

The Morning Email: Treasuries

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Want something added?

Let me know: jgoulding@ghco.com

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Jim Goulding, GHCO, Treas-Arb, Chicago, jgoulding@ghco.com

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	102.150	0.2	102.152	102.140	102.145	8,468	2y Futures
FVAM7	105.300	(0.5)	106.025	106.000	106.010	24,644	5y Futures
TYAM7	108.235	0.0	108.245	108.210	108.225	55,488	10y Futures
USAM7	112.240	1	112.260	112.190	112.220	12,450	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	100.085	0.0	100.087	100.080	100.080	na	2y
BUS05P	100.217	1.0	100.222	100.207	100.210	na	5y
BUS10P	100.195	0.5	100.205	100.175	100.175	na	10y
BUS30P	100.225	4	100.230	100.175	100.195	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.600	(0.50)	4.626	4.588	4.626	na	2y Yield
BUS05Y	4.466	(0.60)	4.482	4.463	4.482	na	5y Yield
BUS10Y	4.545	0.00	4.567	4.54	4.557	na	10y Yield
BUS30Y	4.705	(0.20)	4.717	4.702	4.713	na	30y Yield

Source: CQG

News Recaps fromYesterday

03/20 15:18 US TSYS/RECAP: Tsys end higher after 2-way flows, short-covering on JPM Tsy Buyside poll showing highest shorts since Sept. 2006, and given earlier subprime jitters, mixed data (Feb hsg starts +9%, Feb permits -2.5%) All await FOMC outcome Wed. ABX index widened amid subprime jitters, which sparked steepeners. Some also cited talk of a large buyer of German Bunds, and Moody's chief economist Lonski said there is no way the Fed can ignore subprime issues and says the Fed will cut rates in June if the Spring hsg selling season turns out flat. Real money, in a small-but-steady flow for past few weeks, is moving out of U.S. corporates to buy either Tsys or MBS; also Street cautious on credit as view grows it remains subject to risks. There have been financial institutions doing 2Y/10Y steepeners, some bank and buy-and-hold account selling 10s. There also was light US account buying in MBS. In Eurodlr futures, were 3Y/5Y steepeners. Some said hedge funds and/or Japanese institutions may seek to cut spread-prod risk into qrtr-end/Jpn FYend.

03/20 15:06 US Swaps: Swap spreads finished the session mixed, wider in the front end as the swaps curve steepened. While Tsy sources reported scant swap-tied flows, Eurodlr sources reported two-way flow in the front end, 2- and 3-yr bundles early, while a NY dealer was a seller of Green packs (Jun09-Mar10) at +4.25 after decent support noted in Reds on the dips.

Overnight

03/21 05:58 USTs: Treasuries are trading little changed in London Weds, with many players sidelined ahead of the Federal Reserve's rate decision due later in the global session. Whilst no change is expected in the Fed Funds rate - for the 6th consecutive meeting - traders say the risk is on a slight change of the language in the statement. Fed funds currently stand at 5.25%. There was no trade in the cash market in Asia Wednesday, as Japan was closed for a national holiday. Flows, volumes and trading ranges were tight and thin in London, with many players sidelined ahead of the FOMC decision. However, light central bank demand for the 2-year note helped the curve steepen modestly. From the belly out, prices were unchanged. Bunds were trading unchanged against Treasuries on overnight levels. The Bund was up 0.5 bps against the 10-year at 70 bps. The 2-yr note was 1/32 higher, trading at 100 9/32 to yield 4.60%, while the 5-yr note was unchanged at 100 21/32 (4.47%). The 10-year note was unchanged at 100 19/32 (4.55%), with the Bond unchanged at 100 19/32 (4.71%).

Today*Econ Releases & Speakers from MNI*

Date	ET	Data thru	Prior Report	Forecast
21-Mar	0700	16-Mar	MBA Mortgage Application Index	+2.8% to 690.5 ---
21-Mar	1030	16-Mar	EIA Crude Oil Stocks	+1.1 mn to 325.3 mn bbls
21-Mar	1415	---	FOMC Meeting (day 2 of 2)	

DATE	GMT/EST	EVENT
21-Mar	1300/0900	Federal Open Market Committee to begin second day of two-day meeting. Rate announcement expect around 2:15 p.m. EDT.
21-Mar	n/a	President Bush to host New Zealand Prime Minister Helen Clark at the White House.

Yield Curve Spreads & Fls, DV01s, CFs

M Duration	
30y	15.86
10y	7.85
5y	4.37
3y	2.68
2y	1.83
ZB	9.93
ZN	5.93
ZF	3.97
ZT	1.90

DV01s (32nds)	
30y	5.14
10y	2.54
5y	1.41
3y	0.86
2y	0.59
ZB	3.61
ZN	2.07
ZF	1.35
ZT	1.24

DV01s (\$s)	
30y	\$1,605
10y	\$793
5y	\$441
3y	\$269
2y	\$185
ZB	\$113
ZN	\$65
ZF	\$42
ZT	\$39

Yield Curve Spreads

2/3	-9.50
3/5	-3.90
2/5	-13.40
5/10	7.90
2/10	-5.50
10/30	16.00
5/30	23.90
2/30	10.50

Fly's

2/3/5	-5.60
2/5/10	-21.30
2/10/30	-21.50
5/10/30	-8.10

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		1.747	2.676	2.911
ZN	0.572		1.532	1.667
ZF	0.374	0.653		0.919
ZT	0.335	0.586	0.897	

