

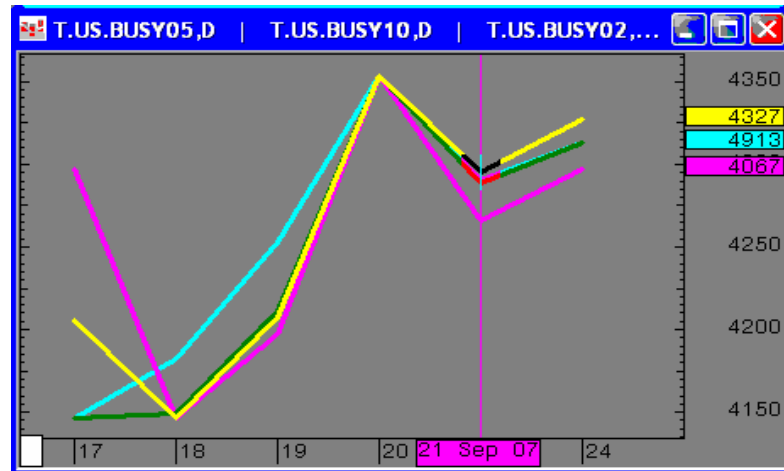


The Morning Email: Treasuries

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Daily Yield Curve



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Mon Sep 24 2007

30y 10y 5y 2y

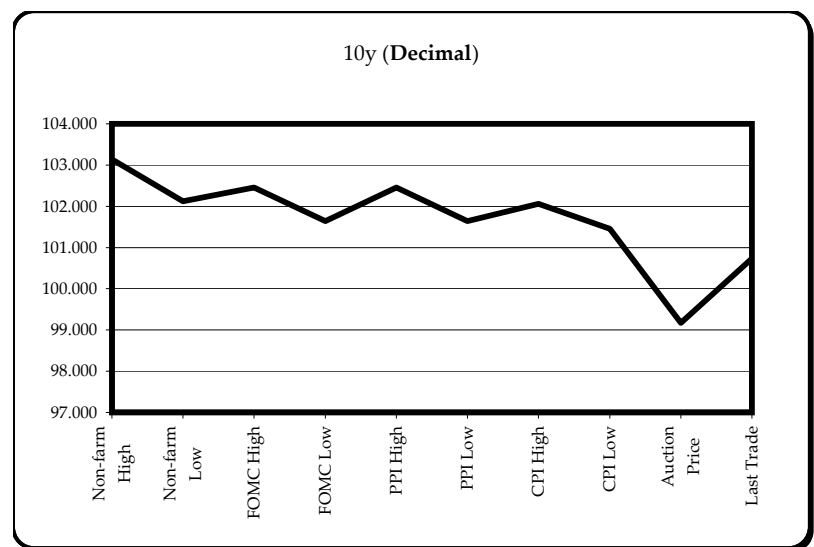
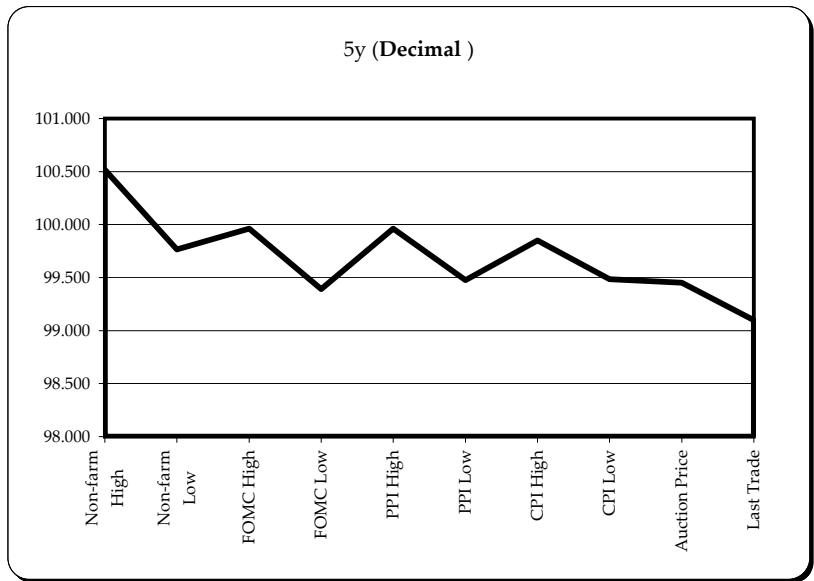


