2/6/2007 5:31

The Morning Email: Treasuries

Table of Contents

Want something added?
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Important Econ Releases, Highs & Lows

	5y*	10y*	ZNH7**	ZBH7**	Date
Non-farm High	99.2725	98.2250	106.3100	110.1700	2/2/2007
Non-farm Low	99.1925	98.0950	106.1900	109.2900	2/2/2007
FOMC High	99.2300	98.1500	106.2500	110.0500	1/31/2007
FOMC Low	99.1775	98.0600	106.1700	109.2300	1/31/2007
PPI High	99.1875	99.0550	107.1200	111.0700	1/17/2007
PPI Low	99.1025	98.2350	106.3100	110.1700	1/17/2007
CPI High	99.1500	99.0150	107.0700	111.0100	1/18/2007
CPI Low	99.0500	98.1600	106.2350	110.0800	1/18/2007

*Adjusted for New Issue

**Adjusted for Roll

Prices are recorded from econ release to 2pm CDT

Quotes

	32 nds						
	ls	net	high	low	open	Volume	SYM NAME
TUAH7	101.260	0.2	101.265	101.255	101.257	5,709	2y Futures
FVAH7	104.200	0.5	104.210	104.190	104.195	26,181	5y Futures
TYAH7	106.285	1.5	106.295	106.265	106.270	56,979	10y Futures
USAH7	110.120	2	110.140	110.090	110.110	9,060	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.292	0.0	99.295	99.290	99.295	na	2y
BUS05P	99.257	0.0	99.265	99.252	99.255	na	5y
BUS10P	98.200	1.0	98.210	98.185	98.190	na	10y
BUS30P	93.240	3	93.255	93.220	93.235	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.917	0.00	4.934	4.9	4.925	na	2y Yield
BUS05Y	4.793	(0.20)	4.802	4.788	4.798	na	5y Yield
BUS10Y	4.800	(0.40)	4.812	4.794	4.81	na	10y Yield
BUS30Y	4.904	(0.40)	4.912	4.901	4.911	na	30y Yield

Source: CQG

Yesterday

02/05 15:07 **US TSYS/RECAP**: Tsys ended Mon. higher amid foreign buying in front end Tsys, short-covering into Jan. non-mfrg ISM, foreign central bank bid in front end too, and early corporate-tied real money accounts buying early in March 2Y, 10Y futures. On flip side, there also was some profit-taking in intermediates but market appeared to hold bid tone much of day; could be later corporate rate-lock unwinds too. Jan non-mfg ISM 59 vs 56.7 Dec, Jan non-mfg ISM prices paid 55.2 vs 59.7 in Dec, employmt 51.7, new orders 55.4. 10Ys special as at 3.5% in overnight RP, was borrowing from Fed in issue too. Could be rate-lock unwind buying as benchmark-sized Citigroup Inc. 10Y globals price today. But traders expect a concession before smaller-than-expected US$38B Feb. refunding auctions that begin Tue with 3Y sale; then there is US$13B 10Y sale Wed, with new US$9B 30Y Thu. In Eurodlr futures, there was front-end flattener, one shop sold total of 12,000 Sep. '07 futures vs. Rep packs on ratioed basis, lkg for Fed cut to be priced into '08 contracts.

02/05 15:05 **US Swaps**: For the fifth consecutive session, swap spreads finished the session tighter across the board in a directional move with lower Tsy ylds. The 2yr spd in 0.50 bps at 35.25, the 5yr and 10yr spds are in 1.00 bps at 40.75 and 48.75 respectively, while the 30yr spd is in 1.25 bps at 51.25, according to GovPX. Of note, the 2s/10s swap yld spd comressed, +2.7 bps on the bell, while the 2s/5s swap yld spd inverts further, -6.5 bps. **[Source – ICAP]**

