

## The Morning Email: Treasuries

### Table of Contents

<b>Pg A</b>	Important Econ Releases, Highs & Lows
<b>Pg 1</b>	Quotes
<b>Pg 2</b>	News
<b>Pg 3</b>	Econ Releases & Speakers
<b>Pg 4</b>	Yield Curve Spreads & Flys, DV01s, CFs
<b>Pg 5</b>	Hedge Ratios: US Financial Futures / Eurex Bund, Bobl, Schatz,
<b>Pg 6</b>	Hedge Ratios: US Treasury Cash
<b>Pg 7</b>	Hedge Ratios: US Cash Treasuries / Eurodollar
<b>Pg 8</b>	Commitment of Traders (COT)
<b>Pg 9</b>	2 PM CDT Closes: US Treasuries, US Financial Futures, YC Spreads, Basis
<b>Pg 10</b>	Implied Volatility (Daily)
	Implied Volatility (3-Hour)

Want something added?

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

**Disclaimer:**

All information within this newsletter is meant for internal use at GH Trader's LLC, 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](mailto:jgoulding@ghco.com)**

### Important Econ Releases, Highs & Lows

	Economic Releases				Date
	5y*	10y*	ZNM7**	ZBM7**	
Non-farm High	100.0550	99.1900	107.3000	111.0100	4/6/2007
Non-farm Low	99.2350	98.3100	107.1100	110.0000	4/6/2007
FOMC High	100.1350	100.2900	109.0200	113.0300	3/22/2007
FOMC Low	99.3050	100.0850	108.1000	112.0600	3/22/2007
PPI High	100.0800	100.2600	108.2900	113.0100	3/15/2007
PPI Low	100.0350	100.1850	108.2200	112.2000	3/15/2007
CPI High	100.0650	100.2250	108.2650	112.2900	3/16/2007
CPI Low	99.3150	100.1300	108.1650	112.1400	3/16/2007

\*Adjusted for New Issue

\*\*Adjusted for Roll

Prices are recorded from econ release to 2pm CDT

ZBH/ZBM Rolled at -2 tics

ZNH/ZNM Rolled at +.5 tics

	Auctions			
	2 y	5y	10y	30y
Auction Price	99.311	99.270	100.257	99.007
Auction Yield Stop	4.514	4.535	4.523	4.812
Auction Date	3/28/2007	3/29/2007	03/13/2007 re	2/8/2007

All prices are in 32nds

re = reopen

## Quotes

	32 nds					Volume	SYM NAME
	ls	net	high	low	open		
TUAM7	102.065	1.7	102.070	102.050	102.050	31,593	2y Futures
FVAM7	105.115	3.5	105.125	105.085	105.085	46,817	5y Futures
TYAM7	107.170	3.0	107.190	107.135	107.135	123,766	10y Futures
USAM7	110.170	5	110.190	110.110	110.120	20,289	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.190	1.2	99.197	99.182	99.185	na	2y
BUS05P	99.120	3.2	99.130	99.092	99.092	na	5y
BUS10P	99.055	4.0	99.075	99.025	99.025	na	10y
BUS30P	97.165	5	97.205	97.155	97.155	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.714	(2.10)	4.752	4.697	4.752	na	2y Yield
BUS05Y	4.640	(2.20)	4.669	4.632	4.669	na	5y Yield
BUS10Y	4.728	(1.90)	4.751	4.718	4.751	na	10y Yield
BUS30Y	4.907	(0.90)	4.922	4.899	4.922	na	30y Yield

Source: CQG

News Recap fromYesterday

04/09 15:21 US TSYS/RECAP: Tsys ended slightly higher Mon after Fri selloff on +180K March jobs, earlier Mon short-covering, afternoon drift lower. Most await Asia, European sessions. Earlier, there were 2Y/10Y Tsys steepener unwinds after Fri big Tsys flattening move; Fri also saw steepener unwinds. There was Mon a.m. short-covering, esp. in cash 5Y and also 3Y Eurodollar proxies amid bargain-hunting after Friday's selloff. There also was some relative value buying near futures opening as June 10Y hovered just above 200-day moving avg of 107-11.5. There was late servicer call interest emerges as a Chicago bank purchases 10,000 Sep 10-yr 109 calls at 31/64. Aug. 2016 old 10Ys turned special in repo, deemed short-term play. Fed did US\$1.011B coupon pass (Aug. 15, 2011-Aug. 15 2015). There was light 10Y swaps receiving after initial front-end payor pressure, then steepener bid in 1Y/2Y proxies. Traders also look ahead to Wed. release of March 21 FOMC minutes, wherein "additional firming" cut from FOMC statement, roiling the markets.

