

The Morning Email: Treasuries

Rotate Me

Table of Contents

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

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	99.2575	99.0600	108.1650	112.2800	12/19/2006
PPI Low	99.1775	98.2350	108.0200	112.0700	12/19/2006
CPI High	100.0425	100.3000	109.0000	113.2400	12/15/2006
CPI Low	99.2000	100.0400	108.0850	112.1700	12/15/2006

*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	102.087	1.0	102.095	102.082	102.082	5,549	2y Futures	
FVAH7	105.220	1.5	105.235	105.205	105.210	24,199	5y Futures	
TYAH7	108.130	2.5	108.150	108.110	108.110	69,741	10y Futures	
USAH7	112.230	4	112.250	112.190	112.190	13,285	30y Futures	
BUS02P								
	99.270	0.2	99.275	99.267	99.267	na	2y	
BUS05P	99.240	0.7	99.257	99.232	99.232	na	5y	
BUS10P	100.100	1.5	100.120	100.080	100.085	na	10y	
BUS30P	96.195	2	96.235	96.170	96.190	na	30y	
BUS02Y								
	4.705	(0.40)	4.731	4.688	4.731	na	2y Yield	
BUS05Y	4.555	(0.20)	4.571	4.541	4.568	na	5y Yield	
BUS10Y	4.583	(0.40)	4.601	4.573	4.591	na	10y Yield	
BUS30Y	4.714	(0.30)	4.725	4.706	4.719	na	30y Yield	

Source: CQG

Yesterday

12/19 15:01 US CDS: Credit default swaps indexes were steady to unchanged.

12/19 15:03 US Swaps: Swap spreads finished the session wider across the board on very light two way flow in a directional move with higher Tsy ylds in 5s to 30s..The 2s/5s swap yld curve remains inverted, -8.3, while the 2s/10s remained slightly off inversion, at +1.5 on the bell.

12/19 15:08 Eurodirl Futures: settled steady to lower in the intermediate to long sector on moderate volume, the curve Expanding.

12/19 15:10 US AGENCIES: Mostly quiet flows with little action noted by dealers. Some mention of foreign central bank buyers and or lookers in the 10-year range.

12/19 15:12 US Tsy Futures: At the session close, Tsy futures finished lower to steady in the front end.

12/19 15:17 US TSY/RECAP: Tsy slid Tue on 2% Nov PPI/1.3% PPI core but bounced off low. PPI spurred bank intermediates selling but dip met lvrgd buying in intermediates, macro accts short-covering across curve, prop accts bought 10s, cover shorts. Mkt suspected Asian buyers would come to buy cash 10s on rise above 4.60% in yld. Asia bought: scattered Far Eastern buying in Tsy today, followed Far East central bank buying in 2Y, 5s overnight; also SE Asian buying in Tsy NY morn...Some cited fund mgr buying MBS vs Tsy selling before PPI...Dallas Fed Fisher: Risk unacceptably high inflatn outweighs growth risk. [Source - MNI]

Overnight

12/20 05:44 UST SUMMARY: U.S. Treasuries are trading flat on Wednesday, in 2-way flow, albeit in thin volume session. USTs inched higher in Tokyo session on bargain-hunting following fall the previous session after release of much stronger than expected US Nov PPI and housing starts data. Prices were supported by strong gains in JGBs overnight, which were underpinned by news that Japan is to slash new debt issues by Y4.54 tln, the deepest ever year-over-year cut, to Y25.43 tln (\$217.3bln) in fiscal 2007. Markets also saw lack of safe-haven trade unwinds after Thailand announced a dramatic u-turn in policy and reversed restrictions on foreign stock purchases. The Thai stock market closed up 10.6% after the 14.8% fall the previous session. USTs also shrugged off hawkish comments from Fed's Fisher said monetary policymakers may have to start talking about more rate hikes. Prices tried to push higher in the London session, on back of squeeze in EGBs but this was reversed as ECB President sounded hawkish tones, and European stocks push higher. [Source - MNI]

