

## The Morning Email: Treasuries

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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	99.0750	107.1950	110.2300	4/13/2007
PPI Low	100.0350	98.2850	107.0800	110.0200	4/13/2007
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						
	ls	net	high	low	open	Volume	SYM NAME
TUAM7	102.032	(1.0)	102.047	102.030	102.042	12,262	2y Futures
FVAM7	105.050	(1.5)	105.075	105.035	105.070	39,849	5y Futures
TYAM7	107.115	(3.0)	107.160	107.100	107.145	130,407	10y Futures
USAM7	110.140	(5)	110.220	110.120	110.210	29,023	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.167	(0.7)	99.182	99.165	99.177	na	2y
BUS05P	99.067	(2.0)	99.095	99.062	99.090	na	5y
BUS10P	99.010	(3.5)	99.055	98.315	99.050	na	10y
BUS30P	97.185	(8)	97.265	97.165	97.265	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.754	1.30	4.767	4.72	4.762	na	2y Yield
BUS05Y	4.678	1.40	4.687	4.657	4.675	na	5y Yield
BUS10Y	4.747	1.40	4.757	4.727	4.741	na	10y Yield
BUS30Y	4.903	1.50	4.911	4.883	4.892	na	30y Yield

Source: CQG

## News Recap for the United States from



### Yesterday

15:07 04/16 **US TSYS/RECAP:** Tsys rose Mon despite bearish retail sales but weak 33 April NAHB housing index on

- 1) short-covering;
- 2) early Asian buying in NY in 2Y, 3Y, rumored Asian bid around 4.75% 10Y cash yield;
- 3) later European front end buying, also further out curve;
- 4) News that China bought 4 times usual amt Tsys in Feb. TICS;
- 5) selling of German Bunds/buying of US 10Ys or 30YS;
- 6) German Bunds improved after weeks of weakness;
- 7) earlier mixed flow: moderate real money/corp-tied sellers of June 10-yrs into uptick, light Street profit-taking in 3s. There was
- 8) leveraged acct buying 10Ys, also light buy-and-hold investor buying too.
- 9) P.m. had light portfolio buying in intermediates, and Street, fast money sold intermediates.
- 10) Retail bid at 4.75% 10Y yield. Also was
- 11) Hedge fund buying size in Sep calls covered.
- 12) Some receiving in intermediate swaps but earlier portfolio receiving on rate in 10Y on out.
- 13) Some steepeners initiated in swaps via 2/10Y and 10/30Y, but little hedge fund activity in swaps. MNI poll on CPI: 0.6%/0.2% CPI core.

15:09 04/16 **Swaps:** Spds end tighter, changing their tune after the NAHB data. Then sources noted sprds tightened in with the uptick in Tsys but on light flows. Earlier, there was receiving on 10Y rates on out by bank portfolios and curve steepeners initiated in the 2/10Y and moreso in the 10Y/30Y space in tandem with receivers in 3Y.

### Overnight

05:11 04/17 USTs: Treasuries are trading modestly lower in London Tuesday, as light profit-taking pushes yields higher from overnight levels. Trader also said the stronger than expected inflation data from the U.K. also weighed on sentiment. Traders said the stronger U.K. CPI data had rattled investors ahead of the U.S. inflation data due later in the session. Prices were barely changed in a lackluster Asian session, although traders noted a modest bid across the curve from real money names as JGBs improved. The curve was unchanged in London, with the weakness noted across the curve. Real money names were seen selling the front and the belly of the curve, with leveraged accounts seen selling 10-year paper. Bunds are trading lower against U.S. 10-year T-notes, 0.5 bps lower on the day at 57 bps. The 2-yr note was 1/64 lower, trading at 99 17/32 to yield 4.74%. The 10-year note was 2/32 lower at 99 2/32 (4.74%), with the Bond 4/32 lower at 97 22/32 (4.90%). The 2-/10-yr curve was also unchanged, trading at +0 bps.

