

The Morning Email: Treasuries

Table of Contents

Pg A Important Econ Releases, Highs & Lows

Pg 1 Quotes

Pg 2 News: United States

Pg 3 Econ Releases & Speakers for the United States

Pg 4 Speakers & Events: Europe

NEW

Pg 5 Econ Releases: Europe & Japan

NEW

Pg 6 Duration, DV01s, Curve, Flats, CFs

Pg 7,8,9 Hedge Ratios: US Treasury Cash, US Futures, Germany

Pg10 Commitment of Traders (COT)

Pg 11 2 PM CDT Closes: US Treasuries, US Financial Futures, YC Spreads, Basis

Want something added?

Let me know: 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

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	99.1750	107.2650	111.0600	4/17/2007
CPI Low	99.3150	99.0600	107.1350	110.1700	4/17/2007

*Adjusted for New Issue

**Adjusted for Futures 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	102.122	1.7	102.127	102.105	102.105	16,663	2y Futures
FVAM7	105.240	3.5	105.255	105.205	105.210	57,277	5y Futures
TYAM7	108.060	4.5	108.080	108.005	108.015	165,368	10y Futures
USAM7	111.240	8	111.260	111.140	111.160	34,520	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.252	1.2	99.257	99.240	99.240	na	2y
BUS05P	99.262	3.2	99.275	99.230	99.235	na	5y
BUS10P	99.300	5.0	99.315	99.240	99.250	na	10y
BUS30P	99.075	12	99.100	98.295	98.295	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.610	(2.10)	4.657	4.597	4.657	na	2y Yield
BUS05Y	4.539	(2.10)	4.573	4.528	4.571	na	5y Yield
BUS10Y	4.630	(2.00)	4.66	4.622	4.658	na	10y Yield
BUS30Y	4.797	(2.10)	4.825	4.79	4.819	na	30y Yield

Source: CQG

News Recap for the United States from



Yesterday

15:02 04/18 US **TSYS/RECAP**: US Tsys rose Wed, 3rd day on: 1) U.S., foreign buyers in short-covering wave, some new longs; 2) buying on thought of weak US 1Q GDP out Fri April 27; 3) rumored W. Coast fund bid in Tsys; 5) earlier sell-stocks-vs-buy bonds; 4) safe-haven bid after London risk aversion buying on rumor, not confirmed, of new woes in US subprime lending, unconfirmed rumor of hedge fund facing problems due to short UK Gilt trade; 5) Asian bid overnight in Tsys, Bunds and in Tsys early NY; 6) some expect bad-weather-depressed data; 7) Brisk buying in front Eurodlr contracts, short-covering. 8) Earlier MBS-tied accts buying size in June 2Y futures. 9) Corp. rate-lock unwind. 10) Swaps tighter swaps on sister-mkt issuance; 11) 2-way swaps flow w/ global macro accts in flatteners, US accts in steepeners across curve. 12) Option accts in steepeners. 13) Swaps switching: receiving in 2Y vs. 10,30Y. 14) Light real money 10Y swaps paying on vols tighten. 15) Big 2Y/10Y futures steepener. 16) hedge fund buyer of vega. 17) Dealers short-covering in vol space.

15:12 04/18 **Swaps**: Spreads continue notch in only fractionally with some folks reporting that clients being caught offside today, not expecting the mkt to continue higher after yesterday's performance. Thus, at least one shop, reports light customer flows as many are looking for a pullback to get involved. Therefore, dealer flows dominate many option desks, who are long gamma, are doing option related steepener trades in an effort to protect positions while global macro funds also did steepeners across the curve while dealers did switches. Overnight receiving from Asian accts as well as others also tightened spds in addition to issuance. However, into the tightening, domestic accts did flatteners while others paid in 10Y and yet others paid in all currencies vs Sweden. Still, good demand was reported from European accts in 30Y and 10Y Europe both overnight and in NY trade.

Overnight

05:06 04/19 USTs: Treasuries are trading higher across the board Thurs, boosted by safe haven flows as global equity markets weakened. Traders said **the catalyst for the move higher was renewed concerns over rate hikes in China after growth data again outpaced expectations**. Treasuries were better bid across the curve in Tokyo. Early buying interest was noted on the back of strong overnight gains. However, regional names soon stepped up their demand, particularly at the front of the curve, in the wake of the slide in regional stockmarkets. The safe-haven bids remained in London trade, as European stocks followed their Asian counterparts lower. Real money names were buyers across the curve, with the front of the curve continuing to lead the way higher. Leveraged name players were early buyers of the belly and ten-year sectors, although they were seen booking profits late in the morning. Bunds are trading lower against U.S. 10-year T-notes, 0.5 bps lower on the day at 55 bps.

Today- United States*Econ Releases & Speakers from***US** NY Time08:30 [Initial Claims](#)**wk 4/14 EST 300K** Vs Prev's 342K

Cons: 320K , Range: (300K to 330K)

10:00 [Leading Indicators](#)**Mar EST +0.3%** Vs Prev's -0.5%

Cons: +0.1% , Range: (-0.1% to +0.4%)

11:00 Treasury will announce 3- and 6-month bills.

