

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
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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Important Econ Releases, Highs & Lows

	5y*	10y*	ZNM7**	ZBM7**	Date
Non-farm High	99.1050	98.2450	106.3150	110.1500	2/2/2007
Non-farm Low	99.0250	98.1200	106.1950	109.2700	2/2/2007
FOMC High	99.0600	98.1650	106.2550	110.0300	1/31/2007
FOMC Low	99.0100	98.0750	106.1750	109.2100	1/31/2007
PPI High	99.3100	99.2300	107.2650	111.2500	2/16/2007
PPI Low	99.2400	99.1200	107.1650	111.0900	2/16/2007
CPI High	99.2800	99.2050	107.2300	111.1900	2/21/2007
CPI Low	99.2100	99.0850	107.1300	111.0200	2/21/2007

*Adjusted for New Issue

**Adjusted for Roll

Prices are recorded from econ release to 2pm CDT

ZBH/ZBM Rolled at -2 tics

ZNH/ZNM Rolled at +.5 tics

Quotes

	32 nds						
	ls	net	high	low	open	Volume	SYM NAME
TUAM7	102.145	(0.5)	102.167	102.140	102.142	20,882	2y Futures
FVAM7	105.225	(2.0)	106.010	105.265	105.275	50,226	5y Futures
TYAM7	108.155	(4.0)	108.220	108.130	108.155	179,572	10y Futures
USAM7	112.250	(6)	113.020	112.200	112.240	43,445	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	100.065	0.7	100.080	100.062	100.065	na	2y
BUS05P	100.147	0.5	100.190	100.135	100.145	na	5y
BUS10P	100.150	1.5	100.215	100.125	100.145	na	10y
BUS30P	101.030	4	101.120	100.290	101.030	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.639	(0.80)	4.676	4.61	4.676	na	2y Yield
BUS05Y	4.519	(0.40)	4.533	4.486	4.532	na	5y Yield
BUS10Y	4.564	(0.60)	4.579	4.536	4.566	na	10y Yield
BUS30Y	4.680	(0.50)	4.695	4.657	4.677	na	30y Yield

Source: CQG

Yesterday

02/28 15:11 **US TSYS/RECAP:** Tsys lower Wed amid 1) some correction after big 3-day rally last Fri, Mon, Tues as traders mull if risk aversion Tsys buying that spurred rally over - or not. There was 2) light month-end buying. Tsys chopped around at lower price levels midday after 3) reacting to Bernanke saying doesn't see material change in US economic prospects but 4) also hurt too as March Bunds slid after ECB Weber said European rates "need more significant normalization of monetary policy in medium- term." Earlier Tsys faltered 5) amid momentum sales early but also saw 6) real money buying, month-end extensions and curve flatteners and morning brisk real money buying for month-end. Later in day, 7) vols popped with MBS types concerned there could be move below 4.50% 10Y yld, amid fear of weak ISM Thurs and so bought vol; equities also weakened then. 8) Swaptions players were better payers all day in front end, and did swaps flatteners; hedgers paid in swaps midday. DJIA 12,280; 12,350 was level where DJIA broke down from on Tues.

02/28 15:10 **Swaps:** Spreads off the intraday wides established earlier on followthrough from yest trade but widening fractionally as equities continue to drop. GovPx reports the 2Y is wider by 0.75bps to a midpoint of 39.75bps while the 5Y is wider by 1.50bps to a midpoint of 47.50bps. The 10Y is wider by 0.75bps to 54.50bps and the 30Y is wider by 0.25bps to 56.75bps.

[Source - MNI]

Overnight

03/01 05:33 **GREENSPAN:** Former Federal Reserve Chairman Alan Greenspan in attempt to clarify his earlier comments this week, said a recession in the U.S. is possible, though not probable this year as excess inventory is being reduced quickly, in a satellite video link to the CLSA Japan Forum in Tokyo. These comments come in wake of his video link address to a business conference in Australia, where he warned that it was "possible" that a recession would hit the US economy in late 2007 - although he appears to have made the comment on the reasoning that the further you move from the last recession, the closer the next is.

03/01 06:13 **STOCKS:** European equity bourses are trading sharply higher and attempting to recover from 2-days of heavy losses. Markets opened moderately lower in response to fall in Nikkei-225 (-0.86%) and also weakness in [Shanghai Composite Index \(2.91%\)](#). In London, the FTSE-100 was up 49pts (+0.80%), in Paris the CAC was up 25pts (0.46%) and in Frankfurt, the DAX was up 30pts (0.44%). U.S. index futures are also trading higher, with the S&P Mar contract up 2.4 at 1411.3 and the Nasdaq Mar contract up 8.0 at 1773.5.

