

## The Morning Email: Treasuries

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Want something added?

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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	99.1050	98.2450	106.3100	110.1700	2/2/2007
Non-farm Low	99.0250	98.1200	106.1900	109.2900	2/2/2007
FOMC High	99.0600	98.1650	106.2500	110.0500	1/31/2007
FOMC Low	99.0100	98.0750	106.1700	109.2300	1/31/2007
PPI High	99.3100	99.2300	107.2600	111.2700	2/16/2007
PPI Low	99.2400	99.1200	107.1600	111.1000	2/16/2007
CPI High	99.2800	99.2050	107.2250	111.2100	2/21/2007
CPI Low	99.2100	99.0850	107.1250	111.0400	2/21/2007

\*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	102.010	2.5	102.012	101.307	101.312	25,610	2y Futures
FVAH7	105.100	5.0	105.105	105.050	105.050	75,578	5y Futures
TYAH7	107.310	8.5	108.000	107.225	107.225	238,310	10y Futures
USAH7	112.030	14	112.050	111.190	111.200	44,808	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.307	1.7	99.310	99.292	99.292	na	2y
BUS05P	100.007	5.2	100.012	99.275	99.275	na	5y
BUS10P	#VALUE!	9.5	99.300	99.195	99.200	na	10y
BUS30P	100.035	18	100.050	99.170	99.170	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.767	(2.50)	4.821	4.759	4.821	na	2y Yield
BUS05Y	4.618	(3.60)	4.664	4.613	4.664	na	5y Yield
BUS10Y	4.633	(3.70)	4.678	4.629	4.678	na	10y Yield
BUS30Y	4.742	(3.20)	4.783	4.738	4.781	na	30y Yield

Source: CQG

## Yesterday

By Sheila Mullan

NEW YORK, Feb 23 (MNI) - Prices of U.S. Treasuries rallied strongly Friday on safe-haven buying amid fears of weak sub-prime loans/ABX weakness and also Iran/geopolitical safe-haven buying on Iran nuclear concern, said traders. The Australian newspaper ran an article that said U.S. Vice President Dick Cheney agreed with Sen. John McCain that the only thing worse than military confrontation with Iran is a nuclear-armed Iran, which rattled nerves although that had been the Bush administration's basic line for a few months. Then the asset-backed index (ABX) also weakened amid credit-quality concerns on subprime loans, said traders. That spurred buying in U.S. Treasuries but also swaps paying too across the curve as some moved to hedge their ABX risk. Swaps paying also occurred against MBS and corporate bonds too. There also was Treasuries short-covering as German Bunds rallied too on technical buying. Meanwhile, Latin American and European central banks bought U.S. intermediates early on. And there was a massive short-squeeze in Eurodollar futures, given a 325,000 jump in open interest this week amid the market downtrend.

And morning buy-stops got hit in the March T-bonds and March 10-year futures, catching some offsidies and forcing buying, said traders. Meanwhile, a macro trading fund sold U.S. equities to buy U.S. Treasuries. Elsewhere, some bought U.S. Treasuries and sold German Bunds. But, bought European debt as they felt that the U.S. subprime woes might be confined to the U.S. markets. Meanwhile, some domestic accounts did early month-end buying in Treasuries. And there also were unwinds of rate-lock hedges vs. U.S. corporate bonds. And in other actions, shorts rushed to cover in both U.S. Treasuries futures and in Eurodollars.

## Overnight

02/26 04:47 USTs: (1) Treasuries are trading higher across the curve in Ldn Monday, helped by follow-through buying after Friday's strong gains. Prices were also underpinned by the strength in the European bond markets, which are higher in futures-led trade. Prices were better from the getgo in Tokyo trade, unfazed by a moderately weaker open by JGBs. But volumes were light, with many players sidelined ahead of a light data session in the U.S. Prices continued to inch higher in London, with the front of the curve leading the way higher, with both cash and swaps buying noted. At the longer end of the curve, futures markets led the way higher, with good volumes noted. Cash markets remained bid, although the 10-year was flirting with a key technical level around the 4.655% level - the 50% fibonacci retracement of the Dec-Jan sell-off. Cash buying was seen from both Asian and European real money names in the 10-year and longer dates, with real money demand also seen in the off-the-run 10-year notes. Month-end duration demand also helped underpin the long-end. [Source - MNI]

