

## The Morning Email: Treasuries

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Want something added?

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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.

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### Important Econ Releases Highs & Lows

|               | 5y*     | 10y*     | ZN       | ZB       | Date      |
|---------------|---------|----------|----------|----------|-----------|
| Non-farm High | 99.2450 | 101.0550 | 107.1400 | 111.0800 | 9/1/2006  |
| Non-farm Low  | 99.1725 | 100.2700 | 107.0250 | 110.2200 | 9/1/2006  |
| FOMC High     | 99.0350 | 99.2950  | 106.2000 | 109.1900 | 8/8/2006  |
| FOMC Low      | 98.3050 | 99.1750  | 106.0900 | 108.2800 | 8/8/2006  |
| PPI High      | 98.3100 | 99.2200  | 106.1250 | 108.2900 | 8/15/2006 |
| PPI Low       | 98.2050 | 99.0600  | 105.2850 | 108.0400 | 8/15/2006 |
| CPI High      | 99.0850 | 100.0350 | 106.2500 | 109.1400 | 8/16/2006 |
| CPI Low       | 98.2800 | 99.1900  | 106.0950 | 108.2500 | 8/16/2006 |

\*Adjusted for New Issue

Prices are recorded from econ release to 2pm CDT

Source: Reuters

|            |          | Quotes as of 5:26:39 |          |          |          |         | CDT         |  |
|------------|----------|----------------------|----------|----------|----------|---------|-------------|--|
|            |          | 32 nds               |          |          |          |         |             |  |
|            | ls       | net                  | high     | low      | open     | Volume  | SYM NAME    |  |
| @ZB.1      | 109.260  | (0.03)               | 110.010  | 109.260  | 109.290  | 614     | 30y Futures |  |
| @ZN.1      | 107.000  | (0.02)               | 107.030  | 106.310  | 107.025  | 28,804  | 10y Futures |  |
| @ZF.1      | 104.260  | (0.01)               | 104.285  | 104.260  | 104.285  | 3,598   | 5y Futures  |  |
| @ZT.1      | 101.303  | (0.00)               | 101.308  | 101.300  | 101.308  | 520     | 2y Futures  |  |
|            | ls       | net                  | high     | low      | open     | Volume  | SYM NAME    |  |
| @?bus30c   | 92.300   | (0.050)              | 93.050   | 92.295   | 93.025   | 274.0   | 30y         |  |
| @?bus10c   | 100.170  | (0.030)              | 100.205  | 100.160  | 100.195  | 2,731.0 | 10y         |  |
| @?bus5c    | 99.143   | (0.013)              | 99.163   | 99.138   | 99.155   | 3,289.0 | 5y          |  |
| @?bus2c    | 100.035  | (0.003)              | 100.040  | 100.033  | 100.040  | 2,179.0 | 2y          |  |
|            | ls       | net                  | high     | low      | open     | Volume  | SYM NAME    |  |
| @?bus30cy  | 4.958    | 0.01                 | 4.96     | 4.944    | 4.949    | 274     | 30y Yield   |  |
