

FINANCIAL PREOPENING COMMENT for 9 March (Tuesday); as of 8 March 2010.

INTEREST RATES:

USM10 -0-09 @ 116-13; TYM10 -0-04.0 @ 116-29.5; EDM10 +0.010 @ 99.635

(1) A remarkably dead trading day in fixed-incomes. For most of the day TYM10 traded within a 116-27/116-30 range. Much lower volume than last week, as the market settles into a post-employment/pre-auction funk.

... Markets all seemed more sanguine about the situation in Greece, especially as French Pres. Sarkozy more-or-less promised European support for Greece, and an EU agency said it is studying the possibility of a "European Monetary Fund (EMF)" for the end of June. This reduced the safe-haven bid not only for UST but also for bunds and gilts. Later almost contradictory remarks from ECB council member Stark (he doesn't like the EMF idea, and insisted that each country must take care of its own deficit)

... When-issued 3-year is trading about 4 bp higher than current 3-year at 1.44%, probably another 1-3/8% coupon.

(2) A special factor depressed U.K. gilt prices: FSA announced it is delaying rules that would require institutions to hold more gilts, reducing near-term demand .

(3) Stock indexes continued higher, but low volume here, too.

(4) ForEx likewise showed little movement except for more weakness in GBP. Euro strengthened on the remarks supportive of Greece bringing the suggestion of financial support.

(5) CHINA: PBOC Gov. Zhou on the weekend hinted strongly that it might let CNY appreciate, calling the dollar peg "part of our package of policies for dealing with the global financial crisis. Sooner or later, we will exit the policies"

... This has led to a number of observers predicting CNY appreciation fairly soon; Nouriel Roubini even quantified it at no more than 4% in coming 12 months; 12-month non-deliverable forwards today gained 0.3% to CNY 6.6290 per USD

(6) BIS CENTRAL BANKERS MEETING: ECB Pres. Trichet, speaking for BIS: the removal of non-standard central bank measures ["quantitative easing", etc.] does not signal an imminent increase in interest rates ("What's extremely important is that there's no over-interpretation of the phasing out in terms of monetary policy.")

(7) FED: a lot of talk about Fed appointments -- supposedly CEA Chair Romer was offered the vice-chairmanship of Fed and declined it; White House is reportedly considering San Francisco Fed Pres. Yellen & Treasury Assistant Sec. Alan Krueger for that position.

(8) More steepening, again pivoting around a point between 3-year & 5-year. 2-year yield fell 1 bp, 5-year rose 1 bp, 10-year & 30-year rose 3 bp.

2y/10y 282 bp (v. 279 bp); 2y/30y 378 bp (v. 374 bp); 5y/10y 135 bp (v. 134 bp); 5y/30y 232 bp (v. 230 bp); 10y/30y +96 bp (v. +96 bp). TAG spread: 15 bp (v. 14 bp)

(9) Option Implied Volatility: TYM10 5.4% (v. 5.4%), USM10 8.9% (v. 8.8%)

ForEx:

ECM10 +0.0010 @ \$1.3633; EDM10 +0.0011 @ 1.3632; JYH10 +3 @ 11071; JYM10 +3 @ 1.1077

INTERBANK CLOSES AT 13:00 ET: GBP -\$0.0083 @ \$1.5073; EUR +\$0.0010 @ \$1.3633; JPY -¥ 0.04 @ ¥ 90.30

EXPECTED RANGES FOR TUESDAY:

JUN US:	115-30 - 116-24	MAR S&P:	1134 - 1143
JUN TY:	116-18.0 - 117-04.0	JUN ED:	99.620 - 99.650
Jun Eurex Bund:	122.35 - 122.65	JUN EC:	1.3575 - 1.3675
		JUN JY:	1.1050 - 1.1120

NEWS & EVENTS FOR TUESDAY:

MONDAY NIGHT: (1) U.S.: NY Fed's VP of markets Brian Sack on Fed balance sheet policies (17:00 ET) TUESDAY: (1) AUSTRALIA: RBA Deputy Gov. Lowe speech. (2) EUROPE: ECB's Weber speech (10:00 GMT) (3) U.S.: Chicago Fed's Evans to NABE (09:30 ET) -- Treasury's Barr testimony on community development financial institutions (14:00 ET) -- NY Fed's Cumming on governance (18:00 ET)

