

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	100.1550	99.2300	107.2600	111.2700	2/16/2007
PPI Low	100.0850	99.1200	107.1600	111.1000	2/16/2007
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	101.297	(1.0)	101.307	101.295	101.307	9,570	2y Futures
FVAH7	105.000	(3.0)	105.030	104.310	105.030	29,976	5y Futures
TYAH7	107.140	(5.0)	107.185	107.135	107.185	92,002	10y Futures
USAH7	111.090	(7)	111.150	111.070	111.150	23,420	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	100.012	(1.2)	100.022	100.012	100.022	na	2y
BUS05P	100.067	(2.5)	100.092	100.065	100.092	na	5y
BUS10P	99.090	(6.0)	99.145	99.090	99.135	na	10y
BUS30P	99.010	(11)	99.105	99.010	99.105	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.849	2.20	4.861	4.819	4.844	na	2y Yield
BUS05Y	4.700	2.20	4.707	4.666	4.68	na	5y Yield
BUS10Y	4.714	2.60	4.72	4.688	4.696	na	10y Yield
BUS30Y	4.809	2.20	4.813	4.788	4.789	na	30y Yield

Source: CQG

Yesterday

02/16 13:26 US TSYS/RECAP: Tsys end short session mainly higher amid tame PPI data, weak housing starts. There were: 1) earlier European hedge fund selling in German Bunds, Bobls and Schatz. 2) US hedge funds selling in futures; 3) Rate-lock selling: up to US\$20B in CMBS eyed for next week; 4) Foreign central bank selling in 2Y, 30Y and 5Y Tsys; 5) Tsys profit-taking on post-Bernanke rally; 6) Bund profit-taking; 7) financial institutions did 5Y/10Y steepeners, other banks and buy-and-hold investors bought intermediates. 8) Some Street short- setting before next week's US 2Y, 5Y auctions. 9) MBS-related selling in 10s Tsys; 10) light Asian and Japanese selling in intermediates; 11) overseas bank buying in 30Ys; 12) light buy-and-hold investor profit-taking in 10Ys; 13) some Street selling in front end but also 14) leveraged accounts buying 10s. 14) Still jitters on rate hike odds for BOJ mtg next Wed: overnight call money rose 13 bps overnight to 38.5. 15) MBS spreads widened; hedge fund, bank, real money MBS selling.

02/16 13:21 Swaps: Spreads wider across the curve amid reports of corp rate locks as well as paying in 2Y, 5Y 10Y vs MBS. Also, receiving from yest mtg convexity hedgers has abated. GovPx says 2Y, 5Y and 10Y spds are 1.00 bps wider to 35.75bps, 43.00bps and 51.25bps while the 30Y was wider by 0.50bps to a midpoint of 54.75bps.

[Source - MNI]

Overnight

02/20 05:07 USTs: Treasuries are trading modestly lower in London Tues, as the market returns from a long holiday weekend to a muted reception. Traders said volumes were light ahead of the New York open, with profit-taking after the gains seen in the second half of last week pushing prices modestly lower. Prices were lower from the getgo in Tokyo, with selling of the 2-year and 10-year noted from Japanese real money accounts. But the ongoing Lunar New Year holidays, seeing China sidelined for the rest of the week, hit volumes. In London, real money names were sellers of the 2- and 5-year sectors of the curve, largely seen as light hedge selling ahead of the \$31 billion auctions due Wednesday and Thursday. Leveraged names were sellers of the 10-year sector, with some linking the selling to further tightening trades of the Bund/Treasury spread. Consequently, Bunds are trading higher against U.S. 10-year T-otes, up 2.5 bps from Friday's close at 68 bps. [Source - MNI]

Today***Econ Releases for this week***

Date	ET	Release	For	Briefing.com	Consensus	Prior
Feb 21	08:30	CPI	Jan	0.2%	0.1%	0.4%
Feb 21	08:30	Core CPI	Jan	0.2%	0.2%	0.1%
Feb 21	10:00	Leading Indicators	Jan	0.3%	0.2%	0.3%
Feb 21	10:30	Crude Inventories	02/16	NA	NA	-589K
Feb 21	14:00	FOMC Minutes	Jan 31			
Feb 22	08:30	Initial Claims	02/17	320K	325K	357K
Feb 22	10:00	Help-Wanted Index	Jan	33	34	33

