

## The Morning Email: Treasuries

Rotate Me

### Table of Contents

<b>Pg A</b>	Important Econ Releases Highs & Lows
<b>Pg 1</b>	Quotes
<b>Pg 2</b>	News Snapshot
<b>Pg 3</b>	Yield Curve Spreads & Flies, DV01s, CFs
<b>Pg 4</b>	Hedge Ratios: US Financial Futures / Eurex Bund, Bobl, Schatz,
<b>Pg 5</b>	Hedge Ratios: US Treasury Cash / Eurex Bund, Bobl, Schatz
<b>Pg 6</b>	Hedge Ratios: US Cash Treasuries / Eurodollar
<b>Pg 7</b>	Commitment of Traders (COT)
<b>Pg 8</b>	2 PM CDT Closes: US Treasuries, US Financial Futures, YC Spreads, Basis
<b>Pg 9</b>	Implied Volatility (Daily)
<b>Pg 10</b>	Implied Volatility (3-Hour)

Want something added?

Let me know: [jgoulding@ghco.com](mailto:jgoulding@ghco.com)

**Disclaimer:**

All information within this newsletter is meant for internal use at Goldenberg, Hehmer & Co. only.

All information has been recorded to the best of my ability. This material is based upon information that I consider reliable, but I do not represent that it is accurate or complete.

**Jim Goulding, GHCO, Treas-Arb, Chicago, [jgoulding@ghco.com](mailto:jgoulding@ghco.com)**

### Important Econ Releases Highs & Lows

	5y*	10y*	ZNH7**	ZBH7**	Date
Non-farm High	100.0635	100.0900	109.0400	114.0500	12/8/2006
Non-farm Low	98.2825	99.6500	108.1850	113.0700	12/8/2006
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	102.117	0.50	102.122	102.110	102.115	11,838		2y Futures	
FVAH7	105.280	1.50	105.285	105.260	105.265	25,208		5y Futures	
TYAH7	108.225	2.50	108.230	108.190	108.195	57,150		10y Futures	
USAH7	113.140	1	113.170	113.080	113.090	21,521		30y Futures	
	ls	net	high	low	open	Volume		SYM NAME	
BUS02P	99.295	0.2	99.297	99.290	99.297	na		2y	
BUS05P	99.302	0.0	99.310	99.290	99.297	na		5y	
BUS10P	100.215	0.5	100.225	100.200	100.210	na		10y	
BUS30P	97.225	4	97.240	97.165	97.210	na		30y	
	ls	net	high	low	open	Volume		SYM NAME	
BUS02Y	4.663	0.10	4.692	4.646	4.692	na		2y Yield	
BUS05Y	4.511	(0.60)	4.528	4.504	4.528	na		5y Yield	
BUS10Y	4.538	(0.40)	4.555	4.532	4.554	na		10y Yield	
BUS30Y	4.642	(0.80)	4.661	4.639	4.661	na		30y Yield	

Source: CQG

## Yesterday

**08:33 am - November payrolls grew 132K as the unemployment rate rose to 4.5%. The 0.2% rise in earnings left a return to the 4.1% yoy high of September as the workweek stood steady at 33.9 hours. Within the payroll details construction fell -29K as manufacturing fell -15K. Private service jobs rose 154K as Uncle Sam added 18K to the government's payroll. Revisions left a 79K gain in October after a larger 203K rise in September -- a net 42K gain. [Source Yahoo! Finance]**

## Overnight

[05:11 EST 12/11]

USTs: Treasuries are trading higher across the board Monday, as the market edged higher on the back of light dip-buying from real money accounts after the sell-off on Friday. However, volumes were light, with many players sidelined ahead of the New York open. Prices were little changed in Asia, as the lack of fresh trading incentives saw prices fluctuate in very narrow ranges in thin volumes. The curve was unchanged in London, consolidating the flattening seen Friday. Leveraged accounts were light sellers of the belly of the curve into the rally, lightening up on 10-year paper ahead of Wednesday's \$16 billion auction. [Source - MNI]

