

The Morning Email: Treasuries

Table of Contents

Pg A	Important Econ Releases, Highs & Lows
Pg 1	Quotes
Pg 2	News
Pg 3	Econ Releases & Speakers
Pg 4	Yield Curve Spreads & Flys, DV01s, CFs
Pg 5	Hedge Ratios: US Financial Futures / Eurex Bund, Bobl, Schatz,
Pg 6	Hedge Ratios: US Treasury Cash / Eurex Bund, Bobl, Schatz
Pg 7	Hedge Ratios: US Cash Treasuries / Eurodollar
Pg 8	Commitment of Traders (COT)
Pg 9	2 PM CDT Closes: US Treasuries, US Financial Futures, YC Spreads, Basis
Pg 10	Implied Volatility (Daily)
	Implied Volatility (3-Hour)

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	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	0.0000	0.0000	0.0000	0.0000	2/21/2007
CPI Low	0.0000	0.0000	0.0000	0.0000	2/21/2007

*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	(1.2)	101.305	101.292	101.305	11,333	2y Futures
FVAH7	105.005	(1.5)	105.025	104.315	105.025	41,014	5y Futures
TYAH7	107.155	(4.0)	107.185	107.145	107.185	97,185	10y Futures
USAH7	111.100	(4)	111.150	111.090	111.150	23,614	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.270	(7.0)	99.277	99.267	99.277	na	2y
BUS05P	100.070	(2.5)	100.090	100.067	100.087	na	5y
BUS10P	99.110	(4.0)	99.145	99.110	99.135	na	10y
BUS30P	99.050	(6)	99.100	99.040	99.085	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.830	(0.60)	4.842	4.809	4.83	na	2y Yield
BUS05Y	4.694	1.40	4.703	4.68	4.691	na	5y Yield
BUS10Y	4.706	1.60	4.712	4.672	4.684	na	10y Yield
BUS30Y	4.801	1.10	4.807	4.79	4.797	na	30y Yield

Source: CQG

Yesterday

02/21 15:11 US TSYS/RECAP: Tsys market declined early Wed on the 0.2% Jan CPI/0.3% core CPI, but drew bargainhunting at lows, including Asian. The \$18B 2Y auction proved stellar: 52% indirects but is caution on Thu \$13B 5Y sale. The market ended weaker on day but cut losses amid shortcovering as day wore on. There also has been buy-and-hold investors buying T-bills this afternoon. Earlier afternoon flows included Street buying in 5s, 10s, fast money doing 3Y/5Y steepeners and also more buy-and-hold buying in T-bills. Morning flows two-way: Street buying in 2Ys, intermediates, also fast money buying this morning in 2Ys, and buy-and-hold investor buying there too. There also was dealer selling in 30Y futures. Earlier, 10s drew bid from financial institutions, also hedge fund buying in 30Ys. Buy-and-hold accts also sold belly, T-bills, while fast money buying 2s prior to CPI and Street buying 10s before and after CPI. There also was earlier fast money selling in intermediates. Jan. FOMC Mins said data showed improved core US inflation prospects.

[Source - MNI]

Overnight

02/22 05:08 UST SUMMARY: Treasuries are trading modestly lower across the board in London Thursday, although volumes and trading ranges remain tight. The 10-year note remains confined to the 4.65/75% trading range, with both cash and futures volumes muted. Prices were flat for much of the Asian session, with prices in Tokyo largely consolidating at overnight levels. Traders said volumes were again muted by the continuing Chinese Lunar New Year holiday, which extends through to Monday. Despite prices trading lower across the board, the curve flattened modestly as the 2-year note underperformed modestly. Traders said the 2-year was sold off despite the continuing yen weakness. The back of the curve saw light demand on dips, with real money accounts seen looking for cheap paper ahead of the month-end. However, there seemed little in the way of fresh trading incentives to stir traders from their torpor. Bunds are trading flat against 10-yr T-notes, unchanged from Wed's close at 70 bps. The new 2-yr note was last 4.82%, while the 10-year note was at 4.70%.. [Source - MNI]

Today***Econ Releases & Speakers***

Date	ET	Release	For	Briefing.com	Consensus	Prior
Feb 22	08:30	Initial Claims	02/17	320K	325K	357K
Feb 22	10:00	Help-Wanted Index	Jan	33	34	33

(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.

Sources: dailyFX.com & MNI

Econ Releases & Speakers

M Duration	
30y	15.82
10y	7.90
5y	4.34
3y	2.74
2y	1.82
ZB	9.96
ZN	5.70
ZF	3.77
ZT	1.74

DV01s (32nds)	
30y	5.03
10y	2.51
5y	1.40
3y	0.88
2y	0.59
ZB	3.56
ZN	1.98
ZF	1.28
ZT	1.15

DV01s (\$s)	
30y	\$1,571
10y	\$786
5y	\$437
3y	\$274
2y	\$183
ZB	\$111
ZN	\$62
ZF	\$40
ZT	\$36

Yield Curve Spreads

2/3	-8.80
3/5	-4.80
2/5	-13.60
5/10	1.20
2/10	-12.40
10/30	9.50
5/30	10.70
2/30	-2.90

Fly's	
2/3/5	-4.00
2/5/10	-14.80
2/10/30	-21.90
5/10/30	-8.30

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		0.558	0.361	0.322
ZN	1.791		0.646	0.577
ZF	2.773	1.548		0.893
ZT	0.644	1.154	1.787	

