The Morning Email: Treasuries

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Want something added?
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Disclaimer:

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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

9/13/2006 5:23

Quotes/Volume

Source: Reuters

Quotes as of 5:23:09 CDT

32 nds

	ls	net	high	low	open	Volume	SYM NAME
@ZB.1	110.110	0.01	110.130	110.100	110.130	2,633	30y Futures
@ZN.1	107.090	0.01	107.095	107.085	107.085	4,349	10y Futures
@ZF.1	104.305	0.01	104.305	104.305	104.305	1,408	5y Futures
@ZT.1	0.000	0.00	0.000	0.000	0.000	0	2y Futures
	ls	net	high	low	open	Volume	SYM NAME
@?bus30c	93.265	0.035	93.275	93.210	93.210	198.0	30y
@?bus10c	100.260	0.005	100.270	100.250	100.265	2,650.0	10y
@?bus5c	99.203	(0.003)	99.218	99.198	99.205	1,303.0	5y
@?bus2c	100.030	(0.003)	100.038	100.030	100.033	2,409.0	2y
	ls	net	high	low	open	Volume	SYM NAME
@?bus30cy	4.898	(0.01)	4.91	4.896	4.91	198	30y Yield
@?bus10cy	4.769	(0.00)	4.775	4.767	4.769	2,650	10y Yield
@?bus5cy	4.707	0.00	4.712	4.698	4.707	1,303	5y Yield
@?bus2cy	4.819	0.00	4.823	4.811	4.819	2,409	2y Yield
	ls	net	high	low	open	Volume	SYM NAME
XE@GBL.1	117.22	0.28	117.31	117.10	117.14	578,134	BUND
XE@GBM.1	109.60	0.12	109.64	109.54	109.57	288,475	BOBL
XE@GBS.1	103.87	0.02	103.88	103.85	103.86	344,826	SCHTZ
GB@R.1	109.73	0.28	109.85	109.56	109.63	36,758	GILT
	ls	net	high	low	open	Volume	SYM NAME
@ES.1	1312.75	(1.00)	1313.75	1312.00	1313.00	4,099	MINI SP
@YM.1	11488.00	(8.00)	11519.00	11486.00	11519.00	445	$5 DOW
&DJI	11498.09	101.25	0.00	0.00	0.00	0	DJIA
XE@DX.1	5896.50	20.50	5910.50	5882.50	5897.00	67,605	DAX
XE@FESX.1	3800.00	10.00	3812.00	3795.00	3808.00	457,104	EU STOXX
XE@FSTX.1	3507.00	8.00	3517.00	3503.00	3509.00	3,240	DJ STOXX
	ls	net	high	low	open	Volume	SYM NAME
@CL.1	64.00	0.24	64.22	63.50	63.84	4,851	OIL
@HO.1	1.773	0.01	1.775	1.761	1.766	315	HEAT OIL
@NG.1	5.420	(0.15)	5.590	5.420	5.570	625	NAT GAS
@HU.1	1.575	0.02	1.575	1.558	1.559	226	UNL GAS
@ZG.1	591.60	(2.90)	595.90	585.60	594.60	8,614	GOLD
@SI.1	1113.00	(1.00)	1123.50	1099.00	1115.50	1,914	SLVR
$$EURUSD	1.2684	(0.0001)	1.2700	1.2668	1.2684	<NA>	EURO/USD
$$USDJPY	117.57	(0.34)	118.01	117.55	117.91	<NA>	USD/YEN

Source: Reuters

Overnight

Bund rallies, tracks overnight US Treasuries
LONDON, Sept 13 (Reuters) - The December Bund future rallied at the open on Wednesday, after stronger-than-expected bidding in a U.S. 10-year debt sale bolstered appetite for bonds even as the euro zone faces its own series of auctions.

