The Morning Email: Treasuries

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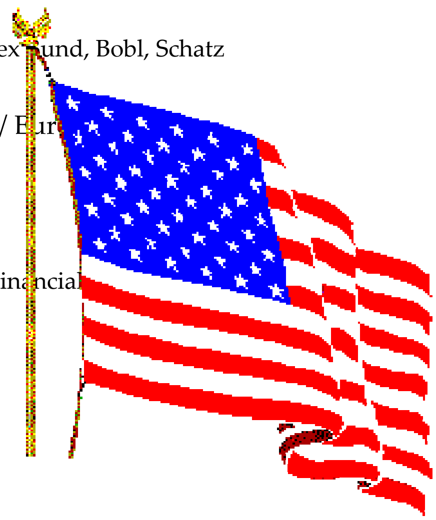

Want something added?
Let me know: jgoulding@ghco.com

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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

9/11/2006 5:31	Quotes/Volume	Pg 1

Source: Reuters

Quotes as of 5:31:25 CDT

32 nds

	ls	net	high	low	open	Volume	SYM NAME
@ZB.1	110.070	0.00	110.090	110.040	110.040	611	30y Futures
@ZN.1	107.080	(0.01)	107.085	107.045	107.070	2,901	10y Futures
@ZF.1	104.290	(0.02)	104.295	104.280	104.280	1,200	5y Futures
@ZT.1	101.303	(0.01)	102.008	101.285	102.005	115	2y Futures
	ls	net	high	low	open	Volume	SYM NAME
@?bus30c	93.170	(0.010)	93.170	93.110	93.110	87.0	30y
@?bus10c	100.255	0.005	100.260	100.225	100.230	1,318.0	10y
@?bus5c	99.198	0.003	99.208	99.185	99.198	1,123.0	5y
@?bus2c	100.040	0.003	100.043	100.038	100.038	1,355.0	2y
	ls	net	high	low	open	Volume	SYM NAME
@?bus30cy	4.919	0.00	4.931	4.918	4.931	87	30y Yield
@?bus10cy	4.771	(0.00)	4.785	4.771	4.783	1,318	10y Yield
@?bus5cy	4.712	(0.00)	4.721	4.705	4.712	1,123	5y Yield
@?bus2cy	4.807	(0.00)	4.811	4.802	4.811	1,355	2y Yield
	ls	net	high	low	open	Volume	SYM NAME
XE@GBL.1	117.36	(0.01)	117.38	117.12	117.31	434,012	BUND
XE@GBM.1	109.64	(0.05)	109.66	109.51	109.63	251,605	BOBL
XE@GBS.1	103.89	(0.03)	103.91	103.85	103.90	269,318	SCHTZ
GB@R.1	109.97	(0.04)	110.01	109.78	109.91	15,850	GILT
	ls	net	high	low	open	Volume	SYM NAME
@ES.1	1293.75	(5.50)	1300.00	1291.75	1300.00	11,473	MINI SP
@YM.1	11343.00	(40.00)	11387.00	11325.00	11387.00	1,420	$5 DOW
&DJI	11392.11	60.67	0.00	0.00	0.00	0	DJIA
XE@DX.1	5762.50	(37.50)	5782.00	5737.00	5778.50	60,923	DAX
XE@FESX.1	3725.00	(27.00)	3740.00	3711.00	3739.00	369,820	EU STOXX
XE@FSTX.1	3446.00	(32.00)	3458.00	3436.00	3455.00	1,274	DJ STOXX
	ls	net	high	low	open	Volume	SYM NAME
@CL.1	65.72	(0.53)	66.11	65.55	66.01	7,143	OIL
@HO.1	1.824	(0.02)	1.843	1.818	1.843	530	HEAT OIL
@NG.1	5.330	(0.35)	5.600	5.319	5.580	1,850	NAT GAS
@HU.1	1.600	(0.01)	1.613	1.595	1.613	189	UNL GAS
@ZG.1	603.10	(14.40)	615.80	599.30	614.50	11,032	GOLD
@SI.1	1195.00	(34.50)	1232.00	1177.00	1227.00	2,738	SLVR
$$EURUSD	1.2722	0.0051	1.2739	1.2650	1.2672	<NA>	EURO/USD
$$USDJPY	117.30	0.38	117.34	116.63	116.92	<NA>	USD/YEN

Source: Reuters

Overnight

Telecom Italia debt hit by break-up uncertainty
LONDON, Sept 11 (Reuters) - The cost of insuring against a default by Telecom Italia rose by close to 50 percent early on Monday before falling back as confusion swept the market before a board meeting on restructuring the company's mobile and fixed-line operations.

Societe Air France sets guidance on bond -banker
LONDON, Sept 11 (Reuters) - Societe Air France plans to issue a long 7-year euro bond to yield around mid-swaps plus 95 basis points, a banker familiar with the sale said on Monday.