03/01 06:10 **JAPAN WATANABE:** Speculative trades will unwind, have not started yet. Puts carry trade volume at Y10tln to Y20tln.

Bonds: continued jitters in the US subprime mortgage sector and geopolitical worries over Iran's nuclear programme is seen keeping bond markets underpinned. The outlook for March Bunds remains constructive whilst above 4.00% yield level on 10-year cash. Focus is also on the futures calendar roll.

[Source - MNI]

Today*Econ Releases & Speakers from MNI*

Date	ET	Data thru	Prior Report	Forecast
28-Feb	0700	23-Feb MBA Mortgage Application Index	-5.2% to 606.6	
28-Feb	0830	4Q-06 GDP (p)	+3.5% (a)	+2.3% (p)
28-Feb	0830	4Q-06 Chain Price Index (p)	+1.5% (a)	+1.5% (p)
28-Feb	0900	Feb-07 NY NAPM	---	---
28-Feb	0945	Feb-07 Chicago Purchasers Index	48.8	50.0
28-Feb	1000	Jan-07 New Home Sales	1.120 mn	1.080 mn
28-Feb	1030	23-Feb EIA Crude Oil Stocks	+3.7 mn to 327.6 mn bbls	
28-Feb	1500	Feb-07 Agriculture Prices	+2.5%	

DATE	GMT/EST	EVENT
28-Feb	1355/0855	New York Federal Reserve Bank President Timothy Geithner to speak about liquidity and financial markets, at a risk management convention, in New York.
28-Feb	1500/1000	Federal Reserve Chairman Ben Bernanke to testify about U.S. fiscal challenges to the House Budget Committee, in Washington.

Yield Curve Spreads & Fls, DV01s, CFs

M Duration	
30y	15.94
10y	7.90
5y	4.42
3y	2.73
2y	1.88
ZB	9.98
ZN	5.98
ZF	4.02
ZT	1.93

DV01s (32nds)	
30y	5.17
10y	2.55
5y	1.42
3y	0.88
2y	0.61
ZB	3.62
ZN	2.08
ZF	1.36
ZT	1.31

DV01s (\$s)	
30y	\$1,616
10y	\$795
5y	\$444
3y	\$274
2y	\$189
ZB	\$113
ZN	\$65
ZF	\$42
ZT	\$41

Yield Curve Spreads

2/3	-8.30
3/5	-3.70
2/5	-12.00
5/10	4.50
2/10	-7.50
10/30	11.60
5/30	16.10
2/30	4.10

Fly's

2/3/5	-4.60
2/5/10	-16.50
2/10/30	-19.10
5/10/30	-7.10

CFs for June 07 Delivery

ZB	0.8281
ZN	0.9015
ZF	0.9447
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	2.700	2.600
Bobl (H)	0.530	0.930	1.400	1.300
Schatz (H)	0.210	0.400	0.550	0.530

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		1.744	2.662	2.848
ZN	0.573		1.526	1.633
ZF	0.376	0.655		0.935
ZT	0.351	0.613	0.935	

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	1.67	2.42	3.92	7.03	14.28
ZN	2.92	4.23	6.84	12.27	24.91
ZF	4.46	6.45	10.44	18.72	38.02
ZT	4.61	6.68	10.81	19.37	39.34

US Treasuries v Eurex Bonds Hedge Ratios

	2y	3y	5y	10y	30y
Bund (H)	0.0	0.0	0.0	0.0	0.0
Bobl (H)	0.0	0.0	0.0	0.0	0.0
Schatz (H)	0.0	0.0	0.0	0.0	0.0

Eurex Hedge Ratio's source: Bloomberg

Eurex Hedge Ratios

	Bund (H)	Bobl (H)	Schatz (H)
Bund (H)		0.000	0.000
Bobl (H)	0.000		0.000
Schatz (H)	0.000	0.000	

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		1.448	2.344	4.200	8.531
3y	0.690		1.618	2.900	5.890
5y	0.427	0.618		1.792	3.640
10y	0.238	0.345	0.558		2.031
30y	0.117	0.170	0.275	0.492	

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	
	Net	Net	Net	As of
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	100.0725	4.630
3y	4.750	2/15/10	100.1775	4.547
5y	4.625	2/29/12	100.1725	4.503
10y	4.625	2/15/17	100.190	4.550
30y	4.750	2/15/37	101.10	4.669

	CF Basis*	GHCO Basis		32nds
5y	0.77	17.296	ZF	105.3050
10y	2.64	55.013	ZN	108.1900
30y	8.20	366.202	ZB	112.30

