

## The Morning Email: Treasuries

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Want something added?

Let me know: [jgoulding@ghco.com](mailto:jgoulding@ghco.com)

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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	99.2500	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

Source: Reuters

		Quotes as of 5:40:57 CDT						
		32 nds						
		ls	net	high	low	open	Volume	SYM NAME
@ZB.1		112.250	0.06	112.300	112.180	112.210	29,660	30y Futures
@ZN.1		108.135	0.03	108.170	108.095	108.120	115,159	10y Futures
@ZF.1		105.260	0.03	105.275	105.225	105.235	69,862	5y Futures
@ZT.1		102.110	0.01	102.120	102.098	102.100	13,618	2y Futures
		ls	net	high	low	open	Volume	SYM NAME
@?bus30c		96.145	0.045	96.205	96.075	96.090	370.0	30y
@?bus10c		102.100	0.025	102.135	102.055	102.070	2,498.0	10y
@?bus5c		100.128	0.015	100.148	100.108	100.113	5,263.0	5y
@?bus2c		100.125	0.008	100.133	100.118	100.120	2,405.0	2y
		ls	net	high	low	open	Volume	SYM NAME
@?bus30cy		4.724	(0.01)	4.738	4.712	4.735	370	30y Yield
@?bus10cy		4.579	(0.01)	4.599	4.567	4.593	2,498	10y Yield
@?bus5cy		4.531	(0.01)	4.547	4.519	4.544	5,263	5y Yield
@?bus2cy		4.655	(0.01)	4.672	4.646	4.667	2,405	2y Yield
		ls	net	high	low	open	Volume	SYM NAME
XE@GBL.1		118.35	0.11	118.45	118.16	118.19	489,250	BUND
XE@GBM.1		110.26	0.12	110.33	110.11	110.13	275,502	BOBL
XE@GBS.1		104.16	0.07	104.20	104.09	104.10	490,174	SCHTZ
GB@R.1		110.19	(0.02)	110.30	110.14	110.15	21,322	GILT
		ls	net	high	low	open	Volume	SYM NAME
@ES.1		1328.75	2.75	1330.25	1325.50	1325.75	25,676	MINI SP
@YM.1		11621.00	28.00	11634.00	11590.00	11598.00	1,990	\$5 DOW
&DJI		11508.10	(25.13)	0.00	0.00	0.00	0	DJIA
XE@DX.1		5966.00	46.00	5980.00	5943.50	5948.00	36,587	DAX
XE@FESX.1		3851.00	26.00	3859.00	3835.00	3838.00	171,119	EU STOXX
XE@FSTX.1		3521.00	10.00	3531.00	3519.00	3523.00	295	DJ STOXX
		ls	net	high	low	open	Volume	SYM NAME
@CL.1		59.80	(0.75)	60.40	59.52	60.25	7,073	OIL
@HO.1		1.633	(0.01)	1.644	1.625	1.640	282	HEAT OIL
@NG.1		4.460	(0.17)	4.570	4.452	4.570	540	NAT GAS
@HU.1		1.450	(0.02)	1.470	1.450	1.469	187	UNL GAS
		ls	net	high	low	open	Volume	SYM NAME
@ZG.1		592.60	(2.70)	596.70	590.90	595.10	4,628	GOLD
@SI.1		1120.00	(11.00)	1130.50	1115.50	1130.50	870	SLVR
		ls	net	high	low	open	Volume	SYM NAME
\$\$EURUSD		1.2765	(0.0017)	1.2819	1.2765	1.2781	<NA>	EURO/USD
\$\$USDJPY		116.70	0.16	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 &amp; Flys, DV01s, CFs

## M Duration

30y	15.88
10y	7.77
5y	4.25
3y	2.65
2y	1.88
ZB	9.48
ZN	5.72
ZF	3.68
ZT	1.65

## DV01s (32nds)

30y	4.93
10y	2.56
5y	1.39
3y	0.86
2y	0.59
ZB	3.48
ZN	2.02
ZF	1.26
ZT	1.09

## DV01s (\$s)

30y	\$1,540
10y	\$799
5y	\$434
3y	\$268
2y	\$183
ZB	\$109
ZN	\$63
ZF	\$39
ZT	\$34

## Yield Curve Spreads

2/3	-9.80
3/5	-2.80
2/5	-12.60
5/10	4.80
2/10	-7.80
10/30	14.30
5/30	19.10
2/30	6.50

## Fly's

2/3/5	-7.00
2/5/10	-17.40
2/10/30	-22.10
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 of contracts LONG
Bund (Z)	1.000	1.800	2.700	2.900	
Bobl (Z)	0.530	0.940	1.400	1.500	
Schatz (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		1.726	4.910	3.187
ZN	0.579		1.595	1.847
ZF	0.363	0.627		1.157
ZT	0.314	1.083	1.728	

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	2.46	4.17	7.35	14.16
ZN	2.90	4.25	7.21	12.69	24.45
ZF	4.63	6.78	11.50	20.24	39.00
ZT	5.36	7.84	13.31	23.42	45.14

