

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	99.1050	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	102.025	1.2	102.025	102.010	102.015	21,118	2y Futures
FVAH7	105.135	3.5	105.135	105.095	105.105	60,346	5y Futures
TYAH7	108.050	5.5	108.050	107.310	108.000	162,854	10y Futures
USAH7	112.160	9	112.160	112.050	112.070	44,461	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	100.005	1.2	100.005	99.312	99.315	na	2y
BUS05P	100.047	3.0	100.050	100.010	100.015	na	5y
BUS10P	100.050	5.5	100.050	99.300	99.310	na	10y
BUS30P	100.225	13	100.225	100.080	100.090	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.738	(1.70)	4.771	4.734	4.767	na	2y Yield
BUS05Y	4.590	(1.90)	4.622	4.586	4.618	na	5y Yield
BUS10Y	4.603	(2.40)	4.637	4.601	4.629	na	10y Yield
BUS30Y	4.705	(2.20)	4.738	4.704	4.728	na	30y Yield

Source: CQG

Yesterday

02/26 15:17 US TSYS/RECAP: Tsy end higher after gains on 1) US Tsys month-end buying, 2) morning CTA buying in US 10s, 3) Asian light buying in intermediates in NY; 4) Latam central bank buying in 10s in NY, 5) front-end swap receiving, 6) some lingering subprime concern aiding Tsys, 7) weak NABE outlook (2.8% 2007 real GDP, Fed on hold thru 2007). 8) Asia returning after last wks holiday also helps. But 9) traders also eyed Japanese accts doing steady swaps paying. 10) Lehman US Tsy index 0.21-yr is largest extension since Aug 2006; 11) CMBS calendar cd pick up Wed with 2 pricings. Fed US\$1.71B coupon pass in Nov 07-Jun 08 maturities. Real money buying in German bunds also supported US bonds. The ABX heated up again earlier today with retail demand in the 06-2. Vols went up in morning amid dealer short covering in intermediate swaptions. There was some servicer shedding of long May 10-yr calls and others selling recent pop in implieds in 10-yr, bds.

02/26 15:06 Swaps: GovPx indications show that spds are mixed across the curve but not too far from home with the 2Y tighter by 0.25bps to a midpoint of 37.50bps while the 5Y is steady to 44.00bps. The 10Y is wider by 0.25bps to 52.50bps while the 30Y is steady at 55.50bps. Early receiving in 2Y and 3Y along with 2/10Y steepeners were reported but sources also reported consistent Japanese payers all day.

02/26 15:10 MBS: Sources note Asian and other foreign buying earlier, two-way flows from levered money and money mgr sales. Later in the session, bottom fishing occurred by fast money accts, which reportedly slowed the widening but sources say negative momentum remains strong. Vol up, hurts MBS along with ongoing subprime concerns, sources say.

[Source - MNI]

Overnight

02/27 05:38 USTs: (1) Boosted by a near ten per cent fall by leading Chinese stocks, U.S. Treasuries are trading higher across the board in London Tuesday, building on gains from earlier in the Asian session. Treasuries were better bid in early trade in Tokyo, helped by follow-through buying after overnight gains and also by a stronger JGB market, boosted by strong month-end demand at the longer-end of the curve. Chinese and Asian names were also seen as good buyers of the intermediate sector of the curve, picking up 10-year paper around 4.61%. The market remained well bid through the London session, with the weaker stockmarket continuing to underpin global debt markets. This, along with ongoing geopolitical concerns surrounding Iran, helped push two-year yields lower, with real money accounts and central banks all noted on the bid. Longer-dated paper also saw good buying interest, with life and pension funds continuing their month-end duration extensions. Japanese banks were buyers of the long end through early London trade.

