

## 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?

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**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	102.082	0.7	102.085	102.072	102.072	9,213	2y Futures
FVAM7	105.145	2.0	105.155	105.125	105.130	37,470	5y Futures
TYAM7	107.205	3.0	107.220	107.180	107.185	92,249	10y Futures
USAM7	110.210	3	110.230	110.170	110.180	12,545	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.207	0.5	99.212	99.205	99.205	na	2y
BUS05P	99.155	1.5	99.162	99.140	99.140	na	5y
BUS10P	99.100	2.5	99.115	99.075	99.075	na	10y
BUS30P	97.230	5	97.255	97.210	97.235	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.685	(0.40)	4.714	4.672	4.714	na	2y Yield
BUS05Y	4.616	(0.80)	4.649	4.608	4.637	na	5y Yield
BUS10Y	4.710	(0.80)	4.728	4.702	4.728	na	10y Yield
BUS30Y	4.894	(1.10)	4.913	4.889	4.908	na	30y Yield

Source: CQG

News Recap fromYesterday

04/10 15:11 US TSYS/RECAP: Tsys prices ended higher after morning short-covering, foreign buying and curve flattener unwinds/steepener initiations. Foreign accounts such as central banks did brisk front-end buying, esp. 2Ys, but other foreign accounts bought intermediates. Some housing jitters spurred fast money to cover shorts and unwind curve flatteners or do curve steepeners. There also were European accts covering Tsys shorts set Fri (when they bought European, UK bonds). Fast money accts sold US front end, while buy-and-hold investors bought 3Ys. There was modest selling of June US 2Y futures by corporate real money accts; same accts sold small amount of bonds. Some accts move around out curve, while others are switching from older 5Y notes into the current 5Ys. Vols rebounded slightly in afternoon. MBS mainly steady. NY Fed did US\$835M coupon pass: Nov. 15, 2015-Nov. 15, 2021. No CMBS done Tue. Fed Gov Mishkin said current inflation too high, expected it to moderate. Many now await Wed 1pm Bernanke, 2pm ET release of March 21 FOMC mins.

Overnight

05:29 04/11 USTs: Treasuries are trading higher across the curve in London Wednesday, helped by book squaring ahead of the U.S. open. Treasuries were better bid across the curve in Tokyo trade, helped by mildly dovish comments from Philadelphia Fed's Charles Plosser. Gains were seen across the curve, although longer-dated paper outperformed modestly. City banks and life funds were buyers of the belly of the curve, with Japanese regional banks seen buying the Bond, as fresh funds continue to go into the market at the start of the fiscal year. Prices continued to edge higher in London, although volumes were muted as many players await the minutes of the FOMC's March 20/21 meeting. Demand was again noted across the board, from both real money and leveraged funds. Bunds are trading flat against U.S. 10-year T-notes, unchanged on the day at 64 bps. the 2-yr note was 1/32 higher, trading at 99 21/32 to yield 4.68%, while the 5-yr was 2/32 higher at 99 16/32 (4.61%). The 10-yr was 3+/32 higher at 99 12/32 (4.70%), with the Bond 6/32 higher at 97 25/32 (4.89%).

Today*Econ Releases & Speakers from MNI*

Date	ET	Data thru	Prior Report	Forecast
11-Apr	0700	07-Apr MBA Mortgage Application Index	-3.2% to 649.5	
11-Apr	1030	07-Apr EIA Crude Oil Stocks	+4.3 mn to 332.7 mn bbls	
11-Apr	1400	Mar-07 Treasury Statement	-\$120.0 bn	---
		Mar-06: -\$85.3 bn		
11-Apr	1400	--- FOMC Minutes	---	---

DATE	GMT/EDT	EVENT
11-Apr	1300/0900	International Monetary Fund to release semi-annual World Economic Outlook global forecasts, in Washington.
11-Apr	1330/0930	Conference on the Federal Home Loan Banks and state and local revenue bonds, at the American Enterprise Institute, in Washington.
11-Apr	1600/1200	Richmond Federal Reserve Bank President Jeffrey Lacker to speak at an economics luncheon, in Charlotte, North Carolina.
11-Apr	1800/1400	Federal Reserve to release minutes from March 20-21 FOMC meeting, in Washington.
11-Apr	0030/2030	Chicago Federal Reserve Bank President Michael Moskow to speak about the U.S. economic outlook at a church in Kenilworth, Illinois. Audience, media Q&A expected.

**Moskow – Voter/Hawk**

**Lacker – non voter/ Moderate Hawk**

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

M Duration	
30y	15.59
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	4.91
10y	2.49
5y	1.40
3y	0.84
2y	0.59
ZB	3.51
ZN	2.03
ZF	1.32
ZT	1.22

DV01s (\$s)	
30y	\$1,534
10y	\$777
5y	\$438
3y	\$263
2y	\$185
ZB	\$110
ZN	\$64
ZF	\$41
ZT	\$38

## Yield Curve Spreads

2/3	-6.40
3/5	-0.50
2/5	-6.90
5/10	9.40
2/10	2.50
10/30	18.40
5/30	27.80
2/30	20.90