Overnight

02/06 04:38 USTs: Treasuries are little changed in London trade Tuesday, consolidating close to overnight levels, as the looming quarterly refunding helped sideline many players in a lackluster session. Tokyo trade also saw many players take a back seat ahead of the refunding. However, the front of the curve did see some light demand from Asian central banks. London trade was also seen as largely featureless, with flows mainly interdealer book-squaring ahead of the auction. Flows were light and trading ranged very tight, with yields barely moving from the late New York levels. Bunds are trading flat against U.S. 10-year T-notes, unchanged on the day at 83 bps. **[Source – MNI]**

Today

Econ Releases for today& this week

Date	ET	Release	For	Briefing.com	Consensus	Prior
Feb 07	08:30	Productivity-Prel	Q4	1.5%	1.7%	0.2%
Feb 07	10:30	Crude Inventories	02/02	NA	NA	2684K
Feb 07	15:00	Consumer Credit	Dec	$8.0B	$6.5B	$12.3B
Feb 08	08:30	Initial Claims	02/03	310K	310K	307K
Feb 08	10:00	Wholesale Inventories	Dec	0.7%	0.6%	1.3%

[Source: DailyFX.com]

Upcoming Speakers/Events

(London Times; CST -6 hrs, EST -5 hrs)

USD: Feb 6 at 15:00 - Treasury Secretary Paulson testifies on budget to Congress
USD: Feb 6 at 18:00 - Fed's Moskow speaks in Chicago at Planning Summit
USD: Feb 6 at 18:30 - Fed's **Bernanke** speaks in Nebraska
USD: Feb 6 at 20:30 - Fed's Yellen speaks in Los Angeles on Asian Financial Crisis
USD: Feb 7 at 13:15 - Fed's Plosser speaks in Philadelphia
JPY: Feb 8 at 01:00 - BoJ's Haru speaks at Conference on Finance
JPY: Feb 8 at 05:10 - BoJ's Iwata speaks at Finance Policy Meeting
GBP: Feb 8 at 12:00 - BoE Rate Decision -
EUR: Feb 8 at 13:30 - ECB's Trichet gives News Conference - WLD: Feb 9 - G7 Finance Ministers and Central Bankers Meet in Germany (9th - 10th Feb)
CHF: Feb 9 at 10:15 - SNB's Blattner speaks in Basel

[Source: dailyfx.com]

Yield Curve Spreads & Flys, DV01s, CFs

M Duration

30y	15.32
10y	7.69
5y	4.38
3y	2.54
2y	1.86
ZB	9.69
ZN	5.74
ZF	3.81
ZT	1.78

DV01s (32nds)

30y	4.70
10y	2.45
5y	1.40
3y	0.81
2y	0.60
ZB	3.52
ZN	1.99
ZF	1.29
ZT	1.17

DV01s ($s)

30y	$1,470
10y	$766
5y	$438
3y	$253
2y	$186
ZB	$110
ZN	$62
ZF	$40
ZT	$37

CTD for the 30y has changed several times over the last month. It changed again after NFP. The two issues fighting for CTD are:

Coupon	Issue Date	Mat Date	Cusip	(Billions)
7.250	8/17/1992	8/15/2022	912810EL8	$9.8
7.625	11/15/1992	11/15/2022	912810EM6	$7.0

The greyed out issue is currently CTD.
I'll be keeping this section up as we continue to get changes.

Yield Curve Spreads

2/3	-7.10
3/5	-5.30
2/5	-12.40
5/10	0.70
2/10	-11.70
10/30	10.40
5/30	11.10
2/30	-1.30

Fly's

2/3/5	-1.80
2/5/10	-13.10
2/10/30	-22.10
5/10/30	-9.70

CFs

ZB	0.7956
ZN	0.9105
ZF	0.9481
ZT	0.9807

*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	2.800	3.000
Bobl (H)	0.550	0.970	1.500	1.600
Shatz (H)	0.200	0.400	0.600	0.660