Want something added? Let me know: jgoulding@ghco.com

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Economic Releases - 32nds					
	5y	10y	ZNZ7	ZBZ7	Date
Non-farm High	100.1650	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	99.3075	102.145	110.300	112.30	9/18/2007
FOMC Low	99.1250	101.205	109.115	111.27	9/18/2007
PPI High	99.3075	102.145	110.300	112.30	9/18/2007
PPI Low	99.1525	101.205	109.115	111.27	9/18/2007
CPI High	99.2725	102.020	109.265	112.10	9/19/2007
CPI Low	99.1550	101.145	109.075	111.11	9/19/2007
Auction Price	99.1444	99.056			
Last Trade	99.0320	100.235	108.225	110.14	9/24/2007 5:54

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 = +9.5; ZB = +5 (tics))
 r = reopen

Quotes

32 nds							
	Last	Net	High	Low	Open	Volume	SYM NAME
TUAZ7	103.100	(0.0)	103.120	103.097	103.120	13,383	2y Fut
FVAZ7	106.175	(0.0)	106.230	106.170	106.215	22,176	5y Fut
TYAZ7	108.225	(0.1)	108.295	108.220	108.285	72,235	10y Fut
USAZ7	110.140	(0)	110.250	110.120	110.230	11,787	30y Fut
	Last	Net	High	Low	Open	Volume	SYM NAME
BUS02P	#VALUE!	(1.7)	99.287	99.275	99.287	na	2y Cash
BUS05P	99.030	(4.7)	99.060	99.032	99.042	na	5y Cash
BUS10P	100.235	(8.0)	100.280	100.235	100.250	na	10y Cash
BUS30P	101.100	(15)	101.230	101.095	101.230	na	30y Cash
	Last	Net	High	Low	Open	Volume	SYM NAME
BUS02Y	4.067	2.10	4.106	4.042	4.106	na	2y Yield
BUS05Y	4.327	3.20	4.333	4.302	4.331	na	5y Yield
BUS10Y	4.652	2.80	4.66	4.634	4.656	na	10y Yield
BUS30Y	4.913	2.90	4.918	4.883	4.89	na	30y Yield

Notes: SYM = Symbol

**All times Eastern****Friday:**

15:00 09/21 **US TSYS/RECAP:** US Tsys rose Friday after 1) earlier weakness on MBS-tied pressure, 3) long-end selling in morning by real money, hedge funds, MBS-tied accts; 4) computer-generated selling in Tsys; 5) short-setting to test market lows (which held), 5) selling as Fed Kohn says Fed eased on hsg woe not econ, 6) brisk morning selling in 5Ys, mainly foreign but also some US selling there too. Then Tsys held the lows and so improved on 7) short-covering; 8) better technicals: key 4.70% 10Y cash yield held; 9) real money buying in 10Ys and 30Ys, 9) pension buying in 30Ys, off-run 30Ys; 10) 2Y/10Y, 2Y/30Y curves flattening after 3 steeper days Tue,Wed,Thu; 10) Talk mortgage servicers, originators sold MBS albeit at reduced pace; was also foreign buying in MBS. 14) Stocks gain but appear to be ending off day's highs. 15) In options, mortgage servicer shed large amt of 10Y Tsys puts. 16) Late, there was corporate rate-lock unwinds eyed; also 17) weaker grade ABXs dipped amid selling of ABX 06-01 BBB-index. (More)

15:10 09/21 **US TSYS/RECAP II:** On a 3p.m. Thu to 3:00 pm ET Fri basis close, the cash 2-year note yield fell 3.0 bps to 4.058%. The 3-year yield fell 2.9 bps to 4.114%, while the 5-year yield fell 3.1 bps to 4.303%. The 10-year yield fell 4.0 bps to 4.632%, and the 30-year yield fell 5.1 bps to 4.891%. The 2-year/5-year curve flattened 0.1 bps to +24.5 bps, the 2-year/10-year flattened 1.0 bps to +57.4 bps, and the 2-year/30-year flattened 2.3 bps to +83.3 bps.

