

The Morning Email: Treasuries

Rotate Me

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Want something added?

Let me know: jgoulding@ghco.com

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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

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				
TUAH7	102.082	0.0	102.087	102.077	102.082	6,626			SYM NAME	
FVAH7	105.215	0.5	105.220	105.195	105.205	21,394			2y Futures	
TYAH7	108.125	2.5	108.130	108.095	108.100	49,848			5y Futures	
USAH7	112.210	3	112.230	112.160	112.180	11,002			10y Futures	
									30y Futures	
BUS02P	99.265	0.5	99.270	99.265	99.267	na			SYM NAME	
BUS05P	99.240	1.5	99.242	99.225	99.232	na			2y	
BUS10P	100.095	2.5	100.100	100.065	100.075	na			5y	
BUS30P	96.165	4	96.190	96.125	96.150	na			10y	
									30y	
BUS02Y	4.709	0.00	4.731	4.701	4.731	na			SYM NAME	
BUS05Y	4.555	(0.90)	4.571	4.551	4.568	na			2y Yield	
BUS10Y	4.585	(1.00)	4.601	4.581	4.599	na			5y Yield	
BUS30Y	4.719	(0.70)	4.734	4.714	4.729	na			10y Yield	
									30y Yield	

Source: CQG

Yesterday

12/20 14:18 **US AGENCIES:** "Not much to report," said a trader. "More talk of foreign interest in the 10-year area but we haven't seen any follow through in NY hours and screen trading does not lead me to believe much happened. Some pressure in 2-years, maybe back half a bp. Freddie Mac announcement? Basically as expected. No surprises. Nothing that affected spreads. What can I say. Kinda boring."

12/20 14:33 **US TSYS/ASIA:** Traders eye the cash Treasuries market and Asia's bid for Tsys and noted that when the 10-year yield goes just above the 4.60 level, that Asian buyers surface to buy cash 10-years. "I have heard it is 4.60%," said one veteran trader. "But, I think 4.62% is really the level" where Asian buying surfaces. And another trader said he felt "most" of the Asian buyers "are interested in the 4.55%-4.65% range" on cash 10-years and "become better buyers at 4.65%, but it can't get there." There was an Asian central bank selling 5Y, 10Ys early Wed in NY, while there also was Asian buying in intermediates today.

12/20 15:20 **US TSYS/RECAP:** Tsys basically held mainly steady Wed. amid light two-way flows in holiday-thin trading...early on around NY opening, some Asian central bank selling in US 5Y, 10Y notes. Later on, ... other parties selling US Tsys/buy German Bunds, which followed European time zone trades of sell Bunds/Buy Tsys; but then...bargain-hunting in US Tsys at the lows. (Bunds now have been down 11 days in row. That 11-day decline is only the 2nd time since 1999; last witnessed on Feb 2005. Next big news for Bunds occurs Thu as will start German states' CPI reports.)

12/20 15:08 **Swaps:** Spreads are steady to a touch wider with the front-end outperforming. The 2Y is marked steady at a midpoint of 35.75bps while the 5Y is wider by 0.25bps to a midpoint of 42.75bps. The 10Y is marked 0.25bps wider at 49.25bps while the 30Y is out by 0.25bps to a midpoint of 51.25bps, according to GovPx.

[Source - MNI]

Overnight

12/21 04:53 **USTs:** Long-dated US Treasuries are outperforming on duration extension buying from Asian real money accounts. Attention today turns to announcement from the US Treasury on the size of the new 2 & 5-year Note, which are due to be sold on December 27 and December 28 respectively. Strategists expect \$20.0bln in 2's and \$14.0bln in 5's
[Source - MNI]

Today

Econ Releases

Date	ET	Release	For	Briefing.com	Consensus	Prior
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 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

	#VALUE!
30y	7.84
10y	4.37
5y	2.67
3y	1.83
2y	9.88
ZB	5.88
ZN	3.95
ZF	1.89
ZT	

DV01s (32nds)

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

DV01s (\$s)

	#VALUE!
30y	\$790
10y	\$437
5y	\$267
3y	\$183
2y	\$114
ZB	\$64
ZN	\$42
ZF	\$39
ZT	

Yield Curve Spreads

2/3	-9.70
3/5	-5.70
2/5	-15.40
5/10	3.00
2/10	-12.40
10/30	13.40
5/30	16.40
2/30	1.00

Fly's

2/3/5	-4.00
2/5/10	-18.40
2/10/30	-25.80
5/10/30	-10.40

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

Number
of
contracts
LONG

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		0.562	0.368	0.341
ZN	1.779		0.654	0.606
ZF	2.719	1.529		1.080
ZT	0.661	1.175	1.796	

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	3.85	6.95	#VALUE!
ZN	2.87	4.18	6.84	12.36	#VALUE!
ZF	4.38	6.39	10.46	18.89	#VALUE!
ZT	4.73	6.90	11.29	20.39	#VALUE!

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		1.459	2.387	4.312	#VALUE!
3y	0.686		1.637	2.956	#VALUE!
5y	0.419	0.611		1.806	#VALUE!
10y	0.232	0.338	0.554		#VALUE!
30y	#VALUE!	#VALUE!	#VALUE!	#VALUE!	

