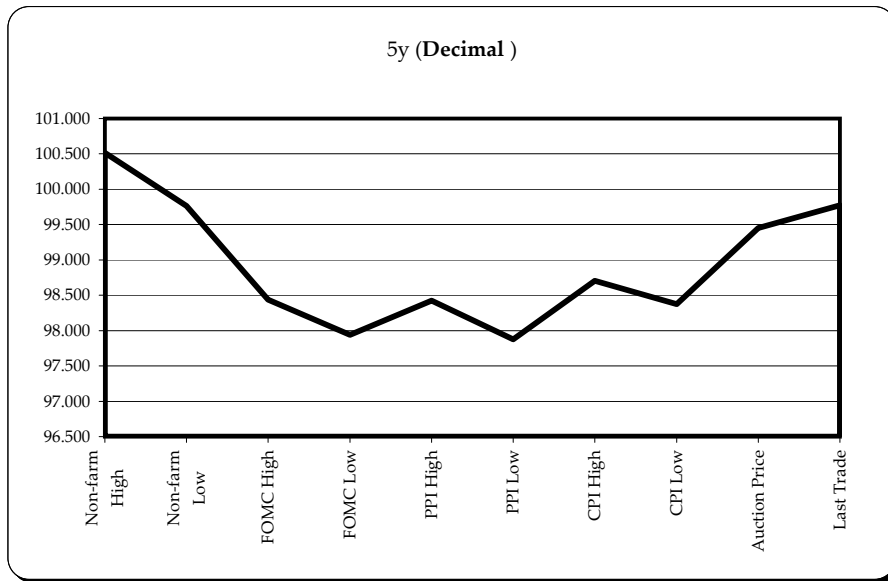


Want something added? Let me know: jgoulding@ghco.com

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	100.1650	103.045	110.195	113.15	9/7/2007
Non-farm Low	99.2450	102.040	109.185	112.08	9/7/2007
FOMC High	98.1400	100.170	108.105	110.23	8/7/2007
FOMC Low	97.3000	100.015	107.265	110.07	8/7/2007
PPI High	98.1350	100.065	108.100	110.03	8/14/2007
PPI Low	97.2800	99.155	107.195	109.06	8/14/2007
CPI High	98.2250	100.165	108.215	110.05	8/15/2007
CPI Low	98.1200	100.000	108.055	109.16	8/15/2007
Auction Price	99.1444	99.056			
Last Trade	99.2470	102.115	109.275	112.30	9/17/2007 6:00

Auctions - 32nds				
	2 y	5y	10y	30y
Auction Price	99.250	99.144	99.056	99.026
Auction Yield Stop	4.115	4.248	4.855	5.059
Actual Auction Date	8/29/2007	8/30/2007	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 = +12.5; ZB = +5 (tics))
 r = reopen

Quotes

32 nds							
	Last	Net	High	Low	Open	Volume	SYM NAME
TUAZ7	103.120	(0.0)	103.145	103.105	103.125	16,020	2y Fut
FVAZ7	107.040	0.0	107.080	106.310	107.050	29,821	5y Fut
TYAZ7	109.275	0.0	110.000	109.195	109.270	75,489	10y Fut
USAZ7	112.300	0	113.020	112.190	112.250	9,289	30y Fut
	Last	Net	High	Low	Open	Volume	SYM NAME
BUS02P	99.287	(0.7)	99.315	99.280	99.280	na	2y Cash
BUS05P	99.245	(0.7)	99.280	99.215	99.217	na	5y Cash
BUS10P	102.115	2.0	102.145	102.035	102.080	na	10y Cash
BUS30P	104.170	4	104.195	104.020	104.020	na	30y Cash
	Last	Net	High	Low	Open	Volume	SYM NAME
BUS02Y	4.050	1.70	4.08	4	4.063	na	2y Yield
BUS05Y	4.176	0.50	4.208	4.15	4.185	na	5y Yield
BUS10Y	4.449	(0.20)	4.493	4.439	4.468	na	10y Yield
BUS30Y	4.711	(0.70)	4.747	4.705	4.728	na	30y Yield