15:15 09/21 **US EURODLR/SWAPS:** Spds ended session mixed. On heels of decent Asian paying overnight, it paying tied flow across curve early, interspersed by some tentative short covering, receiver-tied flow in the front-end as Tsy ylds dropped at midmorning and spds came off wides. Sources reported selling in 10s and 30s, the latter mtg real money accts, Eurodollar sources reported scale sellers of 2yr bundles, and to a lesser extent from Reds to Golds. Curve steepener unwind interest also reported.

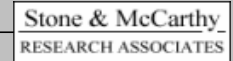
According to GovPX:

Time (ET)	2Y Swap/Mid	5Y Swap/Mid	10Y Swap/Mid	30Y Swap/Mid
3:10	-0.50/62.50	+0.25/64.50	+0.00/64.50	+0.25/63.50
1:00	-0.75/63.25	+0.25/64.50	+0.25/64.75	+0.75/64.00
10:30	-0.75/63.25	+0.50/64.75	+0.50/65.00	+1.00/64.25
9:45	+0.25/63.25	+0.50/64.75	+0.50/65.00	+1.00/64.25
9:15	+0.25/63.25	+1.25/65.50	+1.25/65.75	+2.25/65.50
Fri Open	-0.25/62.75	+0.25/64.50	+0.00/64.50	+0.75/64.00
Fri 7:50	+0.50/63.50	+0.00/64.25	-0.25/64.25	+0.25/63.50

(continued)**Overnight:**

05:12 09/24 TSYS: Treasuries are trading lower across the board in London Monday. Traders say many players are sidelined, with a key speech by Federal Reserve Chairman Ben Bernanke expected later in the day. Also stalling the front of the market was overhanging supply. Weds and Thurs sees the sale of around \$18 billion three years and \$13 billion 5-year-notes respectively. The Treasury will confirm the exact totals later Monday. Tokyo markets were closed Monday. The CBOT contracts were open, but ranges were very light. In London, prices were lower from the getgo, as sellers took advantage of the rally in the U.S. on Friday. However, traders again noted that flows were light, with many players awaiting a clear lead from the New York open. The curve was unchanged in London, with prices marked lower in union. Real money names were light sellers of the two-year note, with leveraged accounts noted as sellers in the belly of the curve. The long-end was marked lower, but traders said their was demand from life and pension funds ahead of the month-end.

05:12 09/24 TSYS: (2) The Bund/T-note narrowed 1 bps on Wednesday's levels, with the spread standing at 31 bps. Ahead of the U.S. session, the 2-yr note was trading 1+/32 over at 99 28/32 to yield 4.06%. The 10-yr note was 5/32 lower at 100 26/32 (4.64%), with the Bond 10/32 lower at 101 14/32 (4.91%). The 2-yr/5-yr yield curve was unchanged on Friday's levels, trading at +25 bps. The 2-/10-yr curve was also unchanged, trading at +58 bps. The 2-yr/10-yr curve was unchanged, standing at +85 bps. Dec expiry futures contracts on the CBOT electronic system are trading lower on Friday's closing levels. the Sep T-note was 3/32 lower at 108 25/32 and the Bond was down 8/32 at 110 16/32.



Mishkin...says "studying the performance of different rules in macroeconomic models has become a major enterprise at central banks, and the conclusion is that the Taylor principle is indeed very important."
[MISHKAN: Voter, Moderate/Dove]

	M Duration	DV01 32	DV01 \$	DV01 Box	CF
30y	15.44	5.04	\$1,574	10.07	n/a
10y	7.79	2.52	\$789	5.05	n/a
5y	4.40	1.40	\$438	5.60	n/a
2y	1.84	0.59	\$184	2.35	n/a
ZB	9.90	3.54	\$111	3.54	1.1103
ZN	5.88	2.06	\$64	4.12	0.9069
ZF	3.96	1.36	\$42	2.71	0.9246
ZT	1.88	0.62	\$19	2.49	0.9569

	Yield Curve Spreads		
	Last	2pm close	Diff
2/5	26.00	24.90	(1.10)
5/10	32.50	33.80	1.30
10/30	26.10	27.20	1.10
2/10	58.50	58.70	0.20
5/30	58.60	61.00	2.40
2/30	84.60	85.90	1.30

