

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.

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Important Econ Releases Highs & Lows

	5y*	10y*	ZN	ZB	Date
Non-farm High	100.2000	102.1200	108.2050	113.0000	10/6/2006
Non-farm Low	99.2800	101.1100	107.1850	111.1500	10/6/2006
FOMC High	99.1600	100.2800	107.0550	110.2700	10/25/2006
FOMC Low	99.0800	100.1500	106.2550	110.0500	10/25/2006
PPI High	99.2350	101.0450	17.1400	111.0600	10/17/2006
PPI Low	99.1400	100.2200	106.3150	110.1500	10/17/2006
CPI High	99.1850	100.3000	107.0750	110.3100	10/18/2006
CPI Low	99.1150	100.1950	106.2950	110.1400	10/18/2006

*Adjusted for New Issue

Prices are recorded from econ release to 2pm CDT

Quotes

		32 nds						
	ls	net	high	low	open	Volume	SYM NAME	
TUAZ6	102.062	0.00	102.070	102.052	102.070	12,533	2y Futures	
FVAZ6	105.180	0.00	105.185	105.150	105.180	76,675	5y Futures	
TYAZ6	108.075	0.00	108.075	108.035	108.070	95,089	10y Futures	
USAZ6	112.240	3	112.240	112.170	112.220	29,978	30y Futures	
BUS02P								
	100.105	(0.2)	100.107	100.097	100.107	na	2y	
T.US:B045P1011								
	100.077	(1.2)	100.082	100.050	100.080	na	5y	
BUS10P								
	102.030	(0.5)	102.035	101.315	102.030	na	10y	
BUS30P								
	96.190	0	96.185	96.115	96.150	na	30y	
BUS02Y								
	4.696	1.20	4.721	4.676	4.713	na	2y Yield	
BUS05Y								
	4.568	0.70	4.59	4.554	4.574	na	5y Yield	
BUS10Y								
	4.604	0.40	4.624	4.598	4.608	na	10y Yield	
BUS30Y								
	4.714	0.10	4.733	4.713	4.72	na	30y Yield	

Yesterday

From RBS' morning email, yesterday:

- BoJ leaves rates unchanged, 0.25%. No sense of Dec rate hike, no sense of concern with carry trades, no concern with US slowdown. Household sector weaker, corporate side stronger vs. BoJ expectations. John Richards, our Japan strategist, read a more HAWKISH note into the details, however. Upped ante to hike as early as Feb.

Source: [Yahoo!](#), [Briefing.com](#)

3:16 pm - Treasuries Scare-up a Rally: The market busted out to new highs late in the session as players got long on data & month-end buying helped add some oomph. The rally was fairly contained, churning higher without being too scary of a ride. The market may be getting ahead of itself here, **with a shake out likely before Fri & the monster of economic data**, non-farm payrolls, sitting just around the corner. The data due in advance of the jobs will carry some weight, although it will require more than a minor miss to the downside to crank prices significantly higher. Treasury will also announce the refunding amounts tomorrow, boo. The 1-2-punch that bounced prices today will need to get substantial assist for further gains. The curve saw the **2-10-yr yield spread ground around in a range to end at -9.2**. The buck was given a ride lower with the dollar index well-down at \$5.30 (-0.29) though off its session's low of 85.21. Spot gold is up at 606.50 (+2.40) while crude oil is now up at 58.57 (+0.21) after getting a bounce late in the session from lows of 57.05. Tomorrow brings **construction spending & ISM manufacturing** while Treasury will announce quarterly 10- & 3-yr note auctions. The Fed has chief Bernanke at 13:00 talking on community development.

Overnight

[\[external\] JGBs mixed, curve flattens on BOJ rate worry](#) - at Reuters - Wed 2:03 am ET
Japanese government bonds were mixed on Wednesday as worries that the Bank of Japan could raise interest rates by March weighed on shorter maturities while expectations of a mild economic recovery spurred buying of longer-dated bonds.

