

The Morning Email: Treasuries

Table of Contents

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

Want something added?

Let me know: jgoulding@ghco.com

Disclaimer:

All information within this newsletter is meant for internal use at GH Trader's LLC, only.

All information has been recorded to the best of my ability. This material is based upon information that I consider reliable, but I do not represent that it is accurate or complete.

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	102.170	1.0	102.175	102.165	102.165	13,666	2y Futures
FVAM7	106.010	1.5	106.020	105.310	105.315	35,149	5y Futures
TYAM7	108.150	3.0	108.175	108.135	108.145	84,393	10y Futures
USAM7	111.270	3	111.310	111.260	111.270	17,223	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	100.107	0.2	100.112	100.105	100.105	na	2y
BUS05P	100.200	1.2	100.212	100.187	100.187	na	5y
BUS10P	100.060	0.5	100.085	100.055	100.060	na	10y
BUS30P	99.055	4	99.105	99.055	99.060	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.560	(0.90)	4.603	4.547	4.603	na	2y Yield
BUS05Y	4.480	(0.70)	4.505	4.471	4.505	na	5y Yield
BUS10Y	4.599	(0.40)	4.614	4.587	4.614	na	10y Yield
BUS30Y	4.799	(0.50)	4.808	4.79	4.807	na	30y Yield

Source: CQG

News Recap fromYesterday

03/27 15:13 **US TSYS/RECAP:** Tsys end flat/lower vs. 3pm ET Mon, after morning two-way trades, then quiet afternoon heading into 10:30am ET Wed Bernanke speech.

- 1) some eye hedge fund drawdowns/redemptions as spurring yen carry trade unwinds by hedge funds (sell Tsys/repatriate that money back into yen);
- 2) light Japanese fiscal-yr-end selling earlier today, may last to Mar 30 FY-end (Japanese yen saw modest strengthening vs. US dollar);
- 3) buy flows include midmorning better betters in front end, fast money and buy-and-hold investors buying in long end;
- 4) big curve steepeners in futures (2Y/10Y) and in cash (10Y/30Y, done by hedge funds);
- 5) Fed rethink before Bernanke and
- [6] fast money front end selling and
- [7] seemed big 30Y bd selling in cash. But
- 8) weak US stocks helped Tsys off lows with bank buying earlier out curve too, some Asian buy-and-hold buying intermediate. There were front-end steepeners 2Y/3Y, non- swap-tied flatteners. Weaker 107.2 Cons Conf & Jan S&P Case Shiller home price index -0.6%. 30Y special in RP...

03/27 15:05 **US Swaps:** Swap spreads ended the session tighter across the curve, disconnected from higher Tsy ylds as debt markets softened in the long end amid ongoing steepener bias. Sources reported ongoing front end steepener interest in the 2s/3s proxies while some sellers were noted in 2yr bundles and Red packs (Jun08-Mar09).

Overnight

03/28 05:31 **USTs:** Treasuries are little changed in London Wednesday, with market players awaiting Federal Reserve Chairman Ben Bernanke's testimony to Congress later in the day. Prices were flat though the Tokyo session, with volumes again dampened by the looming Japanese fiscal year-end. However, demand at the front of the curve, just below current levels, provided a solid platform for the market. Prices remained rangebound in London trade, with flows largely interdealer ahead of Bernanke's testimony. Light offers were noted at the front of the curve, seen as hedging ahead of the auction. Real money accounts were light buyers of the belly of the curve, with leveraged players noted buying the 10-year sector. Bunds were trading modestly lower against Treasuries on overnight levels. The Bund was down 0.5 bps against the 10-year at 63 bps.

Today*Econ Releases & Speakers from MNI*

Date	ET	Data thru	Prior Report	Forecast
28-Mar	0700	23-Mar MBA Mortgage Application Index	-2.7% to 672.1	---
28-Mar	0830	Feb-07 Durable Goods Orders	-8.7%	---
28-Mar	0830	Feb-07 Durable Goods excl Defense	-9.1%	---
28-Mar	0830	Feb-07 Durable Goods excl Trans	-4.0%	---
28-Mar	1030	23-Mar EIA Crude Oil Stocks	+4.0 mn to 329.3 mn bbls	

1.00pm UST auction of \$18b 2y notes.

DATE	GMT/EDT	EVENT
29-Mar	1400/1000	IMF spokesman to hold regular briefing, in Washington.
29-Mar	1600/1200	Minneapolis Federal Reserve Bank President Gary Stern to deliver luncheon address at a University of Dayton global investment forum, in Dayton, Ohio.
29-Mar	1630/1230	Bank of Canada Governor David Dodge to address the Americas Society and Council of the Americas, in New York.
29-Mar	0000/2000	Richmond Federal Reserve Bank President Jeffrey Lacker to speak about inflation and unemployment to the Virginia Association of Economists, in Richmond. Q&A expected.

Bernanke to speak at 10:30 EST

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.73
10y	7.82
5y	4.35
3y	2.66
2y	1.81
ZB	9.89
ZN	5.91
ZF	3.95
ZT	1.88

DV01s (32nds)	
30y	5.02
10y	2.52
5y	1.40
3y	0.86
2y	0.59
ZB	3.57
ZN	2.06
ZF	1.34
ZT	1.23

DV01s (\$s)	
30y	\$1,570
10y	\$788
5y	\$439
3y	\$268
2y	\$183
ZB	\$112
ZN	\$64
ZF	\$42
ZT	\$38

Yield Curve Spreads

2/3	-8.00
3/5	0.00
2/5	-8.00
5/10	11.90
2/10	3.90
10/30	20.00
5/30	31.90
2/30	23.90

