

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	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	100.0775	98.2950	109.0400	114.0100	12/12/2006
FOMC Low	100.0000	98.1650	108.2450	113.1400	12/12/2006
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	102.085	0.7	102.092	102.077	102.077	7,062		2y Futures	
FVAH7	105.225	2.0	105.235	105.205	105.205	15,811		5y Futures	
TYAH7	108.135	3.5	108.155	108.105	108.105	62,768		10y Futures	
USAH7	112.270	4	112.300	112.200	112.210	13,683		30y Futures	
		net	high	low	open	Volume		SYM NAME	
BUS02P	99.267	0.2	99.270	99.262	99.262	na		2y	
BUS05P	99.242	2.0	99.255	99.227	99.227	na		5y	
BUS10P	100.110	4.0	100.130	100.080	100.080	na		10y	
BUS30P	96.260	8	96.295	96.210	96.210	na		30y	
		net	high	low	open	Volume		SYM NAME	
BUS02Y	4.709	(0.90)	4.731	4.692	4.726	na		2y Yield	
BUS05Y	4.551	(1.80)	4.576	4.544	4.569	na		5y Yield	
BUS10Y	4.577	(1.80)	4.603	4.569	4.603	na		10y Yield	
BUS30Y	4.700	(1.40)	4.721	4.692	4.721	na		30y Yield	

Source: CQG

Yesterday

3:19 pm - Head Fake Trade: The market swung like a pendulum today, taking the 10-yr yield for a nearly 11 basis point range & the 2's carved out about 12 (in 1 week that saw 14.4 & 16.9bps respectively). The huge early rally shot out of the flat CPI report, but the run-up was on air & helped along by some painful short coverage. Ooops, could not be long for long as the market meandered back to unchanged & chose to end the session there. The late session rally did not happen as positions had gotten churned from mid-day on & stuff dried up. The holiday conditions are upon the market & whipsaw action will punctuate long, long, long days of stagnation. The curve sensible curve trade held much of the session with the 2-10-yr yield spread clinging to the -12.5 area [Source - Yahoo! Finance]

Overnight

12/18 04:47 USIs: Treasuries are trading higher Monday, helped by light buying in thin trading conditions from Asian real money accounts. Prices were modestly higher from the getgo of Tokyo trade, despite the weaker JGB session. Traders noted that real money buying of the 10 and 30-year note in very thin trading conditions helped the curve flatten. The pattern continued into the London session, with the light Asian demand continuing, helped by light buying from end-investors in London. But with a lack of fresh news and a dearth of data later in the day, volumes remained subdued. [Source - MNI]

Today

Note, Empire State came out yesterday.

Econ Releases

Date	ET	Release	For	Briefing.com	Consensus	Prior
Dec 18	08:30	Current Account	Q3	-\$225.0B	-\$225.0B	-\$218.4
Dec 19	08:30	Housing Starts	Nov	1550K	1550K	1486K
Dec 19	08:30	Building Permits	Nov	1540K	1535K	1553K
Dec 19	08:30	PPI	Nov	1.2%	0.5%	-1.6%
Dec 19	08:30	Core PPI	Nov	0.2%	0.2%	-0.9%
Dec 20	10:30	Crude Inventories	12/15	NA	NA	-4295K
Dec 21	08:30	Chain Deflator-Final	Q3	1.8%	1.8%	1.8%
Dec 21	08:30	GDP-Final	Q3	2.2%	2.2%	2.2%
Dec 21	08:30	Initial Claims	12/16	315K	NA	304K
Dec 21	10:00	Leading Indicators	Nov	0.0%	0.0%	0.2%
Dec 21	12:00	Philadelphia Fed	Dec	3.0	6.0	5.1
Dec 22	08:30	Durable Orders	Nov	1.0%	1.2%	-8.2%
Dec 22	08:30	Personal Income	Nov	0.4%	0.4%	0.4%
Dec 22	08:30	Personal Spending	Nov	0.7%	0.3%	0.2%
Dec 22	10:00	Mich Sentiment-Rev.	Dec	90.2	90.7	90.2

[Source: DailyFX.com]