Overnight

04/10 05:20 USTs: Treasuries are trading modestly higher across the board in London trade Tuesday, helped by light dip-buying in the wake of the sharp sell-off seen in the States after the employment report released Friday. With European markets returning after a long 4-day holiday weekend, traders and investors were picking over the fall-out from the better than expected U.S. jobs report. Prices were higher from the getgo in Tokyo trade, helped by central bank and real money demand on the back of the weaker dollar. The front of the curve led the way higher, boosted by two-year buying. London trade saw a continuation of the dip-buying, with real money and leveraged accounts noted on the bid. However, traders said volumes remained patchy ahead of the New York session. Bunds are trading flat against U.S. 10-year T-notes, unchanged on the day at 65 bps. The 2-yr was 1+ /32 higher, trading at 99 19/32 to yield 4.71%, while the 5-yr was 3+ /32 higher at 99 13/32 (4.63%). The 10-yr was 4+ /32 higher at 99 7/32 (4.72%), with the Bond up 5/32 at 97 17/32 (4.91%).

Japan - BOJ

04/09 11:11 JAPAN: The BOJ began a two-day monetary policy meeting Monday, with no change in monetary policy expected when the meeting concludes Tuesday. Nevertheless, BOJ Governor Fukui's post meeting press conference will be closely eyed for insight into future policy. Also, Tuesday, the BOJ will release its monthly economic update. Looking ahead, on Thursday, the two new BOJ Board members, Hidetoshi Kamesaki and Seiji Nakamura, will hold a press conference, note FX strategists at UBS. "While little is known about their monetary policy views, it seems likely that they will not be especially hawkish," the strategists say. "We see no immediate catalyst for a yen recovery," they add.

Today**Econ Releases & Speakers from MNI**

Date	ET	Data thru		Prior Report	Forecast
10-Apr	0745	07-Apr	ICSC-UBS Store Sales	+0.3% w/w, +4.9% y/y	
10-Apr	0855	07-Apr	Redbook Average	+0.9% thru wk 5	
10-Apr	1000	Apr-07	IBD/TIPP Econ Optimism Index	50.8	---
10-Apr	1500	Mar-07	Treasury Allotments By Class		
10-Apr	1700	08-Apr	ABC/Wash Post Cons Conf Index	---	

DATE	GMT/EDT	EVENT
10-Apr	1300/0900	IMF to release its latest Global Financial Stability Report, in Washington.
10-Apr	1330/0930	Federal Reserve Governor Fredric Mishkin to speak at Bridgewater College, in Bridgewater, Virginia.
10-Apr	2330/1930	Philadelphia Federal Reserve Bank President Charles Plosser to give lecture at the Univ. of Delaware, in Newark. No Q&A.

**Plosser is non-voter / moderate**  
**Miskin is voter / moderate dove?? (not sure about the dove part)**

## Yield Curve Spreads &amp; Flvs, DV01s, CFs

M Duration	
30y	15.57
10y	7.77
5y	4.40
3y	2.62
2y	1.86
ZB	9.81
ZN	5.86
ZF	3.91
ZT	1.86

DV01s (32nds)	
30y	4.90
10y	2.48
5y	1.40
3y	0.84
2y	0.59
ZB	3.51
ZN	2.03
ZF	1.32
ZT	1.22

DV01s (\$s)	
30y	\$1,530
10y	\$776
5y	\$438
3y	\$263
2y	\$186
ZB	\$110
ZN	\$63
ZF	\$41
ZT	\$38

## Yield Curve Spreads

2/3	-6.60
3/5	-0.80
2/5	-7.40
5/10	8.80
2/10	1.40
10/30	17.90
5/30	26.70
2/30	19.30