Number of contracts LONG

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		0.563	0.366	0.332
ZN	1.775		0.649	0.589
ZF	2.735	1.540		0.908
ZT	0.664	1.179	1.815	

Month Codes:

H=Mch	M=Jun
U=Sep	Z=Dec

Hedge Ratios: US Treasury Cash / Eurex Bund, Bobl, Schatz

US Treasuries v US Financial Futures Hedge Ratios

	2y	3y	5y	10y	30y
ZB	1.69	2.29	3.98	6.96	13.34
ZN	3.01	4.07	7.06	12.35	23.69
ZF	4.63	6.27	10.87	19.02	36.49
ZT	5.10	6.91	11.98	20.96	40.20

US Treasuries v Eurex Bonds Hedge Ratios

	2y	3y	5y	10y	30y
Bund (H)	1.7	2.4	3.9	7.0	13.1
Bobl (H)	3.1	4.7	7.3	13.5	25.2
Shatz (H)	7.1	10.4	16.7	30.0	56.1

Eurex Hedge Ratio's source: Bloomberg

Eurex Hedge Ratios

	Bund (H)	Bobl (H)	Shatz (H)
Bund (H)		1.900	4.600
Bobl (H)	0.530		2.500
Shatz (H)	0.220	0.400	

Eurex Hedge Ratio's source: Bloomberg

Month Codes:

H=Mch M=Jun

U=Sep Z=Dec

Hedge Ratios: US Cash Treasuries / Eurodollar

US Treasuries v US Treasuries

	2y	3y	5y	10y	30y
2y		1.355	2.349	4.109	7.882
3y	0.738		1.734	3.033	5.818
5y	0.426	0.577		1.750	3.356
10y	0.243	0.330	0.572		1.918
30y	0.127	0.172	0.298	0.521	

Commitment of Traders (COT)

	Current Positions									
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	218,078	320,845	(102,767)	220,600	215,405	5,195	1,141,019	1,043,448	97,571	ZF
ZN	332,447	466,745	(134,298)	567,695	387,897	179,798	1,756,829	1,802,330	(45,501)	ZN
ZB	145,454	202,715	(57,261)	122,292	210,761	(88,469)	721,446	575,716	145,730	ZB

	WoW** Position Change			
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	As of
ZF	(36,825)	71,239	(34,415)	1/30/2007
ZN	19,957	(27,169)	7,210	
ZB	3,615	(11,520)	7,905	

**WoW = Week over week

Closes2pm

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

	Cpn	Mty	32nds	Yield
2y	4.875	1/31/09	99.2950	4.916
3y	4.625	11/15/09	99.1325	4.851
5y	4.750	1/31/12	99.2550	4.769
10y	4.625	11/15/16	98.190	4.806
30y	4.500	2/15/36	93.23	4.909

	CF Basis*	GHCO Basis
5y	0.42	34.130
10y	1.47	42.001
30y	5.53	190.032

	32nds
ZF	104.1950
ZN	106.2700
ZB	110.10

Curve Spreads bps	
2/3	(0.065)
3/5	(0.082)
2/5	(0.147)
5/10	0.037
2/10	(0.110)
10/30	0.103
5/30	0.140
2/30	(0.007)

