

## The Morning Email: Treasuries

### Table of Contents

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

Want something added?

Let me know: [jgoulding@ghco.com](mailto: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					Volume	SYM NAME
	ls	net	high	low	open		
TUAM7	102.222	2.2	102.232	102.210	102.215	47,510	2y Futures
FVAM7	106.035	3.0	106.140	106.105	106.115	72,794	5y Futures
TYAM7	109.065	4.0	109.080	109.030	109.045	153,522	10y Futures
USAM7	113.160	7	113.180	113.110	113.120	36,392	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	100.152	1.0	100.157	100.142	100.142	na	2y
BUS05P	101.010	0.0	101.020	100.310	101.000	na	5y
BUS10P	101.065	3.5	101.075	101.025	101.040	na	10y
BUS30P	101.250	8	101.280	101.180	101.180	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.480	(2.60)	4.589	4.476	4.552	na	2y Yield
BUS05Y	4.388	(1.00)	4.416	4.381	4.416	na	5y Yield
BUS10Y	4.471	(1.60)	4.497	4.465	4.497	na	10y Yield
BUS30Y	4.637	(1.60)	4.659	4.631	4.659	na	30y Yield

Source: CQG

## Yesterday

03/13 15:12 US **Tsy Recap**: Tsy prices trended higher gaining steam on every sour headline aiding risk-aversion trades as higher-yielding currencies got trashed while yen buying continued to dominate, in what was deemed the classic carry trade unwind. Sources noted a rash of subprime headlines starting with more news on New Century earlier, compounded by a sour outlook by Washington Mutual and finally news of a subpoena from the State of Mass aimed at UBS and Bear Stearns relating to subprime lending reseach. Also, the MBA Nat'l Delinquency numbers confirmed a growing and ongoing problem with delinquencies in the subprime market. The flight to quality bid late was dominated by ongoing real money buying in intermeds but also HF buying in 10Y. However, as reported earlier, there were sellers of strength. Early morning trade had short covering in intermeds and HF buying in Dec07 eurodollars, swap receiving in the belly. Also earlier, real money and bank sales in intermeds while HF sold front-end, real money sold the long-end and swappers set rate locks in 2Y.

03/13 15:08 US **Swaps**: Swap spreads finished the session mostly wider, in from earlier levels as ylds continued to drop. Sources citing ongoing subprime lender issues and now an upward spike in delinquencies reported by the Mortgage Bankers Association (MBA). Flows were mixed in the first half with slightly better payers tied to rate locks.

03/13 16:09 U.S. **STOCKS**: Dow ended the session with a loss of 243 points to close at 12,075 as fresh worries about the U.S. mortgage market rattled investor nerves. Nasdaq skidded 52 points to end at 2,351.

03/13 17:08 US **ABS/SubPrime**: Accredited Home Lenders Holding Co. announced today that it is exploring various strategic options, including raising additional capital. Accredited's cash resources have been affected by margin calls. The Company reported that it has paid approximately \$190M in margin calls since Jan. '07 with two-thirds of those paid after Feb.15, '07. In addition, Accredited is seeking waivers and extensions of waivers of operating covenants under its warehouse and repurchase facilities, including waivers relating to required levels of net income. The Company has been operating under various waivers under these facilities since Dec.31, 2006. The company stated that there is no assurance that they will be successful in receiving any of the required waivers. Since last December, some 36 mortgage originators have closed.

[Source - MNI]

## Overnight

03/14 06:45 USTs: Treasuries are trading higher across the curve Wednesday, consolidating overnight gains, as renewed weakness in global equity markets triggers a fresh safe-haven bid. Prices were better bid from the start in Tokyo, and continued to edge higher throughout both the Asian and European sessions as stock prices slipped. However, traders did note some selling of the belly of the curve by Japanese real money names, booking profits ahead of the Japanese fiscal year end. London trade saw a continuation of the safe haven bid, with the market continuing to edge higher as stocks continued to slide. Further market talk of the "crisis" in the U.S. mortgage market continues to weigh on stocks and underpin bonds. In London, real money names were buyers of both 2 and 10-year paper, with leveraged names seen buying the 10 and 30-year sector. Bunds were trading flat against Treasuries on overnight levels. The Bund was down 0.5 bps against the 10-year at 65 bps. the 2-yr note was trading at 4.50%, while the 10-year note was at 4.48%.