Fly's	
2/3/5	-5.80
2/5/10	-16.20
2/10/30	-16.50
5/10/30	-9.10

ZB	0.8281
ZN	0.9015
ZF	0.9387
ZT	0.9753

\*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 (H)	1.000	1.800	2.700	2.600
Bobl (H)	0.530	0.930	1.400	1.300
Schatz (H)	0.210	0.400	0.550	0.530

Eurex Hedge Ratio's source: Bloomberg

**US Financial Futures Hedge Ratios**

	ZB	ZN	ZF	ZT
ZB		1.730	2.651	2.881
ZN	0.578		1.532	1.665
ZF	0.377	0.653		0.920
ZT	0.347	0.601	0.920	

**Month Codes:**

H=Mch      M=Jun

U=Sep      Z=Dec

## Hedge Ratios: US Financial Futures / Eurex Bund, Bobl, Schatz,

## US Treasuries v US Financial Futures Hedge Ratios

	2y	3y	5y	10y	30y
ZB	1.69	2.39	3.99	7.08	13.95
ZN	2.93	4.14	6.91	12.25	24.14
ZF	4.49	6.35	10.58	18.77	36.98
ZT	4.88	6.90	11.50	20.40	40.20

## US Treasuries v Eurex Bonds Hedge Ratios

	2y	3y	5y	10y	30y
Bund (H)	1.6	2.4	3.9	6.9	13.8
Bobl (H)	3.0	4.4	7.2	12.9	25.7
Schatz (H)	7.1	10.5	17.2	30.8	61.3

Eurex Hedge Ratio's source: Bloomberg

## Eurex Hedge Ratios

	Bund (H)	Bobl (H)	Schatz (H)
Bund (H)		0.000	0.000
Bobl (H)	0.000		0.000
Schatz (H)	0.000	0.000	

Eurex Hedge Ratio's source: Bloomberg

Month Codes:

H=Mch M=Jun

U=Sep Z=Dec

## Hedge Ratios: US Treasury Cash

US Treasuries v US Treasuries					
	2y	3y	5y	10y	30y
2y		1.415	2.332	4.183	8.244
3y	0.707		1.648	2.956	5.826
5y	0.424	0.600		1.773	3.495
10y	0.239	0.338	0.557		1.971
30y	0.121	0.172	0.283	0.507	

## Commitment of Traders (COT)

Current Positions										
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	253,864	250,601	3,263	222,008	370,837	(148,829)	1,098,716	953,149	145,567	ZF
ZN	303,673	399,863	(96,190)	760,320	305,571	454,749	1,672,130	2,030,689	(358,559)	ZN
ZB	136,477	182,951	(46,474)	98,948	178,825	(79,877)	674,194	547,843	126,351	ZB

WoW* Position Change				
	Sml Spec	Lrg Spec	Comm	As of
	Net	Net	Net	
ZF	(20,683)	28,834	(8,151)	4/3/2007
ZN	(23,182)	(7,910)	31,093	
ZB	(2,172)	12,127	(9,955)	

\*\*WoW = Week over week

	Cpn	Mty	32nds	Yield
2y	4.500	3/31/09	99.1775	4.738
3y	4.750	2/15/10	100.0600	4.677
5y	4.500	3/31/12	99.0850	4.667
10y	4.625	2/15/17	99.000	4.753
30y	4.750	2/15/37	97.10	4.922

	CF Basis*	GHCO Basis		32nds
5y	0.44	-1.747	ZF	105.0750
10y	2.50	39.067	ZN	107.1250
30y	5.91	305.532	ZB	110.10

