

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

	5y*	10y*	ZNH7**	ZBH7**	Date
Non-farm High	99.2725	98.2450	106.3100	110.1700	2/2/2007
Non-farm Low	99.1925	98.1200	106.1900	109.2900	2/2/2007
FOMC High	99.2300	98.1650	106.2500	110.0500	1/31/2007
FOMC Low	99.1775	98.0750	106.1700	109.2300	1/31/2007
PPI High	99.1875	98.0800	107.1200	111.0700	1/17/2007
PPI Low	99.1025	98.2550	106.3100	110.1700	1/17/2007
CPI High	99.1500	99.0350	107.0700	111.0100	1/18/2007
CPI Low	99.0500	98.1750	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	101.252	(0.7)	101.265	101.250	101.262	8,426	2y Futures
FVAH7	104.200	(2.5)	104.235	104.195	104.230	27,130	5y Futures
TYAH7	106.290	(2.5)	107.010	106.270	107.000	96,967	10y Futures
USAH7	110.110	(6)	110.190	110.090	110.170	26,944	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.290	(1.2)	99.300	99.290	99.300	na	2y
BUS05P	99.262	(2.2)	99.290	99.255	99.277	na	5y
BUS10P	98.210	(2.5)	98.255	98.195	98.235	na	10y
BUS30P	97.300	(7)	98.075	97.285	98.075	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.917	1.70	4.934	4.896	4.913	na	2y Yield
BUS05Y	4.789	1.80	4.798	4.768	4.778	na	5y Yield
BUS10Y	4.794	1.20	4.806	4.774	4.792	na	10y Yield
BUS30Y	4.879	1.60	4.887	4.858	4.87	na	30y Yield

Source: CQG

Yesterday

02/12 06:35 G7: (Recap)

- Communique made no mention of the current weakness in yen
- Repeated language used after Singapore G7 saying that they "reaffirm that exchange rates should reflect economic fundamentals. Excess volatility and disorderly movements in exchange rates undesirable for economic growth. "We continue to monitor exchange markets closely and cooperate as appropriate."
- Reiterated call for greater FX flexibility in China saying; " In emerging economies with large and growing current account surpluses, especially China, it is desirable that their effective exchange rates move so that necessary adjustments will occur."
- G7 members warned market about the build-up of "carry trades" saying markets should be aware of the risks of having "one-way bets", especially in FX markets. [Source - MNI]

Overnight

02/12 06:24 UST SUMMARY: US Treasuries were little changed overnight given Japanese markets were closed in observance of National Foundation Day. Prices continued to edge lower during the London session following strong falls at the end of last week on the back of hawkish comments from ECB President Trichet and also St. Louis Fed President William Poole who said that he personally leans on the side of tightening in order to get core inflation into the 1-2% range. Attention this week turns to Fed Chairman Ben Bernanke's semi-annual testimony on Capitol Hill on Wednesday and Thursday. Also eyed is announcement from the US Treasury on details of its 2 and 5-year Note auctions, which is due to be sold on February 21 and 22 -- strategists expect size to be \$20bln and \$13bln, respectively. Bunds are trading modestly lower against U.S. 10-year T-notes, down 1.0 bps on the day at +74 bps. [Source - MNI]

Today

Econ Releases for today& this week

No Numbers

[Source: dailyFX.com]

