The Morning Email: Treasuries

Table of Contents

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

Disclaimer:
All information within this newsletter is meant for internal use at Goldenberg, Hehmeyer & Co. 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.

Jim Goulding, GHCO, Treas-Arb, Chicago, jgoulding@ghco.com

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	99.2500	101.0975	107.1900	111.1000	9/20/2006
FOMC Low	99.2125	101.0100	107.1000	111.1000	9/20/2006
PPI High	99.2350	101.0350	107.1300	111.0500	**9/18/2006**
PPI Low	99.1350	100.1900	106.2800	110.1300	**9/18/2006**
CPI High	99.2125	100.3150	107.1000	111.0200	**9/15/2006**
CPI Low	99.1325	100.1800	106.2900	110.1300	**9/15/2006**

*Adjusted for New Issue

Prices are recorded from econ release to 2pm CDT

Quotes/Volume

Source: Reuters

Quotes as of 5:27:58 CDT

32 nds

	ls	net	high	low	open	Volume	SYM NAME
@ZB.1	111.040	(0.03)	111.080	111.020	111.060	15,272	30y Futures
@ZN.1	107.105	(0.03)	107.135	107.100	107.130	66,768	10y Futures
@ZF.1	105.010	(0.02)	105.030	105.005	105.025	31,798	5y Futures
@ZT.1	102.010	(0.01)	102.020	102.008	102.015	10,479	2y Futures
	ls	net	high	low	open	Volume	SYM NAME
@?bus30c	94.155	(0.025)	94.190	94.145	94.180	195.0	30y
@?bus10c	101.025	(0.010)	101.045	101.020	101.040	2,427.0	10y
@?bus5c	99.208	(0.013)	99.225	99.208	99.220	1,359.0	5y
@?bus2c	100.025	(0.008)	100.033	100.028	100.033	1,843.0	2y
	ls	net	high	low	open	Volume	SYM NAME
@?bus30cy	4.853	0.01	4.856	4.847	4.849	195	30y Yield
@?bus10cy	4.735	0.00	4.739	4.729	4.731	2,427	10y Yield
@?bus5cy	4.703	0.01	4.705	4.692	4.696	1,359	5y Yield
@?bus2cy	4.826	0.01	4.826	4.818	4.818	1,843	2y Yield
	ls	net	high	low	open	Volume	SYM NAME
XE@GBL.1	117.33	(0.16)	117.39	117.28	117.38	259,880	BUND
XE@GBM.1	109.55	(0.08)	109.57	109.51	109.56	184,316	BOBL
XE@GBS.1	103.85	(0.04)	103.86	103.84	103.85	125,141	SCHTZ
GB@R.1	109.28	(0.14)	109.37	109.22	109.25	24,352	GILT
	ls	net	high	low	open	Volume	SYM NAME
@ES.1	1339.25	2.75	1339.75	1335.00	1336.50	39,066	MINI SP
@YM.1	11725.00	28.00	11728.00	11688.00	11698.00	1,796	$5 DOW
&DJI	11613.19	72.28	0.00	0.00	0.00	0	DJIA
XE@DX.1	6017.50	17.00	6027.50	5983.00	6006.00	46,586	DAX
XE@FESX.1	3877.00	20.00	3886.00	3847.00	3861.00	301,351	EU STOXX
XE@FSTX.1	3550.00	17.00	3561.00	3530.00	3542.00	1,293	DJ STOXX
	ls	net	high	low	open	Volume	SYM NAME
@CL.1	60.95	0.21	61.30	60.80	60.81	5,044	OIL
@HO.1	1.660	0.01	1.670	1.651	1.652	241	HEAT OIL
@NG.1	4.710	(0.22)	4.932	4.678	4.931	1,067	NAT GAS
@HU.1	1.471	0.00	1.472	1.467	1.467	21	UNL GAS
@ZG.1	585.70	(1.00)	587.90	580.20	582.70	5,612	GOLD
@SI.1	1112.00	(2.00)	1119.00	1092.00	1113.50	1,102	SLVR
$$EURUSD	1.2730	0.0046	1.2733	1.2684	1.2680	<NA>	EURO/USD
$$USDJPY	116.89	(0.51)	117.47	116.90	117.42	<NA>	USD/YEN

Source: Reuters

Overnight

U.S. Treasuries ease as Fed maintains tightening bias
LONDON, Sept 21 (Reuters) - U.S. Treasuries eased in Europe on Thursday as the Fed kept its tightening bias after holding rates steady, although a Reuters poll showed a market majority were betting U.S. rates had peaked.

