

The Morning Email: Treasuries

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Want something added?

Let me know: jgoulding@ghco.com

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Jim Goulding, GHCO, Treas-Arb, Chicago, jgoulding@ghco.com

Important Econ Releases, Highs & Lows

	5y*	10y*	ZNH7**	ZBH7**	Date
Non-farm High	99.2725	98.2450	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						
	ls	net	high	low	open	Volume	SYM NAME
TUAH7	101.290	0.0	101.292	101.277	101.282	8,483	2y Futures
FVAH7	104.305	0.5	104.310	104.270	104.290	35,121	5y Futures
TYAH7	107.115	1.0	107.120	107.065	107.090	98,429	10y Futures
USAH7	111.020	1	111.020	110.250	110.280	26,003	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	100.002	0.5	100.005	99.315	99.317	na	2y
BUS05P	100.045	1.0	100.047	100.025	100.025	na	5y
BUS10P	99.055	2.5	99.060	99.015	99.020	na	10y
BUS30P	98.260	7	98.255	98.160	98.160	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.866	0.00	4.891	4.841	4.874	na	2y Yield
BUS05Y	4.714	(0.90)	4.739	4.712	4.723	na	5y Yield
BUS10Y	4.726	(1.20)	4.752	4.724	4.738	na	10y Yield
BUS30Y	4.823	(1.20)	4.849	4.822	4.845	na	30y Yield

Source: CQG

Yesterday

02/14 15:06 US TSYS/RECAP: Tsys rally: relief as Fed Chair suggests unchanged US policy for while. Afternoon action included 1) black box buying in Tsys futures; 2) CMBS-rate-lock-unwind anticipation buying in Tsys cash mkt; 3) hedge funds covering big shorts set before retail sales, and tame Bernanke comments. 4) refocus on bond-positive factors: big month-end extensions (Citigroup Tsy index seen +0.15 years); 5) p.m./a.m. sell Europe/buy U.S. Tsys trades; 6) p.m. big US\$1B seller of cash 2Ys, and big buyer of cash 5s; 7) morning had light profit-taking in long end; also 8) good Asian buying in NY, with T-bills cited also (though later some cited 2-way Asian flow); 9) bank buying in 3Ys, bank and buy-and-hold investors buying in 5Ys, and real money buying intermediates. 10) There was some a.m. profit-taking by financial institutions in 5Ys, Street selling in 5s and 10s, and 11) a.m. lvrgrd acct selling in 10s, front end. DJIA +100 at 12,754. CRB lower. Crude oil falls. Next: Bernanke speaks Thu, also NY Fed Empire, Philly Fed.

02/14 15:26 Swaps: Spreads tighter on the futures close with the 2Y and 5Y 1.00 bps narrower at 35.25bps and 41.75 bps. The 10Y narrowed by 1.50 bps to a midpoint of 49.75 bps, breaching support at 50bps while the 30Y was tighter by 1.75 bps to 54.00 bps, according to GovPx. Sources reported banking portfolio receiving in the 10Y and 15Y sector and also receiving in 3Y and 5Y late in the session. However, good paying was also noted by rel val players short gamma and others doing general paying at the lows.

[Source - MNI]

Overnight

02/15 05:03 USTs: Treasuries are trading modestly lower in London Thurs, bouncing back from light losses seen overnight in Asia. Prices were lower from the getgo in Tokyo, weighed by light profit taking after the solid overnight gains. Asian real money accounts were better buyers of two-year notes on dips, while the Bond saw selling from Japanese regional banks. However, an early rally in European bonds, helped in part by a dovish policy outlook from the Swedish Riksbank, dragged Treasuries off their early lows, helping prices into positive territory

across the board. Volumes were healthy, with good volumes noted in the futures contracts, aided by good cross-border product spreads. Bunds are trading higher against U.S. 10-year T-notes, up 2 bps on the day at 72 bps. Traders said a reasonable size order in the futures market, with a leveraged fund selling Treasuries to buy Bunds helped push the cash yields. [Source - MNI]

Today

Econ Releases for today& this week

No Numbers

[Source: dailyFX.com]

Date	ET	Release	For	Briefing.com	Consensus	Prior
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)

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	15.82
10y	7.92
5y	4.36
3y	2.76
2y	1.84
ZB	9.97
ZN	5.72
ZF	3.79
ZT	1.76

DV01s (32nds)	
30y	5.00
10y	2.51
5y	1.40
3y	0.88
2y	0.59
ZB	3.55
ZN	1.99
ZF	1.29
ZT	1.16

DV01s (\$s)	
30y	\$1,564
10y	\$785
5y	\$438
3y	\$276
2y	\$185
ZB	\$111
ZN	\$62
ZF	\$40
ZT	\$36

Yield Curve Spreads

2/3	-11.00
3/5	-4.20
2/5	-15.20
5/10	1.20
2/10	-14.00
10/30	9.70
5/30	10.90
2/30	-4.30

Fly's

2/3/5	-6.80
2/5/10	-16.40
2/10/30	-23.70
5/10/30	-8.50

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		0.560	0.363	0.326
ZN	1.784		0.648	0.582
ZF	2.756	1.544		0.899
ZT	0.652	1.164	1.797	