Notes: SYM = Symbol

**All times Eastern**

15:15 09/14 **US TSYS/RECAP:** Tsys ended higher vs 3pm Thu after wild Fri: early rally on weak US 0.3% Aug retail sales, weak US stocks, UK's N. Rock bank woes, but then Tsys plunged as US stocks cut losses, then had choppiness later. Yahoo stock up 4% at one pt amid merger talk rumor. Tsys traders trim size of Tues rate cut hope to 25 bps from 50 bps, and 2Y yield rejected going below 4%. Some eyed Univ Mich 5-Yr inflation expectations at 3% Sept prelim vs. 2.9% Aug. Earlier, hedge funds, end-users, leveraged accounts, U.S. banks bought intermediates, while some buy-and-hold accounts take profits in 10Y to go into spread product. There was Asian T-bill bid this morning in NY, also central bank selling in T-bills, also light reinvestment T-bill bid. Foreign central banks bought intermediates, including 5s. There were earlier 3Y/5Y steepeners in cash, swaps; 2Y/10 real money steepeners. There also was outright Japanese buying in 10Y futures. Fund mgrs bought US 7s. US intermediates had MBS-tied sales, Mideast selling (some move to UK Gilts)

15:50 09/14 **US TSY/EURODLR FUTURES:** No major moves seen in large speculative positions for the period ended Sept 11. According to the commission's website lg spec positioning was mixed with eurodollar and 2-yr positions seeing longs shaved while in the 5Y and 10Y longs were extended and in bonds large specs cut shorts. As of Sept, large spec eurodollar future only positions were 1,257,805, down 45,392 from the prior week while in 2Y, large specs cut longs by 14,982 to 30,884. In the 5Y, large specs added 2,973 positions to 11,512 while in the 10Y the group added 6,411 longs to 333,389. In bonds, large specs cut shorts by 13,882 to -29,551.

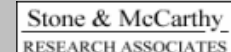
15:23 09/14 **US SWAPS:** Sources reported mainly curve plays with real money doing 2/10Y and 3/5Y steepeners as well as some switching from 10Y tighteners to 2Y tighteners. Some swap hedging reported vs custy selling of MBS structured product. Also, sources said short gamma players paid in 10Y to 20Y either outright or vs 5Y swaps, which kept the back end under pressure and underpinned volatility on the swaps curve. According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
Fri Close	-2.75/69.75	-0.50/67.50	+0.75/67.25	+2.25/65.00
11:56	-3.00/69.50	-0.75/67.25	+0.00/66.50	+1.25/64.00
10:00	-1.75/71.25	-0.25/67.75	-0.50/66.00	-0.25/62.50
9:30	-1.50/71.50	-0.25/67.75	-0.50/66.00	-0.50/62.25
9:00	-1.00/71.50	-0.25/67.75	-0.50/66.00	-0.50/62.25
Fri Open	-1.50/71.00	-0.50/67.50	-0.75/65.75	-0.50/62.25
Fri 8:00	-1.75/70.75	-0.75/67.25	-0.75/65.75	-0.50/62.25

(continued)

05:07 09/17 TSYS: Treasuries are trading higher across the board in London Monday, with the curve steepening as safe-haven flows are again seen as woes consider in the U.K. banking sector. Cash Treasury markets were closed in Japan, as Tokyo markets were closed to observe the Respect the Aged day. Electronic futures contracts were open, however, although volumes were very light. In London, the light buying was seen across the curve, with real money and hot money buying seen in the two-year sector of the curve. This was on both safe-haven flows and renewed speculation that the Federal Reserve will cut rates at its FOMC meet Tuesday. The ten-year found support from real money names, but selling from leveraged accounts, largely against eurozone bonds, helped cap gains. But volumes were light across the board, with players awaiting the Fed's meet Tuesday. The Bund/T-note widened 2 bps on Friday's levels, with the spread standing at 36 bps.

05:07 09/17 TSYS: (2) Ahead of the U.S. session, the 2-yr note was trading 1+32 higher at 99 31/32 to yield 4.01%. The 10-yr note was 3/32 higher at 102 14/32 (4.44%), with the Bond 6/32 higher at 104 20/32 (4.71%). The 2-yr/5-yr yield curve was 1 bps steeper on Wednesday's levels, trading at +15 bps. The 2-/10-yr curve also steepened 1 bps, trading at +44 bps. The 2-yr/30-yr curve was also 1 bps steeper, standing at +70 bps.