| @?bus10cy  | 4.807    | 0.01                 | 4.811    | 4.793    | 4.797    | 2,731   | 10y Yield   |  |
| @?bus5cy   | 4.749    | 0.01                 | 4.755    | 4.737    | 4.742    | 3,289   | 5y Yield    |  |
| @?bus2cy   | 4.816    | 0.00                 | 4.82     | 4.807    | 4.807    | 2,179   | 2y Yield    |  |
|            | ls       | net                  | high     | low      | open     | Volume  | SYM NAME    |  |
| XE@GBL.1   | 117.69   | 0.04                 | 117.77   | 117.62   | 117.77   | 142,108 | BUND        |  |
| XE@GBM.1   | 110.02   | 0.02                 | 110.10   | 109.99   | 110.10   | 61,826  | BOBL        |  |
| XE@GBS.1   | 104.03   | (0.02)               | 104.07   | 104.01   | 104.07   | 132,522 | SCHTZ       |  |
| GB@R.1     | 109.70   | (0.06)               | 109.80   | 109.64   | 109.78   | 25,172  | GILT        |  |
|            | ls       | net                  | high     | low      | open     | Volume  | SYM NAME    |  |
| @ES.1      | 1299.00  | (3.75)               | 1302.50  | 1296.50  | 1302.25  | 39,510  | MINI SP     |  |
| @YM.1      | 11384.00 | (31.00)              | 11415.00 | 11371.00 | 11412.00 | 3,135   | \$5 DOW     |  |
| &DJI       | 11406.20 | (63.08)              | 0.00     | 0.00     | 0.00     | 0       | DJIA        |  |
| XE@DX.1    | 5787.00  | (36.00)              | 5803.50  | 5765.50  | 5794.00  | 62,426  | DAX         |  |
| XE@FESX.1  | 3750.00  | (27.00)              | 3761.00  | 3739.00  | 3752.00  | 357,074 | EU STOXX    |  |
| XE@FSTX.1  | 3472.00  | (25.00)              | 3477.00  | 3463.00  | 3477.00  | 393     | DJ STOXX    |  |
|            | ls       | net                  | high     | low      | open     | Volume  | SYM NAME    |  |
| @CL.1      | 67.69    | 0.19                 | 67.98    | 67.41    | 67.55    | 2,929   | OIL         |  |
| @HO.1      | 1.918    | 0.01                 | 1.924    | 1.912    | 1.913    | 184     | HEAT OIL    |  |
| @NG.1      | 5.880    | (0.11)               | 5.944    | 5.835    | 5.890    | 458     | NAT GAS     |  |
| @HU.1      | 1.652    | 0.01                 | 1.655    | 1.640    | 1.643    | 157     | UNL GAS     |  |
|            | ls       | net                  | high     | low      | open     | Volume  | SYM NAME    |  |
| @ZG.1      | 642.30   | 0.80                 | 643.90   | 639.50   | 641.60   | 3,441   | GOLD        |  |
| @SI.1      | 1318.00  | (2.00)               | 1325.00  | 1310.00  | 1320.00  | 704     | SLVR        |  |
| \$\$EURUSD | 1.2781   | (0.0021)             | 1.2830   | 1.2774   | 1.2803   | <NA>    | EURO/USD    |  |
| \$\$USDJPY | 116.10   | (0.50)               | 117.04   | 115.99   | 116.60   | <NA>    | USD/YEN     |  |