Date	ET	Release	For	Briefing.com	Consensus	Prior
Feb 12	14:00	Treasury Budget	Jan	\$40.0B	\$40.0B	\$21.0B
Feb 13	08:30	Trade Balance	Dec	-\$59.7B	-\$59.5B	-
						\$58.2B
Feb 14	08:30	Retail Sales	Jan	0.5%	0.3%	0.9%
Feb 14	08:30	Retail Sales ex-auto	Jan	0.6%	0.3%	1.0%
Feb 14	10:00	Business Inventories	Dec	-0.1%	0.4%	0.4%
Feb 14	10:30	Crude Inventories	02/09	NA	NA	-449K
Feb 15	08:30	Export Prices ex-ag.	Jan	NA	NA	0.5%
Feb 15	08:30	Import Prices ex-oil	Jan	NA	NA	0.4%
Feb 15	08:30	Initial Claims	02/10	310K	NA	311K
Feb 15	08:30	NY Empire State Index	Feb	10.0	11.0	9.1
Feb 15	09:00	Net Foreign Purchases	Dec		\$60.0B	\$68.4B
Feb 15	09:15	Industrial Production	Jan	0.1%	0.0%	0.4%
Feb 15	09:15	Capacity Utilization	Jan	81.7%	81.7%	81.8%
Feb 15	12:00	Philadelphia Fed	Feb	2.0	5.0	8.3
Feb 16	08:30	Housing Starts	Jan	1590K	1610K	1642K
Feb 16	08:30	Building Permits	Jan	1570K	1590K	1613K
Feb 16	08:30	PPI	Jan	-0.6%	-0.6%	0.9%
Feb 16	08:30	Core PPI	Jan	0.2%	0.2%	0.2%
Feb 16	10:00	Mich Sentiment-Prel.	Feb	97.5	97.0	96.9

Upcoming Speakers/Events

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

EUR: Feb 12 - European Parliament to hold Plenary Session (12th - 15th Feb)
 AUD: Feb 12 at 00:30 - RBA Quarterly Statement on Monetary Policy
 WLD: Feb 13 - IEA to release monthly Oil Market Report
 GBP: Feb 14 at 10:30 - BoE Present Inflation Report
 USD: Feb 14 at 15:00 - US Fed's Bernanke testifies to Congress
 AUD: Feb 15 at 00:30 - RBA Release Bulletin
 EUR: Feb 15 at 09:00 - ECB Release Monthly Bulletin
 WLD: Feb 15 - OPEC to Release Monthly Oil Market Report

[Source: dailyfx.com]

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.39
10y	7.74
5y	4.37
3y	2.71
2y	1.85
ZB	9.68
ZN	5.72
ZF	3.80
ZT	1.77

DV01s (32nds)	
30y	4.94
10y	2.44
5y	1.40
3y	0.86
2y	0.59
ZB	3.52
ZN	1.98
ZF	1.28
ZT	1.16

DV01s (\$s)	
30y	\$1,544
10y	\$764
5y	\$437
3y	\$270
2y	\$185
ZB	\$110
ZN	\$62
ZF	\$40
ZT	\$36

Yield Curve Spreads

2/3	-9.30
3/5	-3.50
2/5	-12.80
5/10	0.50
2/10	-12.30
10/30	8.50
5/30	9.00
2/30	-3.80

Fly's

2/3/5	-5.80
2/5/10	-13.30
2/10/30	-20.80
5/10/30	-8.00

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		0.562	0.365	0.329
ZN	1.780		0.649	0.587
ZF	2.741	1.540		0.903
ZT	0.659	1.173	1.806	

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	3.97	6.94	14.03
ZN	2.99	4.37	7.07	12.36	24.98
ZF	4.61	6.73	10.88	19.04	38.47
ZT	5.10	7.45	12.05	21.08	42.60

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	2.361	4.130	8.347
3y	0.685		1.618	2.830	5.719
5y	0.424	0.618		1.749	3.535
10y	0.242	0.353	0.572		2.021
30y	0.120	0.175	0.283	0.495	

Commitment of Traders (COT)

Current Positions										
Small Spec			Large Spec			Commercials (Hedgers)				
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	225,563	300,883	(75,320)	217,674	260,850	(43,176)	1,156,961	1,038,464	118,497	ZF
ZN	305,485	414,066	(108,581)	543,014	343,851	199,163	1,750,143	1,840,724	(90,581)	ZN
ZB	143,978	207,665	(63,687)	112,216	195,952	(83,736)	731,747	584,324	147,423	ZB

WoW** Position Change				
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	
ZF	27,447	(48,371)	20,926	As of
ZN	25,717	19,365	(45,080)	2/6/2007
ZB	(6,426)	4,733	1,693	