Today*Econ Releases & Speakers from MNI*

Date	ET	Data thru		Prior Report	Forecast
23-Feb	0730	Jan-07	Building Permits Revision	---	
23-Feb	1000	Jan-07	BLS Mass Layoffs	133,818	---
26-Feb	0930	23-Feb	MNI Capital Goods Index	67.4	---
26-Feb	1030	24-Feb	MNI Retail Trade Index	55.3	---
26-Feb	1030	Feb-07	Dallas Fed Mfg Outlook Survey	4.7	---

DATE	GMT/EST	EVENT
26-Feb	1430/0930	Federal Reserve Governor Susan Schmidt Bies to speak about Basel II at a risk management conference, in New York. Audience Q&A expected.

## Yield Curve Spreads &amp; Flys, DV01s, CFs

M Duration	
30y	15.88
10y	7.90
5y	#VALUE!
3y	2.73
2y	1.85
ZB	9.97
ZN	5.70
ZF	3.77
ZT	1.73

DV01s (32nds)	
30y	5.10
10y	2.53
5y	#VALUE!
3y	0.88
2y	0.59
ZB	3.59
ZN	1.99
ZF	1.28
ZT	1.14

DV01s (\$s)	
30y	\$1,593
10y	\$791
5y	#VALUE!
3y	\$274
2y	\$185
ZB	\$112
ZN	\$62
ZF	\$40
ZT	\$36

## Yield Curve Spreads

2/3	-9.70
3/5	-5.20
2/5	-14.90
5/10	1.50
2/10	-13.40
10/30	10.90
5/30	12.40
2/30	-2.50

## Fly's

2/3/5	-4.50
2/5/10	-16.40
2/10/30	-24.30
5/10/30	-9.40

## CFs

ZB	0.8275	
ZN	0.8995	
ZF	0.9421	New: as of 02/22/06
ZT	0.9776	New: as of 02/21/07

\*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		0.556	0.358	0.318
ZN	1.800		0.645	0.572
ZF	2.792	1.551		0.888
ZT	0.636	1.145	1.776	

## 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	2.44	#VALUE!	7.06	14.21
ZN	2.97	4.40	#VALUE!	12.70	25.57
ZF	4.61	6.82	#VALUE!	19.69	39.66
ZT	5.19	7.69	#VALUE!	22.18	44.66

## 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

	US Treasuries v US Treasuries				
	2y	3y	5y	10y	30y
2y		1.480	#VALUE!	4.270	8.599
3y	0.676		#VALUE!	2.886	5.812
5y	#VALUE!	#VALUE!		#VALUE!	#VALUE!
10y	0.234	0.347	#VALUE!		2.014
30y	0.116	0.172	#VALUE!	0.486	

## Commitment of Traders (COT)

Current Positions										
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	237,263	288,446	(51,183)	184,514	241,424	(56,910)	1,097,274	989,182	108,092	ZF
ZN	307,256	387,720	(80,464)	530,176	338,177	191,999	1,750,061	1,861,594	(111,533)	ZN
ZB	147,280	188,256	(40,976)	118,065	181,214	(63,149)	724,443	620,317	104,126	ZB

WoW** Position Change				
	Sml Spec	Lrg Spec	Comm	As of
	Net	Net	Net	
ZF	40,685	17,983	(58,669)	2/20/2007
ZN	54,037	20,705	(74,741)	
ZB	15,977	26,468	(42,444)	

\*\*WoW = Week over week

	Cpn	Mty	32nds	Yield
2y	4.750	2/28/09	99.2875	4.803
3y	4.750	2/15/10	100.0350	4.710
5y	4.625	2/29/12	99.2700	4.660
10y	4.625	2/15/17	99.185	4.678
30y	4.750	2/15/37	99.16	4.782

	CF Basis*	GHCO Basis		32nds
5y	0.15	19.585	ZF	105.0450
10y	2.75	48.917	ZN	107.2200
30y	7.14	341.617	ZB	111.20