UBM bond seen at mid-swaps +low 60s bps -banker
LONDON, Sept 11 (Reuters) - Britain's United Business Media Plc has set initial guidance on a 5-year euro bond it plans to sell, a banker familiar with the sale said on Monday.

Germany's KfW plans 3 bln euro bond -leads
LONDON, Sept 11 (Reuters) - German state development agency KfW [KFW.UL] plans to sell a 3 billion euro ($3.82 billion), 5-year bond, the banks managing the sale said on Monday.

Emerging Debt-Asian dollar bonds steady, new issues eyed
HONG KONG, Sept 11 (Reuters) - Asian dollar bonds were mostly steady on Monday ahead of a slew of new debt issues expected to top $1 billion in the next two weeks.

US corporate bond spreads firm after $21 bln supply
NEW YORK, Sept 8 (Reuters) - U.S. corporate bonds wrapped up the week with a firm tone on Friday after the market absorbed more than $21 billion of supply for the week, with new deals performing well in a sign of strong demand.

US Credit-Starwood credit spreads seen tight
NEW YORK, Sept 8 (Reuters) - Credit spreads of Starwood Hotels and Resorts Worldwide Inc. have tightened since the company was upgraded in late August to investment grade, however its tight spreads fully account for its risks, according to some analysts.

Asset-backed spreads tight after $10 bln supply week
NEW YORK, Sept 8 (Reuters) - U.S. asset-backed securities spreads held tight amid steady demand on Friday, while issuers sold another $3.5 billion in deals bringing total sales for the week to $10 billion, market participants said.

Siemens sells $2.5 bln of euro, stg hybrid bonds
LONDON, Sept 8 (Reuters) - German engineering group Siemens sold $2.5 billion worth of euro and sterling bonds on Friday, becoming the latest corporate borrower to tap the market for hybrid bonds, which blend features of equity and debt.

Fed study shows 2005 jump in non-prime mortgages
WASHINGTON, Sept 8 (Reuters) - U.S. mortgage lending data show sharp growth in the use of higher-priced "non-prime" mortgages for home purchases in 2005 over 2004, and even steeper gains in the incidence of such loans among blacks and Hispanics, a Federal Reserve study showed on Friday.

Sources: Reuters, MNI, Dow Jones

Yield Curve Spreads & Flys, DV01s, CFs

M Duration

30y	15.70
10y	7.78
5y	4.28
3y	2.69
2y	1.89
ZB	9.45
ZN	5.75
ZF	3.71
ZT	1.68

DV01s (32nds)

30y	4.72
10y	2.52
5y	1.39
3y	0.86
2y	0.59
ZB	3.40
ZN	2.00
ZF	1.26
ZT	1.11

DV01s ($s)

30y	$1,474
10y	$787
5y	$433
3y	$270
2y	$186
ZB	$106
ZN	$62
ZF	$39
ZT	$35

Yield Curve Spreads

2/3	-6.90
3/5	-2.60
2/5	-9.50
5/10	6.10
2/10	-3.40
10/30	14.50
5/30	20.60
2/30	11.10

Fly's

2/3/5	-4.30
2/5/10	-15.60
2/10/30	-17.90
5/10/30	-8.40

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 = Modifed Macauly 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	
Bund (Z)	1.000	1.800	2.700	2.900	Number of contracts LONG
Bobl (Z)	0.530	0.940	1.400	1.500	
Shatz (Z)	0.230	0.410	0.620	0.680	

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		1.701	4.699	3.061
ZN	0.588		1.582	1.799
ZF	0.372	0.632		1.138
ZT	0.327	1.112	1.758	

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	1.75	2.54	4.27	7.41	13.87
ZN	2.97	4.32	7.26	12.60	23.60
ZF	4.70	6.83	11.48	19.93	37.32
ZT	5.35	7.77	13.06	22.68	42.46

US Treasuries v Eurex Bonds Hedge Ratios

	2y	3y	5y	10y	30y
Bund (Z)	1.7	2.4	3.9	7.0	13.1
Bobl (Z)	3.1	4.7	7.3	13.5	25.2
Shatz (Z)	7.1	10.4	16.7	30.0	56.1

Eurex Hedge Ratio's source: Bloomberg

Eurex Hedge Ratios

	Bund (Z)	Bobl (Z)	Shatz (Z)
Bund (Z)		1.880	4.800
Bobl (Z)	0.532		2.484
Shatz (Z)	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		1.452	2.441	4.237	7.934
3y	0.689		1.681	2.918	5.463
5y	0.429	0.623		1.817	3.402
10y	0.236	0.343	0.576		1.872
30y	0.126	0.183	0.308	0.534	

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

	Cpn	Mty	32nds	Yield
2y	4.875	8/31/2008	100.0475	4.789
3y	4.875	8/15/2009	100.1275	4.727
5y	4.625	8/31/2011	99.2100	4.703
10y	4.875	8/15/2016	100.2650	4.766
30y	4.500	2/15/2036	93.1850	4.526