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

WLD: Dec 18 - OPEC Release Monthly Oil Market Report
 JPY: Dec 19 - BoJ Interest Rate Announcement and Release of Monthly Report
 JPY: Dec 19, 00:30/01:30/06:30 - BoJ's Fukui gives Press Conference after rate announcement.
 USD: Dec 19 at 12:00/1:00/18:00 - Fed's Lacker speaks on economy in Texas.
 EUR: Dec 20 at 02:00/03:00/08:00 - ECB President Trichet Speaks in European Parliament.
 GBP: Dec 20, 03:30/04:30/09:30 - BoE Release Minutes from Prior (7th Dec) Meeting Get Minutes
 EUR: Dec 21 at 06:30/07:30/13:30 - ECB Press Conference after Council meeting- Get Statement + Q&A
 USD: Dec 21 at 12:30/13:30/18:30 - Fed's Lacker speaks on economic outlook in North Carolina
 JPY: Dec 22 - BoJ Release minutes from prior (16th Nov) meeting Get Minutes.
 [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	15.68
10y	7.85
5y	4.38
3y	2.68
2y	1.84
ZB	9.90
ZN	5.89
ZF	3.96
ZT	1.89

DV01s (32nds)

30y	4.94
10y	2.53
5y	1.40
3y	0.86
2y	0.59
ZB	3.65
ZN	2.05
ZF	1.34
ZT	1.24

DV01s (\$s)

30y	\$1,542
10y	\$791
5y	\$438
3y	\$268
2y	\$184
ZB	\$114
ZN	\$64
ZF	\$42
ZT	\$39

Yield Curve Spreads

2/3	-10.50
3/5	-5.30
2/5	-15.80
5/10	2.60
2/10	-13.20
10/30	12.30
5/30	14.90
2/30	-0.90

Fly's

2/3/5	-5.20
2/5/10	-18.40
2/10/30	-25.50
5/10/30	-9.70

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		0.562	0.367	0.341
ZN	1.780		0.654	0.607
ZF	2.722	1.529		1.077
ZT	0.661	1.177	1.800	

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	3.84	6.94	13.53
ZN	2.87	4.19	6.84	12.35	24.08
ZF	4.39	6.40	10.46	18.88	36.82
ZT	4.73	6.90	11.26	20.34	39.67

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

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

Hedge Ratios: US Cash Treasuries / Eurodollar

	US Treasuries v US Treasuries				
	2y	3y	5y	10y	30y
2y		1.458	2.382	4.301	8.387
3y	0.686		1.633	2.950	5.753
5y	0.420	0.612		1.806	3.522
10y	0.233	0.339	0.554		1.950
30y	0.119	0.174	0.284	0.513	

Commitment of Traders (COT)

	Current Positions								
	Small Spec		Large Spec		Commercials (Hedgers)				
	Long	Short	Net	Long	Short	Net			
ZF	298,195	275,123	23,072	198,145	290,989	(92,844)	957,207	887,435	69,772
ZN	367,439	422,412	(54,973)	626,081	276,195	349,886	1,533,545	1,828,458	(294,913)
ZB	185,822	186,764	(942)	173,598	188,821	(15,223)	571,856	555,691	16,165

	WoW** Position Change			As of 12/12/2006
	Sml Spec Net	Lrg Spec Net	Comm Net	
ZF	(13,034)	(79,253)	92,286	
ZN	15,682	24,313	(39,996)	
ZB	(5,508)	7,258	(1,749)	

**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	99.2625	4.721
3y	4.625	11/15/09	100.0050	4.618
5y	4.500	11/30/11	99.2225	4.569
10y	4.625	11/15/16	100.070	4.597
30y	4.500	2/15/36	96.18	4.718

