3/22/2007 5:41

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	0.0000	0.0000	0.0000	0.0000	3/21/2007
FOMC Low	0.0000	0.0000	0.0000	0.0000	3/21/2007
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	102.185	(1.2)	102.202	102.182	102.190	29,879	2y Futures
FVAM7	106.020	(3.0)	106.095	106.060	106.080	59,227	5y Futures
TYAM7	108.265	(5.5)	108.295	108.260	108.275	121,030	10y Futures
USAM7	112.200	(10)	112.250	112.200	112.230	29,251	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	100.117	(1.2)	100.135	100.117	100.127	na	2y
BUS05P	100.257	(2.2)	100.282	100.257	100.277	na	5y
BUS10P	100.195	(3.5)	100.235	100.195	100.210	na	10y
BUS30P	100.135	(1)	100.185	100.120	100.145	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.541	1.70	4.558	4.507	4.545	na	2y Yield
BUS05Y	4.438	1.40	4.445	4.418	4.434	na	5y Yield
BUS10Y	4.543	1.10	4.551	4.528	4.539	na	10y Yield
BUS30Y	4.721	0.50	4.73	4.698	4.722	na	30y Yield

Source: CQG

News Recaps from MarketNews international

Yesterday

03/21 15:26 **US TSYS/RECAP**: Tsys rallied as the Fed removed "firmer" wording from FOMC statement, though also eyed inflation risk, as traders rushed to do curve steepeners, and stocks rallied too. Real money also was a seller in 10Y into the post-FOMC strength, which occurred as Street players, US accounts rushed to cover shorts, do steepeners, sources say. But at first, traders cited "modest" flows after statement. US Tsys market ebbed Wed. morning amid early drift, then brisk long-end selling, but then stabilized at the lows, with as stocks turned mixed/negative, and all awaited FOMC outcome. Traders buzzed this morning amid talk of heavy 10Y, 30Y selling in futures in a US$2.5B 2/10Y, 2/30Y steepener, and also given 5/10Y/30Y butterfly trading. (Tues, there had been a large hedge fund selling front end in p.m. with others citing fund selling in 10s.). The FOMC statement sent 2y/10y curve to trading positively sloped, at +0.1 bps, the first time it's positive on 3pm ET closing basis since Aug. 9, 2006. DJIA +147 at 12,434..

03/21 15:02 **US Swaps**: Swap spreads finished the session sharply tighter across the board in directional move w/lower Tsy ylds post FOMC. Swaps curve steeper. While Tsy sources reported scant swap-tied flows, Eurodlr sources reported mild buyers of Reds (Jun08-Mar09), two-way in 2yr bundles and sellers of Green (Jun09-Mar10) and Gold (Jun11-Mar12) packs. Increased CMBS supply cited for some of the flow.

Overnight

03/22 06:15 USTs: Treasuries are trading modestly lower in London Thurs, weighed by profit-taking after the solid overnight gains in the U.S. Overnight, solid gains were recorded , with traders seeing the Fed moving to a slightly more dovish stance. Prices initially ticked higher in Tokyo, helped by follow-through buying from real money accounts. Traders said the demand from Tokyo names was, in part, fostered by the public holiday in Japan Wednesday. But the attention turned to light profit-taking as European markets opened, with prices slipping into negative territory across the curve. Real money names were sellers of the belly of the curve, with leveraged accounts noted as sellers of the 10-year note.But volumes remained light, with flows largely seen as inter-dealer. Bunds were trading modestly lower against Treasuries on overnight levels. The Bund was down 0.5 bps against the 10-year at 68 bps. By mid-morning, the 2-yr note was 1/64 lower, trading at 100 12/32 to yield 454%, while the 10-yr note was 1/32 lower at 100 21/32 (4.54%).

Today

Econ Releases & Speakers from MNI

Date	ET	Data thru		Prior Report	Forecast
22-Mar	0830	17-Mar	Jobless Claims	-12k to 318k	---
22-Mar	1000	Feb-07	Leading Indicator	+0.1%	---
22-Mar	1000	Feb-07	BLS Mass Layoffs	126,368	---
22-Mar	1030	16-Mar	EIA Nat Gas Stocks	-115 bcf to 1516 bcf	
22-Mar	1630	12-Mar	Money Supply (M2)	---	---

DATE	GMT/EST	EVENT
22-Mar	1320/0920	Federal Reserve Chairman Ben Bernanke to open credit risk and derivatives conference, in Washington. No Q&A.
22-Mar	1630/1230	Federal Reserve Governor Randall Kroszner to give keynote speech at Credit Markets Symposium hosted by the Richmond Fed, in Charlotte, North Carolina. Audience Q&A expected.
22-Mar	1730/1330	Federal Reserve Vice Chairman Donald Kohn to speak about asset pricing at a credit risk and derivatives conference, in Washington. No Q&A.

Yield Curve Spreads & Flys, DV01s, CFs

M Duration

30y	15.84
10y	7.85
5y	4.36
3y	2.67
2y	1.83
ZB	9.93
ZN	5.93
ZF	3.97
ZT	1.90

DV01s (32nds)

30y	5.11
10y	2.54
5y	1.41
3y	0.86
2y	0.59
ZB	3.60
ZN	2.07
ZF	1.35
ZT	1.24

DV01s ($s)

30y	$1,598
10y	$793
5y	$441
3y	$269
2y	$185
ZB	$113
ZN	$65
ZF	$42
ZT	$39

Yield Curve Spreads

2/3	-7.90
3/5	-2.40
2/5	-10.30
5/10	10.50
2/10	0.20
10/30	17.80
5/30	28.30
2/30	18.00