Germany 2-yr bond sale upset by rate view
LONDON, Sept 13 (Reuters) - Germany's 6.96 billion euros of new two-year Schatz debt sale on Wednesday attracted the lowest price bidding in nine years amidst a widely-held view that euro zone interest rates are headed higher in the months to come.

UK gilt futures extend gains on mixed jobs data
LONDON, Sept 13 (Reuters) - UK gilt futures extended early gains on Wednesday after mixed British jobs data, and tracking firmer Bunds to recover from losses in the previous session that had been inspired by a strong inflation reading.

JGBs rise on rally in U.S. Treasuries, Nikkei eyed
TOKYO, Sept 13 (Reuters) - Japanese government bonds rose on Wednesday, following gains in U.S. Treasuries, but investors were cautious about placing big bets in view of an early rally in domestic shares.

Italy bond to be worth $3 bln, orders at $4.5 bln
MILAN, Sept 13 (Reuters) - A planned 10-year bond by the Italian Republic will be worth $3 billion with a yield of 49.5 basis points over the benchmark 10-year U.S. Treasury note, sources close to the operation told Reuters on Wednesday.

Treasuries steady in Asia, post-auction gains held
TOKYO, Sept 13 (Reuters) - U.S. Treasuries were steady in Asia on Wednesday, holding gains made in U.S. trade after demand at a 10-year note auction exceeded expectations and helped bolster investor sentiment.

Sources: Reuters, MNI, Dow Jones

Yield Curve Spreads & Flys, DV01s, CFs

M Duration	
30y	15.72
10y	7.77
5y	4.28
3y	2.68
2y	1.88
ZB	9.45
ZN	5.75
ZF	3.70
ZT	1.68

DV01s (32nds)	
30y	4.74
10y	2.52
5y	1.39
3y	0.86
2y	0.59
ZB	3.41
ZN	2.00
ZF	1.26
ZT	1.11

DV01s ($s)	
30y	$1,480
10y	$787
5y	$433
3y	$269
2y	$185
ZB	$106
ZN	$62
ZF	$39
ZT	$35

Yield Curve Spreads	
2/3	-8.30
3/5	-3.20
2/5	-11.50
5/10	6.30
2/10	-5.20
10/30	12.70
5/30	19.00
2/30	7.50

Fly's	
2/3/5	-5.10
2/5/10	-17.80
2/10/30	-17.90
5/10/30	-6.40

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,

<u>MAKE SURE YOU ARE LOOKING AT THE RIGHT TRADING MONTH!</u>

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		1.706	4.726	3.078
ZN	0.586		1.582	1.804
ZF	0.370	0.632		1.140
ZT	0.325	1.109	1.754	

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	1.74	2.53	4.26	7.39	13.91
ZN	2.97	4.31	7.26	12.61	23.72
ZF	4.70	6.83	11.49	19.96	37.54
ZT	5.35	7.78	13.10	22.75	42.79

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		1.454	2.446	4.249	7.994
3y	0.688		1.683	2.923	5.499
5y	0.428	0.622		1.818	3.420
10y	0.235	0.342	0.576		1.881
30y	0.125	0.182	0.306	0.532	

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

	Cpn	Mty	32nds	Yield
2y	4.875	8/31/2008	100.0375	4.806
3y	4.875	8/15/2009	100.1150	4.740
5y	4.625	8/31/2011	99.2020	4.709
10y	4.875	8/15/2016	100.2600	4.768
30y	4.500	2/15/2036	93.2350	4.904

