

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	101.277	(0.5)	101.285	101.275	101.282	6,965	2y Futures
FVAH7	104.270	(1.5)	104.285	104.260	104.280	23,639	5y Futures
TYAH7	107.075	(3.0)	107.100	107.065	107.100	78,999	10y Futures
USAH7	110.310	(4)	111.020	110.280	111.010	20,886	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.315	(0.5)	100.002	99.315	99.317	na	2y
BUS05P	100.017	(0.7)	100.030	100.012	100.030	na	5y
BUS10P	99.020	(1.5)	99.045	99.015	99.040	na	10y
BUS30P	98.275	406	98.300	98.260	98.300	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.879	0.40	4.892	4.858	4.883	na	2y Yield
BUS05Y	4.736	0.60	4.745	4.725	4.736	na	5y Yield
BUS10Y	4.742	1.00	4.75	4.73	4.744	na	10y Yield
BUS30Y	4.821	(1.90)	4.827	4.563	4.821	na	30y Yield

Source: CQG

Yesterday

02/08 15:13 **US TSYS/RECAP:** Tsys end flat with the long end slightly higher after strong US\$9B 30Y auction (4.812% hi yld, 42.1% indirects, 11.8% direct, 2.46 cover) and post-refunding supply digestion. Earlier, Tsys hovered slightly lower amid dealer-led short-setting, midday asset allocation (sell S&Ps/buy Tsys long end), morning two-way flow including midmorning short-covering, late morning long end buying by US accounts, German Bund selloff pressure, corporate rate-lock selling and later unwinds. There was also some real money and Street buying in front end, buy-and-hold investor buying intermediates, leveraged account buying in 10s. There also was Street selling in 10s, other light selling of 30s, some 2Y and 5Y swaps paying earlier. ABS sub-prime BBB-widened in the cash market; esp. spreads in ABX-HE-BBB-07-1. Some cited talk some slight FX-tied Japanese private accounts selling in Tsys amid firmer US dollar vs yen, others don't see that; some FX analysts suggest re-enter yen carry trades.) DJIA -30 at 12,636. Crude oil rises. US\$/yen Y121.06.

02/08 15:10 **US Tsy Futures:** At the session close, Tsy futures finished steady to higher in 10s to 30s. Mar T-bonds settled 4/32 higher at 111-03, Mar 10yr notes up 1/32 at 107-10.5, the Mar 5yr note steady at 104-28.5, while the Mar 2yr note settled steady at 101-28.5.

02/08 15:05: **US Tsy Swaps:** Spreads finished the session mixed, Tsy ylds steady to lower. At the bell, the 2yr spd is in 0.50 bps at 35.25, the 5yr in 0.25 bps 41.75, the 10yr steady at 50.00, while the 30yr spd is out 0.25 bps at 51.50, according to GovPX. Of note, the 2s/10s swap yld spd is near inversion, +0.9 bps on the bell, while the 2s/5s swap yld spd near recent lows, -7.8 bps. [Source - MNI]

Overnight

02/09 05:09 **USTs:** Treasuries are modestly lower across the board in London Friday, as once again, the market edges lower on the back of post-auction profit-taking. Earlier, prices were barely changed in Tokyo, with prices largely unchanged. However, the Bond was modestly lower, weighed by light selling from Japanese regional banks and unwinding of pre-auction positions from regional accounts. London-based accounts

were largely sidelined, with little in the way of fresh trading incentives to get real money accounts involved. Volumes were light, with flows largely interdealer position-squaring. However, there was light buying of the 10-year note from leveraged accounts, as the U.S. market continued to outperform the European curve. Bunds are continuing to trade lower against U.S. 10-year T-notes, down 1.5 bps on the day at 73 bps. [Source - MNI]

Today

Econ Releases for today & this week

No Numbers

[Source: dailyFX.com]

Upcoming Speakers/Events

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

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	15.46
10y	7.75
5y	4.37
3y	2.71
2y	1.85
ZB	9.74
ZN	5.73
ZF	3.80
ZT	1.77

DV01s (32nds)	
30y	5.01
10y	2.46
5y	1.40
3y	0.87
2y	0.59
ZB	3.60
ZN	1.99
ZF	1.29
ZT	1.16

DV01s (\$s)	
30y	\$1,565
10y	\$768
5y	\$438
3y	\$271
2y	\$185
ZB	\$112
ZN	\$62
ZF	\$40
ZT	\$36

Yield Curve Spreads

2/3	-10.30
3/5	-4.00
2/5	-14.30
5/10	0.60
2/10	-13.70
10/30	7.90
5/30	8.50
2/30	-5.80

Fly's

2/3/5	-6.30
2/5/10	-14.90
2/10/30	-21.60
5/10/30	-7.30

CFs

ZB	0.8275	new as of 02/09/06
ZN	0.8995	new as of 02/08/07
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)	0.540	0.960	1.500	1.600
Schatz (H)	0.210	0.780	0.580	0.650

Number
of
contracts
LONG

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		0.552	0.358	0.323
ZN	1.811		0.648	0.585
ZF	2.794	1.543		0.903
ZT	0.646	1.170	1.805	