MarketNews
internationalStone & McCarthy
RESEARCH ASSOCIATES

US TSYS/RESEARCH: Bank of America bond strategists noted that "in last week's Global Rates Focus, we discussed the dramatic operational strains on the Federal Reserve that would occur if discount window borrowing surged (it could trigger the largest balance sheet overhaul by a central bank since the BOJ started quantitative easing). This week, we look at those strains in more detail, and the likely market implications. Investors who believe that discount window borrowing will rise sharply after the FOMC meeting should look to buy Fed funds contracts, sell Tsy GC, sell TBills, and buy 2yrs versus off-the-run 2s."

12:05 09/14 **CARRY TRADES:** While sterling specifically remains under pressure versus the dollar and on the crosses, other carry trades are holding up quitewell, especially yen carry trades. Euro-yen holds at Y159.78, on the high side of a Y158.80 to Y160.24 range, while sterling-yen holds at Y231.48, in the middle of a Y230.21 to Y233.30 range. Market players are being selective in the currencies they want to hold and not hold. Emerging market currencies as well as sterling are being weighed by weekend profit-taking, while the Canadian and Aussie dollars continue to see solid demand. The yen remains weak vs the dollar and on the crosses.

Discount borrowing under the Fed's primary credit program for banks surged to more than \$7.1 billion outstanding as of Wednesday, up from about \$1 billion a week earlier, the central bank said yesterday. It was the highest level since the day after the Sept. 11, 2001, terrorist attacks.--SOURCE WSJ

Merrill Lynch said it has lowered the value of securities backed by subprime mortgages and other assets amid roiling credit markets, signaling a possible drag on earnings.--SOURCE WSJ

	M Duration	DV01 32	DV01 \$	DV01 Box	CF
30y	15.69	5.27	\$1,648	10.55	n/a
10y	7.84	2.58	\$805	5.15	n/a
5y	4.43	1.42	\$443	5.66	n/a
2y	1.85	0.59	\$186	2.38	n/a
ZB	9.99	3.64	\$114	3.64	1.1103
ZN	5.91	2.09	\$65	4.18	0.9069
ZF	3.99	1.37	\$43	2.74	0.9246
ZT	1.90	0.63	\$20	2.51	0.9569

	Yield Curve Spreads		
	Last	2pm close	Diff
2/5	12.60	14.00	1.40
5/10	27.30	28.50	1.20
10/30	26.20	26.10	(0.10)
2/10	39.90	42.50	2.60
5/30	53.50	54.60	1.10
2/30	66.10	68.60	2.50

