

## The Morning Email: Treasuries

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Want something added?

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### Important Econ Releases, Highs & Lows

	5y*	10y*	ZNM7**	ZBM7**	Date
Non-farm High	100.2300	100.2600	108.2550	113.0500	3/9/2007
Non-farm Low	100.0900	100.0600	108.0700	112.0700	3/9/2007
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	102.137	0.5	102.142	102.127	102.135	12,883	2y Futures
FVAM7	105.310	0.0	105.315	105.290	105.300	29,316	5y Futures
TYAM7	108.190	(0.5)	108.200	108.170	108.190	70,875	10y Futures
USAM7	112.150	0	112.180	112.130	112.170	14,743	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	100.072	0.0	100.075	100.065	100.070	na	2y
BUS05P	100.185	0.2	100.187	100.172	100.180	na	5y
BUS10P	100.140	(0.5)	100.150	100.130	100.130	na	10y
BUS30P	100.145	(4)	100.165	100.140	100.160	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.622	0.00	4.647	4.609	4.647	na	2y Yield
BUS05Y	4.491	(0.20)	4.507	4.488	4.504	na	5y Yield
BUS10Y	4.567	0.20	4.577	4.563	4.573	na	10y Yield
BUS30Y	4.720	0.90	4.726	4.711	4.718	na	30y Yield

Source: CQG

## News Recaps from



### Yesterday

03/19 15:12 US TSYS/RECAP: US Tsys ebbed Mon, pressured by stronger stocks amid various M&A news, indecision on FOMC route. Tsys hardly responded at all to weaker 36 March NAHB Housing Mkt Index. Tsys had light volume as earlier swap receivers turned into payers in the 2Y and 3Y swaps, while 10Y swaps drew earlier receiving. Earlier, there also was light foreign central bank buying in intermediates, then Asian central bank buying in T-bills, and some morning short-covering and brief buying as stocks momentarily gave up some gains. Market also saw 2Y/5Y flatteners by financial institutions, and swap-tied 10Y/30Y flatteners. Others had in past few weeks cut down holdings of riskier bonds/assets, and thus would be sidelined, until they decide next moves or assess weaker loan fallout. Hedge funds said very quiet. Traders now eye Feb. Personal Consumption Expenditure (PCE) in Feb. personal income data out Fri, March 30, and hope PCE does not show a gain. Tsys traders impressed that Tsys, while lower, are not sliding much more despite stk strength.

03/19 15:01 US Swaps: Swap spreads finished the session mostly tighter, spreadmovement resumed last week's trend to unwind wider spreads amid the rally of past few weeks. Flow in the first half turned two-way bymidmorning, some recent front end paying-tied pressure afterreceiver-tied support out the curve earlier. Later, Tsy sources reportedswap-tied 10Y/30Y flatteners.

### Overnight

03/20 05:53 USTs: (1) Treasuries are trading flat to very modestly lower in London Tuesday, with markets subdued ahead of the Fed's latest interest rate setting meeting. The FOMC begins a two-day policy meeting Tuesday, with the outcome expected at 1815 GMT Wednesday. However, expectations are near unanimous to remain on hold. Once again, the statement will be key, and many are looking for possible comments on the sub-prime lending market. Prices were modestly lower from the get go in Tokyo, although volumes remained very light with many regional players sidelined. But the downside was underpinned by light demand from real money account at the lower levels. It didn't take London for prices to edge back to stang unchnaged as London trade started, as book-squaring ahead of the Fed again saw interdealer trade. But still prices remained in a tight range, close to overnight levels. Bunds were trading unchanged against Treasuries on overnight levels. The Bund was up 0.5 bps against the 10-year at 70 bps.

