3/29/2007 5:40

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	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

3/29/2007 5:40		Quotes						Pg 1
				32 nds				
	ls	net	high	low	open	Volume	SYM NAME	
TUAM7	102.167	(0.5)	102.175	102.160	102.175	16,580	2y Futures	
FVAM7	105.295	(2.0)	106.000	105.290	105.315	34,669	5y Futures	
TYAM7	108.095	(2.0)	108.130	108.090	108.120	114,898	10y Futures	
USAM7	111.160	(2)	111.200	111.150	111.190	27,727	30y Futures	
	ls	net	high	low	open	Volume	SYM NAME	
BUS02P	99.295	(12.5)	99.302	99.292	99.302	na	2y	
BUS05P	100.170	(1.0)	100.192	100.165	100.185	na	5y	
BUS10P	99.315	(1.5)	100.030	99.310	100.015	na	10y	
BUS30P	98.235	2	98.255	98.200	98.245	na	30y	
	ls	net	high	low	open	Volume	SYM NAME	
BUS02Y	4.538	(3.00)	4.554	4.492	4.554	na	2y Yield	
BUS05Y	4.501	1.00	4.508	4.483	4.499	na	5y Yield	
BUS10Y	4.624	0.80	4.632	4.609	4.622	na	10y Yield	
BUS30Y	4.829	0.00	4.845	4.815	4.831	na	30y Yield	

Source: CQG

News Recap from MarketNews International

Yesterday

03/28 15:13 **US TSYS/RECAP**: Tsys end just off lows, amid supply pressure, Fed Chairman Bernanke said not shifted from inflation bias, which somewhat pressured US stocks. Also was sister mkt pressure this afternoon from US$4.77B California muni bond deal as was $1B paying in 10Y swaps. Dealers, hedge funds sold long end this afternoon, as had bought 2Y auction to do steepeners, and dealers set shorts into Thurs US$13B 5Y sale. Dealers are still re-distributing US$18B 2Y auction supply as was 70% dealer bid. In morning, Tsys rose, in choppy action tied to weak stocks on Bernanke, after initial dip in Tsys, as US stocks slide on stagflation fear, after weak Feb durable goods…

03/28 14:58 **Fed: Goldman's bottom line on Bernanke**: The Q&A "did not contain any major departures from views already expressed. In particular, he reiterated the FOMC's expectation for moderate growth, its bias to worry more about inflation, but also the increased uncertainty around this baseline view. With regard to housing and mortgage markets, stresses there are being monitored closely but likely to remain contained."

03/28 15:06 **US Swaps**: Swap spreads ended the session wider, off session wides after late heavy paying-tied pressure reported in Tsys vs $4.7B California muni deal. Earlier, spds were disconnected from lower Tys ylds, wider across board ahead Bernanke testimony and ongoing steepener flows all over the curve but heavier in 2s/10s.

Overnight

03/29 05:09 USTs: Treasuries are trading narrowly mixed in London Thurs, with the yield curve flattening modestly as shorter-dated paper underperformed. With a lack of fresh market-moving news overnight, yields largely consolidated at overnight levels, with market players awaiting the start of the New York session and the $13 billion five-year auction. Prices were initially modestly higher in Tokyo, helped by light dip-buying. However, volume was again curtailed ahead of the Japanese fiscal year-end. Flows were also muted in London, with flows largely interdealer as real money players stayed largely sidelined. Light selling of the two-year weighed on the front of the curve, triggering a modest flattening. Bunds were trading modestly lower gainst 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
29-Mar	0830	24-Mar	Jobless Claims	-4k to 316k	---
29-Mar	0830	4Q-06	GDP (f)	+2.2%(p)	---
29-Mar	0830	4Q-06	Chain Price Index (f)	+1.7%(p)	---
29-Mar	0830	4Q-06	Corporate Profits	---	---
29-Mar	1000	Feb-07	Help-wanted Index	32	---
29-Mar	1030	23-Mar	EIA Nat Gas Stocks	+17 bcf to 1533 bcf	
29-Mar	1100	Mar-07	Kansas City Fed Production	18	---
29-Mar	1500	Mar-07	Agriculture Prices	+2.4%	---
29-Mar	1630	19-Mar	Money Supply (M2)	---	---

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.

Yield Curve Spreads & Flys, DV01s, CFs

M Duration

30y	15.70
10y	7.82
5y	4.34
3y	2.65
2y	1.80
ZB	9.87
ZN	5.90
ZF	3.95
ZT	1.88

DV01s (32nds)

30y	4.99
10y	2.52
5y	1.40
3y	0.85
2y	0.58
ZB	3.55
ZN	2.05
ZF	1.34
ZT	1.23

DV01s ($s)

30y	$1,559
10y	$786
5y	$438
3y	$267
2y	$180
ZB	$111
ZN	$64
ZF	$42
ZT	$38

Yield Curve Spreads

2/3	-4.30
3/5	0.60
2/5	-3.70
5/10	12.30
2/10	8.60
10/30	20.50
5/30	32.80
2/30	29.10

Fly's

2/3/5	-4.90
2/5/10	-16.00
2/10/30	-11.90
5/10/30	-8.20

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		1.730	2.649	2.894
ZN	0.578		1.531	1.673
ZF	0.378	0.653		0.915
ZT	0.332	0.574	0.878	