## 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
Schatz (Z)	7.1	10.4	16.7	30.0	56.1

Eurex Hedge Ratio's source: Bloomberg

## Eurex Hedge Ratios

	Bund (Z)	Bobl (Z)	Schatz (Z)
Bund (Z)		1.880	4.800
Bobl (Z)	0.532		2.484
Schatz (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	2.481	4.368	8.418
3y	0.684		1.696	2.986	5.755
5y	0.421	0.616		1.839	3.545
10y	0.229	0.335	0.568		1.927
30y	0.119	0.174	0.295	0.519	



**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	100.1175	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	102.6500	4.595
30y	4.500	2/15/2036	96.0700	4.739

**GHCO**

	<b>CF Basis*</b>	<b>Basis</b>		<b>32nds</b>
5y	0.973	0.0000	ZF	105.230
10y	3.427	0.0000	ZN	108.110
30y	6.950	0.0000	ZB	112.20

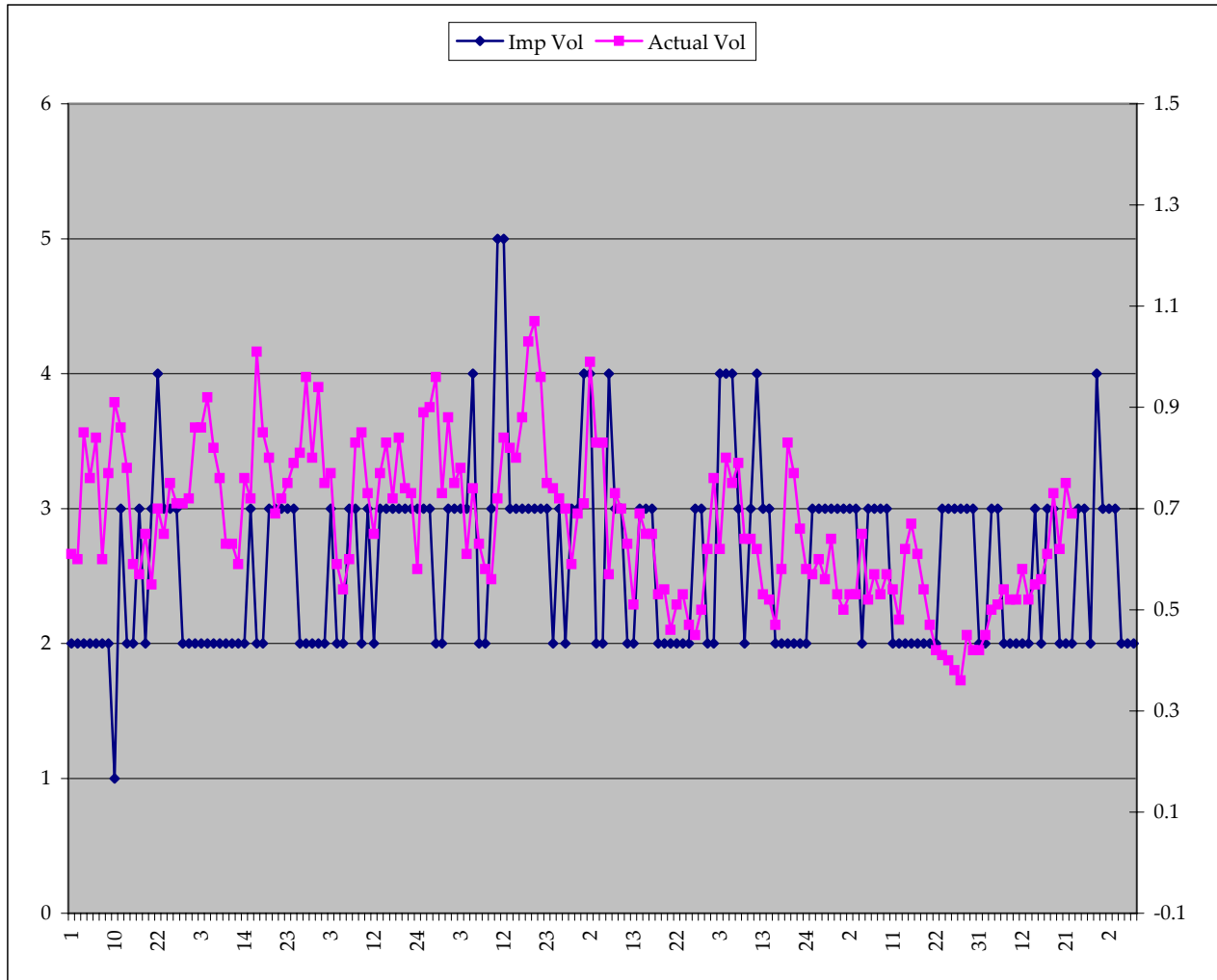
**Curve Spreads bps**

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 = 1-9**

where

1,2 = very slow

3 = moderate

4,5 = volatile

6-9 = very volatile