Today*Econ Releases & Speakers from MNI*

Date	ET	Data thru		Prior Report	Forecast
20-Mar	0745	17-Mar	ICSC-UBS Store Sales	+0.7% w/w, +2.1%---	
20-Mar	0830	Feb-07	Housing Starts	1.408 mn	---
20-Mar	0830	Feb-07	Building Permits	1.571 mn	---
20-Mar	0855	17-Mar	Redbook Average	+0.2% thru wk 3	---
20-Mar	1200	---	FOMC Meeting (day 1 of 2)		
20-Mar	1700	18-Mar	ABC/Wash Post Cons Conf Index	---	---

DATE	GMT/BST	EVENT
20-21-Mar	n/a	Treasury Secretary Henry Paulson to visit Peru.
20-Mar	1700/1300	Federal Open Market Committee to begin first day of two-day policy meeting, in Washington.

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

M Duration	
30y	15.85
10y	7.85
5y	4.37
3y	2.68
2y	1.83
ZB	9.92
ZN	5.93
ZF	3.97
ZT	1.90

DV01s (32nds)	
30y	5.12
10y	2.53
5y	1.41
3y	0.86
2y	0.59
ZB	3.60
ZN	2.06
ZF	1.35
ZT	1.24

DV01s (\$s)	
30y	\$1,599
10y	\$792
5y	\$440
3y	\$269
2y	\$185
ZB	\$112
ZN	\$65
ZF	\$42
ZT	\$39

## Yield Curve Spreads

2/3	-8.80
3/5	-4.30
2/5	-13.10
5/10	7.60
2/10	-5.50
10/30	15.30
5/30	22.90
2/30	9.80

## Fly's

2/3/5	-4.50
2/5/10	-20.70
2/10/30	-20.80
5/10/30	-7.70

## 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		1.742	2.665	2.901
ZN	0.574		1.529	1.665
ZF	0.375	0.654		0.919
ZT	0.336	0.586	0.896	

**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	1.64	2.39	3.92	7.04	14.22
ZN	2.86	4.17	6.83	12.27	24.78
ZF	4.38	6.38	10.44	18.77	37.90
ZT	4.77	6.95	11.36	20.43	41.26

## 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		1.457	2.383	4.284	8.652
3y	0.687		1.636	2.941	5.939
5y	0.420	0.611		1.798	3.631
10y	0.233	0.340	0.556		2.020
30y	0.116	0.168	0.275	0.495	

## Commitment of Traders (COT)

Current Positions										
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	278,457	259,613	18,844	182,974	273,685	(90,711)	1,032,190	960,323	71,867	ZF
ZN	350,396	396,171	(45,775)	637,895	245,266	392,629	1,589,240	1,936,094	(346,854)	ZN
ZB	162,722	183,292	(20,570)	131,997	184,760	(52,763)	663,217	589,884	73,333	ZB

WoW** Position Change				As of
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	
ZF	(4,203)	(79,303)	83,505	3/13/2007
ZN	39,127	44,380	(83,837)	
ZB	3,844	16,675	(20,519)	

\*\*WoW = Week over week

	Cpn	Mty	32nds	Yield
2y	4.750	2/28/09	100.0700	4.630
3y	4.750	2/15/10	100.1800	4.540
5y	4.625	2/29/12	100.1800	4.496
10y	4.625	2/15/17	100.140	4.569
30y	4.750	2/15/37	100.17	4.717