[Source: dailyFX.com]

***Upcoming Speakers/Events
(GMT/EST)***

19-Feb	n/a	Vice President Dick Cheney to visit Japanese Prime Minister Shinzo Abe in Tokyo, Australian Prime Minister John Howard in Canberra and U.S. troops in Guam.
19-Feb	n/a	Fixed-income markets closed to observe Presidents Day.
20-Feb	1530/1030	Federal Reserve Governor Susan Schmidt Bies to speak at Duke University, in Durham, North Carolina.
21-Feb	2025/1525	San Francisco Federal Reserve Bank President Janet Yellen to speak about good government at a bank, in Santa Clara, California. Audience, media Q&A to follow.
23-Feb	2035/1535	San Francisco Federal Reserve Bank President Janet Yellen to speak about the U.S. economic outlook, in Sacramento, California. Audience & media Q&A expected.

[Source: MNI]

Econ Releases & Speakers

M Duration	
30y	15.82
10y	7.91
5y	4.35
3y	2.75
2y	1.83
ZB	9.96
ZN	5.71
ZF	3.78
ZT	1.75

DV01s (32nds)	
30y	5.02
10y	2.51
5y	1.40
3y	0.88
2y	0.59
ZB	3.55
ZN	1.99
ZF	1.28
ZT	1.15

DV01s (\$s)	
30y	\$1,568
10y	\$786
5y	\$437
3y	\$275
2y	\$183
ZB	\$111
ZN	\$62
ZF	\$40
ZT	\$36

Yield Curve Spreads

2/3	-10.70
3/5	-4.20
2/5	-14.90
5/10	1.40
2/10	-13.50
10/30	9.50
5/30	10.90
2/30	-4.00

Fly's	
2/3/5	-6.50
2/5/10	-16.30
2/10/30	-23.00
5/10/30	-8.10

CFs	
ZB	0.8275
ZN	0.8995
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

Yield Curve Spreads & Flvs, DV01s, CFs

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
Shatz (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	0.362	0.324
ZN	1.785		0.646	0.579
ZF	2.762	1.547		0.895
ZT	0.648	1.157	1.790	

Month Codes:

H=Mch M=Jun

U=Sep Z=Dec

Hedge Ratios: US Financial Futures / Eurex Bund, Bobl, Schatz,

US Treasuries v US Financial Futures Hedge Ratios

	2y	3y	5y	10y	30y
ZB	1.65	2.48	3.94	7.09	14.15
ZN	2.95	4.43	7.04	12.66	25.26
ZF	4.57	6.85	10.89	19.58	39.07
ZT	5.11	7.66	12.17	21.88	43.66

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 Treasury Cash / Eurex Bund, Bobl, Schatz

US Treasuries v US Treasuries					
	2y	3y	5y	10y	30y
2y		1.500	2.384	4.286	8.551
3y	0.667		1.589	2.857	5.701
5y	0.419	0.629		1.798	3.587
10y	0.233	0.350	0.556		1.995
30y	0.117	0.175	0.279	0.490	

Hedge Ratios: US Cash Treasuries / Eurodollar

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

Commitment of Traders (COT)

	Cpn	Mty	32nds	Yield
2y	4.875	1/31/09	100.0275	4.865
3y	4.750	2/15/10	100.0275	4.756
5y	4.750	1/31/12	100.1025	4.716
10y	4.625	2/15/17	99.155	4.730
30y	4.750	2/15/37	99.13	4.826

	CF Basis*	GHCO Basis		32nds
5y	0.47	36.251	ZF	105.0300
10y	2.75	48.649	ZN	107.1900
30y	7.15	342.299	ZB	111.16