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	1.65	2.41	3.90	6.83	13.91
ZN	2.98	4.36	7.05	12.36	25.19
ZF	4.61	6.72	10.89	19.08	38.87
ZT	5.10	7.45	12.06	21.14	43.07

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		1.460	2.364	4.142	8.439
3y	0.685		1.619	2.837	5.780
5y	0.423	0.618		1.753	3.570
10y	0.241	0.352	0.571		2.037
30y	0.118	0.173	0.280	0.491	

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	100.0025	4.870
3y	4.750	2/15/10	99.3050	4.767
5y	4.750	1/31/12	100.0350	4.725
10y	4.625	2/15/17	99.060	4.728
30y	4.750	2/15/37	99.01	4.812

	CF Basis*	GHCO Basis		32nds
5y	1.32	35.635	ZF	104.2850
10y	2.74	46.298	ZN	107.1050
30y	7.14	200.324	ZB	111.03

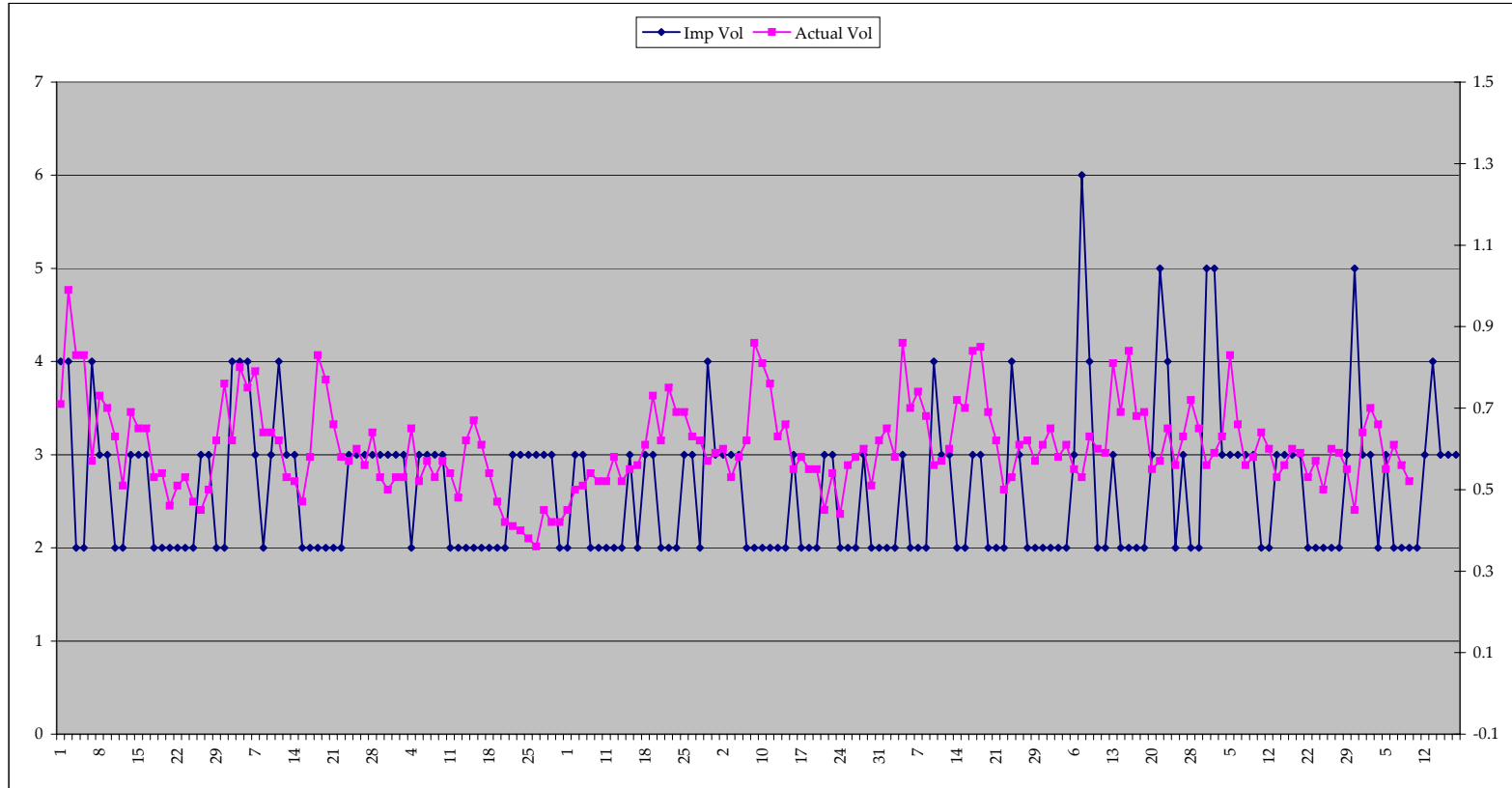
Curve Spreads bps

2/3	(0.103)
3/5	(0.042)
2/5	(0.145)
5/10	0.003
2/10	(0.142)
10/30	0.084
5/30	0.087
2/30	(0.058)

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

Shaded boxes denote market hours 4am to 4pm CDT

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