05:01 04/17 REACT: June Bunds are 7 ticks lower -- hitting fresh contract low, following release of German ZEW data. Sept euribor is 0.5 tick lower. Euro-dollar is up 5 pips.

Today- United StatesEcon Releases & Speakers from MNI for the United States

Date	ET	Data thru	Prior Report	Forecast
17-Apr	0745	14-Apr	ICSC-UBS Store Sales	+0.9% w/w, +4.0% y/y
17-Apr	0830	Mar-07	Housing Starts	1.525 mn ---
17-Apr	0830	Mar-07	Building Permits	1.532 mn
17-Apr	0830	Mar-07	Consumer Price Index	+0.4% +0.6%
17-Apr	0830	Mar-07	CPI ex food & energy	+0.2% +0.2%
17-Apr	0855	14-Apr	Redbook Average	+1.0% thru wk 1
17-Apr	0915	Mar-07	Industrial Production	+1.0% +0.1%
17-Apr	0915	Mar-07	Capacity Utilization	82.0% 82.0%
17-Apr	1700	15-Apr	ABC/Wash Post Cons Conf Index	-7

DATE	GMT/EDT	EVENT
17-Apr	1230/0830	Philadelphia Federal Reserve Bank President Charles Plosser to speak about the U.S. economic outlook to the Rutgers Univ. School of Business, in Cherry Hill, New Jersey. Audience and media Q&A expected.
17-Apr	1400/1000	House Financial Services Committee to hold hearing on subprime mortgage lending, in Washington.
17-Apr	1600/1200	Treasury Deputy Secretary Robert Kimmitt to speak about the U.S.-Japan economic relationship, in Washington.
17-Apr	1630/1230	New York Federal Reserve Bank President Timothy Geithner to give keynote speech at Euro and the Dollar conference, in New York.

**PLOSSER: Non voter in 2007; votes in 2008; Moderate**

**GEITHNER: Voter, Moderate (but and inflation fighter)**

Today - Europe*Speakers for European Markets from*

DATE	GMT/EDT	EVENT
17-Apr	0800/0400	Italy Feb world/EU trade balance
17-Apr	0830/0430	UK Mar HICP/CPI/RPIX/RPI
17-Apr	0900/0500	Eurozone Feb trade balance
17-Apr	0900/0500	Germany Apr ZEW expectations index
17-Apr	2100/1700	ECB President Jean-Claude Trichet makes closing remarks at the conference "The Euro and the Dollar: Pillars in Global Finance" jointly organized by the Federal Reserve Bank of New York and the European Commission, in New York.
17-Apr*	NA	Germany Mar ICON consumer confidence

Today - Europe*Speakers for European Markets from*

Date	GMT	Data Thru	Release	Prior Release	Median Forecast
17-Apr	0900	Apr-07	ZEW EMU expectations	5.1	
17-Apr	0900	Apr-07	ZEW EMU current conditions	66.9	
17-Apr	0900	Feb-07	Trade Balance (SA, prelim)	+E1.3 bn	+E0.6 bn
17-Apr	0900	Feb-07	Trade Balance (NSA, prelim)	-E7.8 bn	

## Duration, DV01s, Curve, Flys, CFs

M Duration	
30y	15.56
10y	7.75
5y	4.38
3y	2.60
2y	1.84
ZB	9.79
ZN	5.84
ZF	3.89
ZT	1.84

DV01s (32nds)	
30y	4.90
10y	2.48
5y	1.39
3y	0.83
2y	0.59
ZB	3.50
ZN	2.02
ZF	1.32
ZT	1.21

DV01s (\$s)	
30y	\$1,531
10y	\$774
5y	\$435
3y	\$260
2y	\$184
ZB	\$109
ZN	\$63
ZF	\$41
ZT	\$38

## Yield Curve Spreads

2/3	-6.20
3/5	-1.40
2/5	-7.60
5/10	6.90
2/10	-0.70
10/30	15.60
5/30	22.50
2/30	14.90

