

The Morning Email: Treasuries

Table of Contents

- Pg A** Important Econ Releases, Highs & Lows

- Pg 1** Quotes

- Pg 2** News Snapshot

- Pg 3** Yield Curve Spreads & Flys, DV01s, CFs

- Pg 4** Hedge Ratios: US Financial Futures / Eurex Bund, Bobl, Schatz,

- Pg 5** Hedge Ratios: US Treasury Cash / Eurex Bund, Bobl, Schatz

- Pg 6** Hedge Ratios: US Cash Treasuries / Eurodollar

- Pg 7** Commitment of Traders (COT)

- Pg 8** 2 PM CDT Closes: US Treasuries, US Financial Futures, YC Spreads, Basis

- Pg 9** Implied Volatility (Daily)

- Pg 10** Implied Volatility (3-Hour)

Want something added?

Let me know: jgoulding@ghco.com

Disclaimer:

All information within this newsletter is meant for internal use at Goldenberg, Hehmeyer & Co. 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

	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	101.280	(0.7)	101.285	101.277	101.282	13,937	2y Futures
FVAH7	104.275	(1.5)	104.285	104.265	104.285	38,181	5y Futures
TYAH7	107.080	(1.5)	107.095	107.065	107.090	95,618	10y Futures
USAH7	110.290	(2)	110.310	110.260	110.310	29,637	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.315	(0.7)	100.000	99.315	100.000	na	2y
BUS05P	100.017	(1.5)	100.025	100.015	100.025	na	5y
BUS10P	99.020	0.5	99.025	99.010	99.020	na	10y
BUS30P	94.130	(4)	94.140	94.115	94.130	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.875	0.80	4.892	4.858	4.875	na	2y Yield
BUS05Y	4.732	0.90	4.743	4.722	4.736	na	5y Yield
BUS10Y	4.742	(0.30)	4.752	4.734	4.748	na	10y Yield
BUS30Y	4.858	0.50	4.869	4.853	4.854	na	30y Yield

Source: CQG

Yesterday

02/07 15:20 **US TSYS/RECAP**: Tsys ended higher despite an okay US\$13B 10Y auction amid post-auction buying by both US and unspecified foreign buyers. Market earlier had risen amid 1) short-covering of structural shorts, 2) European, Asian accounts buying Tsys (Asians in long end), 3) earlier asset allocation: selling S&Ps/buying US Tsys 10Ys; 4) technical buying as 10Y yield breaks below 4.76% bottom of yield channel, buy signal. On flip side, there also was 5) petrodollar account selling front end Tsys, and 6) earlier corporate rate-lock selling, rate-lock unwinds later. 7) Bd-friendly data: Q4 prelim nonfarm productivity +3%, ULC +1.7%. 8) Modest front-end selling this morning too. 9) Some banks are selling 10s, while others buy intermediates. 10) One big Far East central bank back in buying Tues. and Wed, aids supply/demand, forces some big short-covering among dealers, shorts. 11) Japan said inactive. 12) US 10Ys had outperformed Bunds. 13) "Okay" 10-year note sale drew 4.740% hi yld, 30% indirect. 14) Next: US\$9B 30Y bd sale Thu, Fri-Sat G7 mtg, 02/07

15:04 **US Swaps**: Swap spreads finished the session mostly wider across the board, Tsy ylds lower. The 2yr spd out 0.50 bps at 35.75, the 5yr out 0.75 bps 42.00, the 10yr out 0.25 bps at 49.00, while the 30yr spd is steady on the ball at 51.25, according to GovPX. Of note, the 2s/10s swap yld spd is near inversion, +0.2 bps on the bell, while the 2s/5s swap yld spd at recent lows, -8.6 bps. [Source - ICAP]

Overnight

02/08 04:40 **USTs**: Treasuries are trading modestly lower in London Thurs, as the market repeats a pattern seen for much of the week. As has been the case so far this week, prices ended higher across the board in New York, before running into light profit-taking in Tokyo and London. However, with the 30-year auction, and rate decisions from both the Bank of England and the European Central Bank, looming large, volumes were light and trading ranges were narrow. With many traders sidelined, the curve was barely changed, with flows featureless and largely inter-dealer. However, traders said there were good bids below the market from Asian central banks offering support in the 2 and 5-year sector. Bunds are trading modestly lower against U.S. 10-year T-notes, down 1.5 bps on the day at 77 bps. [Source - MNI]

Today

Econ Releases for today& this week

Date	ET	Release	For	Briefing.com	Consensus	Prior
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)

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 & Flies, DV01s, CFs

M Duration	
30y	15.36
10y	7.76
5y	4.38
3y	2.72
2y	1.86
ZB	9.70
ZN	5.74
ZF	3.81
ZT	1.78

DV01s (32nds)	
30y	4.75
10y	2.46
5y	1.40
3y	0.87
2y	0.60
ZB	3.55
ZN	1.99
ZF	1.29
ZT	1.17

DV01s (\$s)	
30y	\$1,484
10y	\$769
5y	\$439
3y	\$271
2y	\$186
ZB	\$111
ZN	\$62
ZF	\$40
ZT	\$36

Yield Curve Spreads

2/3	-9.90
3/5	-4.40
2/5	-14.30
5/10	1.00
2/10	-13.30
10/30	11.60
5/30	12.60
2/30	-1.70

Fly's

2/3/5	-5.50
2/5/10	-15.30
2/10/30	-24.90
5/10/30	-10.60

CFs

ZB	0.7956
ZN	0.8995
ZF	0.9481
ZT	0.9807

new as of 02/08/07

*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	0.364	0.329
ZN	1.781		0.648	0.586
ZF	2.748	1.543		0.905
ZT	0.658	1.172	1.809	