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		Lrg Spec			Comm
	Net	Net	Net	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	99.2275	4.565
10y	4.625	11/15/16	100.075	4.595
30y	4.500	2/15/36	96.15	4.725

GHCO

CF Basis*	Basis	32nds
5y	0.34	14.094
10y	1.66	50.797
30y	6.89	219.953
		ZF
		105.2050
		ZN
		108.1100
		ZB
		112.19

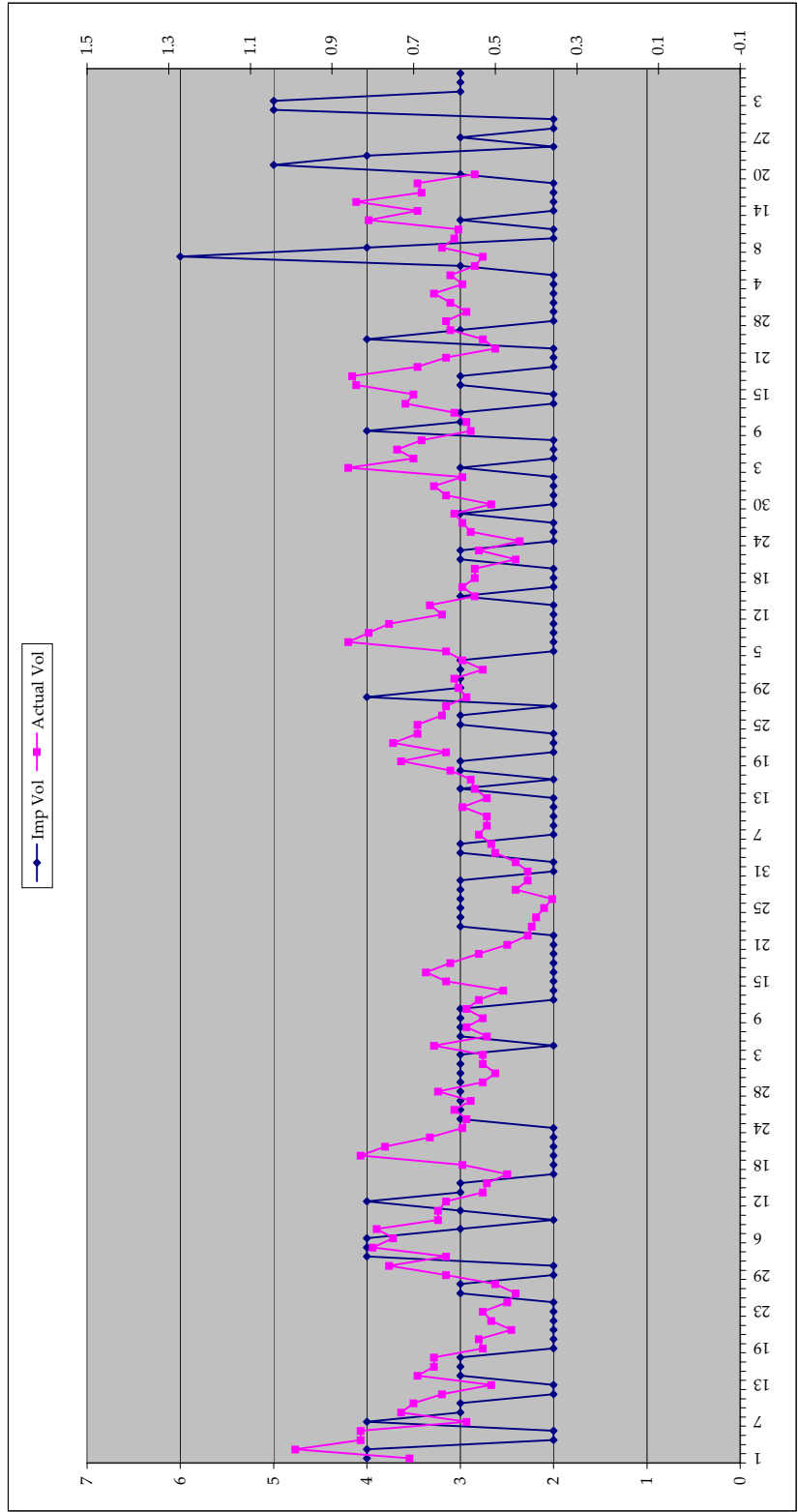
Curve Spreads bps

2/3	(0.096)
3/5	(0.056)
2/5	(0.152)
5/10	0.030
2/10	(0.122)
10/30	0.130
5/30	0.160
2/30	0.008

CF = Conversion Factor
Cash - (Futures * CF)

Implied Volatility (Daily)

Fig 9



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	12/21/2006	12/22/2006	1/0/1900
1900-2200	0000-0300	2000-2300	4	4	0
2200-0100	0300-0600	2300-0200	4	3	0
0100-0400	0600-0900	0200-0500	3	3	0
0400-0700	0900-1200	0500-0800	3	2	0
0700-1000	1200-1500	0800-1100	2	2	0
1000-1300	1500-1800	1100-1400	3	2	0
1300-1600	1800-2100	1400-1700	2	2	0
1600-1900	2100-0000	1700-2000	2	2	0

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9

1,2 = very slow

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6-9 = very volatile