

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*	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	102.162	0.5	102.165	102.150	102.157	19,257	2y Futures
FVAM7	105.250	0.5	106.000	105.285	105.305	47,273	5y Futures
TYAM7	108.190	0.5	108.205	108.155	108.190	104,136	10y Futures
USAM7	112.250	0	112.280	112.220	112.260	35,260	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	100.085	0.2	100.087	100.077	100.082	na	2y
BUS05P	100.182	(0.2)	100.187	100.162	100.177	na	5y
BUS10P	100.175	(1.0)	100.190	100.145	100.175	na	10y
BUS30P	101.005	(5)	101.065	100.310	101.060	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.605	(0.50)	4.63	4.584	4.63	na	2y Yield
BUS05Y	4.493	0.00	4.514	4.489	4.507	na	5y Yield
BUS10Y	4.554	0.80	4.571	4.538	4.56	na	10y Yield
BUS30Y	4.684	1.20	4.691	4.672	4.68	na	30y Yield

Source: CQG

Yesterday

03/01 15:27 US TSYS/RECAP: US Tsys end slightly higher Thu after 1) US stocks calmed somewhat after on-and-off risk aversion trades by fund mgrs, hedge funds, 2) some rate-lock unwinds amid pricing of US\$4.4B CMBS; 3) Tsys had big gains early amid whippy trading, stocks volatile amid early risk-aversion Tsys buying, then some heavy selling as ISM not weak as some hoped, 52.3. 4) Was huge morning trade: sell US 2Ys/buy S&P 500 futures (E-minis): hedge fund buying 10K S&P 500 futures before ISM; some said trade US\$5B in size at least, was between 100 11-11+/32 10Y. 5) also was a big payer in 2Y swaps too; 6) leveraged money paid across curve as swap spreads widened; 7) implied and swaptions vols rose; fast money tried to bottom-pick in vols; 8) some expect more on-and-off risk aversion with US stocks important into wkend (earlier Thu, was sell stks/buy Tsys, sell junk bonds/buy Tsys, with hedge funds, fund mgrs, also yen-carry angle.) 6) By late a.m., US stocks cut early loss so Tsys fell. Some:if Japanese short rates spike, will spur risk-aversion.

03/01 15:18 Swaps: Spreads wider on the futures close, but off their intraday wides. GovPx quotes the 2Y wider by 0.75bps to a midpoint of 40.50bps while the 5Y, 10Y and 30Y is wider by 0.25bps to 47.75bps, 54.75bps and 57.25bps, respectively.

03/01 16:09 US STOCKS: After a bumpy morning ride, U.S. stock closed in negative territory, but nevertheless still well above the worst levels of the day. The Dow Jones Industrial Average closed down 34 points at 12,234 and the Nasdaq Composite closed down 12 points at 2,404. Earlier, the Dow Industrials posted a low of 12,060 and the Nasdaq Composite a low of 2,359.

[Source - MNI]

Overnight

03/02 01:39 JGB SUMMARY: Japanese government bonds ended Friday's session little changed, as a raft of economic data offered little new direction for traders. Data showing inflation was in line with expectations, which helped the front of the curve garner a very modest bid. Additionally, the renewed weakness for Japanese stocks, which saw the Nikkei 225 fall a further 235 points, also offered support across the curve on safe-haven flows. But the long-end still recorded modest falls, helping the curve steepen.

03/02 04:56 GILTS: Gilt curve is flattening, with the long-dated issues outperforming and underpinned by strong reinvestment flows due in the coming week. This is due to the redemption of the 4.50% 07 Gilt issue for Stg12.07bln and coupon payments of Stg3.78bln scheduled on March 7. The long-end is seen unfazed by the forthcoming 4.25% Dec 2027 Gilt auction on March 6 so far, but some strategists expect some cheapening into this ahead of the auction.

03/02 05:28 BUNDS: The Bund curve is trading steeper Friday morning session, with the short-dated issues underpinned after release of much weaker than expected German retail sales data. Also supported the short-end is fact that the European stock markets continue to look vulnerable to further declines and risk of further unwinding of Yen carry trades. Moreover, continued jitters in the US subprime mortgage sector and geopolitical worries over Iran's nuclear programme is seen keeping the short-end of the curve supported ahead of the weekend.

[Source - MNI]

Today*Econ Releases & Speakers from MNI*

		Data			
Date	ET	thru		Prior Report	Forecast
02-Mar	1000	Feb-07	Consumer Sentiment (UM) (f)	93.3 (p)	93.3

DATE	GMT/EST	EVENT
02-Mar	1200/0700	St. Louis Federal Reserve Bank President William Poole to speak about energy prices, in Santiago, Chile.
02-Mar	0400/2300	Federal Reserve Chairman Ben Bernanke to speak about globalization and monetary policy at the Stanford Institute for Economic Policy Research summit, in Stanford, California. Audience Q&A expected.