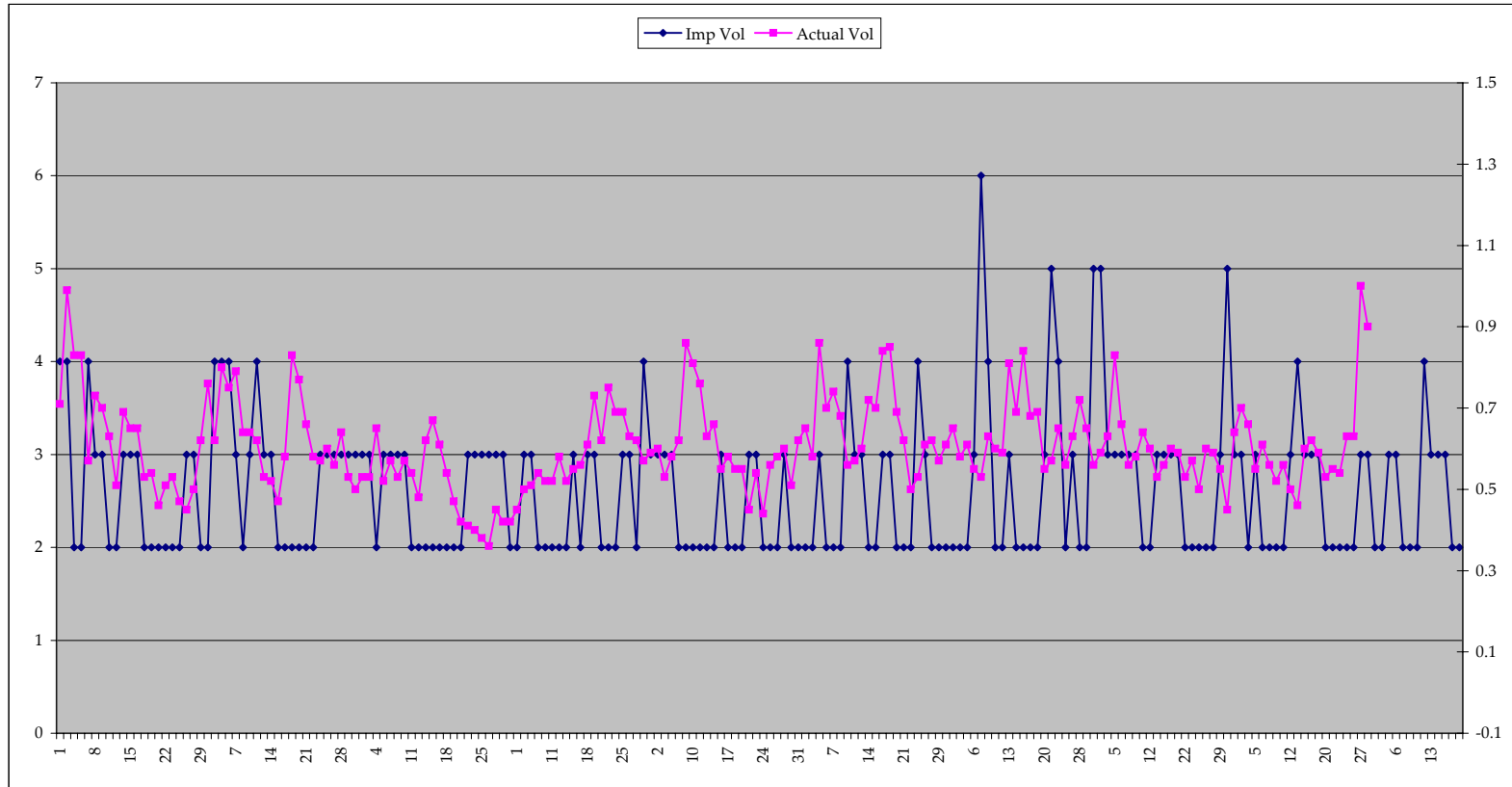
Curve Spreads bps

2/3	(0.083)
3/5	(0.044)
2/5	(0.127)
5/10	0.047
2/10	(0.080)
10/30	0.119
5/30	0.166
2/30	0.039

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	3/1/2007	3/2/2007	1/0/1900
1900-2200	0000-0300	2000-2300	3	2	0
2200-0100	0300-0600	2300-0200	3	2	0
0100-0400	0600-0900	0200-0500	2	2	0
0400-0700	0900-1200	0500-0800	2	1	0
0700-1000	1200-1500	0800-1100	2	1	0
1000-1300	1500-1800	1100-1400	2	1	0
1300-1600	1800-2100	1400-1700	1	1	0
1600-1900	2100-0000	1700-2000	3	2	0

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
 1,2 = very slow
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