

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	98.2450	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	101.247	(0.2)	101.252	101.242	101.247	11,364	2y Futures
FVAH7	104.190	(1.0)	104.200	104.170	104.190	25,697	5y Futures
TYAH7	106.265	(1.5)	106.280	106.240	106.270	96,192	10y Futures
USAH7	110.080	(2)	110.110	110.040	110.100	23,523	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.285	0.0	99.287	99.280	99.287	na	2y
BUS05P	99.245	(0.2)	99.255	99.235	99.252	na	5y
BUS10P	98.175	(1.0)	98.195	98.155	98.195	na	10y
BUS30P	97.250	(2)	97.280	97.210	97.280	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.930	(0.40)	4.976	4.921	4.976	na	2y Yield
BUS05Y	4.802	(0.20)	4.814	4.793	4.796	na	5y Yield
BUS10Y	4.808	0.40	4.822	4.798	4.82	na	10y Yield
BUS30Y	4.890	0.40	4.902	4.881	4.886	na	30y Yield

Source: CQG

Yesterday

02/12 15:15 **US TSYS/RECAP:** Tsys market ends just off the day's lows after late short-covering, 10Y yield holds around 4.80%. Earlier this afternoon, apparent rate-lock selling pressured Tsys lower, with also a domestic commercial shop selling 1,300 Green Pack Eurodlrs (March 09-Dec 2009) in afternoon action. Markets midday held lower range after late morning pressure from weaker German Bunds, some foreign selling of US Tsys to buy European debt and morning lvrgrd accts selling in March 10Y futures, and light rate-lock selling. Earlier in morning, Tsys improved on short-covering, Asian real money buying in German Bunds, 10Y repo special, some bid amid subprime jitters (no new news though). There also was morning anticipation of Citigroup +0.15 Yrs US Tsys index for month-end, and expectations of CMBS unwinds later this week as 3 US\$3B-ish CMBS deals get done this week, possibly starting Wed. Curves flatter. Tsys market faces Bernanke H-H Wed Thurs, CMBS issuance, TICS data, European govt debt supply and Fri Jan. CPI data. (More)

02/12 15:01 **US Swaps:** Adding to Fri's widening, swap spreads finished the session mostly wider in a directional move with lower Tsy ylds. At the bell, the 2yr spd was steady at 36.75, the 5yr and 10yr spds out 0.50 bps at midpoints of 43.50 and 52.25 respectively, while the 30yr spd is out 0.25 bps at 56.75, according to GovPX. Of note, the 2s/10s swap yld spd moved off inversion, +3.9 bps on the bell, while the 2s/5s swap yld spd moved off recent lows, -5.7 bps..[Source - MNI]

Overnight

02/13 05:50 **BUNDS:** Mar Bunds are higher on short-covering following release of weaker than f/c German ZEW expectations index and also dragged higher by Gilts coat-tails in the wake of weaker than expected UK CPI data. Traders report speculative accounts buying the belly of the curve, with talk of European central bank extending duration on the curve. Mar Bunds are down 7 ticks at 114.82.

02/13 04:30 **UK Data:** Jan CPI -0.8% m/m; up 2.7% y/y; median -0.6% m/m; +2.9% y/y
 --Jan RPI -0.5% m/m; +4.2% y/y; median -0.3% m/m; +4.5% y/y
 --Jan RPIX -0.7% m/m; +3.5% y/y; median +3.8% y/y

02/13 03:05 **BONDS:** EGBs are opening lower on Tuesday and extending weakness following release of much stronger than expected French & German GDP data this morning in turn prompting upward revision to eurozone flash Q4 GDP later this session. Prices are also weighed by JGB losses overnight, amid caution ahead of Thursday's Q4 GDP release and after Nikkei-225 hit a fresh 7-year high. The risk is on curve steepening ahead of German top-up the 3.75% Jan 2017 Bund issue on Wednesday. Ahead of this, focus now turns to the German ZEW business sentiment

survey at 1000GMT, where current conditions index is seen coming off slightly to 68.8 in February vs 70.6 in January. Eurozone industrial production data will also be eyed at the same time along with comments from ECB Executive Board member Gertrude Tumpel- Gugerell at 1600GMT. Also eyed this week is Fed Chairman Ben Bernanke semi-annual testimony on Capitol Hill on Wednesday and Thursday. [Source - MNI]

Today

Econ Releases for today& this week

No Numbers

[Source: dailyFX.com]

Date	ET	Release	For	Briefing.com	Consensus	Prior
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)

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	15.37
10y	7.73
5y	4.36
3y	2.70
2y	1.85
ZB	9.67
ZN	5.72
ZF	3.80
ZT	1.76

DV01s (32nds)	
30y	4.93
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	\$1,539
10y	\$763
5y	\$436
3y	\$270
2y	\$185
ZB	\$110
ZN	\$62
ZF	\$40
ZT	\$36