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

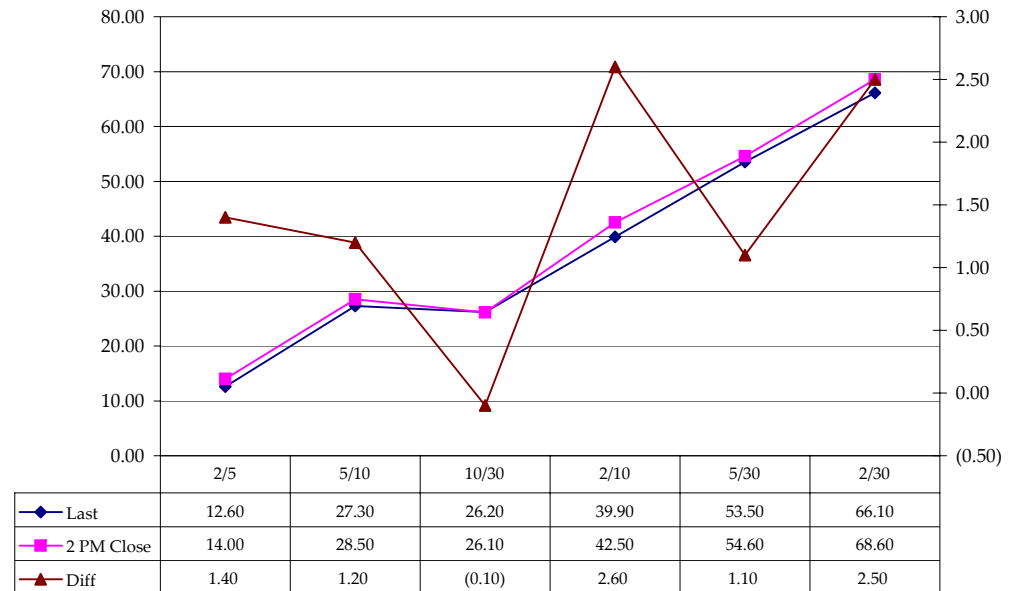
CF = Conversion Factor

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 Financial Futures

	ZB	ZN	ZF	ZT
ZB		1.745	2.659	5.797
ZN	0.549		1.524	3.322
ZF	0.376	0.685		2.180
ZT	0.173	0.301	0.459	

Eurex Bonds

	Bund (Z)	Bobl (Z)	Shatz (Z)
Bund (Z)	1.0	1.6	3.8
Bobl (Z)	0.6	1.0	2.3
Shatz (Z)	0.3	0.4	1.0

US Treasuries v US Financial Futures

	2y	5y	10y	30y
ZB	1.67	3.99	7.25	14.84
ZN	2.97	7.07	12.87	26.34
ZF	4.33	10.33	18.80	38.47
ZT	4.72	11.26	20.50	41.94

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		2.383	4.338	8.877
5y	0.420		1.820	3.724
10y	0.231	0.549		0.000
30y	0.113	0.268	0.489	

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	291,631	243,224	48,407	262,889	243,065	19,824	1,207,323	1,275,554	(68,231)	ZF
ZN	337,734	433,029	(95,295)	640,760	283,342	357,418	1,610,473	1,872,595	(262,122)	ZN
ZB	152,320	180,025	(27,705)	152,462	179,955	(27,493)	702,448	647,249	55,199	ZB

WoW^ Position Change				As of
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	
ZF	48,517	10,707	(59,223)	9/11/2007
ZN	(34,976)	(2,343)	37,320	
ZB	(3,233)	8,638	(5,405)	