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	1.66	2.49	3.95	7.09	14.11
ZN	2.97	4.45	7.05	12.65	25.18
ZF	4.59	6.87	10.88	19.53	38.88
ZT	5.10	7.64	12.11	21.73	43.26

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		1.497	2.373	4.257	8.475
3y	0.668		1.585	2.843	5.660
5y	0.421	0.631		1.794	3.572
10y	0.235	0.352	0.557		1.991
30y	0.118	0.177	0.280	0.492	

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	100.0050	4.865
3y	4.750	2/15/10	99.3150	4.756
5y	4.750	1/31/12	100.0475	4.716
10y	4.625	2/15/17	99.055	4.730
30y	4.750	2/15/37	98.26	4.826

	CF Basis*	GHCO Basis		32nds
5y	1.32	35.470	ZF	104.3000
10y	2.74	45.933	ZN	107.1100
30y	6.23	334.733	ZB	111.01

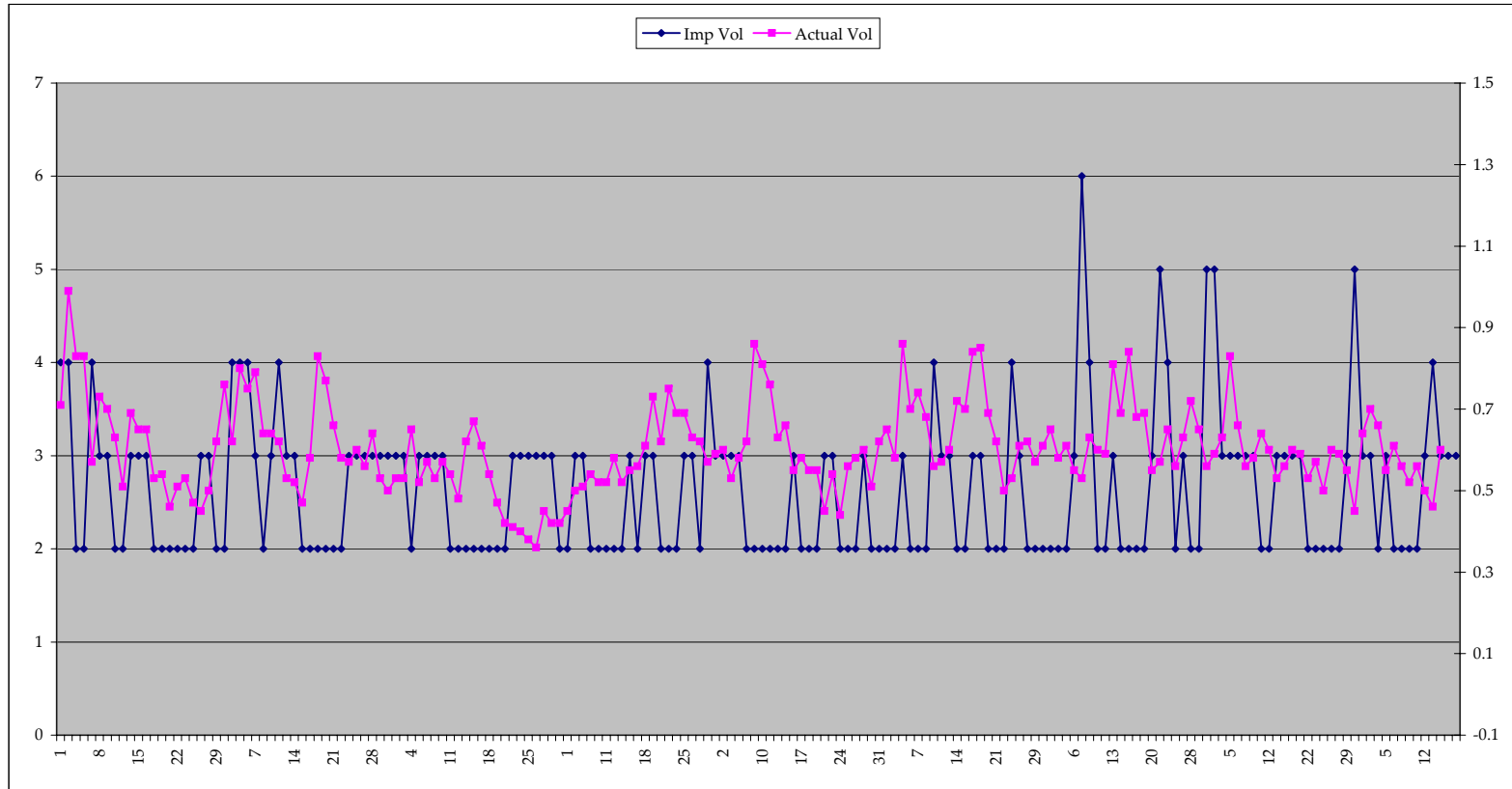
Curve Spreads bps

2/3	(0.109)
3/5	(0.040)
2/5	(0.149)
5/10	0.014
2/10	(0.135)
10/30	0.096
5/30	0.110
2/30	(0.039)

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	2/15/2007	2/16/2007	1/0/1900
1900-2200	0000-0300	2000-2300	3	3	0
2200-0100	0300-0600	2300-0200	3	3	0
0100-0400	0600-0900	0200-0500	2	2	0
0400-0700	0900-1200	0500-0800	2	2	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
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6-9 = very volatile