Source: Reuters

## Overnight



### [Euro govt bonds turn flat on Mersch rate comments](#)

LONDON, Sept 7 (Reuters) - Euro zone government bonds were flat on Thursday as relatively hawkish comments from an ECB official cancelled out modest gains on U.S. equities' weakness overnight.

### [JGBs erase losses on weaker shares, Fukui awaited](#)

TOKYO, Sept 7 (Reuters) - Japanese government bonds were mixed on Thursday, erasing most of their early losses as Tokyo shares fell, but movements were limited ahead of a briefing by Bank of Japan Governor Toshihiko Fukui on Friday.

### [U.S. Treasuries steady as markets eye data, Fed's Yellen](#)

LONDON, Sept 7 (Reuters) - U.S. Treasuries dipped in Europe on Thursday but were trapped in a tight range ahead of key data and a speech by a U.S. Federal Reserve policy maker which will offer further insight into the interest rate outlook.

### [UK gilts, short stg weighed by house price data](#)

LONDON, Sept 7 (Reuters) - British gilt and short sterling rate futures slipped in early trade on Thursday, underperforming their euro zone counterparts after news that house prices continued to climb in August even after the surprise rate hike.

Sources: Reuters, MNI, Dow Jones

## Yield Curve Spreads &amp; Flys, DV01s, CFs

## M Duration

|     |       |
|-----|-------|
| 30y | 15.66 |
| 10y | 7.79  |
| 5y  | 4.29  |
| 3y  | 2.70  |
| 2y  | 1.90  |
| ZB  | 9.45  |
| ZN  | 5.76  |
| ZF  | 3.72  |
| ZT  | 1.70  |

## DV01s (32nds)

|     |      |
|-----|------|
| 30y | 4.67 |
| 10y | 2.51 |
| 5y  | 1.39 |
| 3y  | 0.87 |
| 2y  | 0.60 |
| ZB  | 3.39 |
| ZN  | 2.00 |
| ZF  | 1.27 |
| ZT  | 1.12 |

## DV01s (\$s)

|     |         |
|-----|---------|
| 30y | \$1,461 |
| 10y | \$785   |
| 5y  | \$433   |
| 3y  | \$271   |
| 2y  | \$186   |
| ZB  | \$106   |
| ZN  | \$62    |
| ZF  | \$40    |
| ZT  | \$35    |

## Yield Curve Spreads

|       |       |
|-------|-------|
| 2/3   | -6.30 |
| 3/5   | -0.20 |
| 2/5   | -6.50 |
| 5/10  | 5.60  |
| 2/10  | -0.90 |
| 10/30 | 15.10 |
| 5/30  | 20.70 |
| 2/30  | 14.20 |

## Fly's

|         |        |
|---------|--------|
| 2/3/5   | -6.10  |
| 2/5/10  | -12.10 |
| 2/10/30 | -16.00 |
| 5/10/30 | -9.50  |

## CFs

## OTR\*

|    |        |
|----|--------|
| ZB | 0.7943 |
| ZN | 0.9178 |
| ZF | 0.9421 |
| ZT | 0.9799 |

\*OTR = On the Run

\*CF OTR Basis = Conversion Factor On-the-Run Basis  
 (Cash price - (Futures price\* OTR CF))= CF OTR Basis

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

MDuration = Modified Macaulay Duration

Hedge Ratios: US Financial Futures / Eurex Bund, Bobl, Schatz,

**MAKE SURE YOU ARE LOOKING AT THE RIGHT TRADING MONTH!**

US Financial Futures / Eurex Bond Hedge Ratios

Short Number of Contracts

|            | ZB    | ZN    | ZF    | ZT    | Number<br>of<br>contracts<br>LONG |
|------------|-------|-------|-------|-------|-----------------------------------|
| Bund (U)   | 1.000 | 1.800 | 2.800 | 3.100 |                                   |
| Bobl (U)   | 0.560 | 0.950 | 1.470 | 1.572 |                                   |
| Schatz (U) | 0.220 | 0.370 | 0.580 | 0.635 |                                   |

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

|    | ZB    | ZN    | ZF    | ZT    |
|----|-------|-------|-------|-------|
| ZB |       | 1.697 | 4.652 | 3.032 |
| ZN | 0.589 |       | 1.578 | 1.787 |
| ZF | 0.374 | 0.634 |       | 1.133 |
| ZT | 0.330 | 1.119 | 1.766 |       |

H=Mch

M=Jun

U=Sep

Z=Dec

## Hedge Ratios: US Treasury Cash / Eurex Bund, Bobl, Schatz

## US Treasuries v US Financial Futures Hedge Ratios

|    | 2y   | 3y   | 5y    | 10y   | 30y   |
|----|------|------|-------|-------|-------|
| ZB | 1.76 | 2.56 | 4.29  | 7.42  | 13.80 |
| ZN | 2.99 | 4.34 | 7.27  | 12.59 | 23.42 |
| ZF | 4.72 | 6.85 | 11.47 | 19.86 | 36.95 |
| ZT | 5.35 | 7.76 | 12.99 | 22.50 | 41.85 |

## US Treasuries v Eurex Bonds Hedge Ratios

|            | 2y  | 3y   | 5y   | 10y  | 30y  |
|------------|-----|------|------|------|------|
| Bund (U)   | 1.7 | 2.4  | 3.9  | 7.0  | 13.0 |
| Bobl (U)   | 3.1 | 4.6  | 7.4  | 13.0 | 24.4 |
| Schatz (U) | 7.0 | 10.2 | 16.4 | 29.5 | 55.1 |

