

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	100.3075	100.2900	109.0200	113.0300	3/22/2007
FOMC Low	100.1600	100.0850	108.1000	112.0600	3/22/2007
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	102.167	0.5	102.170	102.155	102.155	9,283	2y Futures	
FVAM7	106.015	1.0	106.015	105.305	105.310	31,886	5y Futures	
TYAM7	108.175	0.5	108.175	108.130	108.140	88,305	10y Futures	
USAM7	112.000	(1)	112.000	111.260	111.280	16,606	30y Futures	
	ls	net	high	low	open	Volume	SYM NAME	
BUS02P	100.105	1.0	100.107	100.097	100.100	na	2y	
BUS05P	100.205	2.2	100.207	100.175	100.175	na	5y	
BUS10P	100.085	4.0	100.090	100.045	100.060	na	10y	
BUS30P	99.105	6	99.115	99.045	99.050	na	30y	
	ls	net	high	low	open	Volume	SYM NAME	
BUS02Y	4.564	(1.40)	4.612	4.543	4.599	na	2y Yield	
BUS05Y	4.476	(1.60)	4.503	4.475	4.496	na	5y Yield	
BUS10Y	4.589	(1.40)	4.609	4.585	4.601	na	10y Yield	
BUS30Y	4.790	(1.10)	4.82	4.786	4.797	na	30y Yield	

Source: CQG

News Recaps fromYesterday

03/26 15:06 **US TSYS/RECAP:** US Tsys rally on weak -3.9% Feb new home sales, hold most gains amid 1) fast money and foreign central bank buying in front end, 2) leveraged accounts, Street buying in 10s, with real money doing receiving in intermediate swaps, 4) Continental buy-and-hold accounts buying intermediates. 5) Asian accounts both ways today: light Asian buying in Tsys, talk of Asian selling into strength. 6) Hedge funds do steepeners, in 0Y/30Ys, with European fast money also doing steepeners, foreign accounts cover shorts. 7) Also short-covering seen after morning housing data, unwinds of oversold conditions. 8) Deal-tied pressure, steepeners hurt back end, while 9) some real money accounts took profits in US 10s, German Bunds near lows. And 10) afternoon had front-end hedge fund Tsys buying, anticipation of US\$5.3B CMBS deal pricing. Tsy set unchanged US\$18B 2Y sale Wed, \$13B 5Y Thu. Eurodollars/swaps saw modest front end steepeners this a.m. There also was some unwinds of short vol positions by dealer desks. Stks weak. All await 10:30am ET Wed Bernanke.

03/26 15:07 **US Eurodlr/Swaps:** Spds finished session marginally wider across board. Sources reported mixed flows, late receiver support in Tsys after modest two way in the front end early, 2- and 3yr proxies while out the curve, a dealer bought 10yr proxies.

Overnight

03/27 05:24 **USTs:** (1) Treasuries are trading modestly higher across the board in Ldn Tuesday, consolidating on overnight gains. However, traders noted that volumes are light, with many Japanese accounts sidelined ahead of the fiscal-year end. Also, traders said many players were sidelined ahead of testimony to Congress Wednesday from Federal Reserve Governor Ben Bernanke. Prices were modestly higher from the getgo in Tokyo, although the fiscal year end dampened interest from local accounts. However, the futures market was lower, reflecting late profit-taking in the U.S. Cash prices held their gains across the board in London, despite weaker European bonds. The two-year note saw light support from real money accounts, with lower Asian stocks and continuing tensions in the mid-east offering support. Leveraged names were noted as better buyers of the 10-year sector, largely tied to cross boarder trades. Bunds were trading modestly lower against Treasuries on overnight levels. The Bund was down 1 bps against the 10-year at 63 bps.