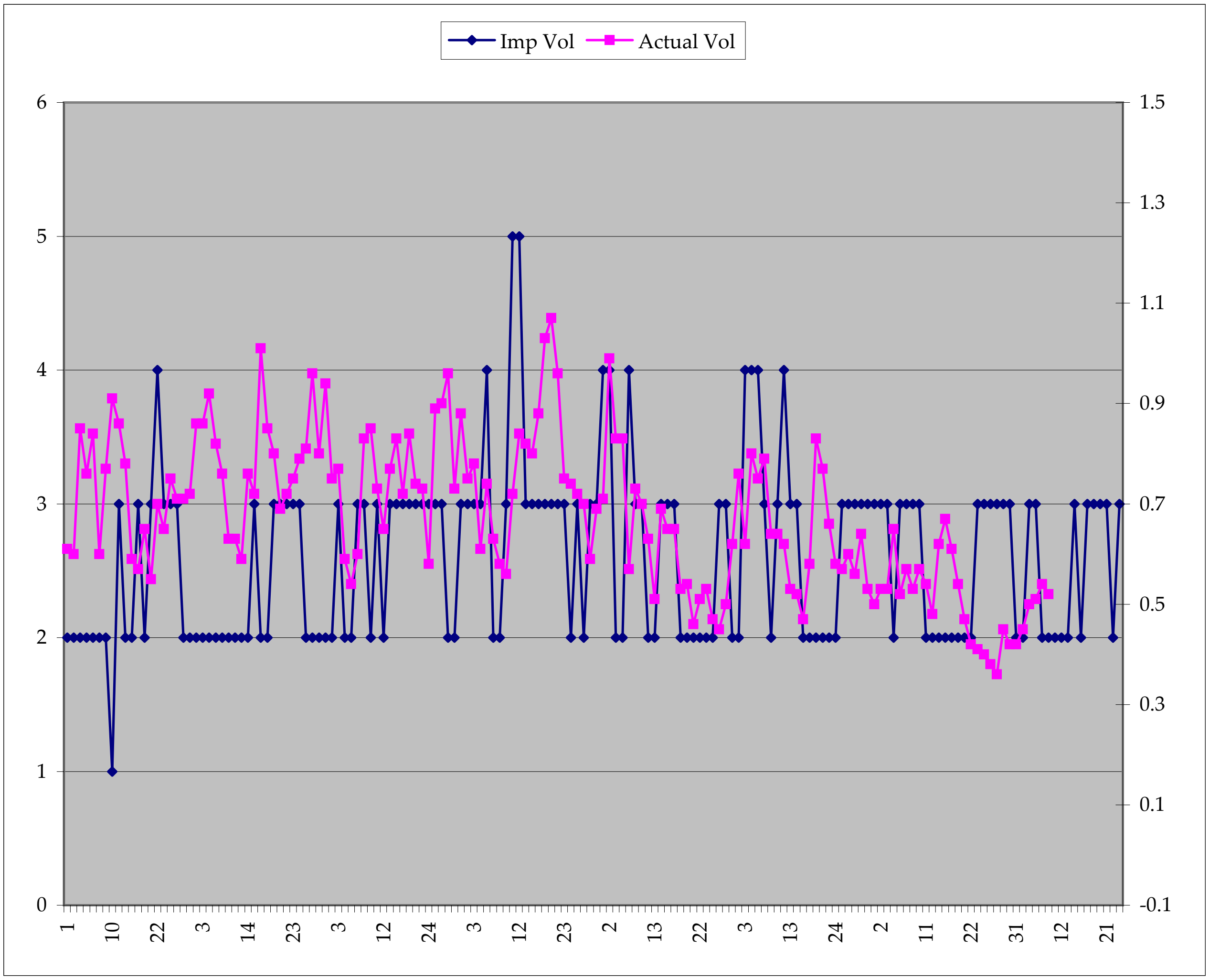
	CF Basis*	GHCO Basis		32nds
5y	0.285	14.3357	ZF	105.005
10y	2.005	72.9580	ZN	107.060
30y	13.604	0.0000	ZB	100.19

	Curve Spreads bps
2/3	-0.062
3/5	-0.024
2/5	-0.086
5/10	0.063
2/10	-0.023
10/30	-0.240
5/30	-0.177
2/30	-0.263

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	9/11/2007	9/12/2007	9/13/2007
1900-2200	0000-0300	2000-2300	2	2	2
2200-0100	0300-0600	2300-0200	3	3	2
0100-0400	0600-0900	0200-0500	2	2	2
0400-0700	0900-1200	0500-0800	2	2	1
0700-1000	1200-1500	0800-1100	2	2	1
1000-1300	1500-1800	1100-1400	2	2	1
1300-1600	1800-2100	1400-1700	2	2	1
1600-1900	2100-0000	1700-2000	2	2	2

Shaded boxes denote maket hours 4am to 4pm CDT

Scale = 1-9
where
1,2 = very slow
3 = moderate
4,5 = volatile
6-9 = very volatilte