[Source - MNI]

Today*Econ Releases & Speakers from MNI*

Date	ET	Data thru		Prior Report	Forecast
27-Feb	0730	Jan-07	Building Permits Revision	---	
27-Feb	0745	24-Feb	ICSC-UBS Store Sales	-0.1% w/w, +3.5% y/y	
27-Feb	0830	Jan-07	Durable Goods Orders	+3.1%	-3.0%
27-Feb	0830	Jan-07	Durable Goods excl Defense	+3.9%	
27-Feb	0830	Jan-07	Durable Goods excl Trans	+2.3%	
27-Feb	0855	24-Feb	Redbook Average	-1.2% thru wk 3	---
27-Feb	0900	Dec-06	S&P/Case-Shiller Home Price In	223.58	---
27-Feb	1000	Feb-07	Richmond Fed Mfg Index	-11	---
27-Feb	1000	Feb-07	Consumer Confidence (CB)	110.3	108.0
27-Feb	1000	Jan-07	Existing Home Sales (NAR)	6.22 mn	6.25 mn
27-Feb	1700	25-Feb	ABC/Wash Post Cons Conf Index	1	

DATE	GMT/EST	EVENT
27-Feb	1355/0855	Dutch central bank President Nout Wellink to speak about Basel II at a risk management convention, in New York.
27-Feb	n/a	President Bush to host Salvadoran President Elias Antonio Saca at the White House.
27-Feb	1600/1100	Treasury Under Secretary for Domestic Finance Robert Steel to speak about hedge funds, in Washington.
27-Feb	0015/1915	Dallas Federal Reserve Bank President Richard Fisher to speak about the Texas economy, in Austin, Texas. Audience Q&A expected.

Yield Curve Spreads & Flys, DV01s, CFs

M Duration	
30y	15.92
10y	7.90
5y	4.42
3y	2.73
2y	1.89
ZB	9.98
ZN	5.70
ZF	3.76
ZT	1.73

DV01s (32nds)	
30y	5.14
10y	2.54
5y	#NUM!
3y	0.88
2y	#NUM!
ZB	3.60
ZN	2.00
ZF	1.29
ZT	1.14

DV01s (\$s)	
30y	\$1,606
10y	\$793
5y	#NUM!
3y	\$274
2y	#NUM!
ZB	\$113
ZN	\$62
ZF	\$40
ZT	\$36

Yield Curve Spreads

2/3	-9.70
3/5	-5.10
2/5	-14.80
5/10	1.30
2/10	-13.50
10/30	10.20
5/30	11.50
2/30	-3.30

Fly's

2/3/5	-4.60
2/5/10	-16.10
2/10/30	-23.70
5/10/30	-8.90

CFs

ZB	0.8275
ZN	0.8995
ZF	0.9421
ZT	0.9776

*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		0.555	0.357	0.316
ZN	1.802		0.643	0.570
ZF	2.804	1.556		0.887
ZT	0.633	1.141	1.774	

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	#NUM!	2.43	#NUM!	7.04	14.26
ZN	#NUM!	4.39	#NUM!	12.69	25.71
ZF	#NUM!	6.82	#NUM!	19.74	39.99
ZT	#NUM!	7.69	#NUM!	22.25	45.08

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		#NUM!	#NUM!	#NUM!	#NUM!
3y	#NUM!		#NUM!	2.893	5.861
5y	#NUM!	#NUM!		#NUM!	#NUM!
10y	#NUM!	0.346	#NUM!		2.026
30y	#NUM!	0.171	#NUM!	0.483	

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	99.3125	4.762
3y	4.750	2/15/10	100.0725	4.667
5y	4.625	2/29/12	100.0150	4.614
10y	4.625	2/15/17	99.305	4.631
30y	4.750	2/15/37	100.10	4.731

	CF Basis*	GHCO Basis		32nds
5y	1.05	20.894	ZF	105.1000
10y	2.76	52.267	ZN	107.3150
30y	7.33	353.296	ZB	112.06