Yield Curve Spreads

2/3	-9.70
3/5	-3.10
2/5	-12.80
5/10	0.60
2/10	-12.20
10/30	8.20
5/30	8.80
2/30	-4.00

Fly's

2/3/5	-6.60
2/5/10	-13.40
2/10/30	-20.40
5/10/30	-7.60

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	1.779		0.649	0.586
ZF	2.740	1.540		0.903
ZT	0.659	1.172	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	1.68	2.45	3.97	6.94	14.01
ZN	2.99	4.37	7.07	12.35	24.93
ZF	4.61	6.73	10.88	19.02	38.39
ZT	5.10	7.45	12.06	21.07	42.53

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	2.362	4.129	8.334
3y	0.685		1.618	2.828	5.708
5y	0.423	0.618		1.748	3.528
10y	0.242	0.354	0.572		2.018
30y	0.120	0.175	0.283	0.496	

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

No Closes Today
These are old

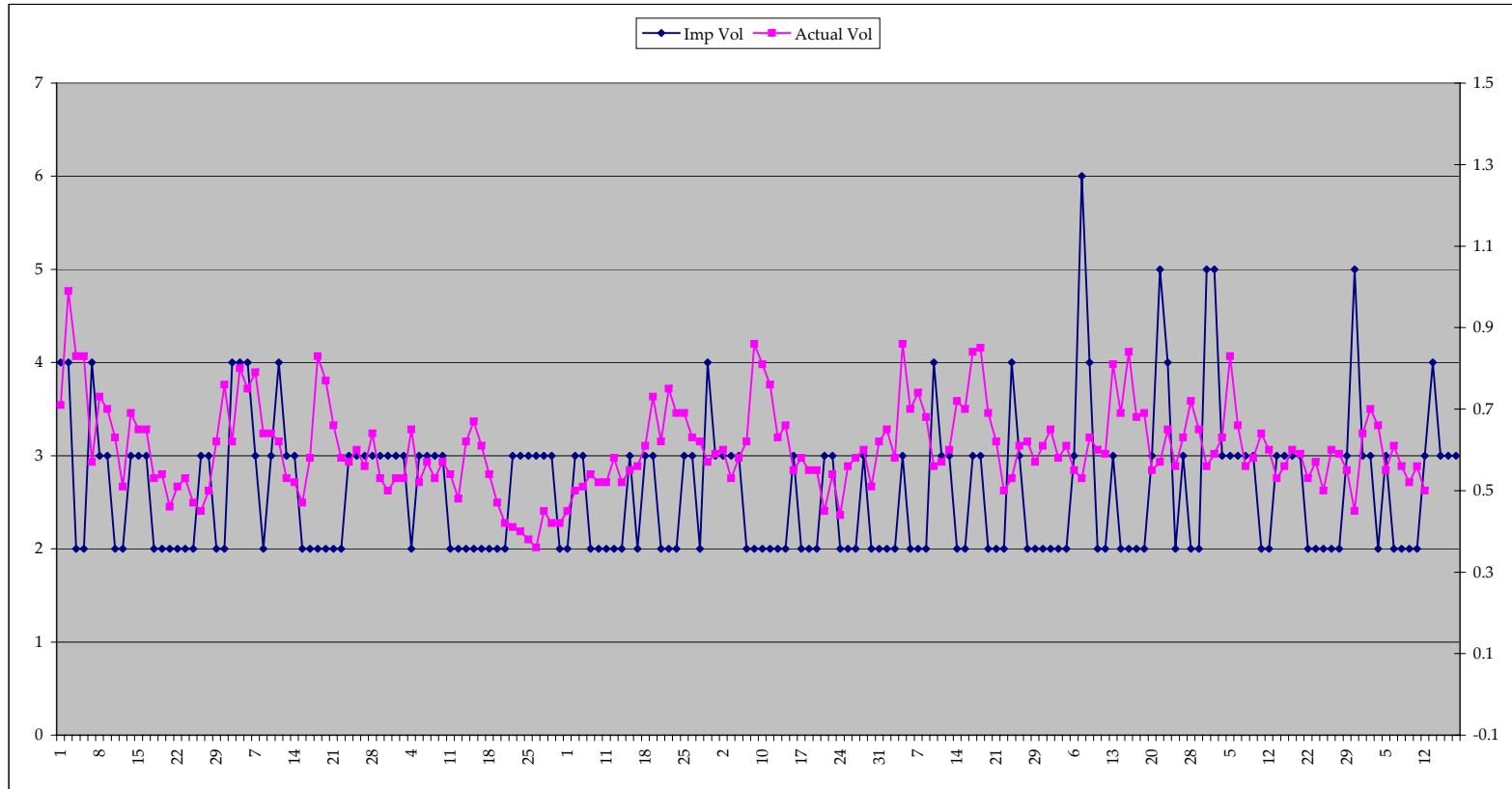
	CF Basis*	GHCO Basis		32nds
5y	1.32	35.635	ZF	104.2850
10y	2.74	46.298	ZN	107.1050
30y	7.14	200.324	ZB	111.03

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