Bunds down post-Fed, wary of supply
LONDON, Sept 21 (Reuters) - Euro zone government bonds edged lower in early trading on Thursday on a rally in Wall Street stocks and supply jitters, as the Federal Reserve's decision and statement provided little surprise to the market.

UK five-year gilt sale wins stellar demand
LONDON, Sept 21 (Reuters) - Britain's 2.5 billion pound sale of five-year gilts received strong demand on Thursday, attracting the best bid-to-cover ratio for a conventional UK bond offering in more than two years.

JGBs fall on profit-taking, Nikkei gains weigh
TOKYO, Sept 21 (Reuters) - Japanese government bonds eased on Thursday as a rise in Tokyo share prices prompted investors to take profits on the previous session's rally.

UK's Network Rail sets terms on $1 bln bond -banker
LONDON, Sept 21 (Reuters) - Network Rail, which owns Britain's rail infrastructure, plans to sell a 3-year, $1 billion Eurodollar bond to yield around 27 basis points over Treasuries, a banker familiar with the deal said on Thursday.

Sources: Reuters, MNI, Dow Jones

Yield Curve Spreads & Flys, DV01s, CFs

M Duration

30y	15.74
10y	7.76
5y	4.26
3y	2.66
2y	1.89
ZB	9.44
ZN	5.73
ZF	3.68
ZT	1.66

DV01s (32nds)

30y	4.78
10y	2.52
5y	1.38
3y	0.85
2y	0.59
ZB	3.42
ZN	2.00
ZF	1.26
ZT	1.09

DV01s ($s)

30y	$1,495
10y	$788
5y	$431
3y	$267
2y	$183
ZB	$107
ZN	$62
ZF	$39
ZT	$34

Yield Curve Spreads

2/3	-9.50
3/5	-3.10
2/5	-12.60
5/10	3.20
2/10	-9.40
10/30	11.70
5/30	14.90
2/30	2.30

Fly's

2/3/5	-6.40
2/5/10	-15.80
2/10/30	-21.10
5/10/30	-8.50

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 = 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		1.712	4.792	3.123
ZN	0.584		1.588	1.824
ZF	0.368	0.630		1.149
ZT	0.320	1.096	1.741	

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	1.72	2.50	4.23	7.38	14.00
ZN	2.94	4.28	7.24	12.64	23.97
ZF	4.66	6.80	11.49	20.07	38.06
ZT	5.36	7.81	13.20	23.05	43.73

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		1.458	2.464	4.302	8.161
3y	0.686		1.690	2.950	5.596
5y	0.425	0.619		1.827	3.465
10y	0.232	0.339	0.573		1.897
30y	0.123	0.179	0.302	0.527	