## Fly's

2/3/5	-5.90
2/5/10	-16.30
2/10/30	-15.90
5/10/30	-9.00

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		1.729	2.655	2.886
ZN	0.578		1.536	1.670
ZF	0.377	0.651		0.920
ZT	0.346	0.599	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	13.98
ZN	2.92	4.13	6.90	12.24	24.16
ZF	4.49	6.35	10.60	18.80	37.12
ZT	4.88	6.90	11.52	20.44	40.34

## 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	2.335	4.191	8.273
3y	0.707		1.650	2.961	5.845
5y	0.423	0.599		1.775	3.502
10y	0.239	0.338	0.557		1.974
30y	0.121	0.171	0.282	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				As of
	Sml Spec	Lrg Spec	Comm	
	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	99.2000	4.701
3y	4.750	2/15/10	100.0925	4.638
5y	4.500	3/31/12	99.1350	4.631
10y	4.625	2/15/17	99.070	4.724
30y	4.750	2/15/37	97.19	4.905

	CF Basis*	GHCO Basis		32nds
5y	0.44	-1.466	ZF	105.1250
10y	2.51	40.604	ZN	107.1850
30y	5.92	307.667	ZB	110.18

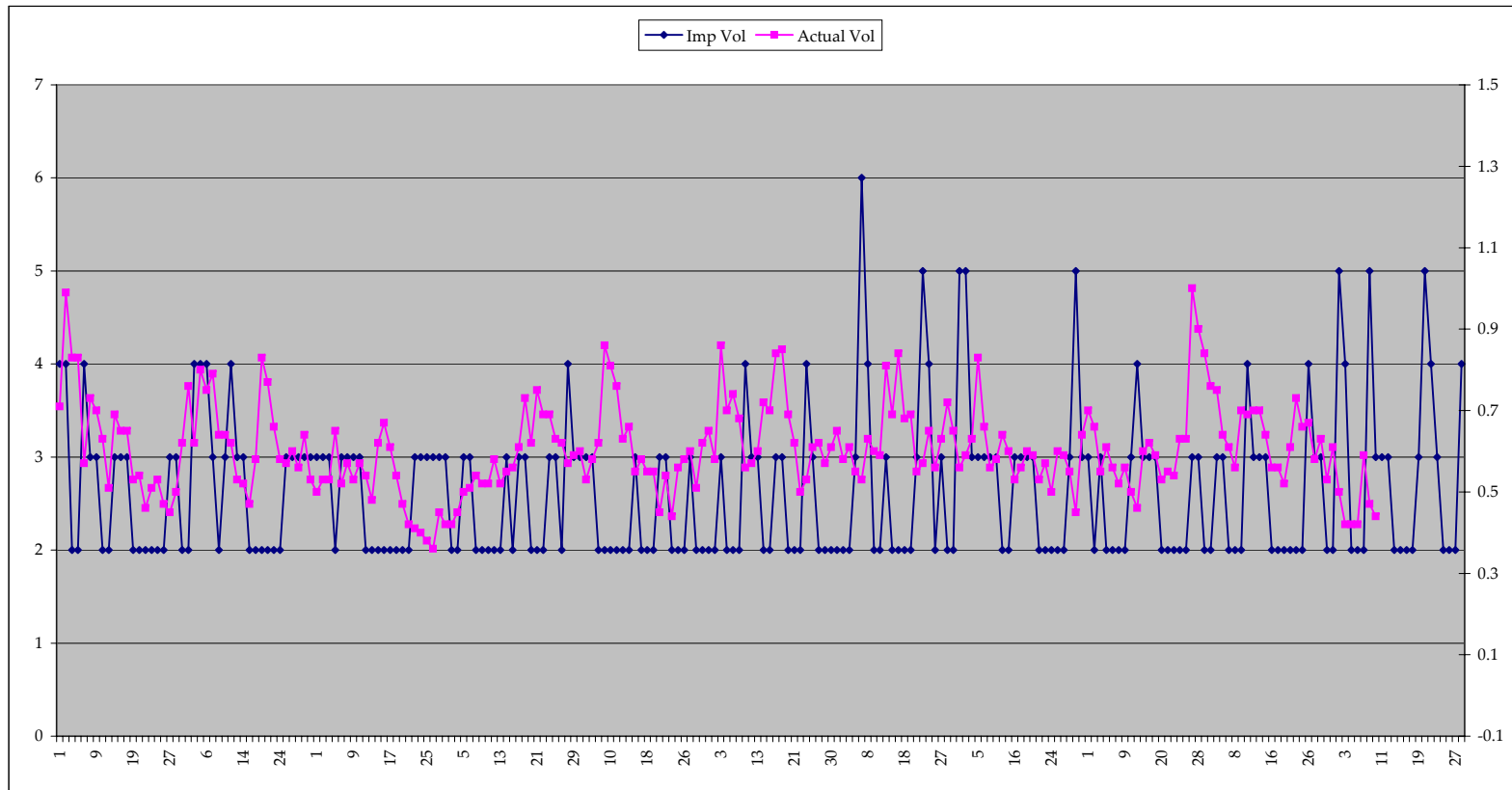
## Curve Spreads bps

2/3	(0.063)
3/5	(0.007)
2/5	(0.070)
5/10	0.093
2/10	0.023
10/30	0.181
5/30	0.274
2/30	0.204

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  
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