9/28/2006 5:11

The Morning Email: Treasuries

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Rotate Me

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	99.2500	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

	32 nds						
	ls	net	high	low	open	Volume	SYM NAME
@ZB.1	112.220	(0.02)	112.240	112.180	112.220	20,378	30y Futures
@ZN.1	108.105	(0.01)	108.115	108.085	108.100	58,802	10y Futures
@ZF.1	105.210	(0.01)	105.225	105.200	105.210	31,553	5y Futures
@ZT.1	102.100	0.00	102.105	102.095	102.100	9,916	2y Futures
	ls	net	high	low	open	Volume	SYM NAME
@?bus30c	96.070	(0.005)	96.100	96.040	96.080	175.0	30y
@?bus10c	102.050	0.005	102.075	102.040	102.050	1,847.0	10y
@?bus5c	100.088	0.000	100.100	100.083	100.090	1,407.0	5y
@?bus2c	99.300	(0.125)	99.303	99.298	99.298	2,123.0	2y
	ls	net	high	low	open	Volume	SYM NAME
@?bus30cy	4.739	0.00	4.746	4.733	4.737	175	30y Yield
@?bus10cy	4.598	(0.00)	4.606	4.59	4.6	1,836	10y Yield
@?bus5cy	4.56	0.00	4.565	4.553	4.56	1,397	5y Yield
@?bus2cy	4.654	(0.03)	4.662	4.654	4.662	2,123	2y Yield
	ls	net	high	low	open	Volume	SYM NAME
XE@GBL.1	118.41	0.01	118.46	118.27	118.35	380,288	BUND
XE@GBM.1	110.09	(0.05)	110.16	110.01	110.13	230,603	BOBL
XE@GBS.1	104.06	(0.04)	104.10	104.04	104.10	322,126	SCHTZ
GB@R.1	110.44	0.04	110.55	110.31	110.48	25,330	GILT
	ls	net	high	low	open	Volume	SYM NAME
@ES.1	1348.25	0.50	1348.75	1346.50	1347.50	993,997	MINI SP
@YM.1	11776.00	2.00	11779.00	11764.00	11770.00	906	$5 DOW
&DJI	11689.24	19.85	0.00	0.00	0.00	0	DJIA
XE@DX.1	6037.00	5.00	6046.50	6021.00	6038.00	29,117	DAX
XE@FESX.1	3914.00	5.00	3920.00	3899.00	3917.00	169,296	EU STOXX
XE@FSTX.1	3564.00	2.00	3565.00	3554.00	3559.00	303	DJ STOXX
	ls	net	high	low	open	Volume	SYM NAME
@CL.1	62.92	(0.04)	63.21	62.55	62.99	4,877	OIL
@HO.1	1.754	(0.00)	1.760	1.744	1.757	456	HEAT OIL
@NG.1	5.681	0.01	5.684	5.600	5.652	463	NAT GAS
@HU.1	1.521	(0.02)	1.527	1.521	1.527	17	UNL GAS
@ZG.1	609.80	6.40	610.30	606.40	608.70	5,885	GOLD
@SI.1	1180.00	10.00	1186.00	1169.00	1175.00	1,075	SLVR
$$EURUSD	1.2719	0.0022	1.2733	1.2697	1.2698	<NA>	EURO/USD
$$USDJPY	117.63	0.21	117.75	117.34	117.43	<NA>	USD/YEN

Source: Reuters

Overnight

Bunds rangebound as ECB warns on inflation
LONDON, Sept 28 (Reuters) - Euro zone government bonds settled into a narrow range on Thursday after strong U.S. data and an inflation warning from a European central banker in the previous session took some froth out of the recent bond rally.

JGB futures make up ground on good auction results
TOKYO, Sept 28 (Reuters) - Japanese government bond futures trimmed their early losses on Thursday as the solid results of a two-year debt auction spurred short covering.

US Treasuries flat in Asia, 5-year auction up next
TOKYO, Sept 28 (Reuters) - U.S. Treasuries were little changed in Asian trade on Thursday as dealers prepare to absorb $14 billion of five-year paper and the market awaits key economic reports the next session.

Japan 2-year JGB auction draws strong demand
TOKYO, Sept 28 (Reuters) - An auction of two-year Japanese government bonds on Thursday met with surprisingly strong demand, helped by expectations for the Bank of Japan to be very gradual in raising rates.

S.Korea bonds rise, industrial output data eyed
SEOUL, Sept 28 (Reuters) - South Korean government bond prices edged up on Thursday, extending the firmer tone seen the previous day, after the government sharply reduced the amount of treasury bonds issues planned for next year.

US pursuing questionable bond trades-official
NEW YORK/WASHINGTON , Sept 27 (Reuters) - Bond traders will face the wrath of regulators if they continue to engage in questionable trading practices and government agencies are already pursuing cases in this area, a Treasury official said on Wednesday.