Today

Econ Releases

Date	ET	Release	For	Briefing.com	Consensus	Prior
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)

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 07:30/08:30/13:30 - 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	7.84
5y	4.37
3y	2.67
2y	1.83
ZB	9.89
ZN	5.88
ZF	3.95
ZT	1.89

DV01s (32nds)

30y	4.93
10y	2.53
5y	1.40
3y	0.86
2y	0.59
ZB	3.64
ZN	2.05
ZF	1.34
ZT	1.24

DV01s (\$s)

30y	\$1,539
10y	\$790
5y	\$438
3y	\$268
2y	\$183
ZB	\$114
ZN	\$64
ZF	\$42
ZT	\$39

Yield Curve Spreads

2/3	-10.10
3/5	-4.90
2/5	-15.00
5/10	2.80
2/10	-12.20
10/30	13.10
5/30	15.90
2/30	0.90

Fly's

2/3/5	-5.20
2/5/10	-17.80
2/10/30	-25.30
5/10/30	-10.30

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 (H)	1.000	1.800	2.800	3.000
Bobl (H)	0.550	0.970	1.500	1.600
Schatz (H)	0.200	0.400	0.600	0.660

Eurex Hedge Ratio's source: Bloomberg

Number
of
contracts
LONG

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		0.562	0.368	0.341
ZN	1.780		0.654	0.606
ZF	2.721	1.529		1.079
ZT	0.661	1.176	1.798	

Month Codes:

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	13.52
ZN	2.87	4.18	6.84	12.36	24.07
ZF	4.38	6.39	10.46	18.89	36.79
ZT	4.73	6.90	11.28	20.38	39.69

US Treasuries v Eurex Bonds Hedge Ratios

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

Eurex Hedge Ratio's source: Bloomberg

Eurex Hedge Ratios

	Bund (H)	Bobl (H)	Shatz (H)
Bund (H)		1.900	4.600
Bobl (H)	0.530		2.500
Shatz (H)	0.220	0.400	

Eurex Hedge Ratio's source: Bloomberg

Month Codes:

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	2.385	4.309	8.391	
3y	0.686		1.635	2.954	5.754	
5y	0.419	0.611		1.806	3.518	
10y	0.232	0.338	0.554		1.948	
30y	0.119	0.174	0.284	0.513		

Commitment of Traders (COT)

	Current Positions									
	Small Spec			Large Spec			Commercials (Hedgers)			Net
	Long	Short	Net	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	ZF
ZN	367,439	422,412	(54,973)	626,081	276,195	349,886	1,533,545	1,828,458	(294,913)	ZN
ZB	185,822	186,764	(942)	173,598	188,821	(15,223)	571,856	555,691	16,165	ZB

	WoW** Position Change			As of 12/12/2006
	Sml Spec		Comm	
	Net	Lrg Spec	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	99.2650	4.717
3y	4.625	11/15/09	100.0025	4.621
5y	4.500	11/30/11	99.2250	4.567
10y	4.625	11/15/16	100.065	4.599
30y	4.500	2/15/36	96.14	4.727