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	1.62	2.41	3.95	7.08	14.04
ZN	2.80	4.16	6.83	12.25	24.30
ZF	4.29	6.37	10.46	18.75	37.19
ZT	4.69	6.96	11.43	20.49	40.64

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
Shatz (H)	7.1	10.5	17.2	30.8	61.3

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		1.485	2.436	4.368	8.665
3y	0.673		1.641	2.942	5.835
5y	0.411	0.610		1.793	3.557
10y	0.229	0.340	0.558		1.983
30y	0.115	0.171	0.281	0.504	

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	As of
ZF	(4,184)	(49,903)	54,087	3/20/2007
ZN	11,606	79,719	(91,326)	
ZB	3,552	(11,155)	7,602	

**WoW = Week over week

Closes2pm

	Cpn	Mty	32nds	Yield
2y	4.750	3/31/09	99.3025	4.529
3y	4.750	2/15/10	100.2275	4.483
5y	4.625	2/29/12	100.1875	4.490
10y	4.625	2/15/17	100.015	4.618
30y	4.750	2/15/37	98.24	4.830

	CF Basis*	GHCO Basis
5y	0.77	17.324
10y	2.61	43.886
30y	6.11	318.412

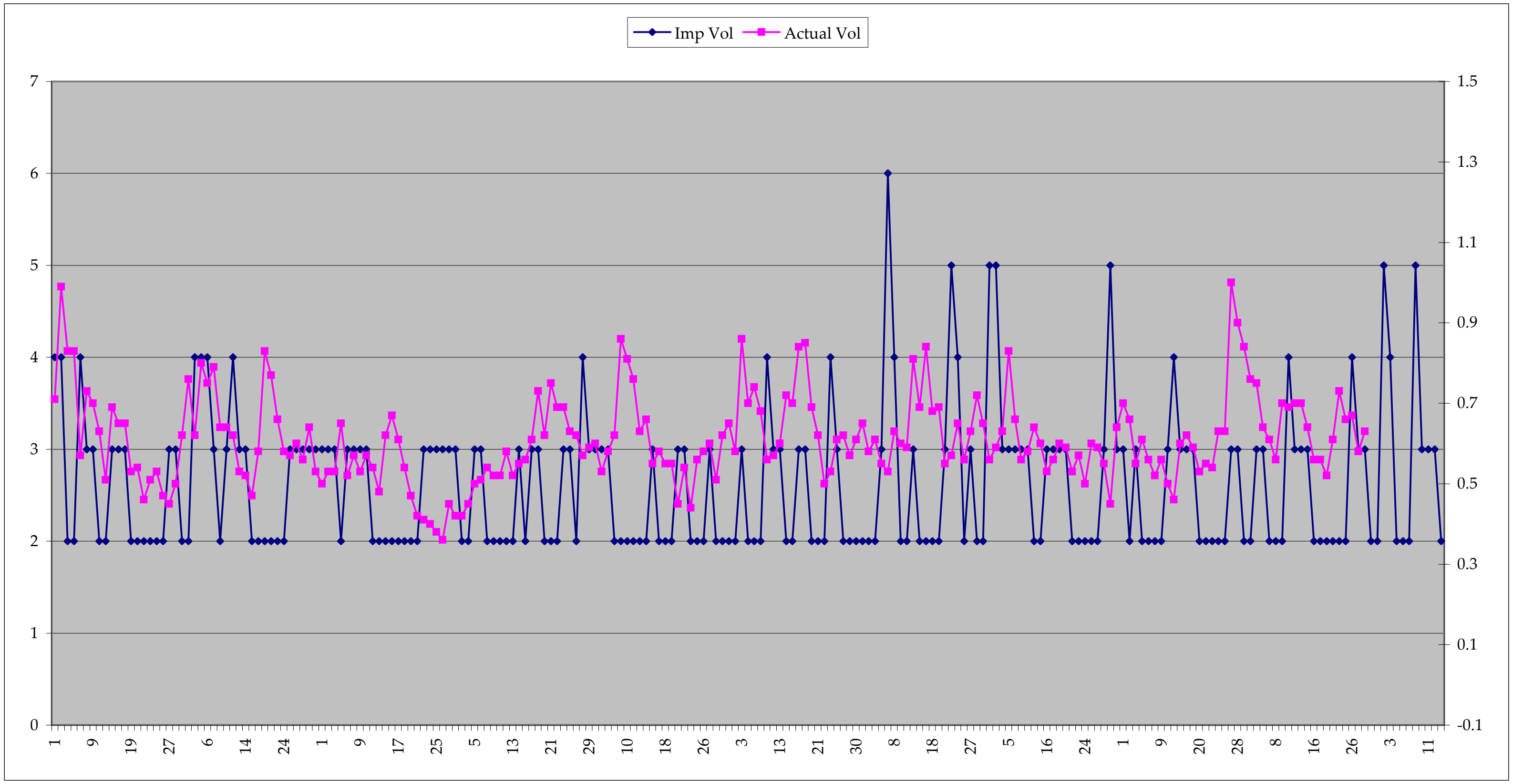
	32nds
ZF	105.3150
ZN	108.1200
ZB	111.19

Curve Spreads bps	
2/3	(0.046)
3/5	0.007
2/5	(0.039)
5/10	0.128
2/10	0.089
10/30	0.212
5/30	0.340
2/30	0.301

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
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6-9 = very volatile