

## The Morning Email: Treasuries

Rotate Me

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Want something added?

Let me know: [jgoulding@ghco.com](mailto: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	102.170	(1.00)	102.180	102.170	102.177	10,426	2y Futures	
FVAH7	106.050	(1.00)	106.065	106.050	106.060	26,332	5y Futures	
TYAH7	109.035	(0.50)	109.050	109.020	109.035	45,886	10y Futures	
USAH7	113.310	(0)	114.030	113.300	114.000	11,512	30y Futures	
BUS02P	100.022	0.2	100.030	100.022	100.030	na	2y	
BUS05P	100.070	0.0	100.080	100.072	100.080	na	5y	
BUS10P	101.020	0.0	101.040	101.020	101.035	na	10y	
BUS30P	98.055	0	98.100	98.055	98.085	na	30y	
BUS02Y	4.582	0.80	4.595	4.566	4.578	na	2y Yield	
BUS05Y	4.448	0.10	4.454	4.44	4.447	na	5y Yield	
BUS10Y	4.489	0.00	4.495	4.479	4.485	na	10y Yield	
BUS30Y	4.613	0.10	4.616	4.603	4.604	na	30y Yield	

Source: CQG

## Yesterday

---- Original Msg from: Roseanne Briggan At: 12/07 9:46:16  
 [LOOKING AHEAD TO US JOBS DATA - THE TIDE OF REVISIONS]  
 Starting in June, net revisions in every monthly payroll report has been upward. Revisions through that period total +233k jobs. Over half of that total came in October, when net revisions, at +139k, were larger than the hiring tally for the month, at 92k. Given the steady acceleration in revisions since June, revisions in tomorrow's payroll data could be a bigger deal than November's hiring tally. There is no obvious recent pattern to revisions to October hiring in November payroll reports, but that is probably irrelevant. The big string of upward revisions since June does not follow any sort of historic monthly pattern.

[Source IGM economist]

## Overnight

[05:04 EST 12/08]

USTs: Treasuries are trading unchanged to modestly lower in London Friday, as many market players are sidelined ahead of the U.S. employment report due later in the day. However, overall prices were little moved by a weaker open for the European bond markets. But traders again underlined that volumes are light, with both the employment data and the approaching year end holidays damping turnover.

[Source – MNI]

## Today Econ Releases

Date	ET	Release	For	Briefing.com	Consensus	Prior
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)

None

[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	15.84
10y	7.88
5y	4.41
3y	2.70
2y	1.86
ZB	9.95
ZN	5.92
ZF	3.98
ZT	1.89

DV01s (32nds)	
30y	5.05
10y	2.56
5y	1.41
3y	0.87
2y	0.60
ZB	3.70
ZN	2.07
ZF	1.35
ZT	1.25

DV01s (\$s)	
30y	\$1,578
10y	\$799
5y	\$442
3y	\$271
2y	\$186
ZB	\$116
ZN	\$65
ZF	\$42
ZT	\$39

**Yield Curve Spreads**

2/3	-10.50
3/5	-2.90
2/5	-13.40
5/10	4.10
2/10	-9.30
10/30	12.40
5/30	16.50
2/30	3.10

**Fly's**

2/3/5	-7.60
2/5/10	-17.50
2/10/30	-21.70
5/10/30	-8.30

**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

Eurex Hedge Ratio's source: Bloomberg

**US Financial Futures Hedge Ratios**

	ZB	ZN	ZF	ZT
ZB		0.559	0.366	0.339
ZN	1.789		0.655	0.606
ZF	2.734	1.528		1.080
ZT	0.661	1.183	1.807	

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	2.35	3.82	6.91	13.64
ZN	2.88	4.20	6.84	12.36	24.41
ZF	4.41	6.42	10.45	18.89	37.29
ZT	4.76	6.93	11.29	20.40	40.27

## 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		1.456	2.371	4.286	8.462	
3y	0.687		1.629	2.944	5.813	
5y	0.422	0.614		1.807	3.568	
10y	0.233	0.340	0.553		1.974	
30y	0.118	0.172	0.280	0.507		

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				As of 11/28/2006	
	Sml Spec		Lrg Spec			Comm
	Net	Net	Net	Net		Net
ZF	32,083	(8,011)	(24,072)			
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	100.0300	4.574
3y	4.625	11/15/09	100.1275	4.478
5y	4.500	11/30/11	100.0800	4.443
10y	4.625	11/15/16	101.040	4.483
30y	4.500	2/15/36	98.12	4.602

