2/21/2007 5:41

The Morning Email: Treasuries

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Want something added?
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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						
	ls	net	high	low	open	Volume	SYM NAME
TUAH7	101.317	0.0	102.002	101.312	101.317	7,910	2y Futures
FVAH7	105.040	(0.5)	105.055	105.030	105.045	25,827	5y Futures
TYAH7	107.215	(0.5)	107.230	107.190	107.215	101,441	10y Futures
USAH7	111.190	0	111.220	111.170	111.200	25,284	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	100.032	0.0	100.035	100.027	100.032	na	2y
BUS05P	100.115	0.2	100.125	100.107	100.115	na	5y
BUS10P	99.180	0.0	99.195	99.160	99.180	na	10y
BUS30P	99.160	(2)	99.200	99.150	99.165	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.810	0.00	4.836	4.789	4.814	na	2y Yield
BUS05Y	4.664	0.00	4.678	4.657	4.669	na	5y Yield
BUS10Y	4.676	0.00	4.692	4.67	4.678	na	10y Yield
BUS30Y	4.780	0.20	4.786	4.772	4.779	na	30y Yield

Source: CQG

Yesterday

02/20 15:01 US TSYS/RECAP: Tsy end slightly higher in thin 2-way flow with corporate rate-lock unwinds aiding, Vodafone upsized, awaited; US$3.5B ($1.3B 10-year; $1.2B 30Y; $500M 5Y fixed, $500M 5Y FRN). Earlier in morning traders expected rate-lock unwinds, tighter swaps spreads amid lvrgd money doing receiving. There was morning swaps receiving across curve, partial catchup to last wk rally, but also lvrgd money receiving in swaps, others paying in US swaps/receiving in European swaps, some selling in MBS/move into swaps, some swaps receiving vs. Earlier, there was light swap receiving in front end, options and rollover flows in Tsys futures. Eurodlr futures had receiving in 2Y, 5Y swaps. CMBS supply later in wk. Lvrgd accounts did MBS down-in-cpn trades as Tsys rose, swaption vols firm. Bank MBS buying amid soggy MBS, some money mgr buying 15Ys. Some origination in 6s, others say total originatn under $1B. Tsys aided: Fed Bies said subprime mortgages "very problematic." Lehman Tsys +0.21 yr mo-end extens. Most eye BOJ mtg,8:30 Wed US Jan CPI

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

02/21 05:13 USTs: (1) Treasuries are trading little changed in London Weds, as the market largely takes the Bank of Japan's 25 bps rate hike in its stride. Prices were modestly higher in early Tokyo trade, helped by follow-through buying after the overnight gains in the U.S. However, prices slipped ahead of the BOJ's rate decision, falling in sympathy with JGBs. But JGBs steadied as the Japanese central bank confirmed the rate hike and Treasuries steadied in their wake, ending the Asian session little changed. Prices remain muted into the London session, with little to push prices in one direction or the other. The 10-year futures volume remained at a sluggish 75,000 contracts late into the morning.

02/21 05:13 USTs: (2) The curve was little changed, despite light selling of the 2-yr note from real money and leveraged accounts ahead of the $18 billion auction due later in the session. The auction is the smallest 2-yr offering since September 2001. The issue was last sold on January 24 and was then allotted at a high yield of 4.93%, with a cover ratio of 3.03 times. Bunds are trading higher against U.S. 10-year T-notes, up 1.5 bps from Tuesday's close at 70 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	15.85
10y	7.91
5y	4.35
3y	2.75
2y	1.83
ZB	9.97
ZN	5.71
ZF	3.78
ZT	1.74

DV01s (32nds)

30y	5.05
10y	2.52
5y	1.40
3y	0.88
2y	0.59
ZB	3.57
ZN	1.99
ZF	1.29
ZT	1.15

DV01s ($s)

30y	$1,578
10y	$788
5y	$438
3y	$275
2y	$183
ZB	$111
ZN	$62
ZF	$40
ZT	$36

Yield Curve Spreads

2/3	-10.00
3/5	-4.60
2/5	-14.60
5/10	1.20
2/10	-13.40
10/30	10.40
5/30	11.60
2/30	-3.00

Fly's

2/3/5	-5.40
2/5/10	-15.80
2/10/30	-23.80
5/10/30	-9.20

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 & Flys, 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		0.558	0.360	0.322
ZN	1.792		0.646	0.577
ZF	2.775	1.548		0.893
ZT	0.644	1.154	1.786	

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	1.64	2.47	3.93	7.07	14.16
ZN	2.95	4.42	7.04	12.67	25.37
ZF	4.56	6.85	10.89	19.62	39.29
ZT	5.11	7.66	12.20	21.97	43.99

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
Shatz (H)	7.1	10.4	16.7	30.0	56.1

Eurex Hedge Ratio's source: Bloomberg

Eurex Hedge Ratios

	Bund (H)	Bobl (H)	Shatz (H)
Bund (H)		1.900	4.600
Bobl (H)	0.530		2.500
Shatz (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		1.501	2.389	4.302	8.615
3y	0.666		1.591	2.866	5.739
5y	0.419	0.628		1.801	3.606
10y	0.232	0.349	0.555		2.002
30y	0.116	0.174	0.277	0.489	