U.S. ECONOMIC REPORTS (TIMES ET)		AVERAGE ESTIMATE	PREVIOUS
9-Mar	07:45	6 Mar ICSC-Goldman Survey	NA
	08:55	6 Mar Redbook	NA
	13:00	U.S. Treasury 3-year note: \$40.0 B	27 Feb -0.8% (w/w), +0.7% (y/y) 27 Feb +1.6% (m/m), +1.8% (y/y)
10-Mar	07:00	5 Mar MBA Weekly Mortgage Applications	
	10:00	Jan Wholesale Inventories	+0.2% (m/m) (-0.5% to +0.9%) Dec -0.8%
		Jan Wholesale Sales	NA Dec +0.8%
	13:00	U.S. Treasury 9-year-11-month note (reopen 3.625% 2/15/2020): \$21.0 B	
	14:00	Feb Treasury Budget Balance	-\$ 198.6 B (-\$220 to -\$150 B) Feb 2009 -\$193.9 B
11-Mar	08:30	6 Mar Initial Jobless Claims	NA
		27 Feb Continuing Claims	NA
	08:30	Jan Trade Balance	-\$40.5 B (-\$43.1 to -\$37. B) Dec -\$40.2 B
	13:00	U.S. Treasury 29-year-11-month note (reopen 4.625% 2/15/2040): \$13.0 B	
	16:30	1 Mar Weekly Money Supply	NA
12-Mar	08:30	Feb Advance Retail Sales	+0.1% (m/m) (-1.0 to +0.9%) Jan +0.5%
		Non-Auto Retail Sales	+0.1% (m/m) (-0.8 to +0.9%) Jan +0.6%
	09:55	Mid-Mar U. Michigan Indexes	73.7 (72.0 to 75.0) Feb. 73.6

	10:00	Jan Business Inventory	+0.1% (m/m) (+0.0 to 0.6%)	Dec -0.2%
		Jan Business Sales	NA	NA
15-Mar	08:30	Mar NY Fed Empire State Index	21.9 (15.2 to 28.5)	Feb 24.91
	09:00	Jan International Capital Flows	Total TIC NA	Dec +\$60.9 B
			Long-term TIC NA	Dec +\$63.3 B
	09:15	Feb Industrial Production	+0.1% (m/m) (-0.7 to +0.5%)	Jan +0.9%
		Feb Capacity Utilization	72.7% (72.0 to 73.1%)	Jan 72.6%
	13:00	Mar NAHB Housing Market Ind	17 (15 to 18)	Feb 17
NON-U.S. ECONOMIC REPORTS				
9-Mar	Japan	Jan Preliminary Leading Index	96.6	Dec 94.3
		Feb Machine Tool Orders	NA	+189.4% (y/y)
	France	Jan Trade Balance	-€ 4.0 B	Dec -€ 4.3 B
	U.K.	Jan Visible Trade Balance	-£ 7,000 Mm	Dec -£ 7,278 Mm
Sources: Bloomberg, Informa Global Markets, Market News International				

Economic news from MONDAY:

(Sources: Bloomberg, Informa Global Markets, Market News International)

- A.** No U.S. Economic Reports Monday.
- B.** FED: No repo activity; fed funds 0.17%. MONDAY: No repo activity expected.
- C.** JAPAN: Feb M2 Money Supply +2.7% (y/y) (v. Jan +3.0%). Jan Current Account Balance (m/m, SA) +31.5% to +¥ 1,712.8 B, (y/y, NSA) -778.1% to +¥ 899.8 B. Trade Balance (m/m, SA) +50.4% to +¥ 994.3 B, (y/y, NSA) +¥ 197.2 B [primarily an 8.8% monthly increase in exports]
- D.** FRANCE: Feb Banque de France Business Sentiment Index: 102 (v. Jan 104) [exp. 104].
- E.** EUROPE: Mar Sentix Investor Confidence Survey: -7.5 (V. Feb -8.2) [exp. -8.8]
- F.** GERMANY: Jan Industrial Production +0.6% (m/m), +2.2% (y/y) (v. Dec -1.0%, -5.7% rev. from -2.6%, -7.1%) [exp. +1.0%, +0.9%]

TECHNICALS:

EURODOLLAR: Trend system NEUTRAL. EDM10 traded within Friday's range, ending marginally stronger, still finding support at the 20-MA (99.610/99.615). Still not close to a sell signal. Stochastic oscillator pauses in its decline. 3-day RSI 41% (v. 19%) Support (JUN): 99.610, 99.540, 99.515, 99.480, 99.435, 99.385, 99.350, 99.290, 99.180, 99.020, 99.000, 98.950, 98.930, 98.925, 98.840, 98.650, 98.235. Resistance (JUN): 99.670, . .

