

The Morning Email: Treasuries

Rotate Me

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Want something added?

Let me know: jgoulding@ghco.com

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Important Econ Releases Highs & Lows

	5y*	10y*	ZNH7**	ZBH7**	Date
Non-farm High	99.2200	100.0900	108.1800	113.0000	11/3/2006
Non-farm Low	99.0400	99.6500	107.1450	111.1300	11/3/2006
FOMC High	97.3050	98.2950	107.0750	110.2700	10/25/2006
FOMC Low	97.2200	98.1650	106.2750	110.0500	10/25/2006
PPI High	99.2850	99.0600	108.2050	113.1900	11/14/2006
PPI Low	99.2050	98.2350	108.0800	112.3100	11/14/2006
CPI High	99.2500	100.1700	108.1650	113.1200	11/16/2006
CPI Low	99.0650	99.2000	107.2250	112.0300	11/16/2006

*Adjusted for New Issue

**Adjusted for Roll

Prices are recorded from econ release to 2pm CDT

Quotes

		32 nds						
	ls	net	high	low	open	Volume	SYM NAME	
TUAH7	102.240	1.70	102.252	102.220	102.227	78,261	2y Futures	
FVAH7	106.170	2.00	106.200	106.140	106.155	226,190	5y Futures	
TYAH7	109.170	3.00	109.205	109.135	109.155	333,396	10y Futures	
USAH7	114.220	0	114.290	114.180	114.230	105,392	30y Futures	
BUS02P	100.080	1.2	100.092	100.062	100.067	na	2y	
BUS05P	100.190	0.0	100.217	100.162	100.172	na	5y	
BUS10P	101.195	1.0	101.240	101.165	101.190	na	10y	
BUS30P	99.080	(2)	99.180	99.065	99.085	na	30y	
BUS02Y	4.487	(2.10)	4.529	4.462	4.525	na	2y Yield	
BUS05Y	4.364	(1.30)	4.389	4.343	4.378	na	5y Yield	
BUS10Y	4.421	(0.40)	4.438	4.402	4.427	na	10y Yield	
BUS30Y	4.545	0.40	4.551	4.526	4.543	na	30y Yield	

Source: CQG

Yesterday

3:16 pm - Hard Job for the Market: The market made a last ditch, half-hearted effort to spike a little rally, but no such luck. **Light volumes & continued profit-taking helped hold prices lower** after getting tweaked on the mid-session data. The market will be watching the ADP's non-farm payrolls number tomorrow, but it is still working to regain any credibility, so it may be shrugged off (current estimate for 100K). All else being equal, the market will likely continue to suffer due to booked profits & the curve action should grind near current levels with the **2-10-yr yield spread hanging near -7**, significantly less inverted, but always ready & willing to head deeper at the drop of a stat. Later in the day, PIMCO's Bill Gross weighed in on CNBC talking a **2 or 3 handle** on the 10-yr yield...crazy talk? We shall see. The data provided some assistance to the buck but it was short-lived as rally was abruptly sold into..[Source - Yahoo!]

Overnight

[04:42 EST 12/06]

USTs: Treasuries are trading modestly lower in thin trading volumes Wednesday, as the market drifts ahead of a U.S. session that sees only limited data and news flow. Prices were barely changed in Asia, but drifted lower from the getgo in London, weighed by the continuing weaker dollar. However, the curve was seen flattening, as the market unwound some of the curve steepening seen on Tuesday. Asian central banks were seen swapping out of 10-year notes into the 5-year sector, but the slack was more than taken up by the curve unwinds of leveraged accounts. But once again, volumes were light across the board as many players saw traders books slowly starting to wind down ahead of the Year-end holidays. [Source - MNI]

Today

Econ Releases

Date	ET	Release	For	Briefing.com	Consensus	Prior
Dec 06	10:30	Crude Inventories	12/01	NA	NA	-360K
Dec 07	08:30	Initial Claims	12/02	320K	325K	357K
Dec 07	15:00	Consumer Credit	Oct	\$9.0B	\$4.5B	-\$1.2B
Dec 08	08:30	Nonfarm Payrolls	Nov	115K	105K	92K
Dec 08	08:30	Unemployment Rate	Nov	4.4%	4.5%	4.4%
Dec 08	08:30	Hourly Earnings	Nov	0.3%	0.3%	0.4%
Dec 08	08:30	Average Workweek	Nov	33.9	33.9	33.9
Dec 08	10:00	Mich Sentiment-PreL	Dec	91.0	92.0	92.1

[Source: DailyFX.com]

Upcoming Speakers/Events

(Chi/NY/London Times)

GBP: Dec 7 at 6:00/7:00/12:00 - BoE MPC Interest Rate Announcement

EUR: Dec 7 at 7:30/8:30/13:30 - ECB Press Conference after Rate Announcement. [Source: MNI, todayfx.com]