Today*Econ Releases & Speakers from MNI*

Date	ET	Data thru		Prior Report	Forecast
27-Mar	0745	24-Mar	ICSC-UBS Store Sales	+0.4% w/w, +2.7%---	
27-Mar	0855	24-Mar	Redbook Average	+0.5% thru wk 4	---
27-Mar	0900	Jan-07	S&P/Case-Shiller Home Price In	222.01	---
27-Mar	1000	Mar-07	Consumer Confidence (CB)	112.5	---
27-Mar	1000	Mar-07	Richmond Fed Mfg Index	-10	---
27-Mar	1700	25-Mar	ABC/Wash Post Cons Conf Index	---	---

DATE	GMT/EST	EVENT
27-Mar	0900/0500	Cleveland Federal Reserve Bank President Sandra Pianalto to speak about the internationalization of national currencies, at the Comenius financial forum, in Prague, Czech Republic. Audience Q&A expected.
27-Mar	1400/1000	Senate Finance Committee to hold hearing on the U.S.-China economic relationship, in Washington

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.75
10y	7.83
5y	4.35
3y	2.66
2y	1.81
ZB	9.89
ZN	5.91
ZF	3.95
ZT	1.88

DV01s (32nds)	
30y	5.03
10y	2.53
5y	1.41
3y	0.86
2y	0.59
ZB	3.57
ZN	2.06
ZF	1.34
ZT	1.23

DV01s (\$s)	
30y	\$1,573
10y	\$789
5y	\$439
3y	\$268
2y	\$183
ZB	\$112
ZN	\$64
ZF	\$42
ZT	\$38

Yield Curve Spreads

2/3	-7.80
3/5	-1.00
2/5	-8.80
5/10	11.30
2/10	2.50
10/30	20.10
5/30	31.40
2/30	22.60

Fly's

2/3/5	-6.80
2/5/10	-20.10
2/10/30	-17.60
5/10/30	-8.80

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		1.734	2.656	2.902
ZN	0.577		1.532	1.674
ZF	0.376	0.653		0.915
ZT	0.336	0.583	0.893	

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	2.40	3.94	7.07	14.10
ZN	2.85	4.16	6.82	12.26	24.43
ZF	4.36	6.37	10.45	18.78	37.44
ZT	4.77	6.96	11.42	20.52	40.90

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		1.460	2.395	4.303	8.578
3y	0.685		1.641	2.947	5.876
5y	0.417	0.610		1.797	3.581
10y	0.232	0.339	0.557		1.993
30y	0.117	0.170	0.279	0.502	

Commitment of Traders (COT)

Current Positions										
Small Spec			Large Spec			Commercials (Hedgers)				
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	258,540	243,880	14,660	ZF	174,120	314,734	(140,614)	ZF	1,082,428	ZF
ZN	338,386	372,555	(34,169)	ZN	700,574	228,226	472,348	ZN	1,577,628	ZN
ZB	149,318	166,336	(17,018)	ZB	121,511	185,429	(63,918)	ZB	666,038	ZB

WoW* Position Change				
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	
ZF	(4,184)	(49,903)	54,087	As of
ZN	11,606	79,719	(91,326)	3/20/2007
ZB	3,552	(11,155)	7,602	

**WoW = Week over week

	Cpn	Mty	32nds	Yield
2y	4.750	2/28/09	100.1025	4.573
3y	4.750	2/15/10	100.2200	4.492
5y	4.625	2/29/12	100.2050	4.478
10y	4.625	2/15/17	100.095	4.587
30y	4.750	2/15/37	99.15	4.783

	CF Basis*	GHCO Basis		32nds
5y	(0.07)	18.659	ZF	106.0050
10y	2.62	47.334	ZN	108.1700
30y	6.30	330.774	ZB	112.01