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

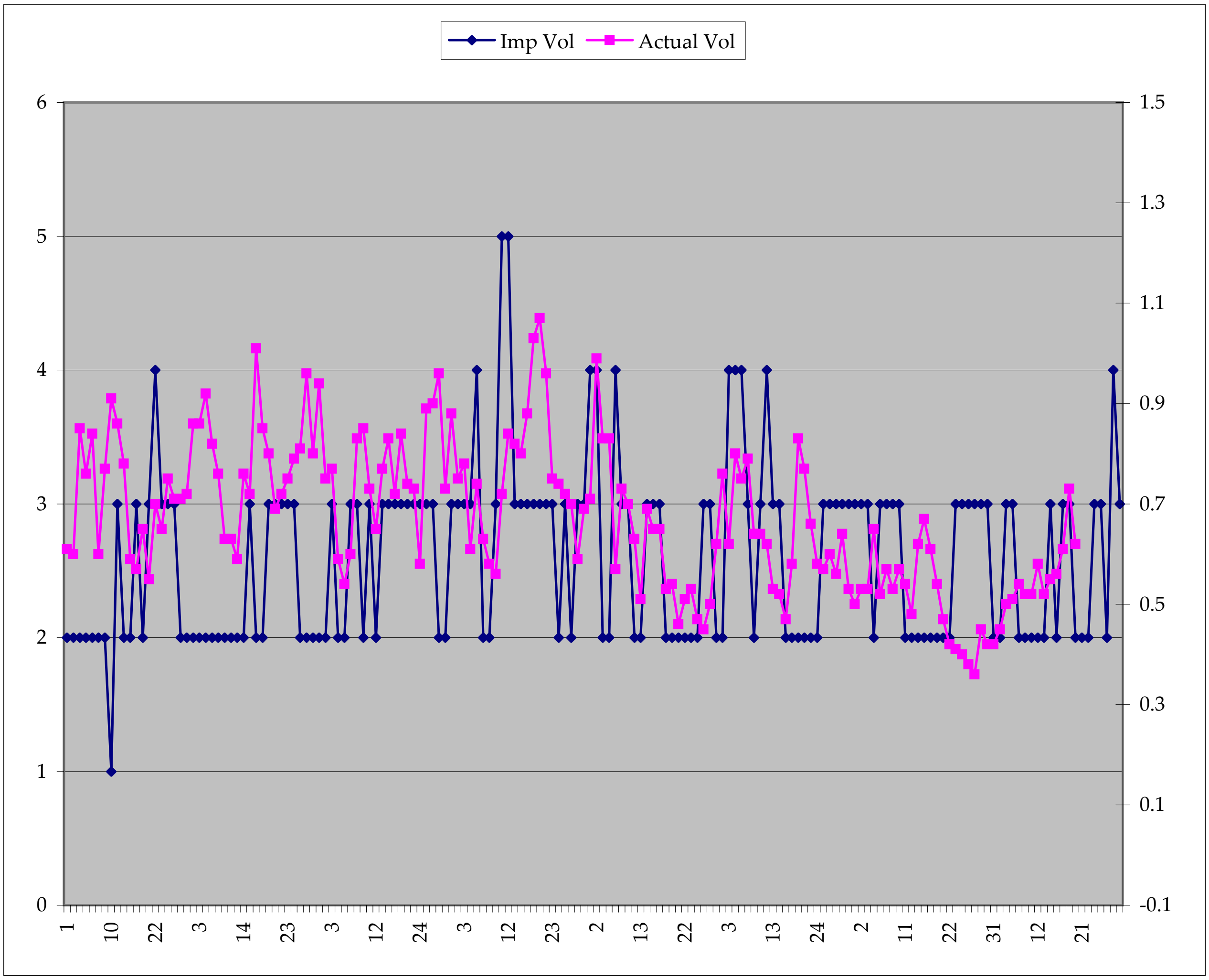
	Cpn	Mty	32nds	Yield
2y	4.875	8/31/2008	100.0350	4.809
3y	4.875	8/15/2009	100.1325	4.719
5y	4.625	8/31/2011	99.2250	4.692
10y	4.875	8/15/2016	101.0450	4.726
30y	4.500	2/15/2036	94.1900	4.847

	CF Basis*	GHCO Basis		32nds
5y	0.281	14.1963	ZF	105.025
10y	2.721	75.0222	ZN	107.130
30y	5.967	191.5950	ZB	111.07

	Curve Spreads bps
2/3	-0.090
3/5	-0.027
2/5	-0.117
5/10	0.034
2/10	-0.083
10/30	0.121
5/30	0.155
2/30	0.038

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	9/20/2007	9/21/2007	9/22/2007
1900-2200	0000-0300	2000-2300	2	2	2
2200-0100	0300-0600	2300-0200	3	2	2
0100-0400	0600-0900	0200-0500	2	2	2
0400-0700	0900-1200	0500-0800	2	1	1
0700-1000	1200-1500	0800-1100	2	1	1
1000-1300	1500-1800	1100-1400	2	1	1
1300-1600	1800-2100	1400-1700	2	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