[Source - MNI]

Today*Econ Releases & Speakers from MNI*

Date	ET	Data thru		Prior Report	Forecast
14-Mar	0700	09-Mar	MBA Mortgage Application Index	+7.3% to 671.6	---
14-Mar	0830	4Q-06	Current Account	-\$225.6 bn	-\$203.0 bn
14-Mar	0830	Feb-07	Import Price Index	-1.2%	+1.0%
14-Mar	0830	Feb-07	Export Price Index	+0.3%	---
14-Mar	1000	4Q-06	Services	---	---
14-Mar	1030	09-Mar	EIA Crude Oil Stocks	-4.8 mn to 324.2 mn bbls	

DATE	GMT/EST	EVENT
14-Mar	1215/0815	Public Company Accounting Oversight Board Chairman Mark Olson to speak at U.S. Chamber of Commerce capital markets summit, in Washington.
14-Mar	n/a	President Bush and Mexican President Felipe Calderon to hold joint media availability, in Merida, Mexico.
14-Mar	2200/1800	Treasury Secretary Henry Paulson to meet with German Finance Minister Peer Steinbrueck to discuss global economic issues, in Washington.
14-Mar	2330/1930	German Finance Minister Peer Steinbrueck to give the AICGS and Atlantic Times lecture, in Washington.

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

M Duration	
30y	15.96
10y	7.88
5y	4.39
3y	2.70
2y	1.85
ZB	9.96
ZN	5.95
ZF	3.99
ZT	1.85

DV01s (32nds)	
30y	5.22
10y	2.56
5y	1.42
3y	0.87
2y	0.60
ZB	3.63
ZN	2.09
ZF	1.36
ZT	1.22

DV01s (\$s)	
30y	\$1,630
10y	\$800
5y	\$444
3y	\$272
2y	\$187
ZB	\$113
ZN	\$65
ZF	\$42
ZT	\$38

## Yield Curve Spreads

2/3	-6.20
3/5	-3.00
2/5	-9.20
5/10	8.30
2/10	-0.90
10/30	16.60
5/30	24.90
2/30	15.70

## Fly's

2/3/5	-3.20
2/5/10	-17.50
2/10/30	-17.50
5/10/30	-8.30

## 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		1.738	2.672	2.965
ZN	0.575		1.537	1.706
ZF	0.374	0.651		0.901
ZT	0.337	0.586	0.901	

**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	2.40	3.91	7.05	14.37
ZN	2.87	4.17	6.80	12.26	24.97
ZF	4.40	6.40	10.46	18.84	38.38
ZT	4.61	6.70	10.95	19.72	40.18

## 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		1.454	2.374	4.278	8.715
3y	0.688		1.633	2.942	5.993
5y	0.421	0.612		1.802	3.671
10y	0.234	0.340	0.555		2.037
30y	0.115	0.167	0.272	0.491	

## 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	100.1350	4.522
3y	4.750	2/15/10	100.2625	4.447
5y	4.625	2/29/12	100.2975	4.414
10y	4.625	2/15/17	101.010	4.495
30y	4.750	2/15/37	101.16	4.657

	CF Basis*	GHCO Basis		32nds
5y	(0.07)	17.796	ZF	106.1000
10y	2.73	53.513	ZN	109.0250
30y	7.45	364.884	ZB	113.09

