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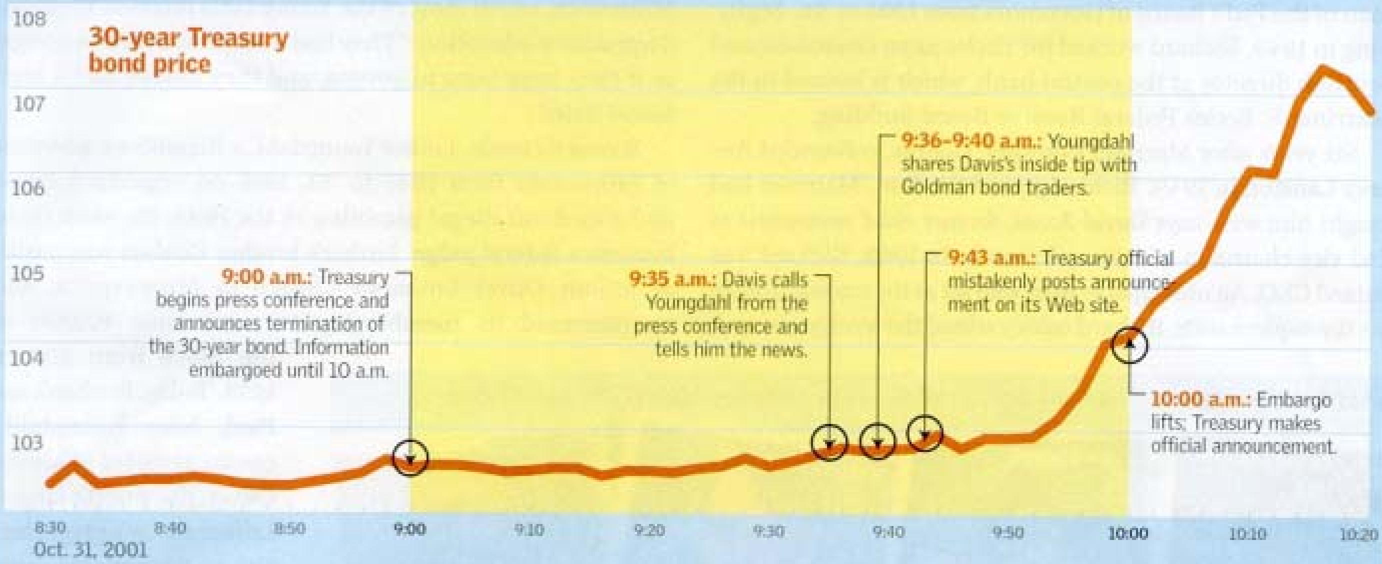
Possessing that information 25 minutes before the embargo expired bestowed on Goldman an invaluable—and unfair—advantage, says Curtis Shambaugh, former director of fixed-income strategy at Credit Suisse Group's Credit Suisse First Boston unit. "I probably could have made $100 million in an hour with that kind of information and lots of leverage," he says.

From 9:35 to 9:43, the two traders swung into action, purchasing $84 million in 30-year bonds and $233.6 million in futures. Later, they sold the bonds and futures, collecting $3.8 million in profit.

At 9:43, an unidentified employee at the Treasury mistakenly posted a copy of the refunding announcement, including Fisher's statements, on the department's Web site. The Treasury had violated its own embargo.

After the announcement at 10 a.m., the 30-year bond had its biggest gain in 14 years. Investors rushed to buy the security, now that a limited supply would increase its value. The $5\frac{3}{8}$ percent bond maturing in 2031 skyrocketed, gaining $5\frac{2}{32}$ points, or about $50 per $1,000 face value, to reach $107\frac{20}{32}$. Its yield plunged 32 basis points to 4.88 percent. (A basis point is 0.01 percentage point.) Both the SEC and the U.S. attorney's office in Manhattan are continuing their investigations.

The long bond's wild ride At a press conference on Oct. 31, 2001, the Treasury announced that it was discontinuing the 30-year bond. The decision was embargoed for public release until 10 a.m. Consultant Peter Davis violated the embargo and told Goldman Sachs economist John Youngdahl the news. That day, the long bond shot to its biggest daily gain in 14 years.



Sources: Bloomberg, ICAP, SEC court filings