

The Morning Email: Treasuries

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Want something added?

Let me know: jgoulding@ghco.com

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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 | 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 | | | | | | |
|--------|---------|--------|---------|---------|---------|--------|-------------|
| | ls | net | high | low | open | Volume | SYM NAME |
| TUAM7 | 102.107 | 0.2 | 102.110 | 102.092 | 102.107 | 12,500 | 2y Futures |
| FVAM7 | 105.215 | 1.5 | 105.220 | 105.180 | 105.205 | 27,453 | 5y Futures |
| TYAM7 | 108.010 | 2.0 | 108.020 | 107.280 | 108.000 | 98,844 | 10y Futures |
| USAM7 | 111.120 | 2 | 111.140 | 111.050 | 111.100 | 22,153 | 30y Futures |
| | ls | net | high | low | open | Volume | SYM NAME |
| BUS02P | 99.237 | 0.2 | 99.240 | 99.230 | 99.235 | na | 2y |
| BUS05P | 99.232 | 0.5 | 99.237 | 99.205 | 99.222 | na | 5y |
| BUS10P | 99.225 | 0.5 | 99.230 | 99.175 | 99.220 | na | 10y |
| BUS30P | 98.225 | 1 | 98.240 | 98.140 | 98.215 | na | 30y |
| | ls | net | high | low | open | Volume | SYM NAME |
| BUS02Y | 4.636 | 0.50 | 4.661 | 4.623 | 4.661 | na | 2y Yield |
| BUS05Y | 4.559 | (0.50) | 4.585 | 4.553 | 4.576 | na | 5y Yield |
| BUS10Y | 4.660 | (0.20) | 4.686 | 4.656 | 4.674 | na | 10y Yield |
| BUS30Y | 4.831 | 0.00 | 4.85 | 4.827 | 4.837 | na | 30y Yield |

Source: CQG

News Recap for the United States from



Yesterday

14:25 04/19 US outlook [**NFP**]: Goldman has these ests after today's data: +75k Apr payroll gain and a 0.1-point uptick in unemployment to 4.5%.

15:18 04/19 US **TSYS/RECAP**: (REFILE) US Tsys ebbed amid profit-taking on 3-day rally, overnight safe-haven bid vs. weak Asia, Europe stks, China rate hike fear, 11.1% 1Q China GDP, 3.3% y/y China Mar CPI. Morning saw early Street profit-tkg & front end, 5Y selling, and U.S. and foreign banks, real money taking profits. But then there was buy-and-hold buying intermediates, a hedge fund bid too, and sizable buy Tsys/Sell German Bunds trading, some citing 100K contracts sold in June Bund futures. Lvrge accts moved down from 10Y to 5Ys. Futures selling when June 10Ys neared 108 8/32 res. Rate-lock unwind buying. Servicers rolled from June 10Y expiries options to Sept. 10Y expiries. Momentum buyers buy 2Y, 5Y; not same size as Tue, Wed. Foreign central banks did better buying in NY in Tsys; o/night was Asian central bk bid in 10s. Back end swaps wider on talk of big European fund in 2Y/30Y steepener; trade done in European swaps, filtered to US swaps. Some set shorts for 2Y, 5Y, 5Y TIPS sales. Phil Fed 0.2 April, price data mixed. Jobless claims +339K latest wk.

15:13 04/19 **Swaps**: According to GovPx, spds widen in late trade while the 2-yr tightens in, which was likely linked to large buying in the 2-year eurodollar bundles this afternoon. Earlier, spreads widened in the back-end amid talk of a large European fund doing a steepener. Sources said based on price action it appeared to have gone through in 2/30Y, but that remains unconfirmed. Some piggybacking reported on the trade but not a lot, and curve trading was 2-way, desks say. Sources also say the hedging type activity that went on yesterday as accts took inventory of spread product has abated, allowing for some widening.

Overnight

05:08 04/20 **BUNDS**: June Bunds squeezing up -- dragged up by Gilt coat-tails following release of weaker than expected headline March retail sales data. Markets are ignoring the upward revision to February data and the deflator component, which saw its strongest increase since September 2006 at +0.4%. Instead, markets are focusing on the dovish comments from Bank of England Governor Mervyn King, who was quoted in the Yorkshire Post saying that "the MPC still expects inflation to be closer to our target figure of 2 per cent once this short term volatility, brought about by a number of factors such as energy price increases, has disappeared."

05:00 04/20 **USTs**: Treasuries are modestly lower in London Friday, as steadying of global stock prices sees a slowing of the flight-to-quality buying. With a lack of fresh trading incentives and a light U.S. data calendar, volumes were otherwise light. Treasuries were modestly lower in Asian trade, weighed by unwinding of safe-haven flows after the previous session's equity slide. However, traders added that flows were otherwise light, with many players sidelined ahead of the weekend and the looming Japanese Golden Week holidays. London saw modest real money selling of the front of the curve, although again flows were only light. Elsewhere, selling pressure was light, with flows largely inter-dealer. Bunds are trading lower against U.S. 10-year T-notes, 1 bps lower on the day at 53 bps. The 2-yr/5-yr yield curve was 1 bps flatter on overnight levels, trading at -7 bps. The 2-/10-yr curve was unchanged, trading at +3 bps, as was the 2-yr/30-yr curve, standing at +20 bps.