11:00 Treasury will announce 5-year TIPS.

12:00 [Philly Fed Index](#)**Apr EST -4.3** Vs Prev's +0.2

Cons: +2.0 , Range: (-5.0 to +10.0)

15:50 SF Fed President Yellen gives brief remarks on community development at Greenling Institute's Annual Minority Economic Development Conf.

20:30 Dallas Fed President Fisher speaks about Japan at Japan-America Society of Dallas/FW 2007 Awards Dinner

a.m. POSSIBLE: Home Loan to price \$4.0 bln 2-year bond

Today - Europe*Speakers & Events from*

DATE	GMT/EST	EVENT
19-Apr	0600/0200	Germany Mar PPI
19-Apr	0700/0300	Sweden Riksbank Deputy Governor Svante Oeberg to speak on "Increased Financial Integration - Future Challenges," in Stockholm.
19-Apr	0800/0400	Italy Feb industrial orders
19-Apr	0800/0400	ECB publishes its monthly bulletin.
19-Apr	0900/0500	Germany's five leading economic institutes release their joint spring forecasts.
19-Apr	0930/0530	ECB Executive Board member Lorenzo Bini Smaghi takes part in a conference in Budapest.
19-Apr	1500/1100	ECB Exec. Board member Jose Manuel Gonzalez-Paramo speaks in Monterrey, Mexico.

Today - Europe & Japan *from*

Stone & McCarthy
RESEARCH ASSOCIATES

 [Germany](#)

07:00 [PPI \(%mom/yoY\)](#)

Mar EST 0.3/2.6 Vs Prev's 0.3/2.8
Cons: 0.4/2.7

 [Euroland](#)

09:00 ECB publishes its monthly report.

Apr

10:30 ECB's Bini Smaghi speaks at a conference titled 'Good Governance & Effective Partnership', in Budapest.

16:00 ECB's Gonzalez-Paramo speaks at the 'International Economics Symposium', in Monterrey, Mexico.

 [Japan](#)

10:00 BoJ Branch Managers Meeting

14:30 [Tokyo Dept. Store Sales \(YoY\)](#) **Mar DUE** Vs Prev's -0.3%

8:50 Tertiary Industry (MoM) **Feb EST 0.3%** Vs Prev's 1.6%

Duration, DV01s, Curve, Flys, CFs

M Duration	
30y	15.68
10y	7.76
5y	4.38
3y	2.60
2y	1.84
ZB	9.82
ZN	5.85
ZF	3.89
ZT	1.84

DV01s (32nds)	
30y	5.02
10y	2.50
5y	1.40
3y	0.84
2y	0.59
ZB	3.55
ZN	2.04
ZF	1.32
ZT	1.21

DV01s (\$s)	
30y	\$1,569
10y	\$782
5y	\$438
3y	\$261
2y	\$184
ZB	\$111
ZN	\$64
ZF	\$41
ZT	\$38

Yield Curve Spreads

2/3	-7.00
3/5	-0.10
2/5	-7.10
5/10	9.10
2/10	2.00
10/30	16.70
5/30	25.80
2/30	18.70

Fly's

2/3/5	-6.90
2/5/10	-16.20
2/10/30	-14.70
5/10/30	-7.60

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
Bund (H)	1.000	1.800	2.700	2.600
Bobl (H)	0.530	0.930	1.400	1.300
Shatz (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		1.742	2.686	2.946
ZN	0.574		1.541	1.691
ZF	0.372	0.649		0.912
ZT	0.339	0.591	0.912	

Month Codes:

H=Mch M=Jun

U=Sep Z=Dec

US Treasuries v US Financial Futures Hedge Ratios

	2y	3y	5y	10y	30y
ZB	1.66	2.35	3.94	7.04	14.13
ZN	2.88	4.09	6.87	12.27	24.61
ZF	4.45	6.31	10.59	18.91	37.94
ZT	4.88	6.92	11.62	20.74	41.62

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

U=Sep Z=Dec

Hedge Ratios: US Treasury Cash ,US Futures, Germany

US Treasuries v US Treasuries					
	2y	3y	5y	10y	30y
2y		1.420	2.356	4.253	8.535
3y	0.704		1.659	2.996	6.012
5y	0.420	0.596		1.785	3.581
10y	0.235	0.334	0.554		2.007
30y	0.117	0.166	0.276	0.498	

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	99.2350	4.643
3y	4.750	2/15/10	100.1475	4.572
5y	4.500	3/31/12	99.2275	4.565
10y	4.625	2/15/17	99.245	4.654
30y	4.750	2/15/37	98.29	4.819

	CF Basis*	GHCO Basis		32nds
5y	0.45	0.234	ZF	105.2050
10y	1.71	44.902	ZN	108.0100
30y	6.13	327.095	ZB	111.15

Curve Spreads bps

2/3	(0.071)
3/5	(0.007)
2/5	(0.078)
5/10	0.089
2/10	0.011
10/30	0.165
5/30	0.254
2/30	0.176

CF = Conversion Factor

Cash - (Futures * CF)