[14:18 EDT 09/25]
US TSYS/LEHMAN: The advance estimates for Lehman Bros month-end bond index estextensions show only very slight extensions in Treasuries at 0.02 yrs but other categories are higher. Final month-end duration index extension calculations are made after the close of business on Friday, Sept. 29
- U.S. Tsy Index duration will lengthen by +0.02 yrs at month-end;
- Agencies will extend by +0.07 yrs,
- U.S. Credit extends by +0.08 yrs
- MBS are estimated at +0.06 yrs.
- U.S. Aggregate Index duration increase by +0.06 yrs
- U.S. High-Yield Index will expand by +0.03 years.
- U.S. Gov/Credit to increase by +0.05 yrs

Sources: Reuters, MNI, Dow Jones

Yield Curve Spreads & Flys, DV01s, CFs

M Duration

30y	15.85
10y	7.76
5y	4.24
3y	2.65
2y	1.87
ZB	9.46
ZN	5.72
ZF	3.67
ZT	1.64

DV01s (32nds)

30y	4.91
10y	2.55
5y	1.39
3y	0.85
2y	0.58
ZB	3.47
ZN	2.01
ZF	1.26
ZT	1.09

DV01s ($s)

30y	$1,534
10y	$797
5y	$433
3y	$267
2y	$182
ZB	$109
ZN	$63
ZF	$39
ZT	$34

Yield Curve Spreads

2/3	-7.50
3/5	-2.10
2/5	-9.60
5/10	3.80
2/10	-5.80
10/30	13.90
5/30	17.70
2/30	8.10

Fly's

2/3/5	-5.40
2/5/10	-13.40
2/10/30	-19.70
5/10/30	-10.10

CFs

OTR*

ZB	0.7943
ZN	0.9178
ZF	0.9421
ZT	0.9774

*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		1.727	4.908	3.197
ZN	0.579		1.596	1.851
ZF	0.363	0.627		1.160
ZT	0.313	1.081	1.725	

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	14.14
ZN	2.90	4.24	7.21	12.69	24.42
ZF	4.63	6.77	11.50	20.25	38.98
ZT	5.36	7.85	13.34	23.48	45.20

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		1.464	2.486	4.378	8.428
3y	0.683		1.698	2.990	5.756
5y	0.420	0.615		1.840	3.542
10y	0.228	0.334	0.568		1.925
30y	0.119	0.174	0.295	0.519	

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	9/30/2008	100.1075	4.678
3y	4.875	8/15/2009	100.2475	4.583
5y	4.625	8/31/2011	100.0950	4.556
10y	4.875	8/15/2016	102.065	4.589
30y	4.500	2/15/2036	96.11	4.731

New 2yr: Give .75 BPs
4.625 9/08
4.656
99.30
New CF = .9774

	CF Basis*	GHCO Basis
5y	0.97	14.997
10y	2.85	83.400
30y	6.97	215.435

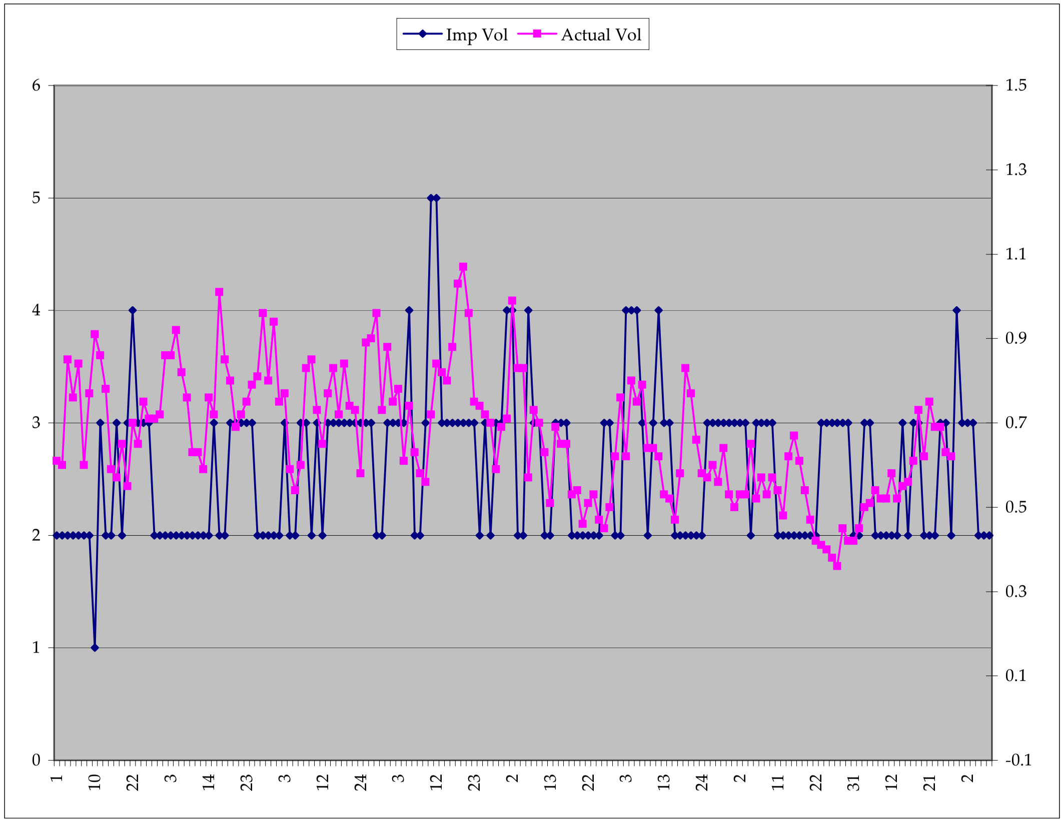
	32nds
ZF	105.2150
ZN	108.1050
ZB	112.23

Curve Spreads bps	
2/3	(0.095)
3/5	(0.027)
2/5	(0.122)
5/10	0.033
2/10	(0.089)
10/30	0.142
5/30	0.175
2/30	0.053

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	9/28/2007	9/29/2007	1/0/1900
1900-2200	0000-0300	2000-2300	2	2	0
2200-0100	0300-0600	2300-0200	2	2	0
0100-0400	0600-0900	0200-0500	2	2	0
0400-0700	0900-1200	0500-0800	2	2	0
0700-1000	1200-1500	0800-1100	1	2	0
1000-1300	1500-1800	1100-1400	1	2	0
1300-1600	1800-2100	1400-1700	2	2	0
1600-1900	2100-0000	1700-2000	2	2	0

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