## Curve Spreads bps

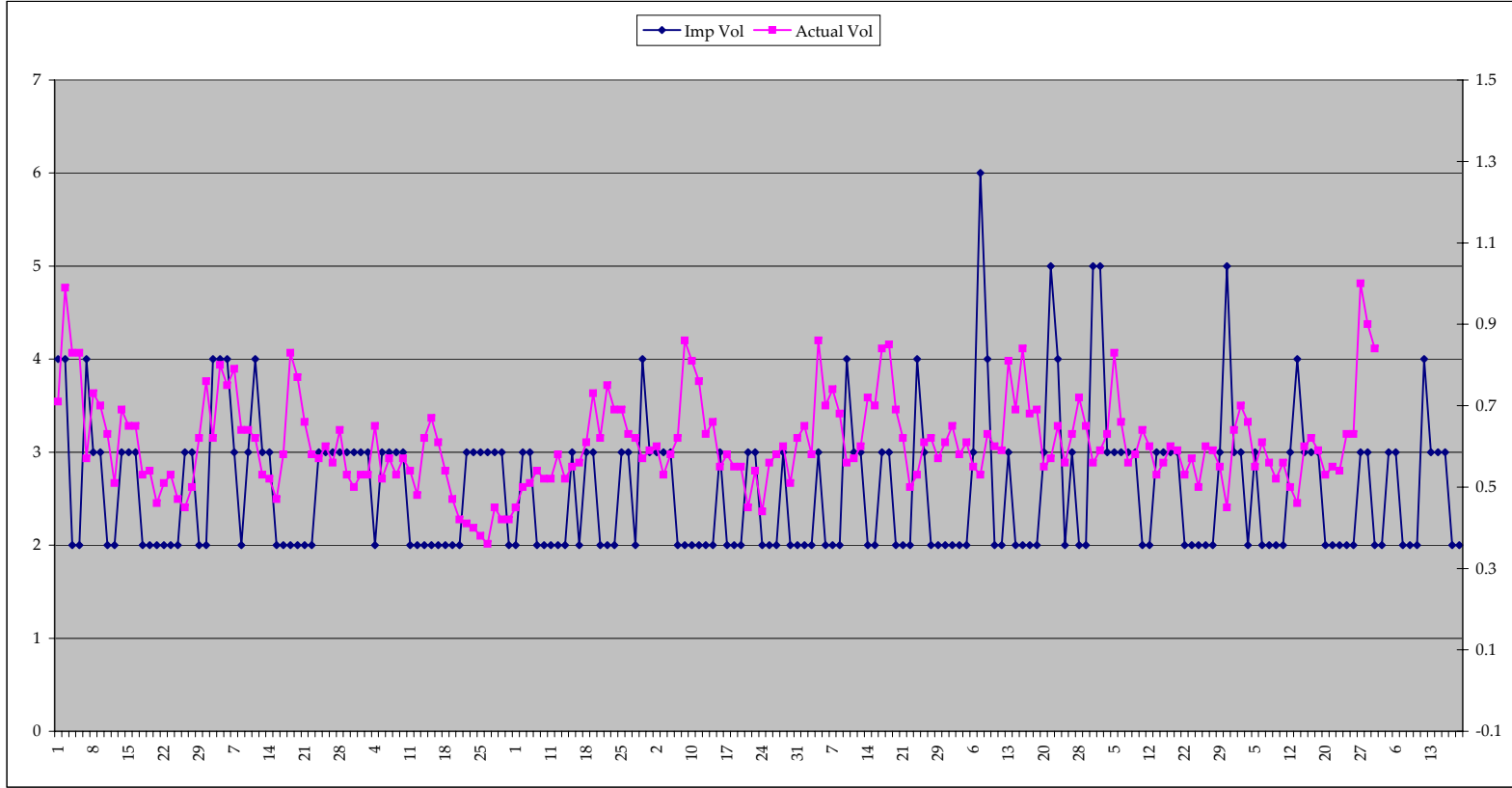
2/3	(0.075)
3/5	(0.033)
2/5	(0.108)
5/10	0.081
2/10	(0.027)
10/30	0.162
5/30	0.243
2/30	0.135

CF = Conversion Factor

Cash - (Futures \* CF)

### Implied Volatility (Daily)

NO VOL UPDATES TODAY



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

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