Eurex Hedge Ratio's source: Bloomberg

## Eurex Hedge Ratios

|            | Bund (U) | Bobl (U) | Schatz (U) |
|------------|----------|----------|------------|
| Bund (U)   |          | 1.880    | 4.800      |
| Bobl (U)   | 0.532    |          | 2.484      |
| Schatz (U) | 0.214    | 0.403    |            |

Eurex Hedge Ratio's source: Bloomberg

H=Mch

M=Jun

U=Sep

Z=Dec

## Hedge Ratios: US Cash Treasuries / Eurodollar

## US Treasuries v US Treasuries

|     | 2y    | 3y    | 5y    | 10y   | 30y   |
|-----|-------|-------|-------|-------|-------|
| 2y  |       | 1.450 | 2.429 | 4.206 | 7.824 |
| 3y  | 0.690 |       | 1.675 | 2.901 | 5.396 |
| 5y  | 0.431 | 0.625 |       | 1.812 | 3.371 |
| 10y | 0.238 | 0.345 | 0.578 |       | 1.860 |
| 30y | 0.128 | 0.185 | 0.310 | 0.538 |       |



## 2 PM CDT Closes: US Treasuries, US Financial Futures, YC Spreads, Basis

|     | <b>Cpn</b> | <b>Mty</b> | <b>32nds</b> | <b>Yield</b> |
|-----|------------|------------|--------------|--------------|
| 2y  | 4.875      | 8/31/2008  | 100.0375     | 4.807        |
| 3y  | 4.875      | 8/15/2009  | 100.1075     | 4.750        |
| 5y  | 4.625      | 8/31/2011  | 99.1525      | 4.744        |
| 10y | 4.875      | 8/15/2016  | 100.1850     | 4.799        |
| 30y | 4.500      | 2/15/2036  | 93.0200      | 4.950        |

**GHCO**

|     | <b>CF Basis*</b> | <b>Basis</b> |    | <b>32nds</b> |
|-----|------------------|--------------|----|--------------|
| 5y  | 0.906            | 12.3645      | ZF | 104.285      |
| 10y | 2.614            | 71.3938      | ZN | 106.310      |
| 30y | 5.583            | 173.2400     | ZB | 110.08       |