GHCO

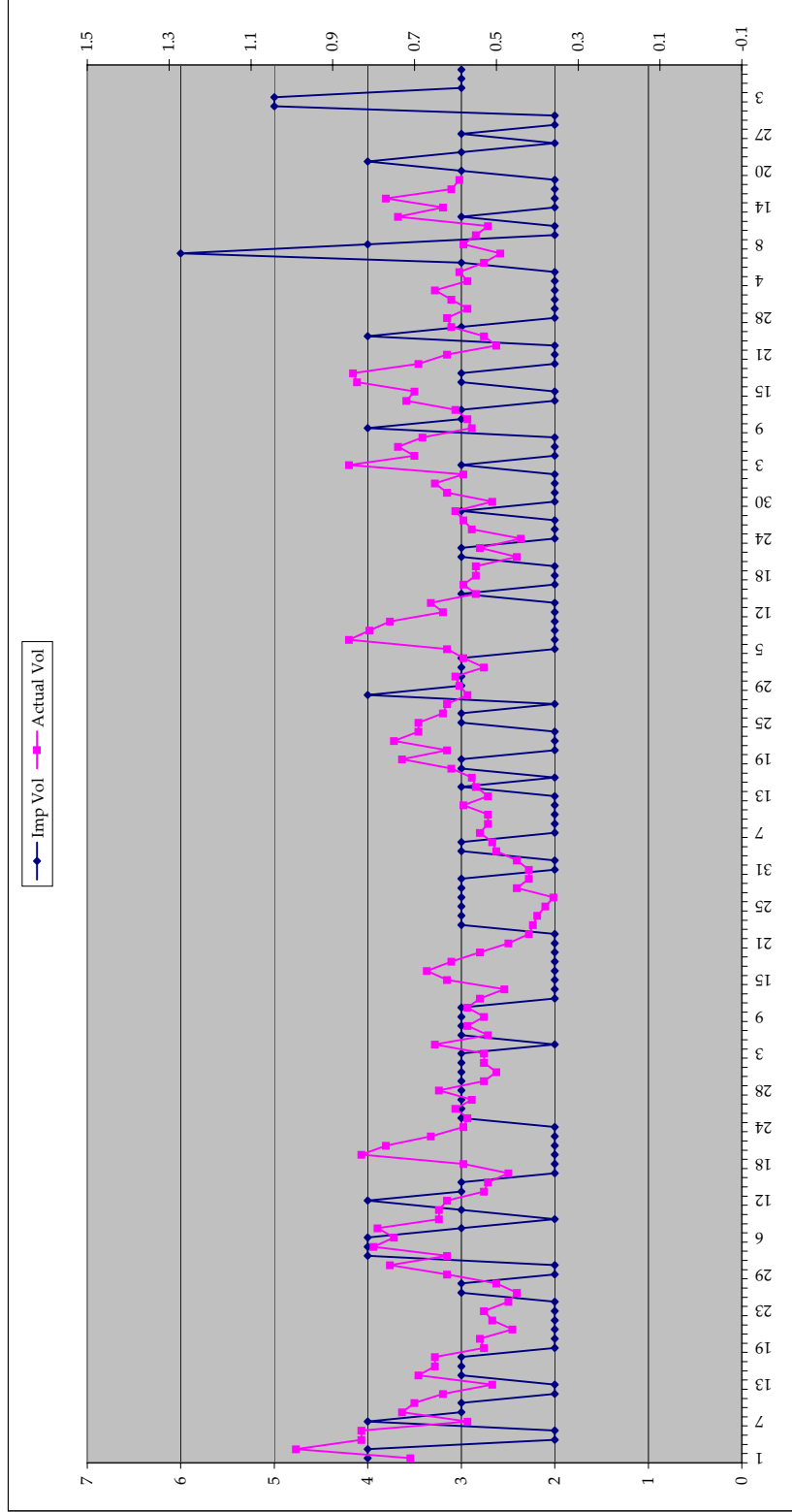
CF Basis*	Basis	32nds
5y	0.34	14.314
10y	1.66	50.707
30y	6.89	219.749
		ZF 105.2000
		ZN 108.1000
		ZB 112.18

Curve Spreads bps

2/3	(0.096)
3/5	(0.054)
2/5	(0.150)
5/10	0.032
2/10	(0.118)
10/30	0.128
5/30	0.160
2/30	0.010

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	12/20/2006	12/21/2006	12/22/2006
1900-2200	0000-0300	2000-2300	3	4	4
2200-0100	0300-0600	2300-0200	3	4	3
0100-0400	0600-0900	0200-0500	3	4	3
0400-0700	0900-1200	0500-0800	2	2	2
0700-1000	1200-1500	0800-1100	2	2	2
1000-1300	1500-1800	1100-1400	2	2	2
1300-1600	1800-2100	1400-1700	2	2	2
1600-1900	2100-0000	1700-2000	1	2	2

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
 1,2 = very slow
 3 = moderate
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