

The Morning Email: Treasuries

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Want something added?

Let me know: jgoulding@ghco.com

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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.

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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					Volume	SYM NAME
	ls	net	high	low	open		
TUAH7	101.270	(0.2)	101.277	101.265	101.275	14,590	2y Futures
FVAH7	104.240	(1.0)	104.255	104.230	104.250	33,098	5y Futures
TYAH7	107.015	(2.5)	107.040	107.010	107.040	82,322	10y Futures
USAH7	110.210	(4)	110.250	110.200	110.250	22,176	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.302	(0.5)	99.310	99.302	99.307	na	2y
BUS05P	99.297	(1.7)	99.312	99.297	99.305	na	5y
BUS10P	98.255	(3.5)	98.280	98.255	98.270	na	10y
BUS30P	94.020	(7)	94.065	94.015	94.030	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.900	0.80	4.913	4.883	4.896	na	2y Yield
BUS05Y	4.764	1.20	4.77	4.752	4.757	na	5y Yield
BUS10Y	4.778	1.70	4.784	4.763	4.77	na	10y Yield
BUS30Y	4.883	1.60	4.888	4.87	4.871	na	30y Yield

Source: CQG

Yesterday

02/06 15:17 **US TSYS/RECAP:** Tsys rallied amid 1) strong US\$16B 3Y auction, wide Asian buying, short-covering, momentum buying. Tsys rose midday after dip on 2) early European selling in 1Y-10Y US Tsys (some citing US 7Ys) and 3) European fund selling in German Bunds, linkers, 3) pre-auction short-setting before \$16B 3Y sale then 4) was modest Asian, US buying in MBS at lows, (after prior MBS selling by fast money, 10Y swaps paying). Also, 5) real money corporate-tied buying early in March 10Y futures. Once the market had settled down, there was 6) Asian buying in shorter Tsys, 5Y, 10Ys Tsys; midday Asian buy-and-hold buying in 10Ys, afternoon same buying, and Far East buyer in 10Y futures. There was 7) momentum buying in US 10Y futures. Meanwhile 8) vols turned higher. Some noted that 9) Asian buying might surface at 107 2/32; and others noted that it's possible that Asian bid also might surface in 10Y and 30Y auctions, as seen in 3Y sale (32.3% indirect, 4.80% hi yld, 0.8% direct). 10Y is 4.768%; break below 4.76% channel bottom is buy sign. \$13B 10Y sale Wed.

02/06 15:06 **US Swaps:** Swap spreads finished the session mostly steady across the board, Tsy ylds lower. The 2yr, 10yr and 30yr spds are steady at 35.25, 48.75 and 51.25 respectively, while the 5yr spd is out 0.50 bps, likely due to overnight repo specialness, at a midpoint of 41.25, according to GovPX. Of note, the 2s/10s swap yld spd reinverted, -0.2 bps on the bell, while the 2s/5s swap yld spd inverts further, -8.7 bps.. [Source - ICAP]

Overnight

02/07 05:09 **USTs:** Treasuries are trading very modestly lower in London Wednesday, pushed lower after the strong gains seen late in the U.S. session overnight. Traders said solid gains were seen just ahead of the Chicago close, boosted by the strength of the cover and the overseas interest noted at the three-year auction. Treasuries were flat to modestly lower in Asian trade, with the 30-year lower on the back of selling by Japanese regional banks. However, volumes were largely muted ahead of the second leg of the quarterly refunding. The light profit-taking pushed the market lower in London, but there was little incentive to push prices too far ahead of the auction. Real money names were better buyers of the front of the curve on dips, but again traders said volumes were muted ahead of the G7 meeting in Essen, Germany at the weekend. Bunds are trading modestly lower against U.S. 10-year T-notes, down 1 bps on the day at 81 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 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	15.34
10y	7.69
5y	4.38
3y	2.72
2y	1.86
ZB	9.70
ZN	5.74
ZF	3.81
ZT	1.78

DV01s (32nds)	
30y	4.73
10y	2.46
5y	1.40
3y	0.87
2y	0.60
ZB	3.53
ZN	1.98
ZF	1.29
ZT	1.17

DV01s (\$s)	
30y	\$1,477
10y	\$768
5y	\$438
3y	\$272
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	-9.90
3/5	-3.70
2/5	-13.60
5/10	1.40
2/10	-12.20
10/30	10.50
5/30	11.90
2/30	-1.70

Fly's	
2/3/5	-6.20
2/5/10	-15.00
2/10/30	-22.70
5/10/30	-9.10

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
Schatz (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		0.562	0.365	0.331
ZN	1.781		0.650	0.589
ZF	2.740	1.538		0.906
ZT	0.661	1.178	1.812	

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	2.46	3.97	6.95	13.37
ZN	3.00	4.38	7.07	12.38	23.82
ZF	4.62	6.74	10.88	19.05	36.64
ZT	5.10	7.44	12.01	21.02	40.44

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
Schatz (H)	7.1	10.4	16.7	30.0	56.1