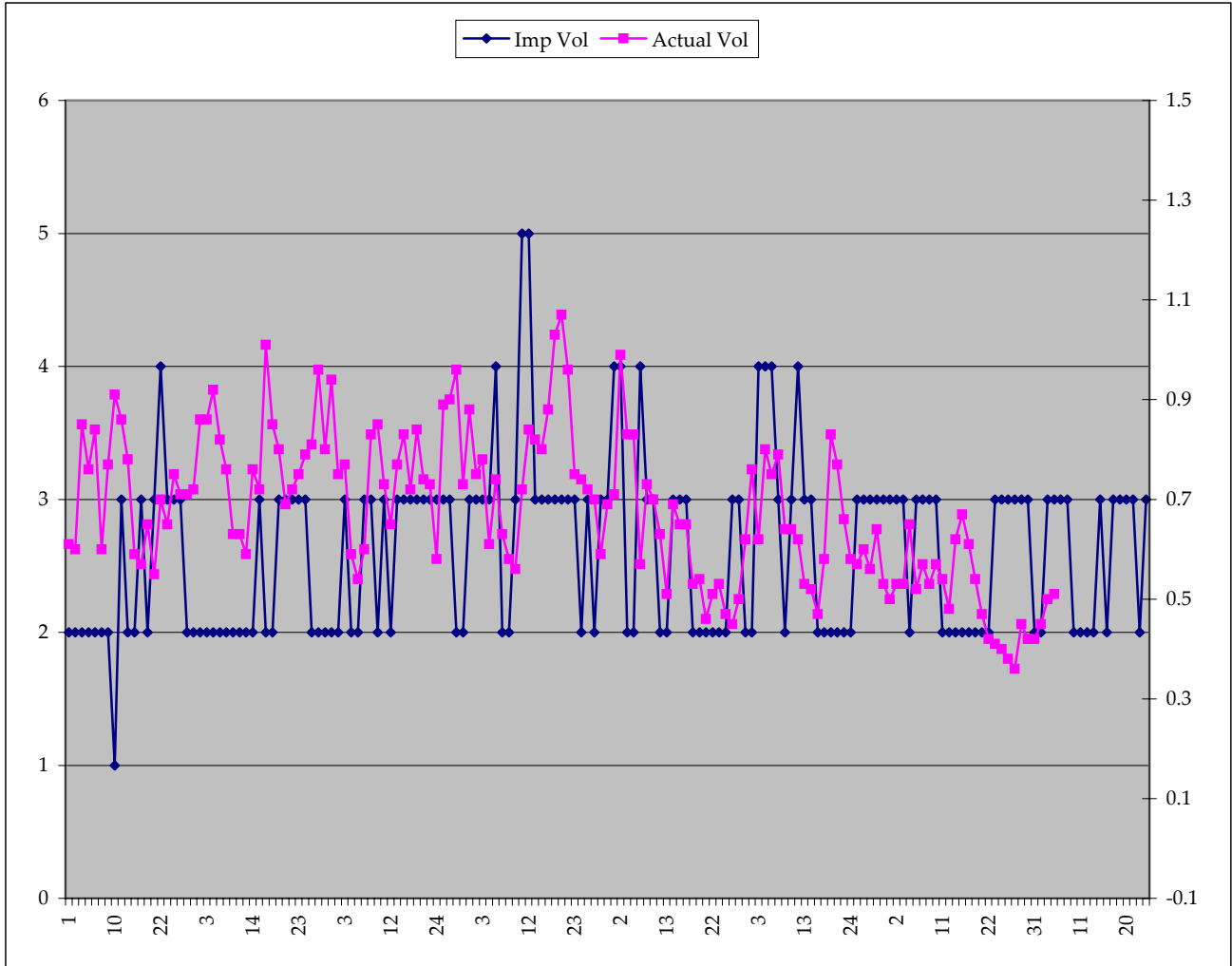
**Curve Spreads bps**

|       |        |
|-------|--------|
| 2/3   | -0.057 |
| 3/5   | -0.006 |
| 2/5   | -0.063 |
| 5/10  | 0.055  |
| 2/10  | -0.008 |
| 10/30 | 0.151  |
| 5/30  | 0.206  |
| 2/30  | 0.143  |

CF = Conversion Factor

Cash - (Futures \* CF)

Implied Volatility (Daily)



Begins Feb 1. No weekends

Scale is 1-9 (left axis)  
 1,2 = very slow  
 3 = moderate  
 4,5 = volatile  
 6-9 = very volatile

Implied Volatility on left axis.  
 Actual Volatility on right axis.  
 Actual Vol based on 3 day MA.

**Implied Volatility (3-Hour)**

| CDT Time  | UT Time   | EDT Time  | 9/7/2007 | 9/8/2007 | 9/9/2007 |
|-----------|-----------|-----------|----------|----------|----------|
| 1900-2200 | 0000-0300 | 2000-2300 | 1        | 1        | 1        |
| 2200-0100 | 0300-0600 | 2300-0200 | 2        | 2        | 2        |
| 0100-0400 | 0600-0900 | 0200-0500 | 2        | 2        | 2        |
| 0400-0700 | 0900-1200 | 0500-0800 | 1        | 1        | 1        |
| 0700-1000 | 1200-1500 | 0800-1100 | 1        | 1        | 1        |
| 1000-1300 | 1500-1800 | 1100-1400 | 1        | 1        | 1        |
| 1300-1600 | 1800-2100 | 1400-1700 | 1        | 1        | 1        |
| 1600-1900 | 2100-0000 | 1700-2000 | 1        | 1        | 1        |

Shaded boxes denote market hours 4am to 4pm CDT

**Scale = 1-9**

where

1,2 = very slow

3 = moderate

4,5 = volatile

6-9 = very volatile