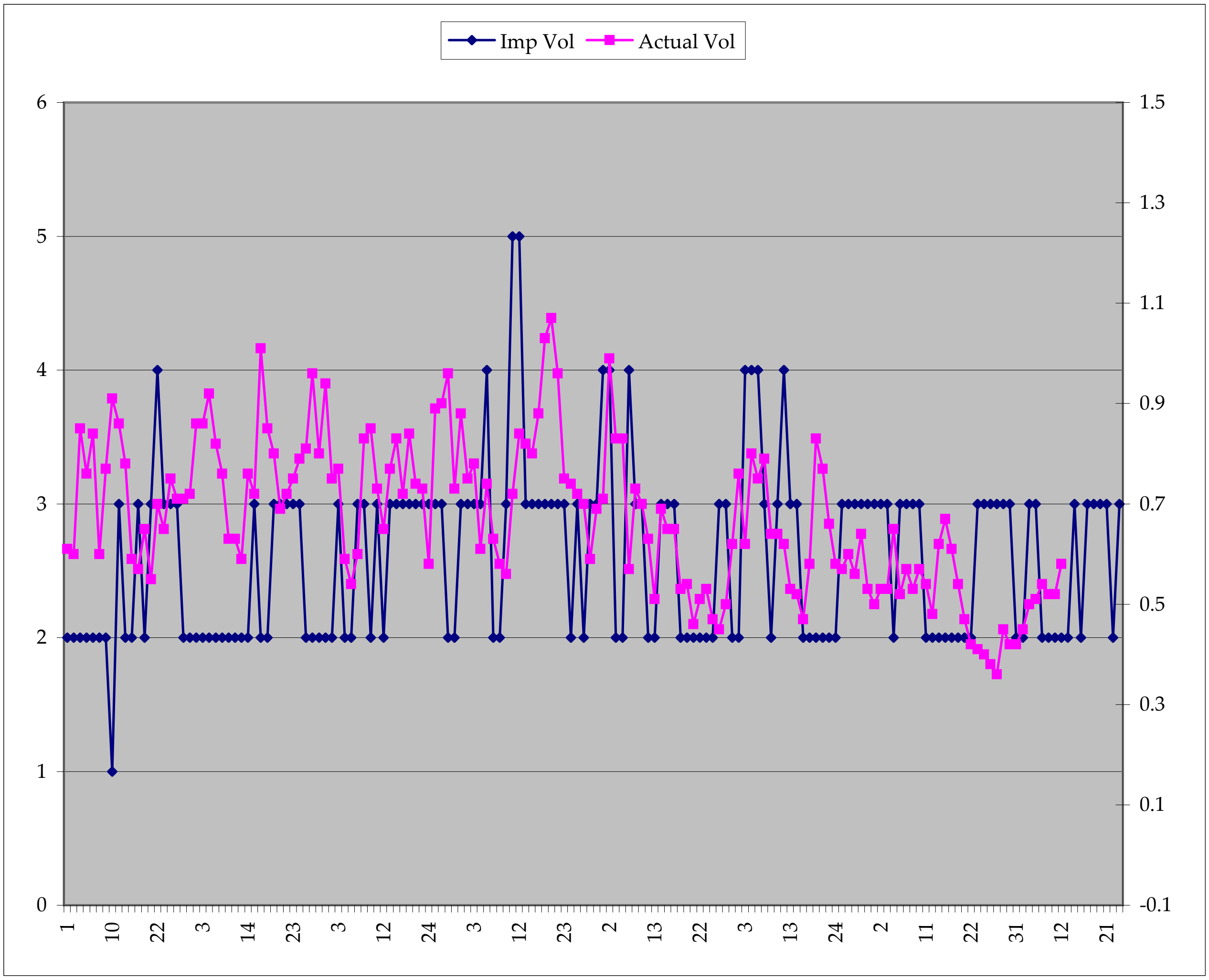
	CF Basis*	GHCO Basis		32nds
5y	0.932	14.9527	ZF	104.310
10y	2.010	73.3774	ZN	107.050
30y	5.687	183.6100	ZB	110.22

	Curve Spreads bps
2/3	-0.066
3/5	-0.031
2/5	-0.097
5/10	0.059
2/10	-0.038
10/30	0.136
5/30	0.195
2/30	0.098

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	9/13/2007	9/14/2007	9/15/2007
1900-2200	0000-0300	2000-2300	2	2	2
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	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