## GHCO

CF Basis*	Basis	32nds
5y	0.40	14.899
10y	1.76	56.534
30y	7.33	243.560
		ZF
		ZN
		ZB

## Curve Spreads bps

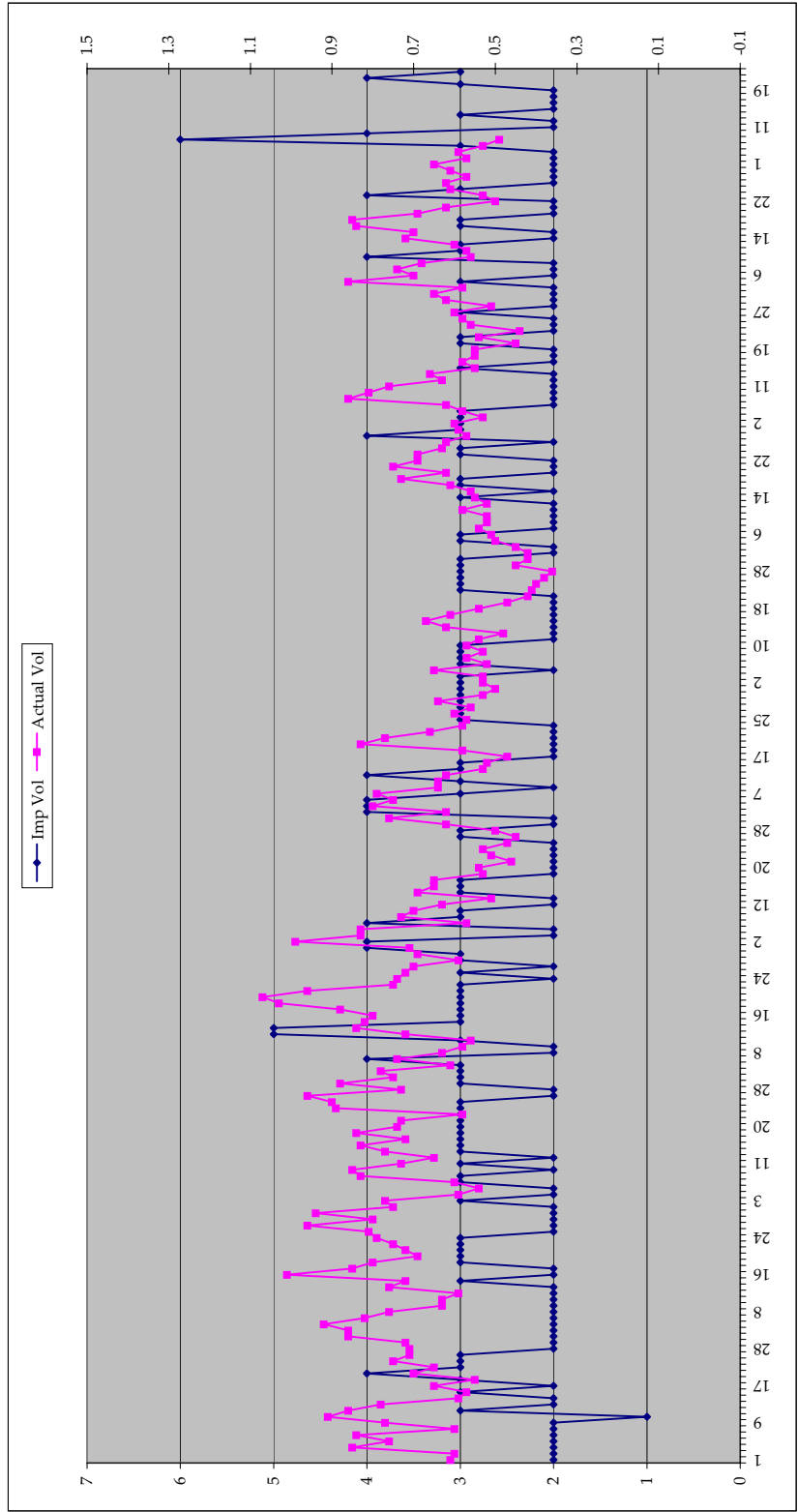
2/3	(0.096)
3/5	(0.035)
2/5	(0.131)
5/10	0.040
2/10	(0.091)
10/30	0.119
5/30	0.159
2/30	0.028

CF = Conversion Factor  
Cash - (Futures \* CF)

12/8/2006 5:37

Fig 9

### Implied Volatility (Daily)



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

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