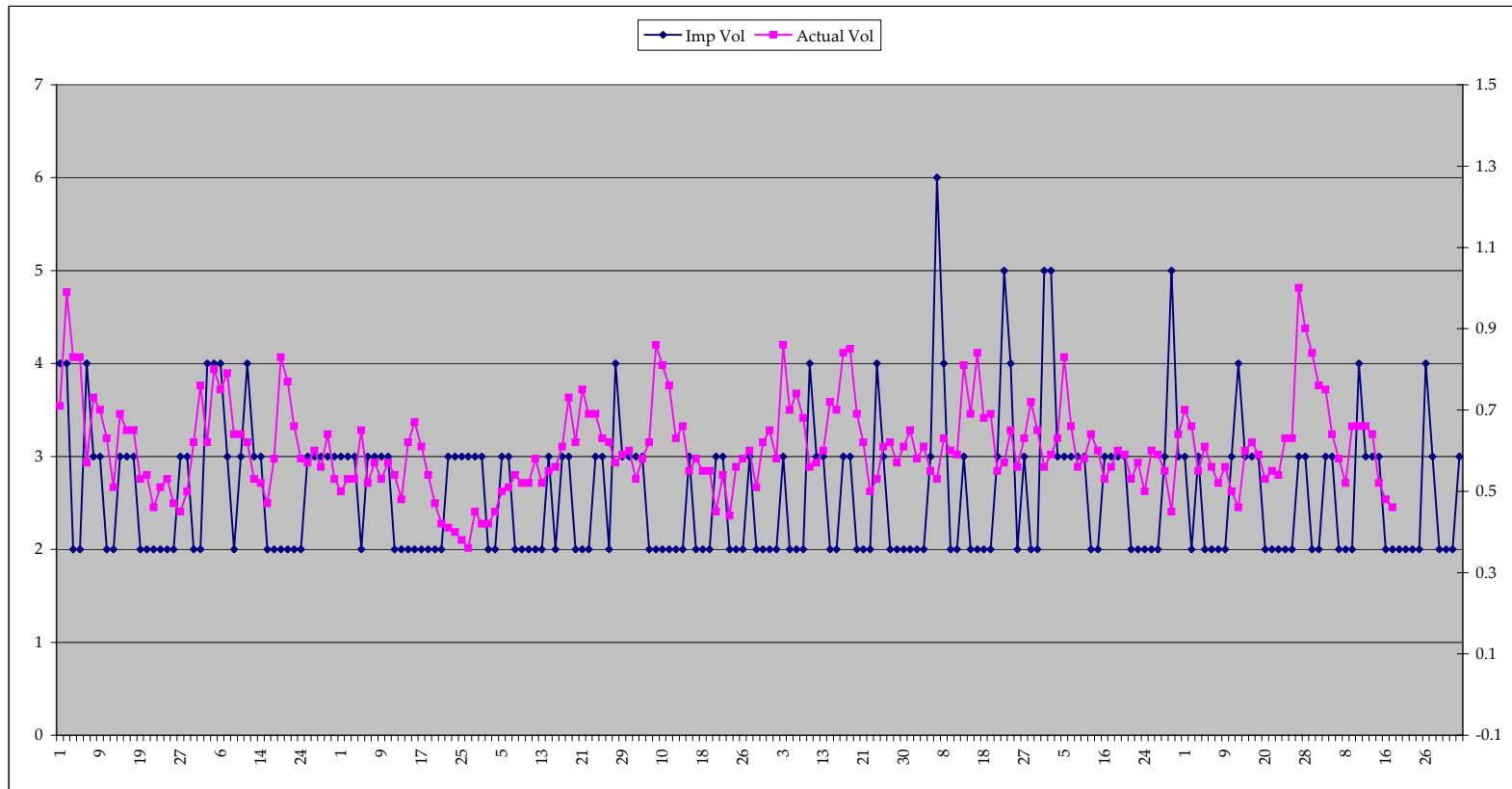
	CF Basis*	GHCO Basis		32nds
5y	0.77	18.046	ZF	105.3050
10y	2.63	50.013	ZN	108.1900
30y	7.26	352.340	ZB	112.16

Curve Spreads bps

2/3	(0.090)
3/5	(0.044)
2/5	(0.134)
5/10	0.073
2/10	(0.061)
10/30	0.148
5/30	0.221
2/30	0.087

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)****NO VOL UPDATES until next week; March 19th**

CDT Time	UT Time	EDT Time	3/19/2007	3/20/2007	3/21/2007
1900-2200	0000-0300	2000-2300	2	2	2
2200-0100	0300-0600	2300-0200	2	2	2
0100-0400	0600-0900	0200-0500	2	2	2
0400-0700	0900-1200	0500-0800	1	1	1
0700-1000	1200-1500	0800-1100	1	1	1
1000-1300	1500-1800	1100-1400	1	1	1
1300-1600	1800-2100	1400-1700	1	1	1
1600-1900	2100-0000	1700-2000	2	2	2

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9  
 1,2 = very slow  
 3 = moderate  
 4,5 = volatile  
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