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

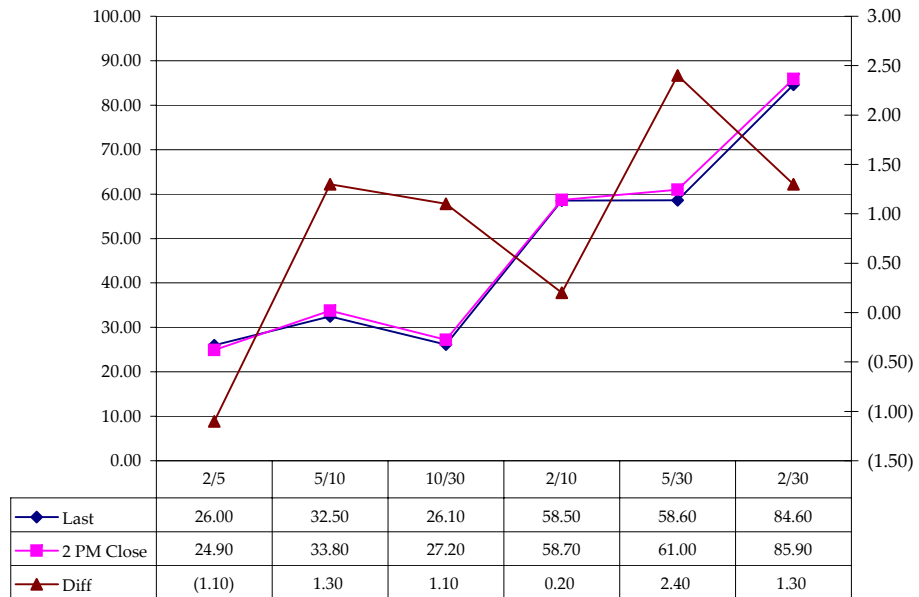
CF = Conversion Factor

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		1.718	2.607	5.681
ZN	0.000		1.517	3.306
ZF	0.384	0.659		2.179
ZT	0.176	0.303	0.459	

Eurex Bonds

	Bund (Z)	Bobl (Z)	Shatz (Z)
Bund (Z)	1.0	1.6	3.7
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	1.66	3.96	7.13	14.23
ZN	2.86	6.80	12.26	24.45
ZF	4.33	10.31	18.60	37.09
ZT	4.72	11.24	20.26	40.42

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		2.380	4.292	8.560
5y	0.420		1.803	3.597
10y	0.233	0.555		0.000
30y	0.117	0.278	0.501	

