9/25/2006 10:51

The Morning Email: Treasuries

Table of Contents

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

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

9/25/2006 10:51

Source: Reuters

	32 nds						
	ls	net	high	low	open	Volume	SYM NAME
@ZB.1	113.050	0.18	113.110	112.180	112.210	247,208	30y Futures
@ZN.1	108.200	0.10	108.240	108.095	108.120	800,625	10y Futures
@ZF.1	105.280	0.05	105.310	105.225	105.235	347,691	5y Futures
@ZT.1	102.118	0.02	102.130	102.098	102.100	105,305	2y Futures
	ls	net	high	low	open	Volume	SYM NAME
@?bus30c	96.300	0.205	97.065	96.075	96.090	5,632.0	30y
@?bus10c	102.180	0.105	102.240	0.000	102.070	89,195.0	10y
@?bus5c	100.165	0.053	100.195	100.108	100.113	121,663.0	5y
@?bus2c	100.133	0.013	100.148	100.118	100.120	91,412.0	2y
	ls	net	high	low	open	Volume	SYM NAME
@?bus30cy	4.692	(0.04)	4.738	4.676	4.735	5,628	30y Yield
@?bus10cy	4.548	(0.04)	4.599	4.526	4.593	88,433	10y Yield
@?bus5cy	4.505	(0.04)	4.547	4.485	4.544	121,652	5y Yield
@?bus2cy	4.646	(0.02)	4.672	4.621	4.667	90,502	2y Yield
	ls	net	high	low	open	Volume	SYM NAME
XE@GBL.1	118.54	0.30	118.57	118.16	118.19	1,166,747	BUND
XE@GBM.1	110.35	0.21	110.38	110.11	110.13	591,374	BOBL
XE@GBS.1	104.20	0.11	104.21	104.09	104.10	777,452	SCHTZ
GB@R.1	110.56	0.35	110.57	110.14	110.15	61,527	GILT
	ls	net	high	low	open	Volume	SYM NAME
@ES.1	1325.00	(1.00)	1330.50	1321.50	1325.75	497,970	MINI SP
@YM.1	11585.00	(8.00)	11634.00	11562.00	11598.00	46,773	$5 DOW
&DJI	11521.54	13.44	11568.93	11486.00	11509.30	888,312	DJIA
XE@DX.1	5949.50	29.50	5980.00	5909.00	5948.00	107,803	DAX
XE@FESX.1	3842.00	17.00	3859.00	3818.00	3838.00	595,839	EU STOXX
XE@FSTX.1	3510.00	(1.00)	3531.00	3494.00	3523.00	815	DJ STOXX
	ls	net	high	low	open	Volume	SYM NAME
@CL.1	60.35	(0.20)	60.40	59.52	60.25	26,330	OIL
@HO.1	1.646	(0.00)	1.649	1.625	1.640	1,235	HEAT OIL
@NG.1	4.520	(0.11)	4.570	4.400	4.570	4,177	NAT GAS
@HU.1	1.473	0.00	1.475	1.448	1.469	693	UNL GAS
@ZG.1	588.00	(7.30)	596.70	587.40	595.10	25,721	GOLD
@SI.1	1121.00	(10.00)	1130.50	1113.00	1130.50	1,187	SLVR
$$EURUSD	1.2739	(0.0043)	1.2819	1.2732	1.2781	<NA>	EURO/USD
$$USDJPY	116.39	(0.15)	116.74	116.12	116.53	<NA>	USD/YEN

Source: Reuters

Overnight

Bunds up before German CPI data
LONDON, Sept 25 (Reuters) - Euro zone government bonds rallied on Monday before data which is expected to show German consumer prices easing, while investors also looked towards U.S. housing data to gauge the health of the world's largest economy.

Germany cuts Q4 debt issuance by 5 bln euros
BERLIN, Sept 25 (Reuters) - Germany has reduced its planned debt issuance for the fourth quarter by five billion euros to 47 billion euros due to favourable budgetary conditions, the government's debt management office said on Monday.

UK rate futures slip, pressured by Gieve comments
LONDON, Sept 25 (Reuters) - British short sterling rate futures slipped in early trade on Monday after comments from Bank of England Deputy Governor Sir John Gieve reinforced expectations the next move in interest rates is up.