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	3.91	7.03	14.23
ZN	2.86	4.17	6.83	12.29	24.86
ZF	4.38	6.39	10.46	18.82	38.08
ZT	4.77	6.95	11.38	20.48	41.43

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	2.385	4.293	8.685
3y	0.686		1.637	2.946	5.960
5y	0.419	0.611		1.800	3.641
10y	0.233	0.339	0.556		2.023
30y	0.115	0.168	0.275	0.494	

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	100.0875	4.600
3y	4.750	2/15/10	100.2075	4.508
5y	4.625	2/29/12	100.2175	4.470
10y	4.625	2/15/17	100.195	4.547
30y	4.750	2/15/37	100.22	4.707

	CF Basis*	GHCO Basis		32nds
5y	(0.07)	18.493	ZF	106.0200
10y	2.63	51.415	ZN	108.2350
30y	7.26	352.271	ZB	112.23

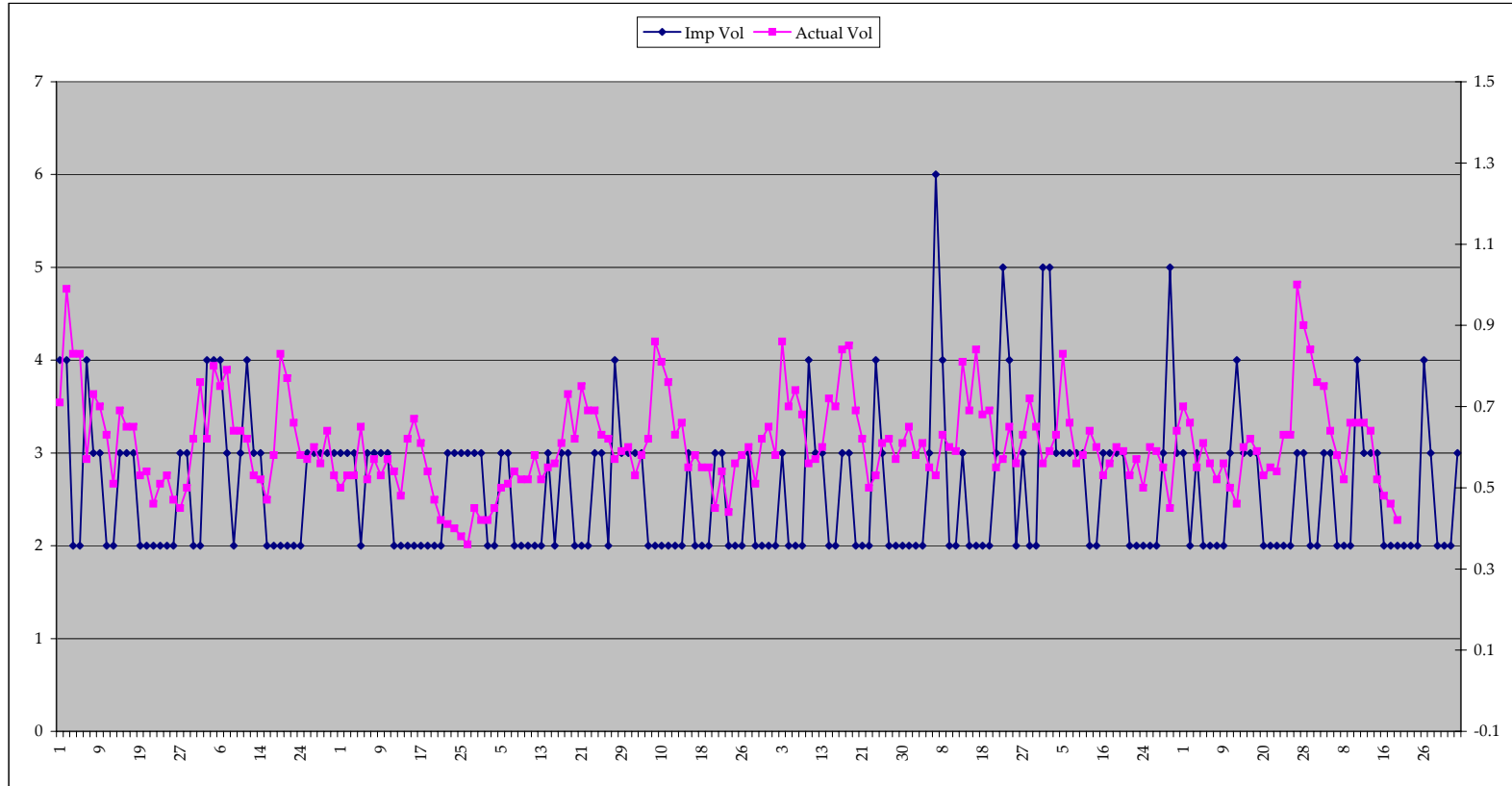
Curve Spreads bps

2/3	(0.092)
3/5	(0.038)
2/5	(0.130)
5/10	0.077
2/10	(0.053)
10/30	0.160
5/30	0.237
2/30	0.107

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	3/21/2007	3/22/2007	3/23/2007
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	2
0700-1000	1200-1500	0800-1100	1	1	2
1000-1300	1500-1800	1100-1400	1	1	2
1300-1600	1800-2100	1400-1700	1	1	2
1600-1900	2100-0000	1700-2000	2	2	2

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
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