[Other Sources: FXStreet.com, Briefing.com, MNI, Reuters, Dow Jones, Bloomberg, icap]

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.89
10y	7.90
5y	4.42
3y	2.72
2y	1.87
ZB	9.98
ZN	5.93
ZF	3.99
ZT	1.90

DV01s (32nds)	
30y	5.12
10y	2.58
5y	1.42
3y	0.87
2y	0.60
ZB	3.73
ZN	2.08
ZF	1.36
ZT	1.26

DV01s (\$s)	
30y	\$1,599
10y	\$805
5y	\$445
3y	\$273
2y	\$188
ZB	\$117
ZN	\$65
ZF	\$43
ZT	\$39

Yield Curve Spreads

2/3	-9.20
3/5	-3.10
2/5	-12.30
5/10	5.70
2/10	-6.60
10/30	12.40
5/30	18.10
2/30	5.80

Fly's

2/3/5	-6.10
2/5/10	-18.00
2/10/30	-19.00
5/10/30	-6.70

CFs

ZB	0.7956
ZN	0.9105
ZF	0.9397
ZT	0.9754

*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 (Z)	1.000	1.800	2.700	2.900
Bobl (Z)	0.510	0.910	1.400	1.500
Schatz (Z)	0.200	0.360	0.550	0.580

Number
of
contracts
LONG

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		0.558	0.365	0.339
ZN	1.792		0.654	0.607
ZF	2.739	1.529		1.078
ZT	0.661	1.184	1.810	

H=Mch
M=Jun
U=Sep
Z=Dec

Hedge Ratios: US Treasury Cash / Eurex Bund, Bobl, Shatz

US Treasuries v US Financial Futures Hedge Ratios

	2y	3y	5y	10y	30y
ZB	1.61	2.34	3.82	6.91	13.72
ZN	2.89	4.20	6.84	12.37	24.58
ZF	4.41	6.42	10.45	18.92	37.58
ZT	4.76	6.92	11.27	20.40	40.52

US Treasuries v Eurex Bonds Hedge Ratios

	2y	3y	5y	10y	30y
Bund (Z)	1.7	2.4	3.9	7.0	13.1
Bobl (Z)	3.1	4.7	7.3	13.5	25.2
Shatz (Z)	7.1	10.4	16.7	30.0	56.1

Eurex Hedge Ratio's source: Bloomberg

Eurex Hedge Ratios

	Bund (Z)	Bobl (Z)	Shatz (Z)
Bund (Z)		1.940	4.900
Bobl (Z)	0.515		2.500
Shatz (Z)	0.200	0.400	

Eurex Hedge Ratio's source: Bloomberg

Hedge Ratios: US Cash Treasuries / Eurodollar

US Treasuries v US Treasuries						
	2y	3y	5y	10y	30y	
2y		1.455	2.369	4.285	8.513	
3y	0.687		1.628	2.946	5.853	
5y	0.422	0.614		1.809	3.594	
10y	0.233	0.339	0.553		1.987	
30y	0.117	0.171	0.278	0.503		

Commitment of Traders (COT)

	Current Positions									
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	Net
ZF	331,256	312,832	18,424	177,830	233,271	(55,441)	1,031,941	994,924	37,017	ZF
ZN	504,257	578,654	(74,397)	639,418	267,968	371,450	1,513,325	1,810,378	(297,053)	ZN
ZB	202,517	183,714	18,803	139,394	172,553	(33,159)	582,844	568,488	14,356	ZB

	WoW** Position Change				
	Sml Spec		Lrg Spec		Comm
	Net	Net	Net	Net	
ZF	32,083	(8,011)	(24,072)	As of	11/28/2006
ZN	47,677	(10,979)	(36,699)		
ZB	29,893	44,673	(74,565)		

**WoW = Week over week

2 PM CDT Closes: US Treasuries, US Financial Futures, YC Spreads, Basis

	Cpn	Mty	32nds	Yield
2y	4.625	11/30/08	100.0650	4.516
3y	4.625	11/15/09	100.1800	4.418
5y	4.500	11/30/11	100.1600	4.387
10y	4.625	11/15/16	100.150	4.565
30y	4.500	2/15/36	98.30	4.567

GHCO

CF Basis*	Basis	32nds
5y	0.40	15.382
10y	0.76	26.884
30y	7.36	250.422
		ZF
		ZN
		ZB

