

## 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)

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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.

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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	102.072	0.0	102.077	102.070	102.075	1,230	2y Futures	
FVAH7	105.180	(1.0)	105.195	105.180	105.190	5,654	5y Futures	
TYAH7	108.075	(0.5)	108.095	108.070	108.085	35,844	10y Futures	
USAH7	112.140	(2)	112.180	112.120	112.170	3,545	30y Futures	
BUS02P	99.262	(0.2)	99.270	99.262	99.267	na	2y	
BUS05P	#VALUE!	(1.0)	99.215	99.202	99.210	na	5y	
BUS10P	100.040	(2.5)	100.075	100.040	100.060	na	10y	
BUS30P	96.075	(2)	96.115	96.080	96.115	na	30y	
BUS02Y	4.718	0.80	4.731	4.637	4.671	na	2y Yield	
BUS05Y	4.580	0.30	4.587	4.505	4.519	na	5y Yield	
BUS10Y	4.605	0.80	4.61	4.547	4.555	na	10y Yield	
BUS30Y	4.736	1.00	4.743	4.689	4.694	na	30y Yield	

Source: CQG

## Yesterday

**12/26 15:14 US Tsy Futures:** Prices end better across the curve on very light volume and off Friday's lowest levels in 5-weeks.

**12/26 15:05 US TSYs:** 2/5Y curve at -13.8 bps vs. -13.1 bps. 2/10Y curve at -11.5 bps vs. -10.0 bps. 2/30Y curve at vs. +1.5 vs. +4.1 bps. The market has held in a very tight range in light volume and prices are back to the lower end... Overnight extremely quiet due to Boxing Day in London. Volume picked up early as traders returning from vacation bought the higher yields that materialized Friday. Some selling into strength seen when 10s get below 4.60% in yield. Buying from Asia on dips. Also helping the market stay supported in ongoing special in 10s in repo (last 1.25%). Richmond and Dallas Fed Indices were not market moving.

**12/26 15:12 Swaps:** Swaps have widened marginally off their earlier tightness with the 2Y steady at a midpoint of 36.25bps while the 5Y is tighter by 0.25bps at a midpoint of 42.00bps. The 10Y and 30Y are steady at midpoints of 49.00 bps and 50.50 bps, respectively, according to GovPx.

**12/26 15:14 US AGENCIES:** "A quiet day as days go and as days go, it went." [Source - MNI]

## Overnight

**12/27 04:11 USTs:** Attention this week in US Treasuries is on supply, with a new 2 & 5-year Note's due to be sold on Wednesday and Thursday for \$20.0bln and \$13.0bln, respectively. The 5-year Note sale came in around \$1.0bln less than expected, and is lowest amount to be sold since January 2006. The 2-year Note was last sold on Nov 28 also for \$20.0bln and was then covered 3.02 times vs 2.91 cover ratio at previous auction on October 24. Indirect bidders took down 56% or \$10.70 billion -- the largest percentage since the 60.2% indirect bid in the July 2004 2-year note sale. The direct bid got 1.9% and dealers took 42.1%. The risk is on further price concession ahead of the auctions, with diminished liquidity perhaps posing the biggest problem. [Source - MNI]

## Today

### Econ Releases

Date	ET	Release	For	Briefing.com	Consensus	Prior
Dec 27	10:00	<a href="#">New Home Sales</a>	Nov	1020K	1015K	1004K
Dec 27	10:30	Crude Inventories	12/22	NA	NA	-6323K
Dec 28	08:30	<a href="#">Initial Claims</a>	12/23	315K	323K	315K
Dec 28	10:00	<a href="#">Consumer Confidence</a>	Dec	102.5	101.8	102.9
Dec 28	10:00	Existing Home Sales	Nov	6,20M	6.15M	6.24M
Dec 29	10:00	<a href="#">Chicago PMI</a>	Dec	52.0	51.0	49.9
Dec 29	10:00	Help-Wanted Index	Nov	30	30	30

[Source: DailyFX.com]

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

None scheduled this week.

[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	15.60
10y	7.82
5y	4.36
3y	2.66
2y	1.81
ZB	9.87
ZN	5.86
ZF	3.93
ZT	1.87

DV01s (32nds)	
30y	4.89
10y	2.52
5y	1.39
3y	0.85
2y	0.58
ZB	3.64
ZN	2.04
ZF	1.33
ZT	1.23

DV01s (\$s)	
30y	\$1,528
10y	\$787
5y	\$435
3y	\$265
2y	\$182
ZB	\$114
ZN	\$64
ZF	\$42
ZT	\$38

**Yield Curve Spreads**

2/3	-9.10
3/5	-4.70
2/5	-13.80
5/10	2.50
2/10	-11.30
10/30	13.10
5/30	15.60
2/30	1.80

**Fly's**

2/3/5	-4.40
2/5/10	-16.30
2/10/30	-24.40
5/10/30	-10.60

**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		0.561	0.367	0.338
ZN	1.782		0.653	0.602
ZF	2.728	1.531		1.084
ZT	0.656	1.169	1.789	

**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	1.60	2.34	3.83	6.93	13.45
ZN	2.85	4.16	6.83	12.35	23.96
ZF	4.36	6.38	10.46	18.91	36.69
ZT	4.73	6.91	11.34	20.50	39.77

## 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		1.461	2.397	4.334	8.409
3y	0.684		1.640	2.965	5.754
5y	0.417	0.610		1.808	3.509
10y	0.231	0.337	0.553		1.941
30y	0.119	0.174	0.285	0.515	

Commitment of Traders (COT)