TEN-YEAR NOTES: Trend system NEUTRAL. TYM10 registered a 4-5 tick net loss in a narrow, low-volume range. The chart looks vaguely negative, but today's trade was very noncommittal. Stochastic oscillator crosses declining slowly. 3-day RSI 21% (v. 29%). Support (JUN): 116-23.0, 116-15.0, 116-02.5, 115-24.0, 115-14.5, 114-04.5, 113-19.5. Resistance (JUN): 117-22.5, 118-23.5, 120-00.0, 121-27.0.

EUROCURRENCY: Trend system NEUTRAL. NOTE: ECM10 IS LEAD CONTRACT NOW. ECM10 traded mostly on the positive side of unchanged, ending slightly positive. A buy signal can appear tomorrow -- close to it today -- but it would be a very weak signal unless Tuesday rallies strongly. Stochastic oscillator rising still. 3-day RSI 60% (v. 54%) Support (JUN): 1.3529, 1.3450, 1.3441, 1.3433, 1.2912, 1.2850. Resistance (JUN): 1.3702, 1.3734, 1.3784, 1.3835, 1.3885, 1.4020, 1.4186, 1.4404, 1.4569, 1.5097.

S&P: Trend system BUY SIGNAL INTACT. Stop Mar long 1117.90 close. The uptrend in SPH10 continues, but much more quietly than Friday. Still it amounts to a new uptrend high (1140.50) & a new high close (1138.50), a little closer to the major resistance at 1147.90 from 11 Jan. Stochastic oscillator still extremely high, rising slightly, but hard to see increases at this altitude. 3-day RSI 98% (v. 98%) (EXTREMELY overbought now on this measure). SUPPORT: (MAR): 1124.90, 1113.50, 1112.70, 1112.60, 1111.00, 1084.70, 1041.00, 1021.00, 1010.80. Resistance (MAR): 1140.50, 1147.00, 1147.90; from spot index 1265.12.

COUPON BASIS:

LONG BOND: 4-3/8% 11/15/2039 v. JUN	155.4 /32
CTD: 6-7/8% 8/15/25	0.6 /32 NET OF CARRY
10-YEAR: 3-5/8% 2/15/2020 v. JUN	73.2 /32
CTD: 3% 2/28/17	2.4 /32 NET OF CARRY
5-YEAR: 2-3/8% 2/28/2015 v. JUN	133.5 /32
CTD: 2-5/8% 6/30/2014	-0.5 /32 NET OF CARRY

YIELD SPREADS

		3-mo.	2-yr.	5-yr.	10-yr.	30-yr.
3-mo.	0.142	0.00	0.75	2.21	3.57	4.53
2-yr.	0.889		0.00	1.46	2.82	3.78
5-yr.	2.353			0.00	1.35	2.32
10-yr.	3.707				0.00	0.96
30-yr.	4.672					0.00

CASH MARKET

INTERMARKET SPREADS

			RATIOS
Jun NOB	16.50 /32		17.36 TY/10 US
Jun FYT	-148.25 /32		14.40 FV/10 TY
Jun FOB	-131.75 /32		25.00 FV/10 US
Jun TUN	-267.50 /32		17.08 TY/10 TY

EURODOLLAR BASIS:

Term	Cash %	Futures %	Basis
3-mo.	0.254	0.259	2.852 %
6-mo.	0.395	0.309	4.188 %
12-mo.	0.868	0.505	2.839 %

TREASURY BASIS:

Term	Cash	Futures	Basis
3-mo.	0.140	3.995	-3.86
6-mo.	0.190	0.000	0.19
2-yr	0.889	1.096	0.21 (dep. Equiv)
		1.132	0.24 (b.e.y.)

1-mo LIBOR/3-mo. Euro spread MAR10 +0.0250 (v. +0.0250); JUN10 +0.0625 (v. +0.0650)

EURODOLLAR SPREADS: MAR-JUN +0.1025 (v. +0.1100); Theoretical 0.308 -- JUN-SEP +0.200 (v. +0.200); Theoretical +0.522

Source of price data: CQG, Bloomberg. Calculations, projected ranges are proprietary disclaimer



Futures and options trading involve significant risk of loss and may not be suitable for everyone. Therefore, carefully consider whether such trading is suitable for you in light of your financial condition. The views and opinions expressed in this letter are those of the author and do not reflect the views of ADM Investor Services, Inc. or its staff. The information provided is designed to assist in your analysis and evaluation of the futures and options markets. However, any decisions you may make to buy, sell or hold a futures or options position on such research are entirely your own and not in any way deemed to be endorsed by or attributed to ADMIS. Copyright © ADM Investor Services, Inc