Eurex Hedge Ratio's source: Bloomberg

Eurex Hedge Ratios

	Bund (H)	Bobl (H)	Schatz (H)
Bund (H)		1.900	4.600
Bobl (H)	0.530		2.500
Schatz (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		1.457	2.353	4.120	7.926
3y	0.686		1.614	2.827	5.439
5y	0.425	0.619		1.751	3.369
10y	0.243	0.354	0.571		1.924
30y	0.126	0.184	0.297	0.520	

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	
ZF	(36,825)	71,239	(34,415)	As of
ZN	19,957	(27,169)	7,210	1/30/2007
ZB	3,615	(11,520)	7,905	

**WoW = Week over week

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

	Cpn	Mty	32nds	Yield
2y	4.875	1/31/09	99.3075	4.895
3y	4.750	2/15/10	99.2800	4.795
5y	4.750	1/31/12	99.3125	4.755
10y	4.625	11/15/16	98.290	4.765
30y	4.500	2/15/36	94.10	4.869

GHCO

	CF Basis*	Basis		32nds
5y	0.42	34.689	ZF	104.2500
10y	0.66	43.806	ZN	107.0400
30y	6.45	197.098	ZB	110.25

Curve Spreads bps

2/3	(0.100)
3/5	(0.040)
2/5	(0.140)
5/10	0.010
2/10	(0.130)
10/30	0.104
5/30	0.114
2/30	(0.026)

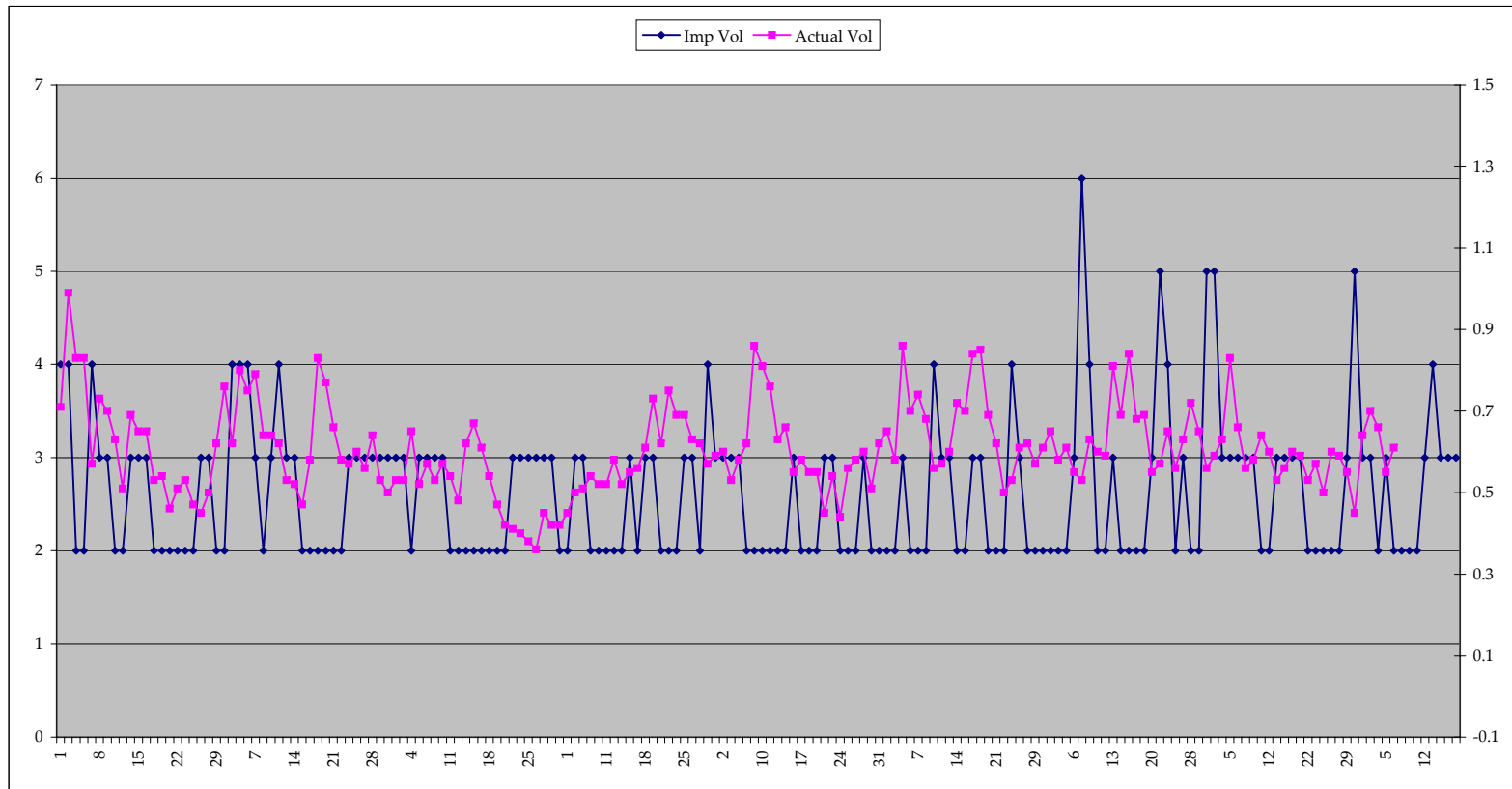
	New 10yr	Old 10yr
Coup		
Price		
Yield		
Mat		

Roll:

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