## Fly's

2/3/5	-4.80
2/5/10	-14.50
2/10/30	-16.30
5/10/30	-8.70

## CFs

ZB	0.8281
ZN	0.9015
ZF	0.9387
ZT	0.9753

## Notes

- 1) CF = Conversion Factor
- 2) MDuration = Modified Macaulay Duration
- 3) MDuration & DV01s for Futures are based on proxy issue (CTD)

**US Financial Futures / Eurex Bond Hedge Ratios**  
**Short Number of Contracts**

	ZB	ZN	ZF	ZT
<b>Bund (H)</b>	1.000	1.800	2.700	2.600
<b>Bobl (H)</b>	0.530	0.930	1.400	1.300
<b>Shatz (H)</b>	0.210	0.400	0.550	0.530

Eurex Hedge Ratio's source: Bloomberg

**US Financial Futures Hedge Ratios**

	ZB	ZN	ZF	ZT
<b>ZB</b>		1.733	2.661	2.904
<b>ZN</b>	0.577		1.535	1.676
<b>ZF</b>	0.376	0.651		0.916
<b>ZT</b>	0.344	0.597	0.916	

**Month Codes:**

H=Mch      M=Jun

U=Sep      Z=Dec

**US Treasuries v US Financial Futures Hedge Ratios**

	2y	3y	5y	10y	30y
ZB	1.68	2.38	3.98	7.07	13.99
ZN	2.91	4.12	6.90	12.26	24.25
ZF	4.47	6.33	10.59	18.82	37.23
ZT	4.88	6.91	11.56	20.54	40.63

**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
Shatz (H)	7.1	10.5	17.2	30.8	61.3

Eurex Hedge Ratio's source: Bloomberg

**Eurex Hedge Ratios**

	Bund (H)	Bobl (H)	Shatz (H)
Bund (H)		0.000	0.000
Bobl (H)	0.000		0.000
Shatz (H)	0.000	0.000	

Eurex Hedge Ratio's source: Bloomberg

Month Codes:

H=Mch      M=Jun

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## Hedge Ratios: US Treasury Cash ,US Futures, Germany

US Treasuries v US Treasuries					
	2y	3y	5y	10y	30y
2y		1.417	2.343	4.212	8.332
3y	0.706		1.654	2.973	5.882
5y	0.422	0.598		1.777	3.516
10y	0.237	0.336	0.556		1.978
30y	0.120	0.170	0.281	0.505	

## Commitment of Traders (COT)

Current Positions										
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	247,482	281,494	(34,012)	183,835	330,934	(147,099)	1,187,345	1,006,234	181,111	ZF
ZN	281,032	431,903	(150,871)	753,233	341,455	411,778	1,718,590	1,979,497	(260,907)	ZN
ZB	124,651	198,415	(73,764)	143,188	192,823	(49,635)	687,412	564,013	123,399	ZB

WoW* Position Change				As of 4/10/2007
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	
ZF	(37,275)	1,730	35,544	
ZN	(54,681)	(42,971)	97,652	
ZB	(27,290)	30,242	(2,952)	

\*\*WoW = Week over week

	Cpn	Mty	32nds	Yield
2y	4.500	3/31/09	99.1775	4.740
3y	4.750	2/15/10	100.0600	4.676
5y	4.500	3/31/12	99.0875	4.665
10y	4.625	2/15/17	99.045	4.735
30y	4.750	2/15/37	97.26	4.890

	CF Basis*	GHCO Basis		32nds
5y	0.44	-0.553	ZF	105.0650
10y	2.51	41.746	ZN	107.1450
30y	5.94	314.372	ZB	110.19

Curve Spreads bps

2/3	(0.064)
3/5	(0.011)
2/5	(0.075)
5/10	0.070
2/10	(0.005)
10/30	0.155
5/30	0.225
2/30	0.150

CF = Conversion Factor  
 Cash - (Futures \* CF)