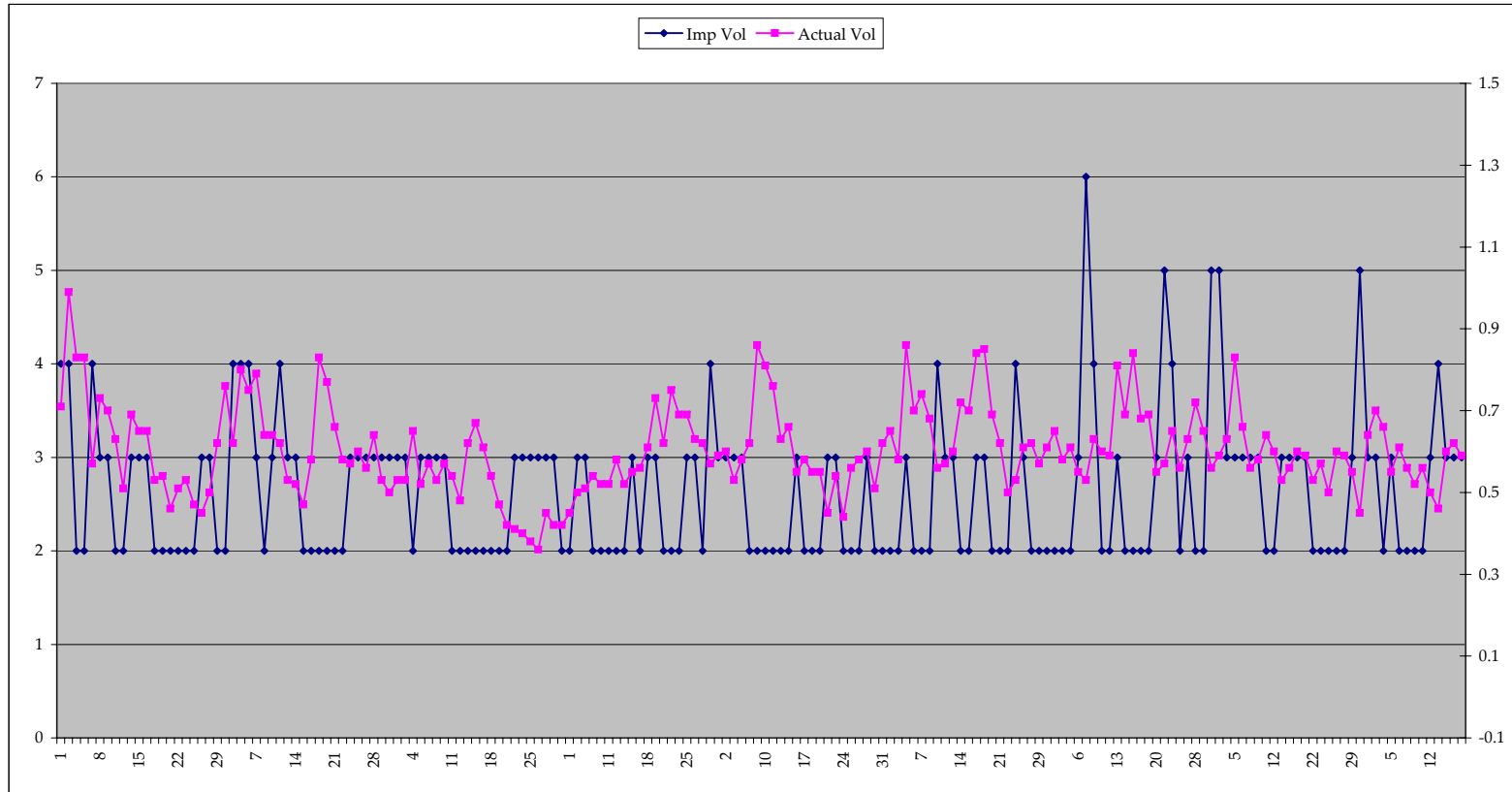
Curve Spreads bps

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)

2 PM CDT Closes: US Treasuries, US Financial Futures, YC Spreads, Basis



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 (Daily)

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
3 = moderate
4,5 = volatile
6-9 = very volatile