## Today

### **Econ Releases**

Date	ET	Release	For	Briefing.com	Consensus	Prior
Dec 11	10:00	<a href="#">Wholesale Inventories</a>	Oct	0.7%	0.6%	0.8%
Dec 12	08:30	<a href="#">Trade Balance</a>	Oct	-\$62.0B	-\$63.5B	\$64.3B
Dec 12	14:00	<a href="#">Treasury Budget</a>	Nov	-\$73.0B	-\$74.0B	\$83.1B
Dec 12	14:15	FOMC policy statement				
Dec 13	08:30	<a href="#">Retail Sales</a>	Nov	0.4%	0.2%	-0.4%
Dec 13	08:30	<a href="#">Retail Sales ex-auto</a>	Nov	0.5%	0.3%	-0.4%
Dec 13	10:00	<a href="#">Business Inventories</a>	Oct	0.5%	0.5%	0.4%
Dec 13	10:30	Crude Inventories	12/08	NA	NA	1049K
Dec 14	08:30	<a href="#">Export Prices ex-ag.</a>	Nov	NA	NA	-0.5%
Dec 14	08:30	<a href="#">Import Prices ex-oil</a>	Nov	NA	NA	-0.6%
Dec 14	08:30	<a href="#">Initial Claims</a>	12/09	320K	NA	324K
Dec 15	08:30	<a href="#">CPI</a>	Nov	0.2%	0.2%	-0.5%
Dec 15	08:30	<a href="#">Core CPI</a>	Nov	0.2%	0.2%	0.1%
Dec 15	08:30	NY Empire State Index	Dec	12.0	20.0	26.7
Dec 15	09:00	Net Foreign Purchases	Oct	NA	NA	\$65.1B
Dec 15	09:15	<a href="#">Capacity Utilization</a>	Nov	82.1%	82.2%	82.2%
Dec 15	09:15	<a href="#">Industrial Production</a>	Nov	0.1%	0.2%	0.2%

[Source: DailyFX.com]

### **Upcoming Speakers/Events (Chi/NY/London Times)**

EUR: Dec 11 at 10:00/11:00/16:00 - ECB's Papademos speaks in Frankfurt on Financial Stability.

USD: Dec 12 at 13:15/14:15/19:15 FOMC Meeting to discuss Interest Rates, Policy Statement to be issued at 19:15

WLD: Dec 14 - OPEC to hold a meeting

USD: Dec 15 at 12:00/01:00/06:00 - US Fed Chairman Bernanke Speaks in Beijing on Chinese economy. [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	15.76
10y	7.87
5y	4.40
3y	2.70
2y	1.86
ZB	9.94
ZN	5.91
ZF	3.98
ZT	1.88

**DV01s (32nds)**

30y	5.00
10y	2.54
5y	1.41
3y	0.87
2y	0.59
ZB	3.68
ZN	2.06
ZF	1.35
ZT	1.25

**DV01s (\$s)**

30y	\$1,563
10y	\$795
5y	\$440
3y	\$270
2y	\$186
ZB	\$115
ZN	\$64
ZF	\$42
ZT	\$39

**Yield Curve Spreads**

2/3	-11.10
3/5	-4.10
2/5	-15.20
5/10	2.70
2/10	-12.50
10/30	10.40
5/30	13.10
2/30	-2.10

**Fly's**

2/3/5	-7.00
2/5/10	-17.90
2/10/30	-22.90
5/10/30	-7.70

**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	Number of contracts LONG
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	1.788		0.655	0.607
ZF	2.729	1.526		1.079
ZT	0.663	1.185	1.809	

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	1.62	2.35	3.83	6.91	13.59
ZN	2.89	4.21	6.85	12.36	24.30
ZF	4.41	6.42	10.45	18.87	37.10
ZT	4.76	6.93	11.28	20.37	40.04

## 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	2.370	4.279	8.412	
3y	0.687		1.629	2.940	5.779	
5y	0.422	0.614		1.805	3.549	
10y	0.234	0.340	0.554		1.966	
30y	0.119	0.173	0.282	0.509		

Commitment of Traders (COT)

	Current Positions									
	Small Spec			Large Spec			Commercials (Hedgers)			Net
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	316,157	280,051	36,106	248,776	262,367	(13,591)	936,298	958,812	(22,514)	ZF
ZN	375,270	445,925	(70,655)	618,765	293,192	325,573	1,509,581	1,764,498	(254,917)	ZN
ZB	187,939	183,373	4,566	165,709	188,190	(22,481)	578,059	560,145	17,914	ZB

	WoW** Position Change				As of 12/5/2006	
	Sml Spec		Lrg Spec			Comm
	Net	Net	Net	Net		
ZF	17,682	41,850	(59,531)	42,136		
ZN	3,742	(45,877)	10,678	3,558		
ZB	(14,237)					

\*\*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	99.2925	4.670
3y	4.625	11/15/09	100.0500	4.566
5y	4.500	11/30/11	99.2850	4.525
10y	4.625	11/15/16	100.185	4.552
30y	4.500	2/15/36	97.15	4.660