Lufthansa interest for SAS moves CDS
LONDON, Sept 25 (Reuters) - The cost of default protection on Lufthansa rose after the head of the German airline said it might consider acquiring a majority stake in SAS, tightening the Scandinavian airline's default swaps.

JGB futures pull back from 6-1/2-month highs
TOKYO, Sept 25 (Reuters) - Japanese government bond futures slipped back after striking 6-1/2-month highs on Monday as domestic investors shied away from chasing the market higher despite a robust rally in U.S. Treasuries.

French finmin sees 5 bln euros' extra tax revenue
PARIS, Sept 25 (Reuters) - French 2006 tax revenues should be 5 billion euros ($6.4 billion) above initial forecasts, Finance Minister Thierry Breton said in comments broadcast late on Sunday, raising his estimate from 3 billion euros previously.

US Treasuries steady in Asia before housing data
TOKYO, Sept 25 (Reuters) - U.S. Treasuries were little changed in Asia on Monday, keeping benchmark yields near six-month lows as the market awaits data on existing home sales to gauge just how sharply the property market is weakening.

Sources: Reuters, MNI, Dow Jones

Yield Curve Spreads & Flys, DV01s, CFs

M Duration

30y	15.91
10y	7.77
5y	4.25
3y	2.65
2y	1.88
ZB	9.49
ZN	5.73
ZF	3.68
ZT	1.65

DV01s (32nds)

30y	4.96
10y	2.56
5y	1.39
3y	0.86
2y	0.59
ZB	3.49
ZN	2.02
ZF	1.26
ZT	1.09

DV01s ($s)

30y	$1,551
10y	$801
5y	$435
3y	$268
2y	$183
ZB	$109
ZN	$63
ZF	$40
ZT	$34

Yield Curve Spreads

2/3	-10.00
3/5	-4.00
2/5	-14.00
5/10	4.40
2/10	-9.60
10/30	14.30
5/30	18.70
2/30	4.70

Fly's

2/3/5	-6.00
2/5/10	-18.40
2/10/30	-23.90
5/10/30	-9.90

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,

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
Bobl (Z)	0.530	0.940	1.400	1.500
Shatz (Z)	0.230	0.410	0.620	0.680

Number of contracts LONG

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		1.730	4.940	3.199
ZN	0.578		1.596	1.849
ZF	0.362	0.627		1.159
ZT	0.313	1.082	1.726	

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	1.68	2.45	4.16	7.34	14.21
ZN	2.90	4.24	7.20	12.70	24.58
ZF	4.63	6.77	11.50	20.27	39.24
ZT	5.36	7.85	13.32	23.49	45.46

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		1.463	2.483	4.379	8.477
3y	0.684		1.698	2.994	5.795
5y	0.421	0.615		1.842	3.566
10y	0.228	0.334	0.567		1.936
30y	0.118	0.173	0.293	0.517	

Commitment of Traders (COT)

Maximum and Minimum Positions*	Small Spec				Large Spec				Commercials			
	Max	Date	Min	Date	Max	Date	Min	Date	Max	Date	Min	Date
ZF	(2,092)	8/15/2006	(179,890)	10/25/2005	45,278	38,909	(284,813)	8/9/2005	459,733	38,573	7,099	8/1/2006
ZN	(27,856)	8/29/2006	(274,045)	3/21/2006	330,741	38,944	(117,947)	10/25/2005	292,853	38,650	(279,626)	8/15/2006
ZB	(14,826)	8/15/2006	(92,110)	4/25/2006	44,491	38,587	(172,009)	5/2/2006	255,085	38,839	(6,409)	8/30/2005

Current Positions	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	289,165	296,925	(7,760)	198,937	208,427	(9,490)	863,891	846,641	17,250	ZF
ZN	357,363	438,322	(80,959)	801,716	283,559	518,157	1,440,407	1,877,604	(437,197)	ZN
ZB	184,090	192,707	(8,617)	135,250	167,532	(32,282)	500,502	459,604	40,898	ZB

WoW** Position Change	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	
ZF	7,532	(44,624)	37,092	9/19/2006
ZN	(19,528)	44,430	(24,902)	
ZB	4,235	941	(5,177)	