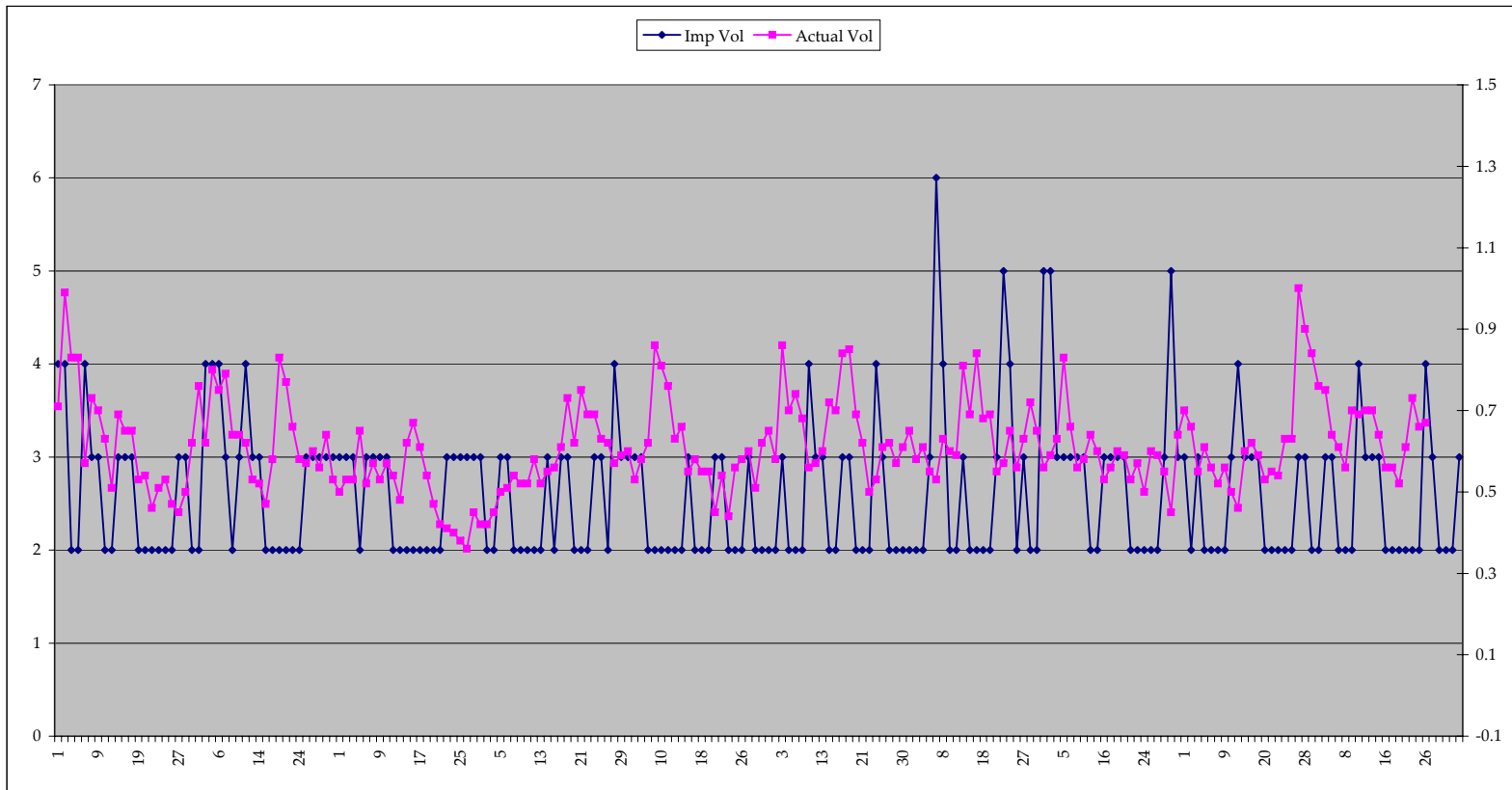
Curve Spreads bps

2/3	(0.081)
3/5	(0.014)
2/5	(0.095)
5/10	0.109
2/10	0.014
10/30	0.196
5/30	0.305
2/30	0.210

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	3/26/2007	3/27/2007	3/28/2007
1900-2200	0000-0300	2000-2300	3	4	2
2200-0100	0300-0600	2300-0200	3	3	2
0100-0400	0600-0900	0200-0500	3	3	2
0400-0700	0900-1200	0500-0800	2	2	2
0700-1000	1200-1500	0800-1100	2	2	2
1000-1300	1500-1800	1100-1400	2	2	2
1300-1600	1800-2100	1400-1700	2	2	2
1600-1900	2100-0000	1700-2000	1	2	2

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
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