**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

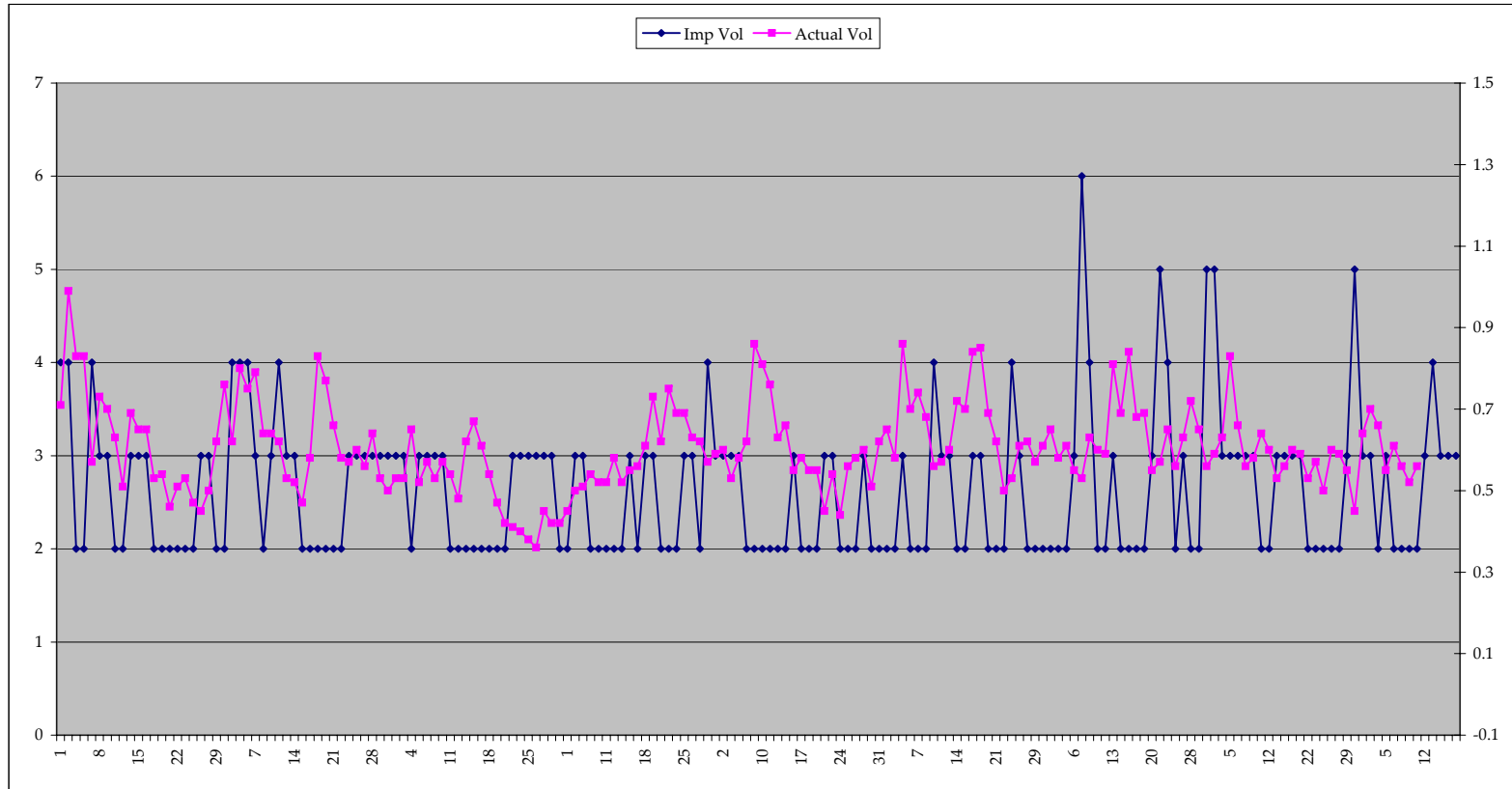
Curve Spreads bps

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	2/12/2007	2/13/2007	2/14/2007
1900-2200	0000-0300	2000-2300	3	4	3
2200-0100	0300-0600	2300-0200	3	4	3
0100-0400	0600-0900	0200-0500	2	2	2
0400-0700	0900-1200	0500-0800	2	2	2
0700-1000	1200-1500	0800-1100	2	2	2
1000-1300	1500-1800	1100-1400	2	2	2
1300-1600	1800-2100	1400-1700	1	2	1
1600-1900	2100-0000	1700-2000	3	4	3

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