GHCO

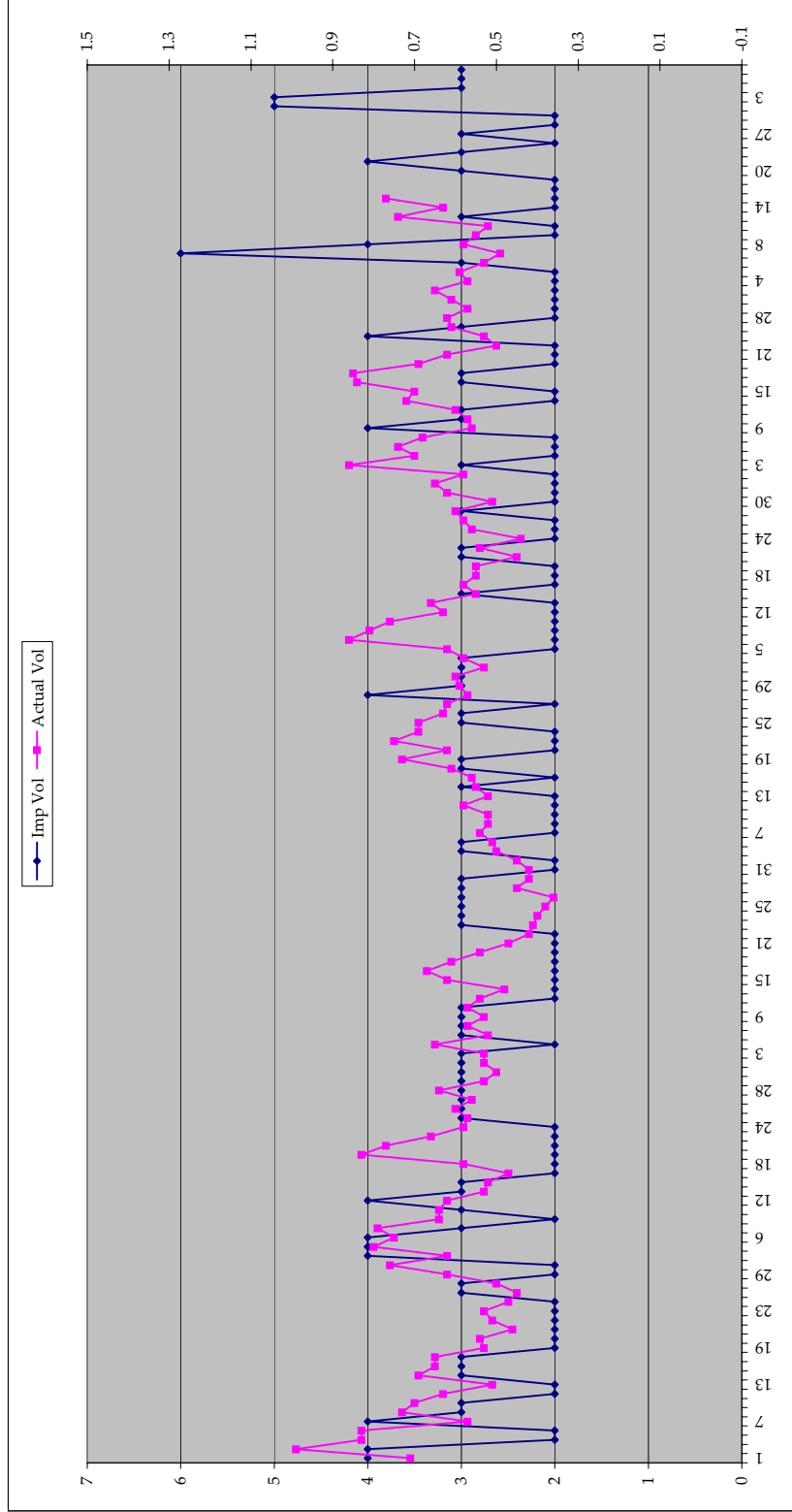
CF Basis*	Basis	32nds
5y	0.34	13.594
10y	1.66	51.207
30y	6.90	221.862
		ZF
		105.2050
		ZN
		108.1000
		ZB
		112.21

Curve Spreads bps

2/3	(0.103)
3/5	(0.049)
2/5	(0.152)
5/10	0.028
2/10	(0.124)
10/30	0.121
5/30	0.149
2/30	(0.003)

CF = Conversion Factor
Cash - (Futures * CF)

Implied Volatility (Daily)



Imp Vol Actual Vol

Begins Jun 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
of the 30yr T-Bond Futures.

Implied Volatility (3-Hour)

CDT Time	UT Time	EDT Time	12/17/2006	12/18/2006	12/19/2006
1900-2200	0000-0300	2000-2300	2	2	2
2200-0100	0300-0600	2300-0200	2	2	2
0100-0400	0600-0900	0200-0500	1	2	2
0400-0700	0900-1200	0500-0800	1	1	2
0700-1000	1200-1500	0800-1100	1	2	2
1000-1300	1500-1800	1100-1400	1	0	1
1300-1600	1800-2100	1400-1700	1	0	1
1600-1900	2100-0000	1700-2000	1	1	2

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
 1,2 = very slow
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