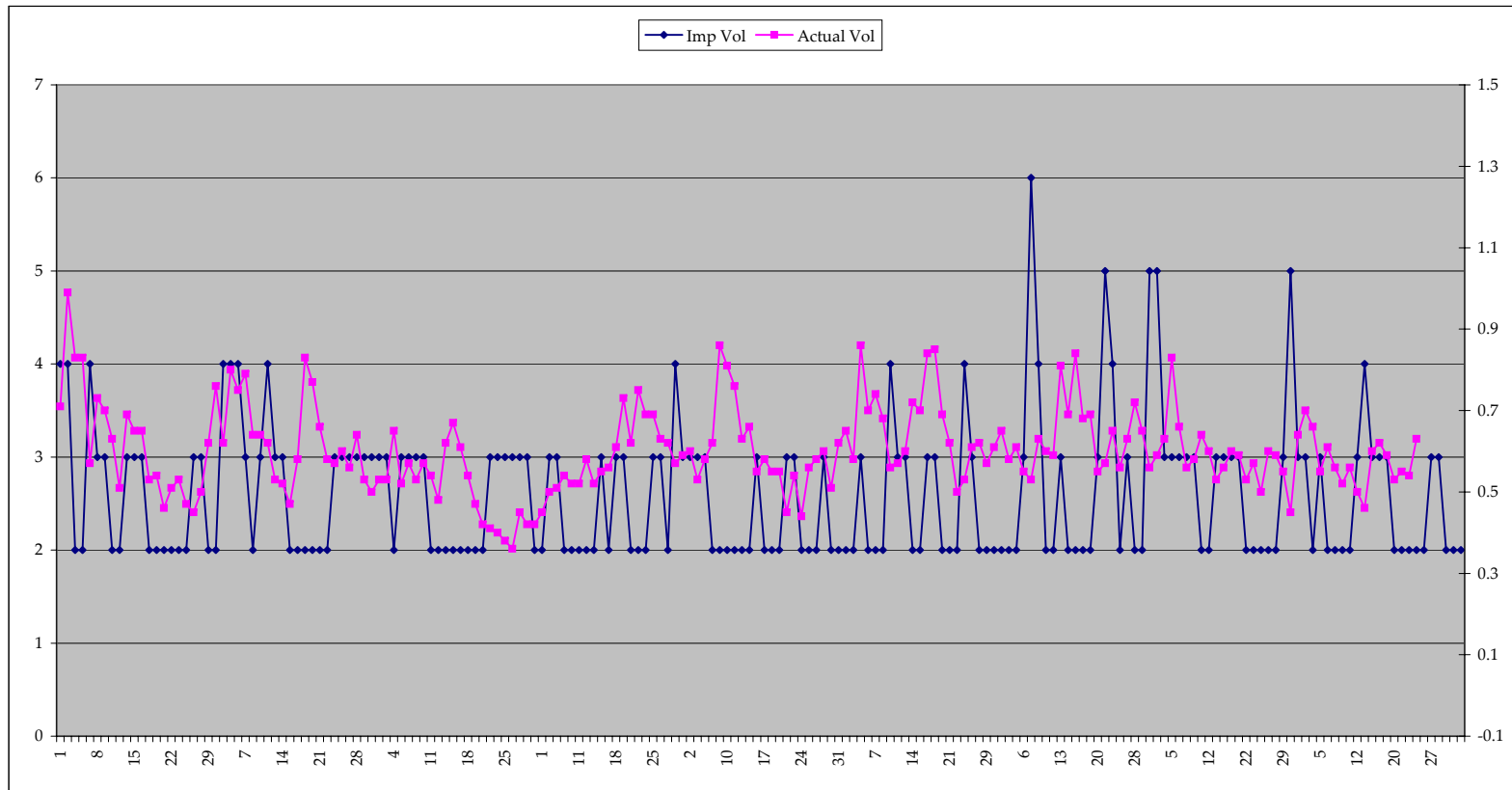
## Curve Spreads bps

2/3	(0.093)
3/5	(0.050)
2/5	(0.143)
5/10	0.018
2/10	(0.125)
10/30	0.104
5/30	0.122
2/30	(0.021)

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	2/26/2007	2/27/2007	2/28/2007
1900-2200	0000-0300	2000-2300	3	3	2
2200-0100	0300-0600	2300-0200	3	3	2
0100-0400	0600-0900	0200-0500	2	2	2
0400-0700	0900-1200	0500-0800	2	2	1
0700-1000	1200-1500	0800-1100	2	2	1
1000-1300	1500-1800	1100-1400	2	2	1
1300-1600	1800-2100	1400-1700	1	1	1
1600-1900	2100-0000	1700-2000	3	3	2

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