[\[external\] JGB futures up on Treasuries, Fukui comments weigh](#) - at Reuters - Tue 10:06 pm ET
Japanese government bond futures hit a one-month high on Wednesday following a surge in U.S. Treasuries the previous day and as the Nikkei share average fell to a one-month low.

Source: [Yahoo!](#), [Briefing.com](#)

Other Sources: Reuters, MNI, Dow Jones, Bloomberg,

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.71
10y	7.66
5y	4.42
3y	2.55
2y	1.88
ZB	9.99
ZN	5.77
ZF	3.86
ZT	1.80

DV01s (32nds)	
30y	4.90
10y	2.53
5y	1.44
3y	0.82
2y	0.60
ZB	3.65
ZN	2.02
ZF	1.31
ZT	1.18

DV01s (\$s)	
30y	\$1,532
10y	\$790
5y	\$451
3y	\$257
2y	\$189
ZB	\$114
ZN	\$63
ZF	\$41
ZT	\$37

Yield Curve Spreads

2/3	-7.70
3/5	-5.10
2/5	-12.80
5/10	3.60
2/10	-9.20
10/30	11.00
5/30	14.60
2/30	1.80

Fly's

2/3/5	-2.60
2/5/10	-16.40
2/10/30	-20.20
5/10/30	-7.40

CFs

ZB	0.7943
ZN	0.9178
ZF	0.9430
ZT	0.9528

*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)	0.530	0.940	1.400	1.500
Schatz (Z)	0.230	0.410	0.620	0.680

Number
of
contracts
LONG

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		1.809	2.779	3.090
ZN	0.553		1.536	1.708
ZF	0.360	0.651		1.126
ZT	0.647	1.171	1.799	

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

Hedge Ratios: US Treasury Cash / Eurex Bund, Bobl, Schatz

US Treasuries v US Financial Futures Hedge Ratios

	2y	3y	5y	10y	30y
ZB	1.65	2.25	3.95	6.93	13.44
ZN	2.99	4.08	7.15	12.53	24.30
ZF	4.60	6.26	10.99	19.25	37.34
ZT	4.89	6.96	12.22	21.40	41.51

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
Schatz (Z)	7.1	10.4	16.7	30.0	56.1

Eurex Hedge Ratio's source: Bloomberg

Eurex Hedge Ratios

	Bund (Z)	Bobl (Z)	Schatz (Z)
Bund (Z)		1.880	4.800
Bobl (Z)	0.532		2.484
Schatz (Z)	0.214	0.403	

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		1.425	2.500	4.378	8.495	
3y	0.734		1.755	3.074	5.963	
5y	0.418	0.570		1.751	3.398	
10y	0.239	0.325	0.571		1.940	
30y	0.123	0.168	0.294	0.515		

Commitment of Traders (COT)

Maximum and Minimum Positions*											
Small Spec			Large Spec			Commercials					
Max	Date	Min	Date	Max	Date	Min	Date	Max	Date	Min	Date
ZF											
ZN											
ZB											

Current Positions											
Small Spec			Large Spec			Commercials (Hedgers)					
Long	Short	Net	Long	Short	Net	Long	Short	Net			
ZF	249,962	283,905	(33,943)	162,014	188,621	(26,607)	1,066,819	1,006,270	60,549	ZF	
ZN	317,106	424,667	(107,561)	750,450	335,684	414,766	1,731,622	2,038,825	(307,203)	ZN	
ZB	154,908	184,274	(29,366)	72,362	162,814	(90,452)	580,124	460,306	119,818	ZB	

WoW** Position Change			
Sml Spec	Lrg Spec	Comm	As of
Net	Net	Net	10/24/2006
ZF	(31,927)	(30,535)	62,461
ZN	(15,176)	(30,321)	45,499
ZB	(7,929)	(34,058)	41,986

*Minimum and Maximum Positions go back to 07/05/2005
 **WoW = Week over week

2 PM CDT Closes: US Treasuries, US Financial Futures, YC Spreads, Basis

	Cpn	Mty	32nds	Yield
2y	4.875	10/30/08	100.1050	4.701
3y	4.875	8/15/09	100.2075	4.622
5y	4.625	10/31/11	100.0800	4.568
10y	4.875	8/15/16	102.030	4.601
30y	4.500	2/15/36	96.18	4.718