	Current Positions									
	Small Spec			Large Spec			Commercials (Hedgers)			Net
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	264,216	270,590	(6,374)	178,688	264,004	(85,316)	970,667	878,978	91,689	ZF
ZN	306,265	393,967	(87,702)	590,207	294,707	295,500	1,644,638	1,852,435	(207,797)	ZN
ZB	164,170	171,170	(7,000)	126,076	185,512	(59,436)	591,695	525,258	66,437	ZB

	WoW** Position Change				As of 12/19/2006	
	Sml Spec		Lrg Spec			Comm
	Net	Net	Net	Net		
ZF	(29,446)	7,528	21,917	87,116		
ZN	(32,729)	(54,386)	87,116	50,272		
ZB	(6,058)	(44,213)	50,272			

\*\*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	99.2675	4.713
3y	4.625	11/15/09	100.0000	4.623
5y	4.500	11/30/11	99.2100	4.578
10y	4.625	11/15/16	100.060	4.601
30y	4.500	2/15/36	96.11	4.732

## GHCO

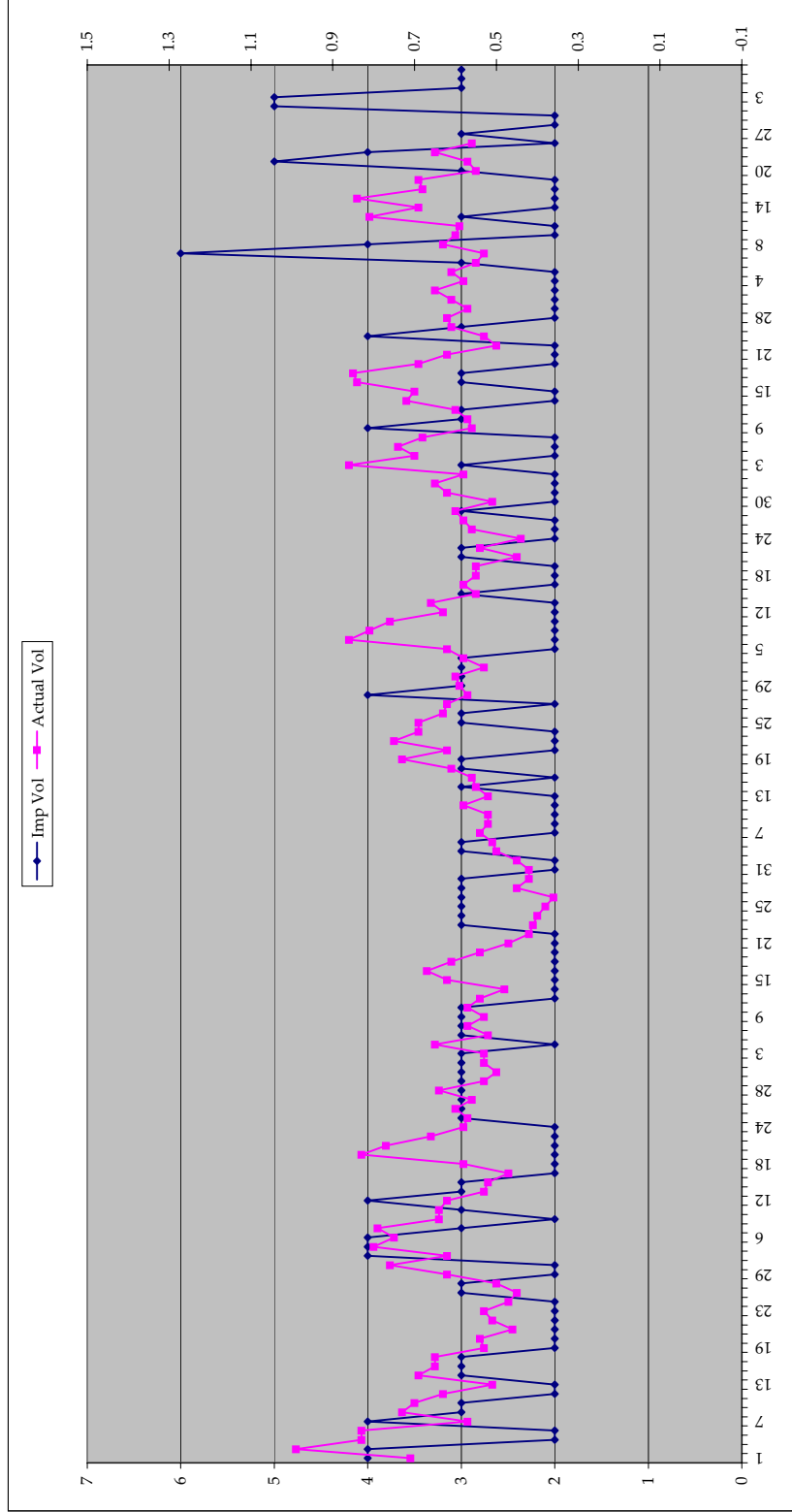
CF Basis*	Basis	32nds
5y	0.34	13.754
10y	1.66	51.118
30y	6.89	218.840
		ZF
		105.1900
		ZN
		108.0900
		ZB
		112.16

## Curve Spreads bps

2/3	(0.090)
3/5	(0.045)
2/5	(0.135)
5/10	0.023
2/10	(0.112)
10/30	0.131
5/30	0.154
2/30	0.019

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	12/27/2006	12/28/2006	12/29/2006
1900-2200	0000-0300	2000-2300	4	2	2
2200-0100	0300-0600	2300-0200	3	2	2
0100-0400	0600-0900	0200-0500	3	2	2
0400-0700	0900-1200	0500-0800	2	1	1
0700-1000	1200-1500	0800-1100	2	1	2
1000-1300	1500-1800	1100-1400	2	1	1
1300-1600	1800-2100	1400-1700	2	1	1
1600-1900	2100-0000	1700-2000	2	1	1

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9  
 1,2 = very slow  
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