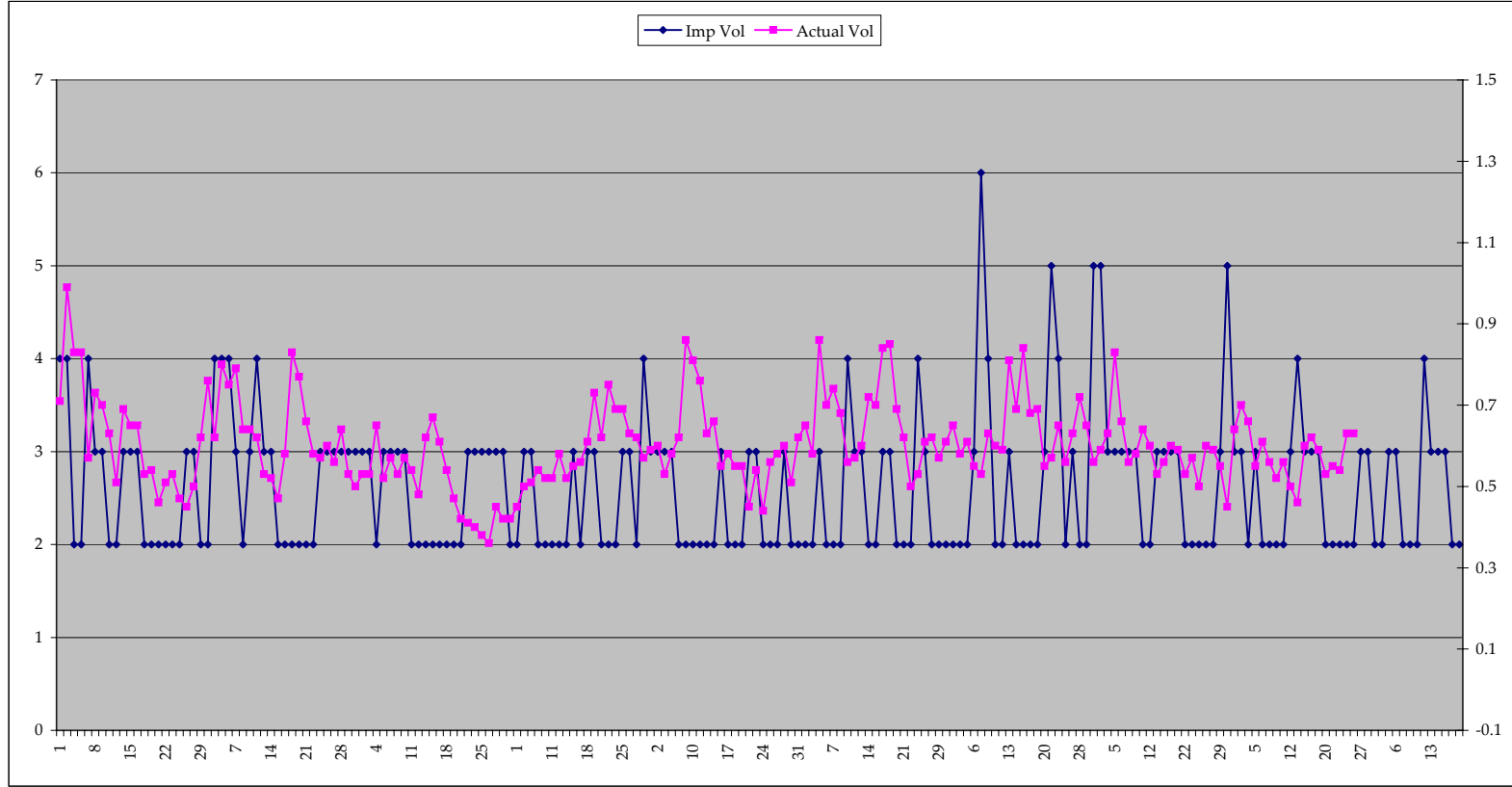
Curve Spreads bps

2/3	(0.095)
3/5	(0.053)
2/5	(0.148)
5/10	0.017
2/10	(0.131)
10/30	0.100
5/30	0.117
2/30	(0.031)

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
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