Fly's

2/3/5	-5.50
2/5/10	-20.80
2/10/30	-17.60
5/10/30	-7.30

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
Shatz (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		1.743	2.669	2.908
ZN	0.574		1.531	1.668
ZF	0.375	0.653		0.918
ZT	0.336	0.585	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	14.19
ZN	2.86	4.17	6.83	12.27	24.73
ZF	4.38	6.38	10.45	18.79	37.86
ZT	4.77	6.95	11.39	20.47	41.25

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
Shatz (H)	0.0	0.0	0.0	0.0	0.0

Eurex Hedge Ratio's source: Bloomberg

Eurex Hedge Ratios

	Bund (H)	Bobl (H)	Shatz (H)
Bund (H)		0.000	0.000
Bobl (H)	0.000		0.000
Shatz (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		1.458	2.388	4.292	8.648
3y	0.686		1.638	2.945	5.933
5y	0.419	0.610		1.797	3.622
10y	0.233	0.340	0.556		2.015
30y	0.116	0.169	0.276	0.496	

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			
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	As of
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

Closes2pm

	Cpn	Mty	32nds	Yield
2y	4.750	2/28/09	100.1375	4.515
3y	4.750	2/15/10	100.2725	4.433
5y	4.625	2/29/12	100.2950	4.415
10y	4.625	2/15/17	100.270	4.518
30y	4.750	2/15/37	100.27	4.697

	CF Basis*	GHCO Basis
5y	(0.07)	19.164
10y	1.82	51.176
30y	7.26	350.906

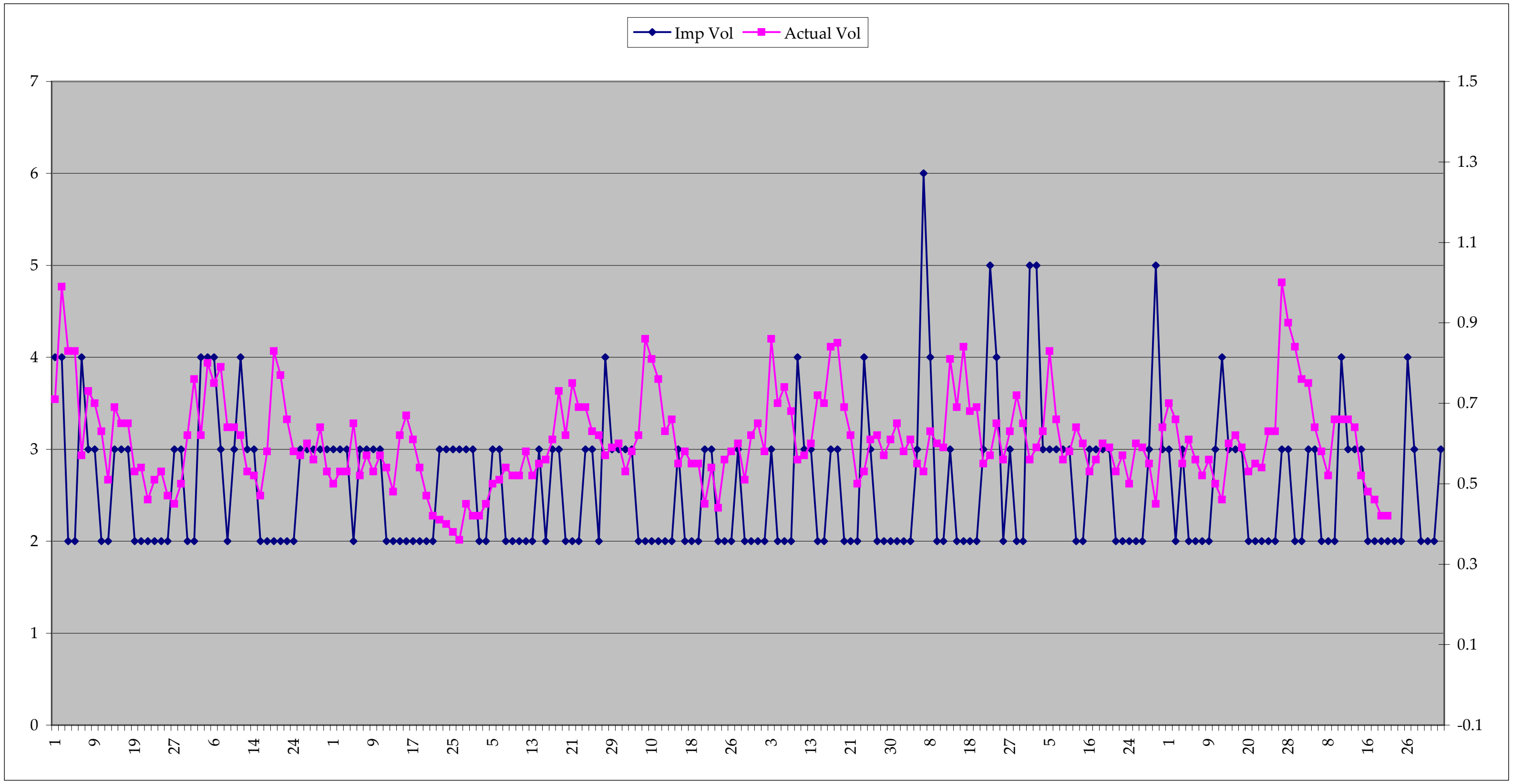
	32nds
ZF	106.0950
ZN	109.0000
ZB	112.31

Curve Spreads bps	
2/3	(0.082)
3/5	(0.018)
2/5	(0.100)
5/10	0.103
2/10	0.003
10/30	0.179
5/30	0.282
2/30	0.182

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
1,2 = very slow
3 = moderate
4,5 = volatile
6-9 = very volatile