Hedge Ratios: US Cash Treasuries / Eurodollar

	Current Positions									
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	213,342	305,210	(91,868)	192,771	267,664	(74,893)	1,152,195	985,434	166,761	ZF
ZN	283,976	418,477	(134,501)	573,017	401,723	171,294	1,845,261	1,882,053	(36,792)	ZN
ZB	142,098	199,051	(56,953)	102,591	192,208	(89,617)	747,848	601,278	146,570	ZB

	WoW** Position Change			
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	As of
ZF	(16,548)	(31,717)	48,264	2/13/2007
ZN	(25,920)	(27,869)	53,789	
ZB	6,734	(5,881)	(853)	

**WoW = Week over week

Closes2pm

NO CLOSES FROM YESTERDAY, 02/20/07.
THESE ARE OLDER CLOSES.

	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

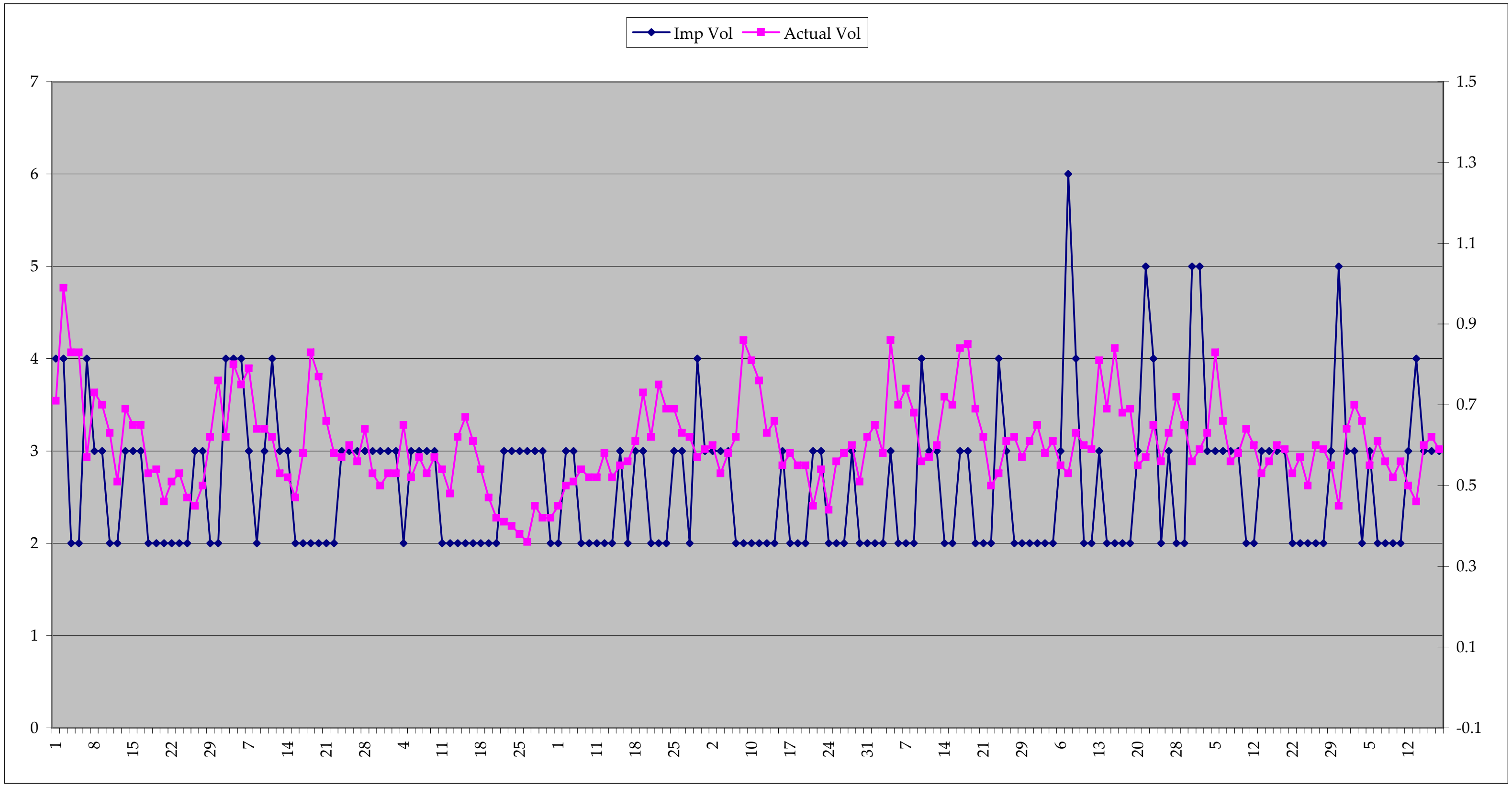
	CF Basis*	GHCO Basis
5y	0.47	36.251
10y	2.75	48.649
30y	7.15	342.299

	32nds
ZF	105.0300
ZN	107.1900
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
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