## GHCO

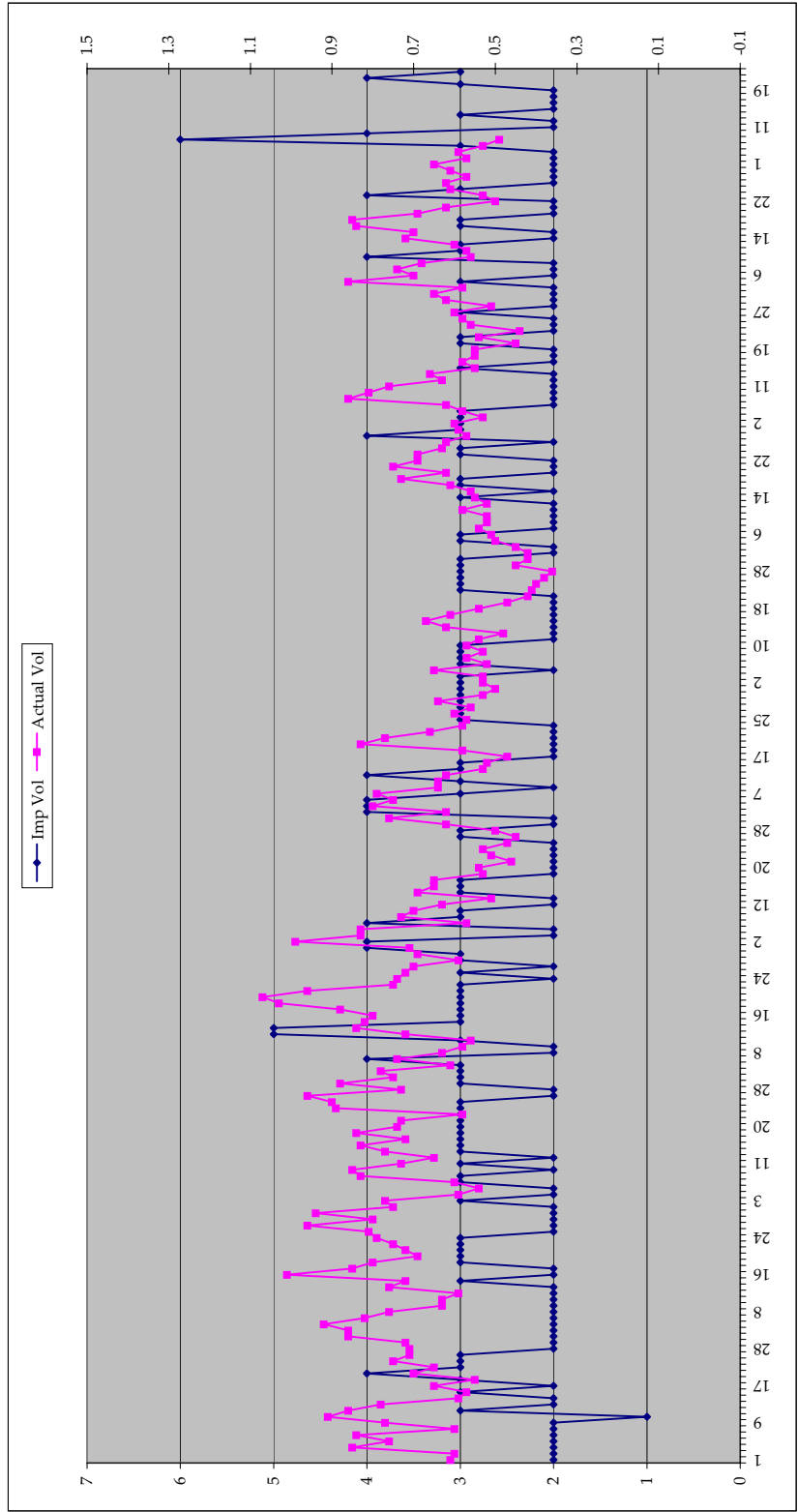
CF Basis*	Basis	32nds
5y	0.34	14.676
10y	1.67	54.057
30y	7.12	233.654
		ZF
		ZN
		ZB

## Curve Spreads bps

2/3	(0.104)
3/5	(0.041)
2/5	(0.145)
5/10	0.027
2/10	(0.118)
10/30	0.108
5/30	0.135
2/30	(0.010)

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

### 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	12/11/2006	12/12/2006	12/13/2006
1900-2200	0000-0300	2000-2300	3	2	2
2200-0100	0300-0600	2300-0200	4	2	2
0100-0400	0600-0900	0200-0500	3	2	2
0400-0700	0900-1200	0500-0800	1	1	1
0700-1000	1200-1500	0800-1100	1	2	2
1000-1300	1500-1800	1100-1400	0	1	1
1300-1600	1800-2100	1400-1700	0	1	1
1600-1900	2100-0000	1700-2000	1	1	1

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