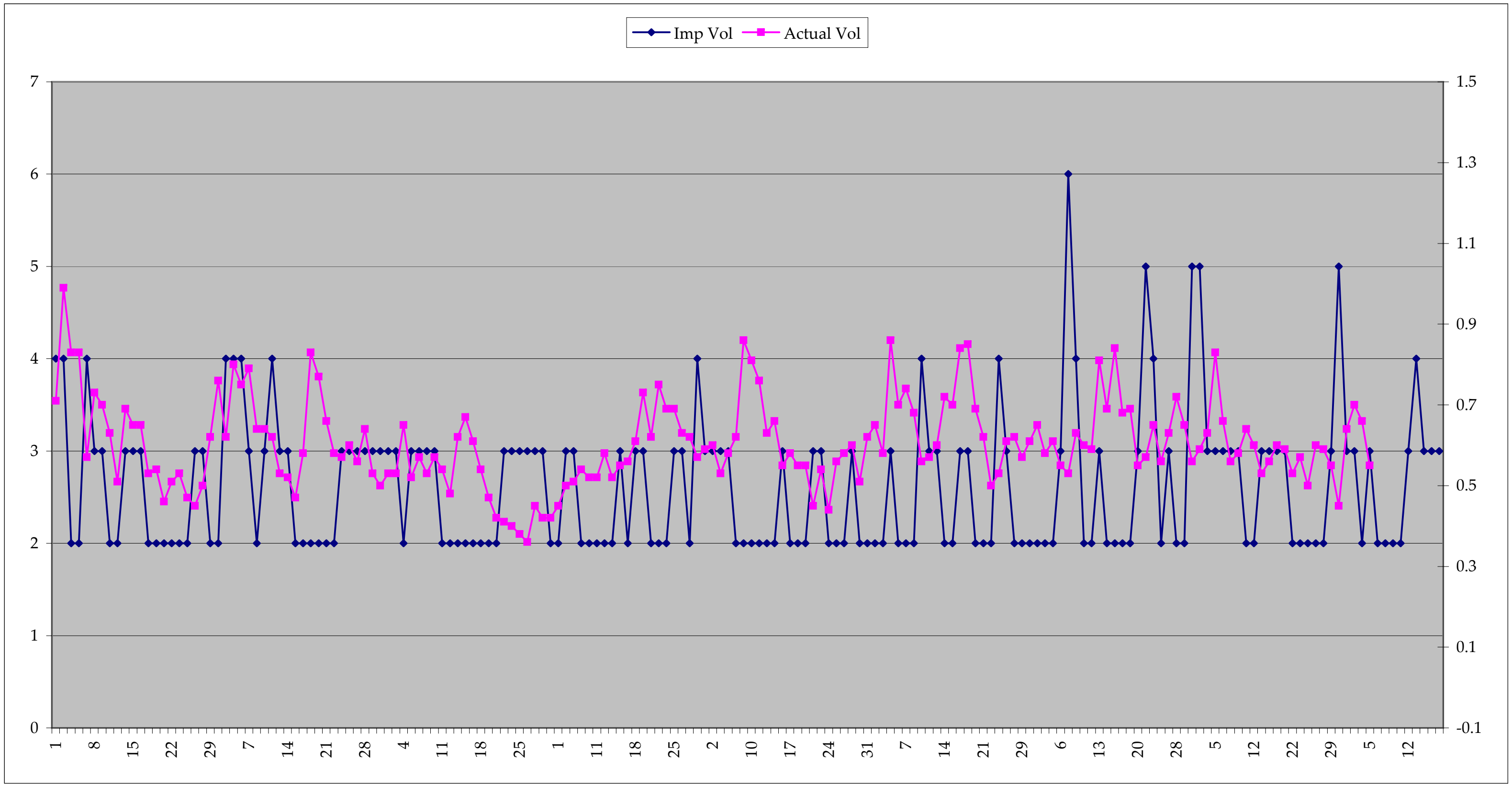
	New 5yr	**Old 5yr**
Coup	4.750	4.625
Price		
Yield		
Mat	1/31/09	12/31/09

Roll = +.75 bps

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)

CDT Time	UT Time	EDT Time	2/6/2007	2/7/2007	2/8/2007
1900-2200	0000-0300	2000-2300	2	2	2
2200-0100	0300-0600	2300-0200	2	2	2
0100-0400	0600-0900	0200-0500	2	2	2
0400-0700	0900-1200	0500-0800	1	1	1
0700-1000	1200-1500	0800-1100	1	1	1
1000-1300	1500-1800	1100-1400	1	1	1
1300-1600	1800-2100	1400-1700	1	1	1
1600-1900	2100-0000	1700-2000	2	2	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