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

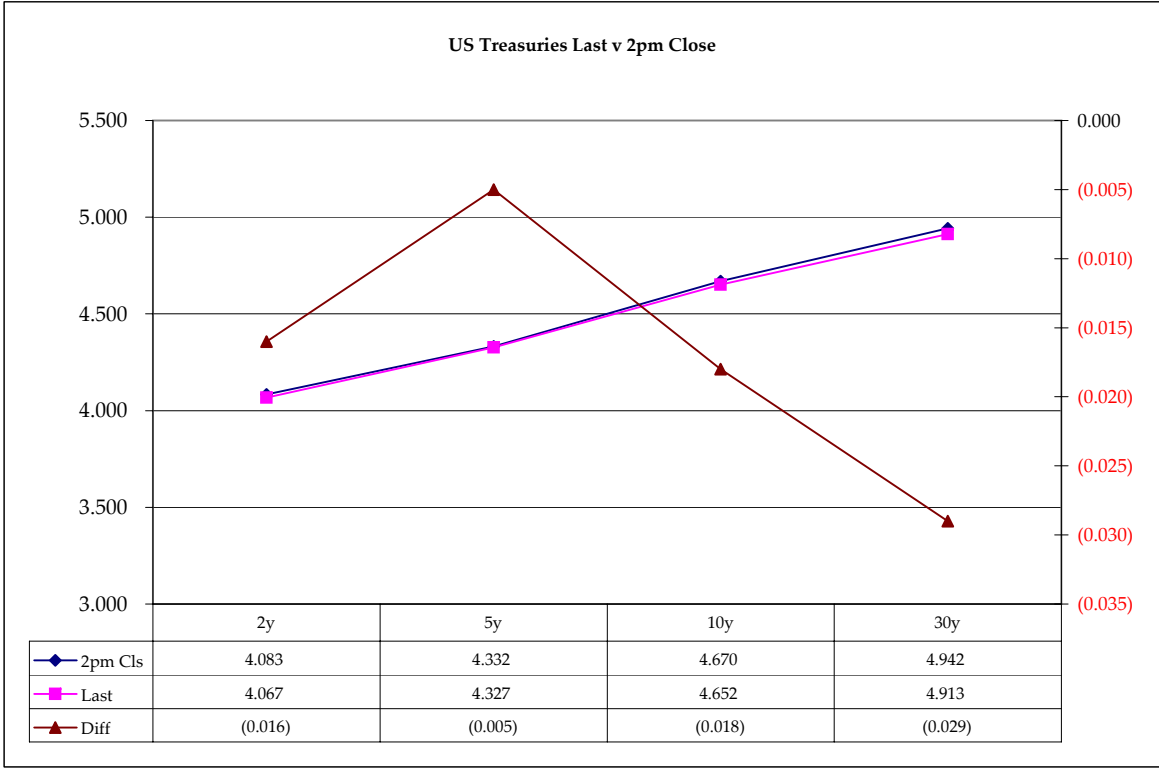
^WoW = Week over week

	Cpn	Mty	Close 32	Close	Last	Diff	Basis		Roll
							Close	Last	
2y	4.000	8/31/09	99.2700	4.083	4.067	(0.016)			
5y	4.125	7/31/09	99.0275	4.332	4.327	(0.005)	18.79	18.78	
10y	4.750	8/15/17	100.200	4.670	4.652	(0.018)	67.16	68.85	
30y	5.000	5/15/37	100.29	4.942	4.913	(0.029)	-688.64	-681.30	

	Close 32	Last	Roll ^
ZFZ7	106.170	106.175	
ZNZ7	108.205	108.225	
ZBZ7	110.08	110.140	
ZFU7		#VALUE!	#####
ZNU7	Final	109.250	9.7
ZBU7	Final	112.200	5.5

^ Reduced tic spread, last trade

Curve Spreads		
	Close bps	Last bps
2/5	24.9	26.0
5/10	33.8	32.5
10/30	27.2	26.1
2/10	58.7	58.5
5/30	61.0	58.6
2/30	85.9	84.6



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	\$184			
5	\$182	\$438		
10	\$186	\$446	\$789	
30	\$187	\$449	\$794	\$1,574
Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	\$1			
10	(\$2)	(\$8)		
30	(\$3)	(\$11)	(\$5)	
Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	0.76%			
10	-1.12%	-1.86%		
30	-1.72%	-2.46%	-0.61%	

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	4.05	8.08
ZF	0.43	1.03	1.86	3.71
ZN	0.29	0.68	1.23	2.45
ZB	0.17	0.40	0.71	1.42

Box for Box Matrix				
	2y	5y	10y	30y
ZT	0.94	2.25	8.11	16.17
ZF	0.43	2.06	3.72	7.42
ZN	0.57	1.36	1.23	2.45
ZB	0.66	1.58	1.43	2.85

	2y	5y	10y	30y
2y	1.00	2.38	4.29	8.56
5y	0.42	1.00	1.80	3.60
10y	0.23	0.55	1.00	1.99
30y	0.12	0.28	0.50	1.00

	2y	5y	10y	30y
2y		2.38	2.15	4.28
5y	0.42		0.45	1.80
10y	0.47	2.22		1.99
30y	0.23	0.56	0.50	

	ZT	ZF	ZN	ZB
ZT	1.00	2.18	3.31	5.68
ZF	0.46	1.00	1.52	2.61
ZN	0.30	0.66	1.00	1.72
ZB	0.18	0.38	0.58	1.00

	2y	5y	10y	30y
ZT		2.18	6.61	22.72
ZF	0.46		1.52	5.21
ZN	0.15	0.66		3.44
ZB	0.04	0.19	0.29	

October	avg target	400	425	450	475	500
9/19/2007	4.5%	6.5%	8.7%	47.9%	34.5%	1.6%
9/20/2007	4.6%	3.0%	11.1%	45.6%	38.3%	1.0%

December	avg target	375	400	425	450	475	500	525
9/19/2007	4.3%	20.0%	1.8%	38.5%	5.8%	31.9%	1.9%	0.0%

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