*Minimum and Maximum Positions go back to 07/05/2005

**WoW = Week over week

Closes2pm

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

	Cpn	Mty	32nds	Yield
2y	4.875	8/31/2008	100.1175	4.672
3y	4.875	8/15/2009	100.2550	4.576
5y	4.625	8/31/2011	100.1100	4.546
10y	4.875	8/15/2016	102.650	4.595
30y	4.500	2/15/2036	96.07	4.739

	CF Basis*	GHCO Basis
5y	0.97	0.000
10y	3.43	0.000
30y	6.95	0.000

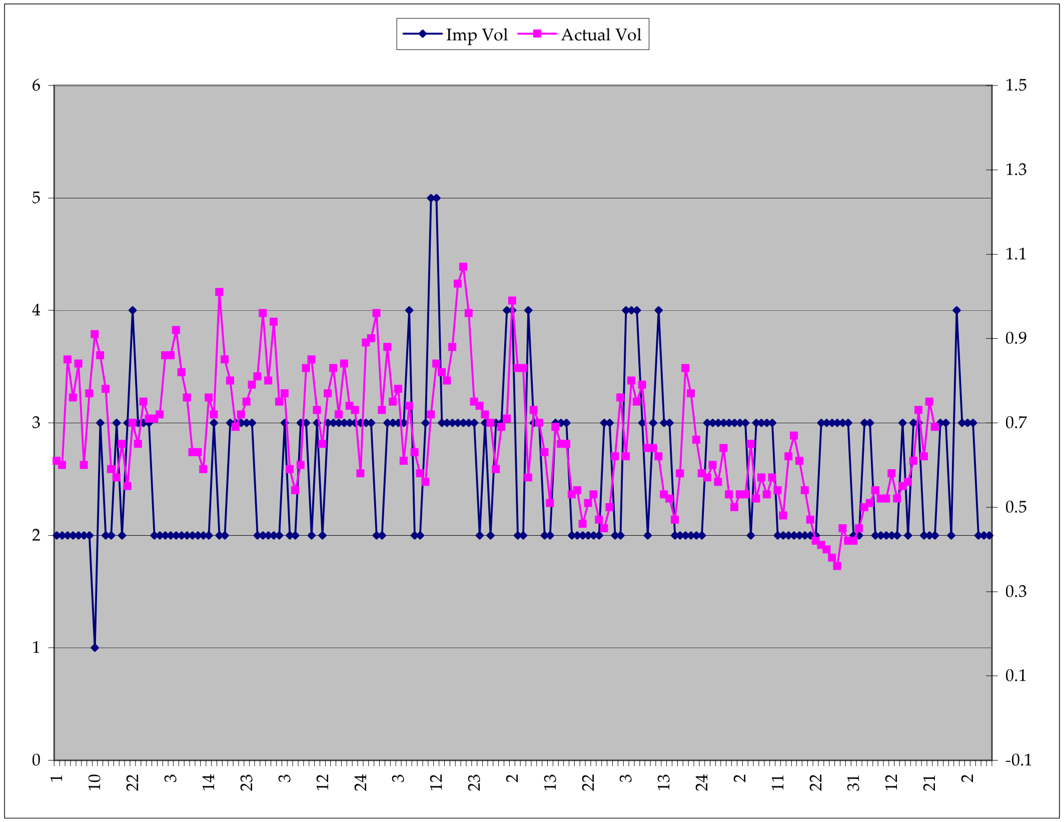
	32nds
ZF	105.2300
ZN	108.1100
ZB	112.20

Curve Spreads bps	
2/3	(0.096)
3/5	(0.030)
2/5	(0.126)
5/10	0.049
2/10	(0.077)
10/30	0.144
5/30	0.193
2/30	0.067

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	9/25/2007	9/26/2007	9/27/2007
1900-2200	0000-0300	2000-2300	2	2	2
2200-0100	0300-0600	2300-0200	3	2	2
0100-0400	0600-0900	0200-0500	3	2	2
0400-0700	0900-1200	0500-0800	1	1	2
0700-1000	1200-1500	0800-1100	1	1	1
1000-1300	1500-1800	1100-1400	1	1	1
1300-1600	1800-2100	1400-1700	2	1	2
1600-1900	2100-0000	1700-2000	2	2	2

Shaded boxes denote market hours 4am to 4pm CDT

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