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	2.47	3.93	7.07	14.14
ZN	2.95	4.43	7.04	12.67	25.33
ZF	4.56	6.85	10.90	19.61	39.21
ZT	5.11	7.67	12.20	21.95	43.88

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		1.501	2.387	4.296	8.590
3y	0.666		1.591	2.863	5.724
5y	0.419	0.629		1.800	3.598
10y	0.233	0.349	0.556		1.999
30y	0.116	0.175	0.278	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	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	
ZF	(16,548)	(31,717)	48,264	As of
ZN	(25,920)	(27,869)	53,789	2/13/2007
ZB	6,734	(5,881)	(853)	

**WoW = Week over week

	Cpn	Mty	32nds	Yield
2y	4.875	2/28/09	99.2750	4.824
3y	4.750	2/15/10	100.0200	4.727
5y	4.750	1/31/12	100.0950	4.681
10y	4.625	2/15/17	99.150	4.692
30y	4.750	2/15/37	99.12	4.789

	CF Basis*	GHCO Basis		32nds
5y	0.47	35.973	ZF	105.0250
10y	2.75	48.149	ZN	107.1900
30y	7.15	342.095	ZB	111.15

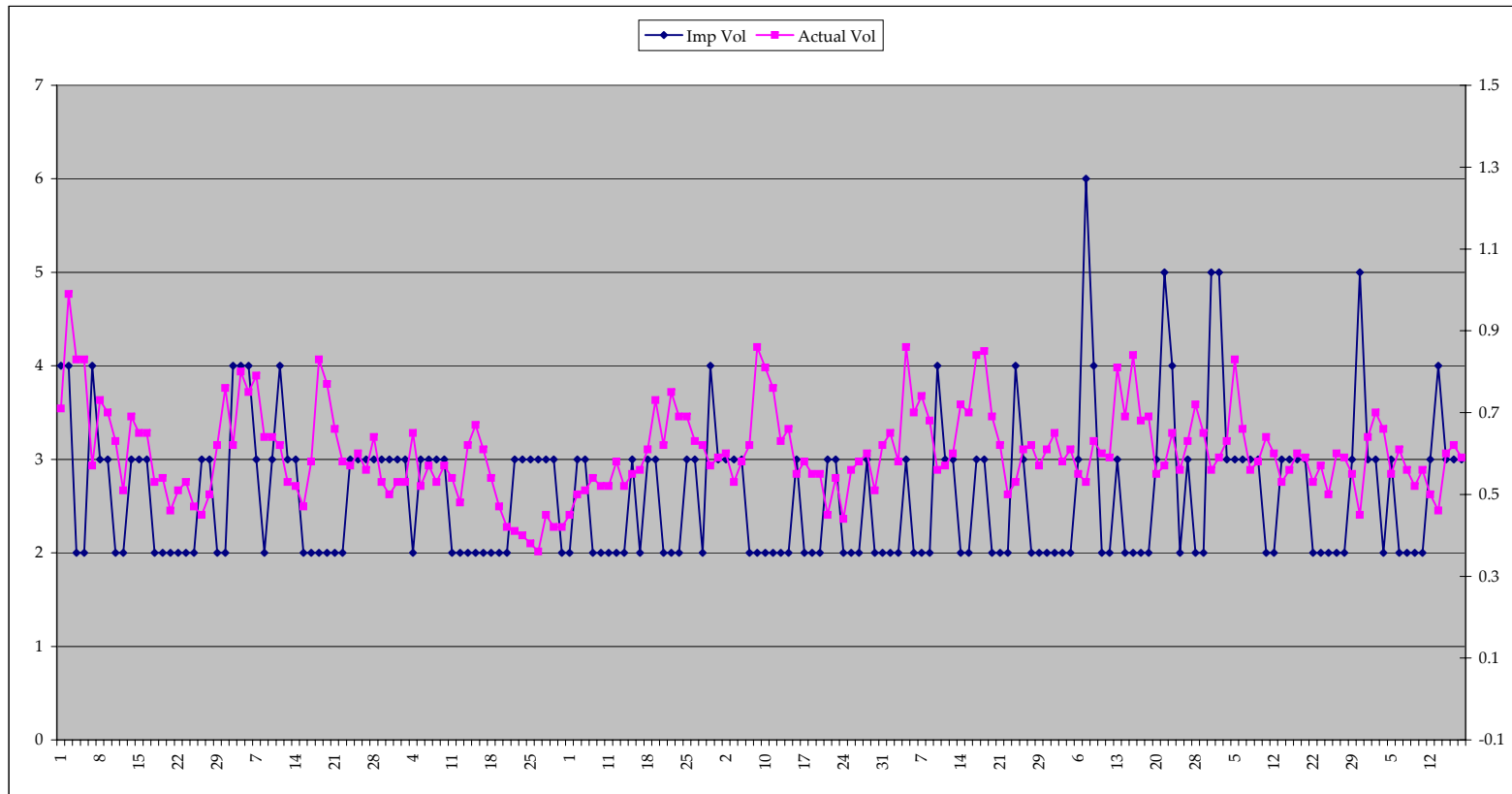
Curve Spreads bps

2/3	(0.097)
3/5	(0.046)
2/5	(0.143)
5/10	0.011
2/10	(0.132)
10/30	0.097
5/30	0.108
2/30	(0.035)

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	2/22/2007	2/23/2007	1/0/1900
1900-2200	0000-0300	2000-2300	2	2	0
2200-0100	0300-0600	2300-0200	2	2	0
0100-0400	0600-0900	0200-0500	2	2	0
0400-0700	0900-1200	0500-0800	1	1	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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