Fly's

2/3/5	-8.00
2/5/10	-19.90
2/10/30	-16.10
5/10/30	-8.10

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		1.736	2.657	2.903
ZN	0.576		1.530	1.672
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	14.07
ZN	2.85	4.16	6.83	12.27	24.43
ZF	4.36	6.37	10.46	18.77	37.39
ZT	4.77	6.96	11.43	20.51	40.86

US Treasuries v Eurex Bonds Hedge Ratios

	2y	3y	5y	10y	30y
Bund (H)	1.6	2.4	3.9	6.9	13.8
Bobl (H)	3.0	4.4	7.2	12.9	25.7
Schatz (H)	7.1	10.5	17.2	30.8	61.3

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	2.396	4.302	8.569
3y	0.685		1.641	2.946	5.868
5y	0.417	0.609		1.795	3.576
10y	0.232	0.339	0.557		1.992
30y	0.117	0.170	0.280	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	100.1000	4.577
3y	4.750	2/15/10	100.2150	4.497
5y	4.625	2/29/12	100.1775	4.497
10y	4.625	2/15/17	100.035	4.611
30y	4.750	2/15/37	99.02	4.809

	CF Basis*	GHCO Basis		32nds
5y	0.77	17.324	ZF	105.3100
10y	2.61	45.431	ZN	108.1250
30y	7.02	324.934	ZB	111.24

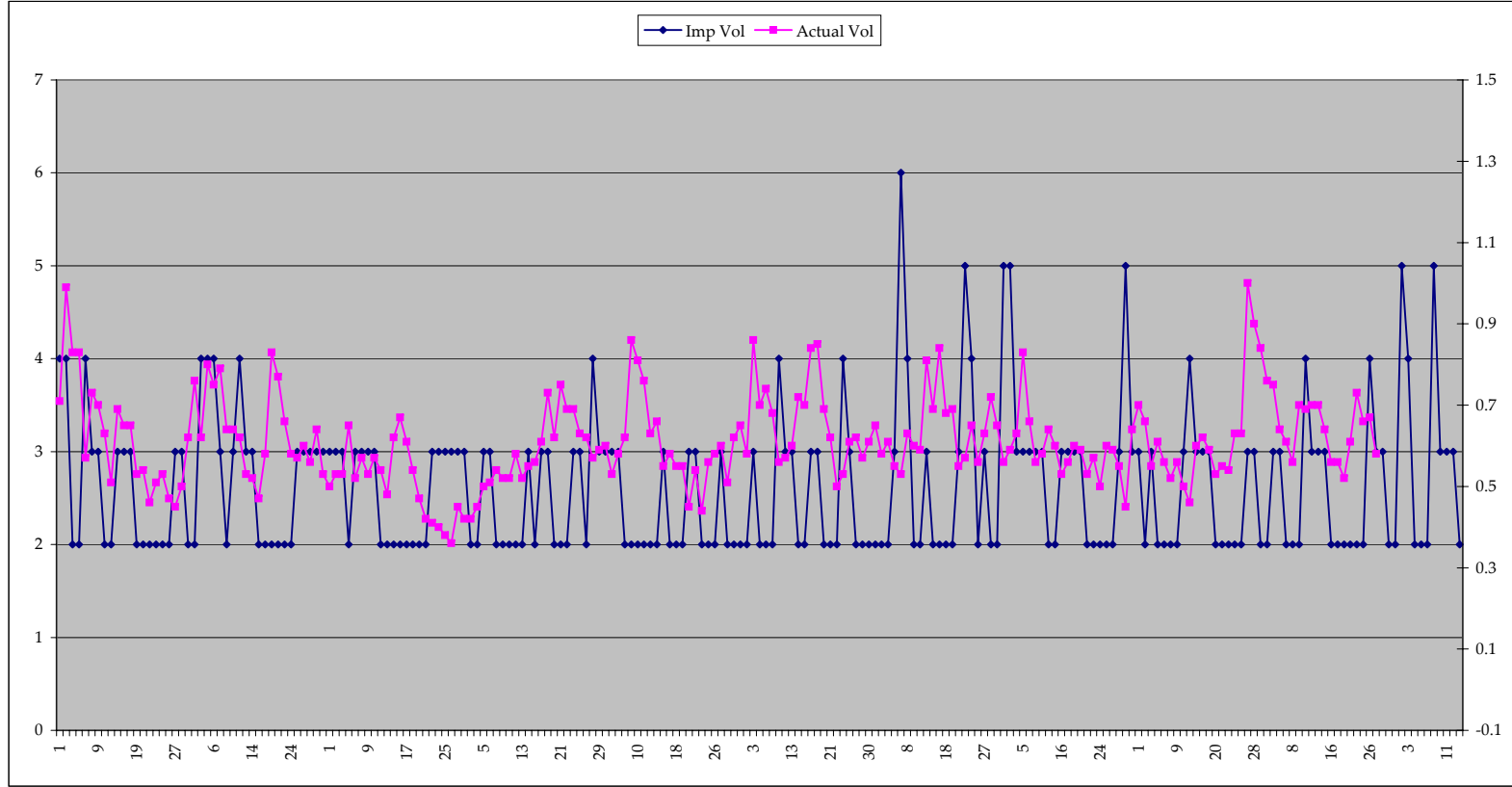
Curve Spreads bps

2/3	(0.080)
3/5	(0.000)
2/5	(0.080)
5/10	0.114
2/10	0.034
10/30	0.198
5/30	0.312
2/30	0.232

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	3/28/2007	3/29/2007	3/30/2007
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	2	1	1
0700-1000	1200-1500	0800-1100	2	1	1
1000-1300	1500-1800	1100-1400	2	1	1
1300-1600	1800-2100	1400-1700	2	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
 6-9 = very volatile