Curve Spreads bps

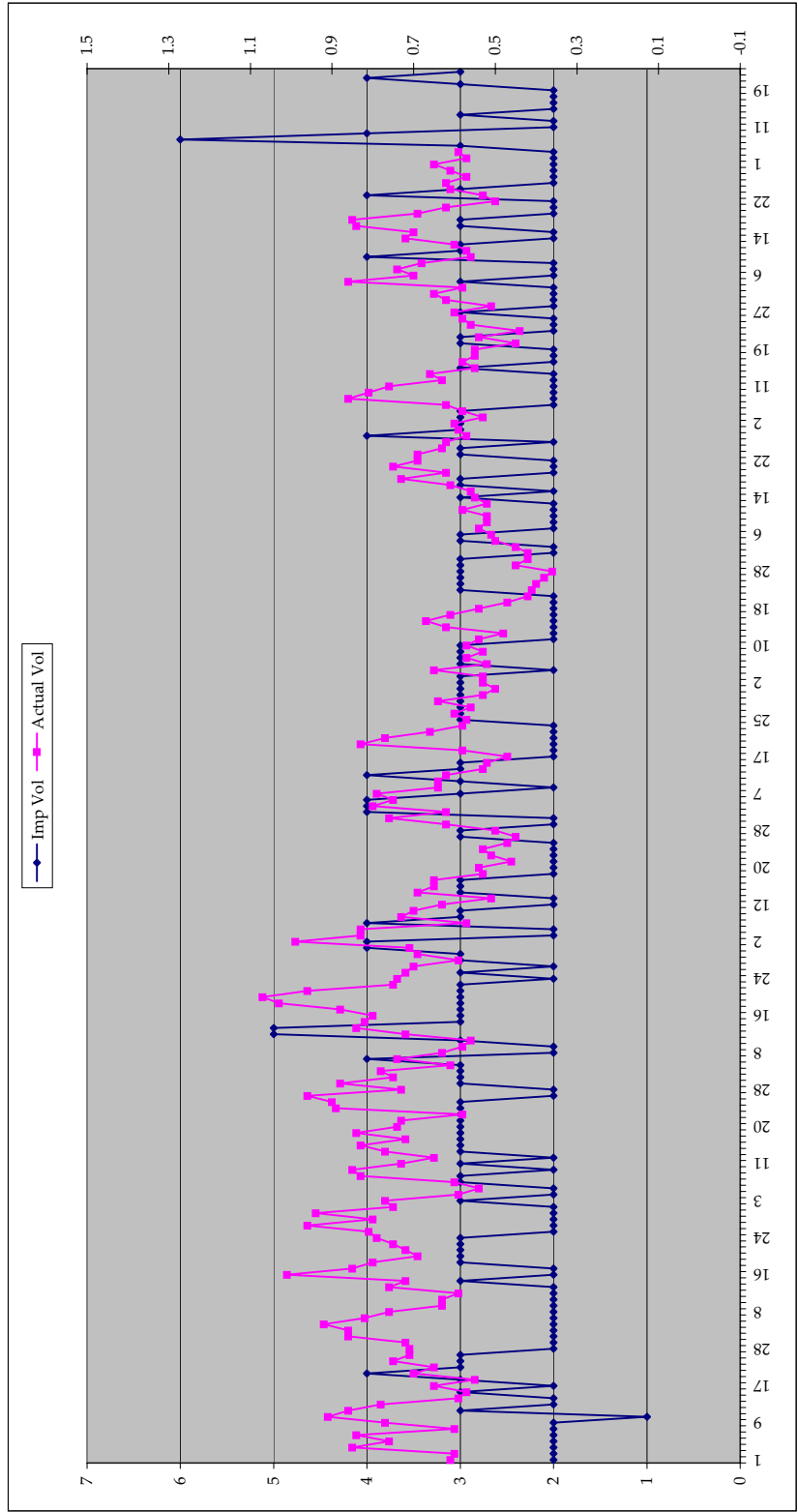
2/3	(0.098)
3/5	(0.031)
2/5	(0.129)
5/10	0.178
2/10	0.049
10/30	0.002
5/30	0.180
2/30	0.051

CF = Conversion Factor
Cash - (Futures * CF)

12/6/2006 5:25

Fig 9

Implied Volatility (Daily)



Imp Vol Actual Vol

Begins Feb 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.

Implied Volatility (3-Hour)

CDT Time	UT Time	EDT Time	12/6/2006	12/7/2006	12/8/2006
1900-2200	0000-0300	2000-2300	2	5	0
2200-0100	0300-0600	2300-0200	2	4	0
0100-0400	0600-0900	0200-0500	2	4	0
0400-0700	0900-1200	0500-0800	2	4	0
0700-1000	1200-1500	0800-1100	1	4	0
1000-1300	1500-1800	1100-1400	1	2	0
1300-1600	1800-2100	1400-1700	3	2	0
1600-1900	2100-0000	1700-2000	4	4	0

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
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