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.93
10y	7.89
5y	4.41
3y	2.72
2y	1.88
ZB	9.98
ZN	5.97
ZF	4.01
ZT	1.92

DV01s (32nds)	
30y	5.16
10y	2.55
5y	1.42
3y	0.88
2y	0.60
ZB	3.62
ZN	2.08
ZF	1.36
ZT	1.31

DV01s (\$s)	
30y	\$1,613
10y	\$796
5y	\$444
3y	\$274
2y	\$189
ZB	\$113
ZN	\$65
ZF	\$42
ZT	\$41

Yield Curve Spreads

2/3	-7.80
3/5	-3.40
2/5	-11.20
5/10	6.10
2/10	-5.10
10/30	13.00
5/30	19.10
2/30	7.90

Fly's

2/3/5	-4.40
2/5/10	-17.30
2/10/30	-18.10
5/10/30	-6.90

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	2.663	2.857
ZN	0.573		1.527	1.638
ZF	0.376	0.655		0.932
ZT	0.350	0.610	0.932	

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	7.04	14.26
ZN	2.91	4.22	6.84	12.27	24.87
ZF	4.44	6.44	10.45	18.73	37.97
ZT	4.61	6.69	10.84	19.44	39.42

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		1.450	2.350	4.214	8.543
3y	0.690		1.621	2.907	5.894
5y	0.425	0.617		1.793	3.635
10y	0.237	0.344	0.558		2.027
30y	0.117	0.170	0.275	0.493	

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	100.0800	4.617
3y	4.750	2/15/10	100.1875	4.535
5y	4.625	2/29/12	100.1755	4.500
10y	4.625	2/15/17	100.175	4.556
30y	4.750	2/15/37	101.05	4.678

	CF Basis*	GHCO Basis		32nds
5y	0.77	17.796	ZF	105.3050
10y	2.64	53.513	ZN	108.1900
30y	8.20	364.884	ZB	112.26

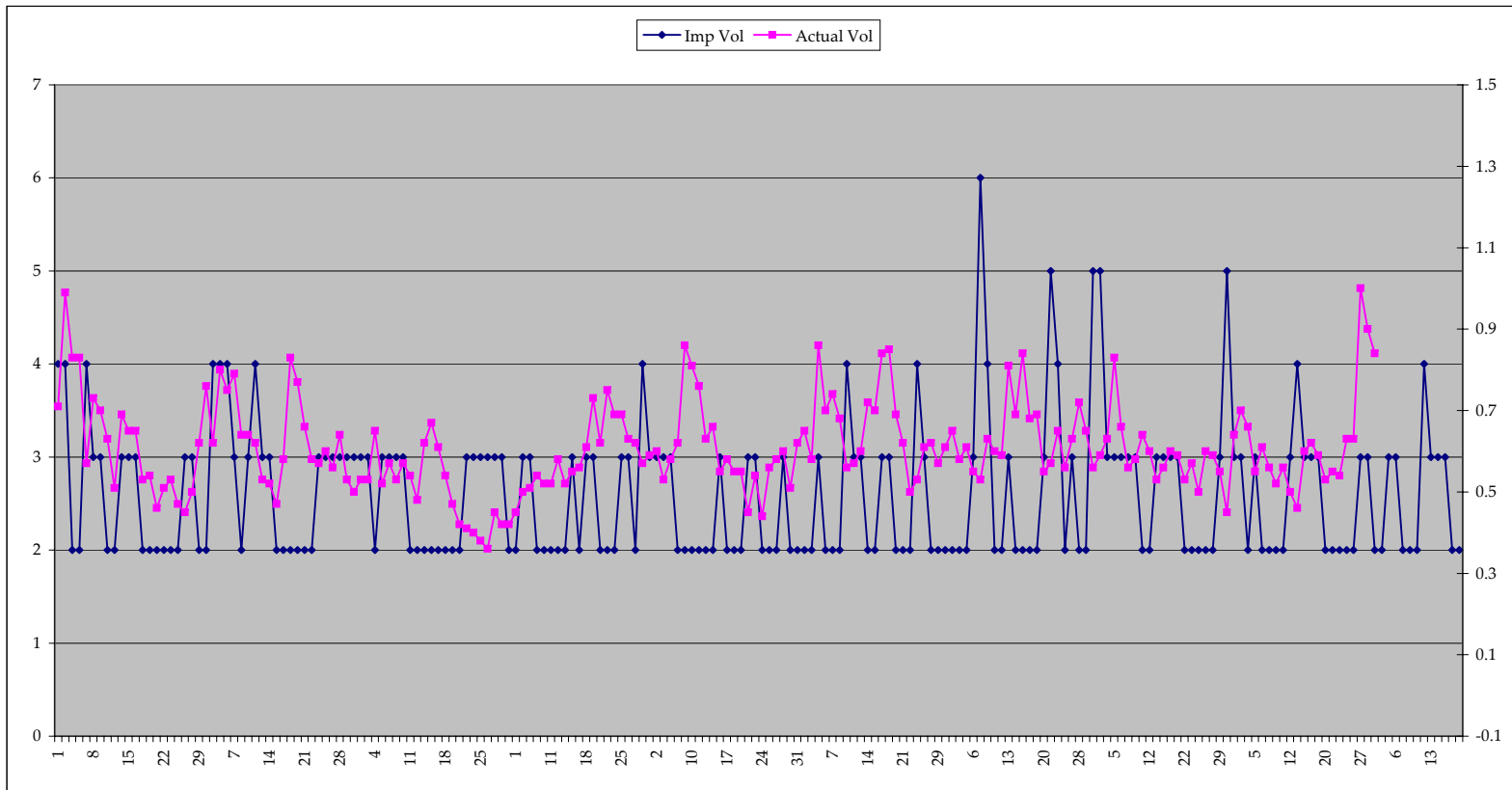
Curve Spreads bps

2/3	(0.082)
3/5	(0.035)
2/5	(0.117)
5/10	0.056
2/10	(0.061)
10/30	0.122
5/30	0.178
2/30	0.061

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

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
1,2 = very slow
3 = moderate
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6-9 = very volatile