^WoW = Week over week

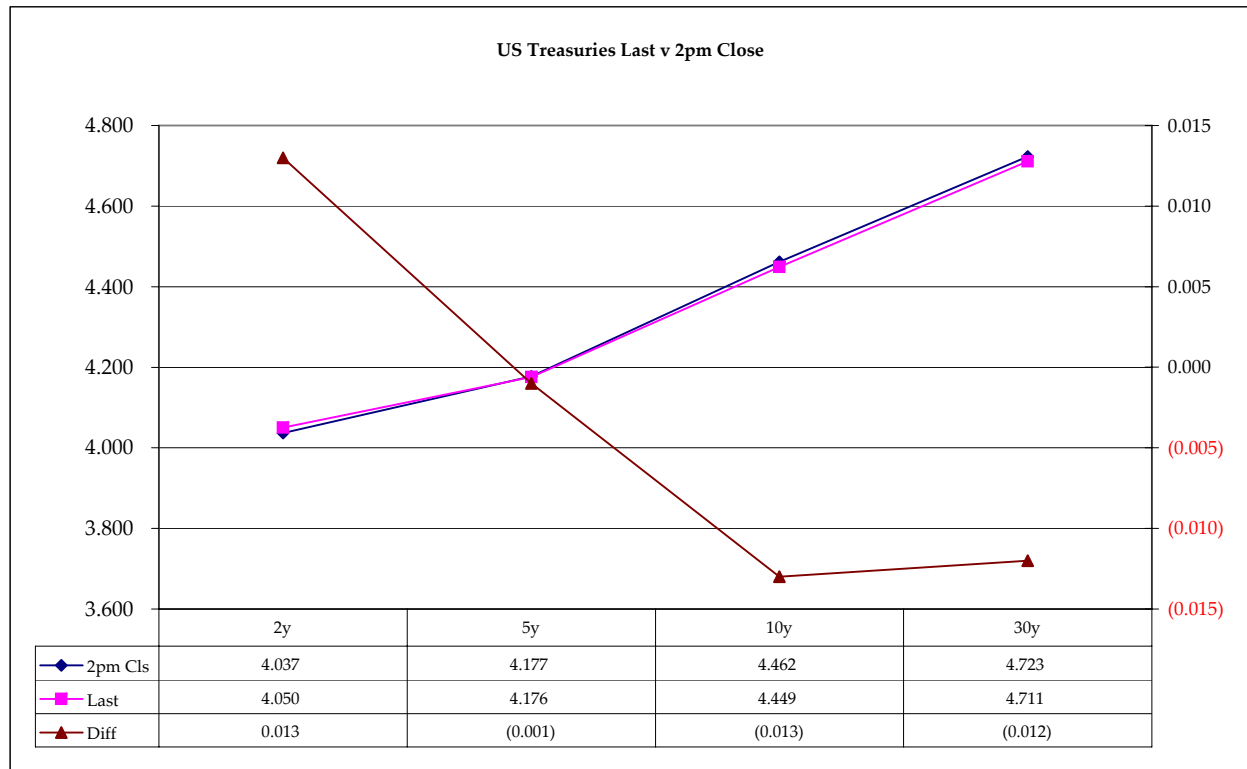
Closes: 2pm CST vs this Morning

	Cpn	Mty	Close 32	Close	Last	Diff	Basis		Roll
							Close	Last	
2y	4.000	8/31/09	99.2975	4.037	4.050	0.013			
5y	4.125	7/31/09	99.2450	4.177	4.176	(0.001)	22.97	23.17	
10y	4.750	8/15/17	102.090	4.462	4.449	(0.013)	85.70	87.29	
30y	5.000	5/15/37	104.13	4.723	4.711	(0.012)	-668.79	-666.62	

	Close 32	Last	Roll ^
ZFZ7	107.040	107.040	
ZNZ7	109.265	109.275	
ZBZ7	112.27	112.300	
ZFU7		107.075	4
ZNU7		110.065	10.5
ZNU7		113.010	7

Curve Spreads		
	Close bps	Last bps
2/5	14.0	12.6
5/10	28.5	27.3
10/30	26.1	26.2
2/10	42.5	39.9
5/30	54.6	53.5
2/30	68.6	66.1

^ Reduced tic spread, last trade



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%	56%	100%	
30	12%	28%	50%	133%
Cash Matrix [DV01 x Duration]				
	2	5	10	30
2	\$186			
5	\$185	\$443		
10	\$191	\$455	\$805	
30	\$187	\$447	\$791	\$1,589
Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	\$0			
10	(\$5)	(\$13)		
30	(\$2)	(\$4)	\$14	
Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	0.13%			
10	-2.63%	-2.75%		
30	-0.88%	-1.01%	1.79%	

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	0.94	2.25	4.10	8.09
ZF	0.43	1.03	1.88	3.71
ZN	0.28	0.68	1.23	2.43
ZB	0.17	0.40	0.73	1.43

Box for Box Matrix				
	2y	5y	10y	30y
ZT	0.94	2.25	8.20	16.17
ZF	0.43	2.07	3.76	7.42
ZN	0.57	1.36	1.23	2.43
ZB	0.67	1.59	1.45	2.86

	2y	5y	10y	30y
2y	1.00	2.38	4.34	8.56
5y	0.42	1.00	1.82	3.59
10y	0.23	0.55	1.00	1.97
30y	0.12	0.28	0.51	1.00

	2y	5y	10y	30y
2y		2.38	2.17	4.28
5y	0.42		0.46	1.79
10y	0.46	2.20		1.97
30y	0.23	0.56	0.51	

	ZT	ZF	ZN	ZB
ZT	1.00	2.18	3.32	5.65
ZF	0.46	1.00	1.52	2.59
ZN	0.30	0.66	1.00	1.70
ZB	0.18	0.39	0.59	1.00

	2y	5y	10y	30y
ZT		2.18	6.64	22.61
ZF	0.46		1.52	5.18
ZN	0.15	0.66		3.40
ZB	0.04	0.19	0.29	

Fed Funds Probability of Tightening or Easing

Sept	avg target	450	475	500	525
9/13/2007	4.9%	6.2%	48.1%	44.5%	0.0%
9/14/2007	4.9%	5.0%	50.5%	43.3%	0.0%

October	avg target	400	425	450	475	500
9/13/2007	4.7%	3.7%	17.1%	27.2%	15.8%	31.8%
9/14/2007	4.7%	4.3%	11.3%	30.3%	19.8%	28.7%

December	avg target	375	400	425	450	475	500	525
9/13/2007	4.5%	12.0%	13.3%	4.8%	16.0%	34.5%	13.7%	5.8%
9/14/2007	4.6%	11.7%	8.7%	7.9%	16.7%	34.5%	14.7%	5.7%

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