GHCO

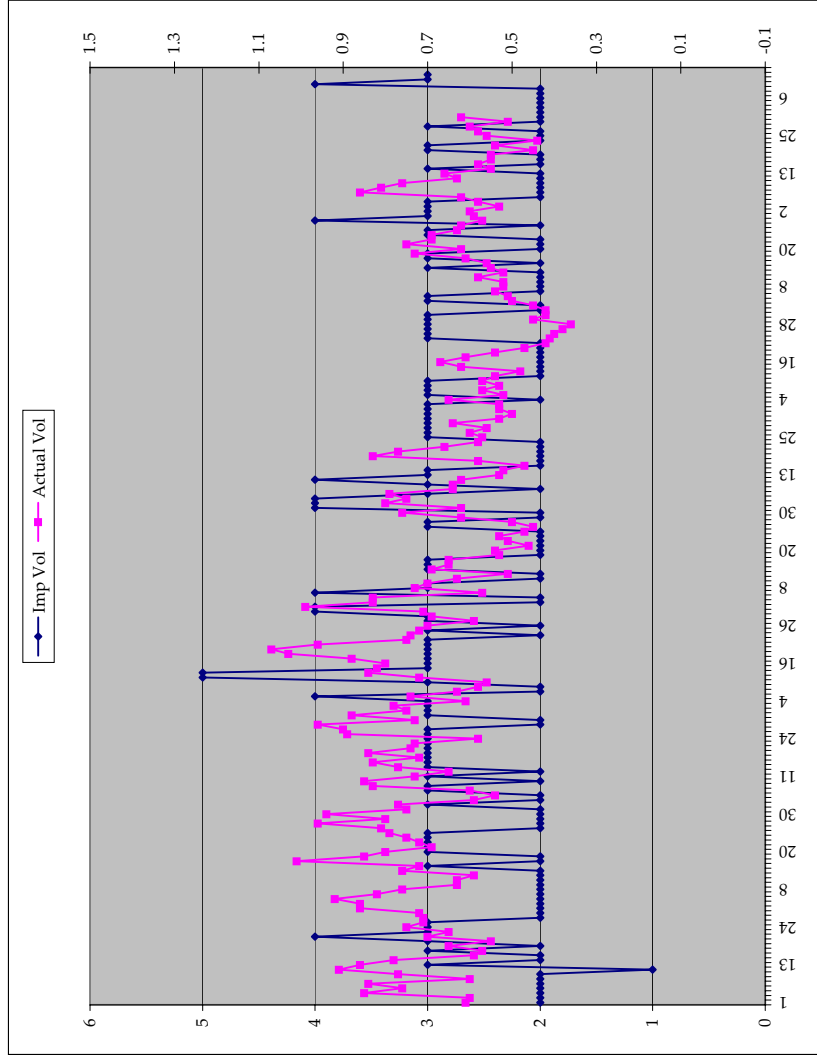
	CF Basis* Basis	32nds
5y	0.21	13.290
10y	2.85	83.578
30y	7.04	222.730
		ZF
		ZN
		ZB

Curve Spreads bps

2/3	(0.079)
3/5	(0.054)
2/5	(0.133)
5/10	0.033
2/10	(0.100)
10/30	0.117
5/30	0.150
2/30	0.017

CF = Conversion Factor
Cash - (Futures * CF)

Implied Volatility (Daily)



Begins Feb 1. 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	11/1/2007	11/2/2007	11/3/2007
1900-2200	0000-0300	2000-2300	1	1	2
2200-0100	0300-0600	2300-0200	1	1	2
0100-0400	0600-0900	0200-0500	1	1	2
0400-0700	0900-1200	0500-0800	1	1	1
0700-1000	1200-1500	0800-1100	1	1	1
1000-1300	1500-1800	1100-1400	0	0	1
1300-1600	1800-2100	1400-1700	0	0	1
1600-1900	2100-0000	1700-2000	1	1	2

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
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