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	1.68	2.45	3.96	6.94	13.39
ZN	2.99	4.36	7.05	12.35	23.84
ZF	4.62	6.73	10.88	19.06	36.79
ZT	5.10	7.44	12.03	21.06	40.67

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		1.458	2.357	4.129	7.971
3y	0.686		1.617	2.831	5.466
5y	0.424	0.619		1.751	3.381
10y	0.242	0.353	0.571		1.931
30y	0.125	0.183	0.296	0.519	

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 1/30/2007
ZN	19,957	(27,169)	7,210	
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	100.0025	4.870
3y	4.750	2/15/10	99.3050	4.766
5y	4.750	1/31/12	100.0350	4.725
10y	4.625	2/15/17	99.045	4.734
30y	4.500	2/15/36	94.18	4.852

	CF Basis*	GHCO Basis		32nds
5y	1.32	35.635	ZF	104.2850
10y	2.74	46.298	ZN	107.0950
30y	6.46	200.324	ZB	110.31

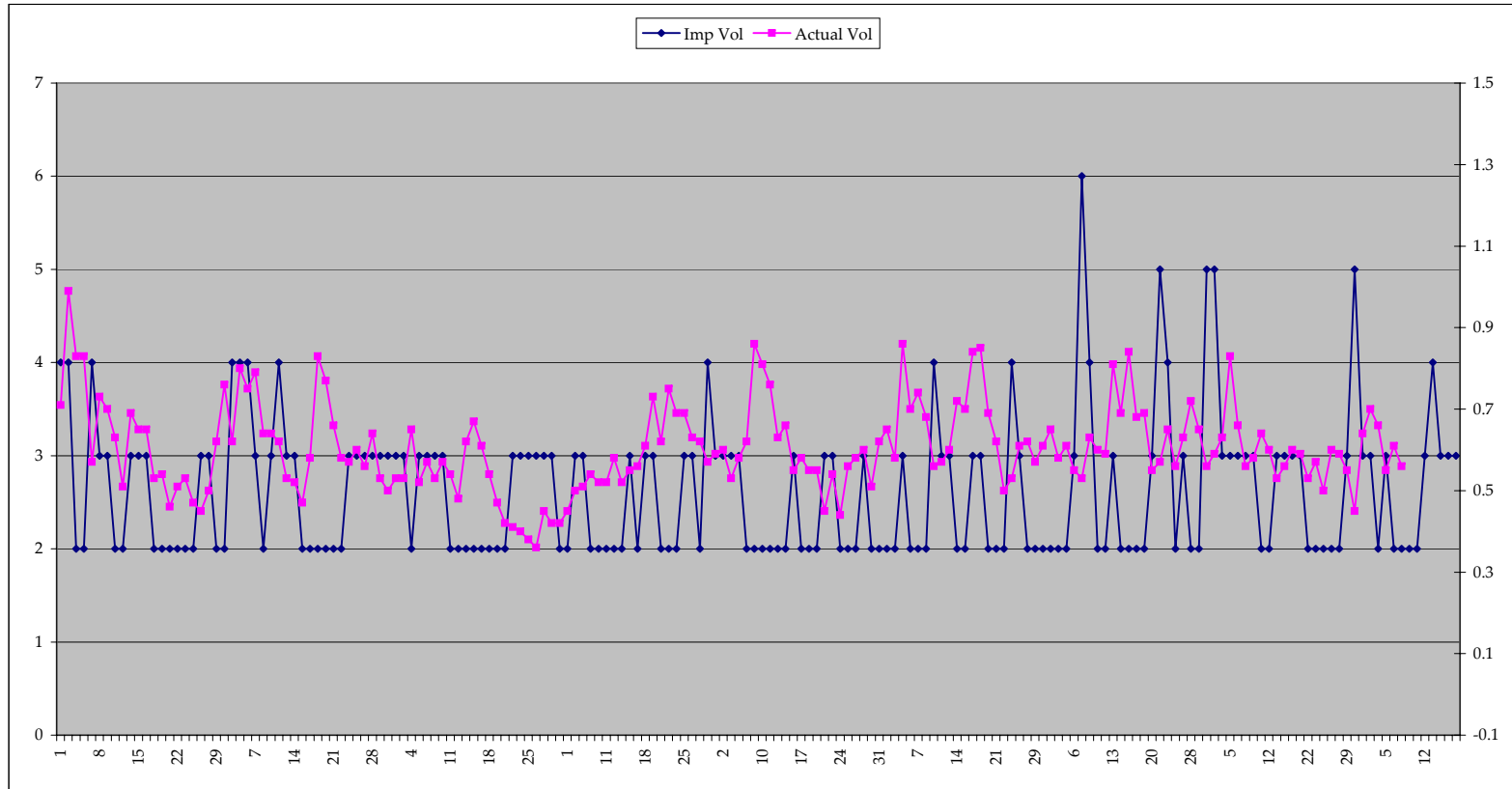
Curve Spreads bps

2/3	(0.104)
3/5	(0.041)
2/5	(0.145)
5/10	0.009
2/10	(0.136)
10/30	0.118
5/30	0.127
2/30	(0.018)

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	2/8/2007	2/9/2007	1/0/1900
1900-2200	0000-0300	2000-2300	2	2	0
2200-0100	0300-0600	2300-0200	2	2	0
0100-0400	0600-0900	0200-0500	2	2	0
0400-0700	0900-1200	0500-0800	1	1	0
0700-1000	1200-1500	0800-1100	1	1	0
1000-1300	1500-1800	1100-1400	1	1	0
1300-1600	1800-2100	1400-1700	1	1	0
1600-1900	2100-0000	1700-2000	2	2	0

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