Today- United States*Econ Releases & Speakers from*

| |
|---|
| Stone & McCarthy RESEARCH ASSOCIATES |
|---|

 **US**

12:15 Fed Governor Mishkin speaks on the U.S. economic outlook at conference on state of the U.S. and world economies hosted by Levy Econ. Institute of Bard College
a.m. Freddie Mac will announce 1-, 3-, and 6-month bills.

MISHKIN: Voter, Moderate/Dove?? (Not known as inflation fighter)**Also :**

| | | |
|--------|-----------|--|
| 20-Apr | 1600/1200 | Treasury to issue questions for primary dealers prior to May 2 refunding, in Washington. |
|--------|-----------|--|

Today - Europe*Speakers & Events from*

| DATE | GMT/EST | EVENT |
|--------|-----------|--|
| 20-Apr | 0645/0245 | France Mar consumer mfg outlays |
| 20-Apr | 0800/0400 | Italy Mar non-EU trade balance |
| 20-Apr | 0830/0430 | UK Mar retail sales |
| 20-Apr | NA | EU finance ministers, central bank governors hold informal 2-day meetings in Berlin. |
| 21-Apr | 1245/0845 | ECB Governing Council member Axel Weber and German Finance Minister Peer Steinbrueck hold press briefing at end of informal meetings in Berlin with their EU counterparts. |

Today - Europe & Japan *from*Stone & McCarthy
RESEARCH ASSOCIATES [Euroland](#)

EU Finance Ministers attend a 2-day meeting, in Berlin.

 [UK](#)09:30 [Retail Sales \(%mom/yoy\)](#)Mar **EST 0.6/4.8** Vs Prev's 1.4/4.9
Cons: 0.5/4.7 [Japan](#)8:50 [All Industries \(YoY\)](#) Feb DUE Vs Prev's 1.0%

Duration, DV01s, Curve, Flys, CFs

| M Duration | |
|------------|-------|
| 30y | 15.63 |
| 10y | 7.75 |
| 5y | 4.37 |
| 3y | 2.59 |
| 2y | 1.83 |
| ZB | 9.81 |
| ZN | 5.84 |
| ZF | 3.88 |
| ZT | 1.83 |

| DV01s (32nds) | |
|---------------|------|
| 30y | 4.98 |
| 10y | 2.49 |
| 5y | 1.40 |
| 3y | 0.83 |
| 2y | 0.59 |
| ZB | 3.54 |
| ZN | 2.03 |
| ZF | 1.32 |
| ZT | 1.20 |

| DV01s (\$s) | |
|-------------|---------|
| 30y | \$1,556 |
| 10y | \$779 |
| 5y | \$437 |
| 3y | \$260 |
| 2y | \$183 |
| ZB | \$111 |
| ZN | \$63 |
| ZF | \$41 |
| ZT | \$38 |

Yield Curve Spreads

| | |
|-------|-------|
| 2/3 | -7.30 |
| 3/5 | -0.40 |
| 2/5 | -7.70 |
| 5/10 | 10.10 |
| 2/10 | 2.40 |
| 10/30 | 17.10 |
| 5/30 | 27.20 |
| 2/30 | 19.50 |

Fly's

| | |
|---------|--------|
| 2/3/5 | -6.90 |
| 2/5/10 | -17.80 |
| 2/10/30 | -14.70 |
| 5/10/30 | -7.00 |

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 | 2.681 | 2.946 |
| ZN | 0.574 | | 1.539 | 1.692 |
| ZF | 0.373 | 0.650 | | 0.910 |
| ZT | 0.339 | 0.591 | 0.910 | |

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 | 3.95 | 7.05 | 14.07 |
| ZN | 2.88 | 4.10 | 6.88 | 12.28 | 24.51 |
| ZF | 4.44 | 6.30 | 10.59 | 18.89 | 37.73 |
| ZT | 4.88 | 6.93 | 11.64 | 20.77 | 41.47 |

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 | | 1.421 | 2.360 | 4.258 | 8.504 |
| 3y | 0.704 | | 1.661 | 2.998 | 5.986 |
| 5y | 0.419 | 0.595 | | 1.783 | 3.562 |
| 10y | 0.235 | 0.334 | 0.554 | | 1.997 |
| 30y | 0.118 | 0.167 | 0.278 | 0.501 | |

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 | | | | |
|----------------------|----------|----------|---------|--------------------|
| | Sml Spec | Lrg Spec | Comm | |
| | Net | Net | Net | |
| ZF | (37,275) | 1,730 | 35,544 | As of 4/10/2007 |
| 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 | 99.2375 | 4.639 |
| 3y | 4.750 | 2/15/10 | 100.1475 | 4.572 |
| 5y | 4.500 | 3/31/12 | 99.2225 | 4.569 |
| 10y | 4.625 | 2/15/17 | 99.210 | 4.668 |
| 30y | 4.750 | 2/15/37 | 99.21 | 4.836 |

| | CF Basis* | GHCO Basis | | 32nds |
|-----|--------------|---------------|----|----------|
| 5y | 0.45 | 0.206 | ZF | 105.2000 |
| 10y | 2.52 | 42.767 | ZN | 107.3150 |
| 30y | 7.12 | 321.777 | ZB | 111.11 |

Curve Spreads bps

| | |
|-------|---------|
| 2/3 | (0.067) |
| 3/5 | (0.003) |
| 2/5 | (0.070) |
| 5/10 | 0.099 |
| 2/10 | 0.029 |
| 10/30 | 0.168 |
| 5/30 | 0.267 |
| 2/30 | 0.197 |

CF = Conversion Factor

Cash - (Futures * CF)