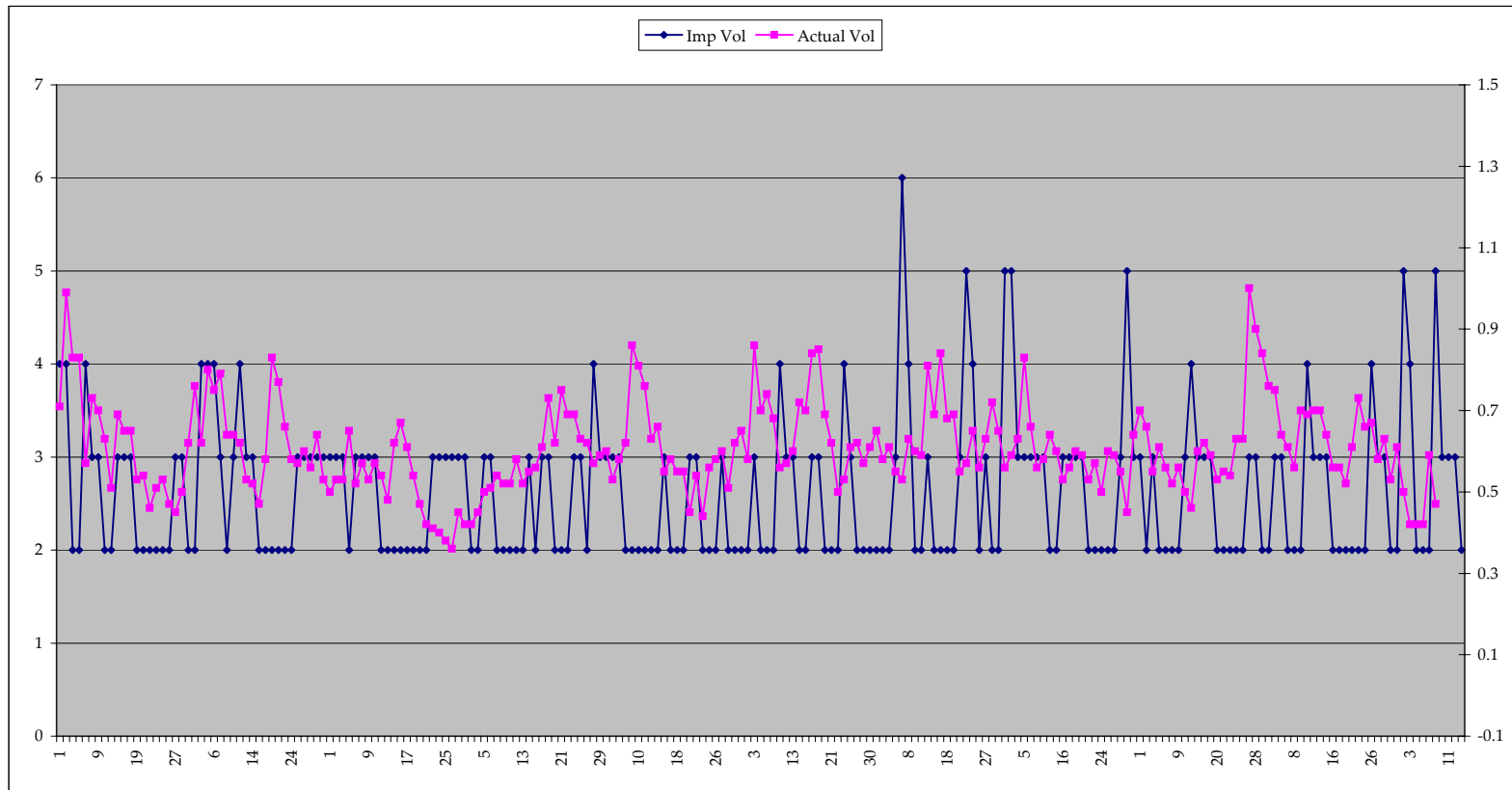
## Curve Spreads bps

2/3	(0.061)
3/5	(0.010)
2/5	(0.071)
5/10	0.086
2/10	0.015
10/30	0.169
5/30	0.255
2/30	0.184

CF = Conversion Factor

Cash - (Futures \* CF)

### Implied Volatility (Daily)



Begins Jun 1, 2006. 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

of the 30yr T-Bond Futures.

**Implied Volatility (3-Hour)****NO VOL UPDATES until next week; March 19th**

CDT Time	UT Time	EDT Time	4/9/2007	4/10/2007	4/11/2007
1900-2200	0000-0300	2000-2300	4	3	2
2200-0100	0300-0600	2300-0200	4	3	2
0100-0400	0600-0900	0200-0500	2	2	2
0400-0700	0900-1200	0500-0800	2	2	1
0700-1000	1200-1500	0800-1100	2	2	1
1000-1300	1500-1800	1100-1400	2	2	1
1300-1600	1800-2100	1400-1700	2	1	1
1600-1900	2100-0000	1700-2000	4	3	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