

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*	ZN	ZB	Date
Non-farm High	100.0075	102.0700	108.1600	113.0000	11/3/2006
Non-farm Low	99.2175	101.0500	107.1250	111.1300	11/3/2006
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	102.042	1.00	102.050	102.030	102.032	9,336	2y Futures		
FVAZ6	105.165	3.00	105.185	105.135	105.145	43,748	5y Futures		
TYAZ6	108.050	3.00	108.080	108.015	108.030	98,794	10y Futures		
USAZ6	112.230	5	112.270	112.160	112.180	21,289	30y Futures		
T. US: B045P1011									
BUS02P	100.085	1.0	100.090	100.075	100.077	na	2y		
BUS10P	100.062	1.7	100.077	100.035	100.035	na	5y		
BUS10P	100.050	(124.5)	100.080	100.010	100.010	na	10y		
BUS30P	96.180	6	96.210	96.105	96.105	na	30y		
T. US: B045Y1011									
BUS02Y	4.727	(1.30)	4.764	4.714	4.764	na	2y Yield		
BUS05Y	4.578	(1.10)	4.605	4.568	4.605	na	5y Yield		
BUS10Y	4.603	(2.20)	4.627	4.59	4.621	na	10y Yield		
BUS30Y	4.716	(1.20)	4.74	4.709	4.735	na	30y Yield		

Source: CQG

Yesterday

3:29 pm - Bonds Shrug Through Session: The market took a breather, settling into a **tight range** & holding the curve action in place. The data had little effect on trade as the market chopped around unchanged & players grumbled. The trade used the **auction** as an excuse to do nothing, & was **unimpressed with the results & essentially sulked for the remainder of the day**. There is little to look forward to Fri either, but, as always, traders are optimistic because the potential for action is always there (OK, for guys on commission, not so much). The **2-10-yr yield spread also churned on itself, trading out at -11.8**, toward the more inverted part of its range for Nov of -6.8 to -12.6. Next week will have a sizable helping of data, including inflation numbers & TICs, so the specter of those numbers & their potential for mangling the market may help keep things in check through the next session. The dollar was bashed pretty hard today, mostly coming from PBOC Gov Zhou's comments about diversification. The dollar index shed 22 cents to 85.19 as the bounce from support at 85.10 has been less-than inspired. Spot gold is holding near session highs of 635.90 at 633.70 (+17.90). Crude oil is well-up at 61.04 (+1.21). Tomorrow brings very little, with **no data** & some Fed speak likely to trickle out through the day from Frankfurt as central bankers including **Bernanke & ECB's Trichet** meet on the role of money in monetary policy.

Source: Yahoo! , Briefing.com, DJ News Wire

Overnight

[02:51 EST 11/10]

BONDS: EGBs are opening higher on Friday following overnight gains in US Treasuries in the wake of successful auction of the \$13.0bln 10-year Note, which attracted strong indirect bidders. Gains are also underpinned by overnight strength in JGBs after release of weaker-than-expected domestic core machine orders data. The short-dated issues are seen underperforming, following continued hawkish rhetoric from ECB officials. ECB Governing Council member Guy Quadan in an interview with De Morgen newspaper said that the ECB expects that 2007 inflation will exceed 2.00% due to robust growth. Attention remains on final day of the ECB conference, where SNB's Hildebrand speaks at 0800GMT, followed by a panel at 1345GMT, which includes Fed Chairman Bernanke, BoJ Deputy Gov Iwata, ECB President Trichet and People's Bank of China Governor Zhou Xiaochuan. Trichet also gives the closing address at 1530GMT. The 2-/10-year Bund yield curve is still hovering around flat, and threatening to invert for the first time since August 2000.

Source: Yahoo! , Briefing.com, MNI

Other Sources: Reuters, Dow Jones, Bloomberg,

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.73
10y	7.63
5y	4.39
3y	2.71
2y	1.85
ZB	9.98
ZN	5.74
ZF	3.83
ZT	1.77

DV01s (32nds)	
30y	4.92
10y	2.52
5y	1.41
3y	0.87
2y	0.59
ZB	3.65
ZN	2.01
ZF	1.30
ZT	1.16

DV01s (\$s)	
30y	\$1,537
10y	\$787
5y	\$440
3y	\$271
2y	\$186
ZB	\$114
ZN	\$63
ZF	\$41
ZT	\$36

Yield Curve Spreads

2/3	-10.20
3/5	-4.70
2/5	-14.90
5/10	2.50
2/10	-12.40
10/30	11.30
5/30	13.80
2/30	-1.10

Fly's

2/3/5	-5.50
2/5/10	-17.40
2/10/30	-23.70
5/10/30	-8.80

CFs

ZB	0.795
ZN	0.9194
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

old issue

old issue

old issue

old issue

old issue

old issue

old issue

0.000

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	3.000
Bobl (Z)	0.530	0.920	1.400	1.500
Schatz (Z)	0.200	0.370	0.570	0.630

Number
of
contracts
LONG

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		1.819	2.799	3.140
ZN	0.550		1.538	1.726
ZF	0.357	0.650		1.136
ZT	0.637	1.159	1.783	

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	1.63	2.38	3.86		13.47
ZN	2.96	4.33	7.02		24.51
ZF	4.56	6.66	10.79		37.70
ZT	4.89	7.47	12.11		42.30

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)		1.880	4.800
Bobl (Z)	0.520		2.484
Shatz (Z)	0.214	0.403	

Eurex Hedge Ratio's source: Bloomberg

Hedge Ratios: US Cash Treasuries / Eurodollar

	US Treasuries v US Treasuries				
	2y	3y	5y	10y	30y
2y		1.528	2.478		8.655
3y	0.685		1.621		5.663
5y	0.422	0.617			3.493
10y					
30y	0.121	0.177	0.286		

Commitment of Traders (COT)

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

Current Positions											
Small Spec			Large Spec			Commercials (Hedgers)					
Long	Short	Net	Long	Short	Net	Long	Short	Net	Long	Short	Net
ZF	270,393	303,355	(32,962)	190,761	193,146	(2,385)	1,007,441	972,095	35,346		ZF
ZN	340,634	436,820	(96,186)	735,890	336,086	399,804	1,588,691	1,892,309	(303,618)		ZN
ZB	165,981	196,432	(30,451)	114,578	146,062	(31,484)	578,587	516,652	61,935		ZB

WoW** Position Change			
Sml Spec	Lrg Spec	Comm	As of
Net	Net	Net	10/31/2006
ZF	981	24,222	(25,203)
ZN	11,375	(14,962)	3,585
ZB	(1,085)	58,968	(57,883)

*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	100.0725	4.752
3y	4.875	11/15/09	99.3000	4.647
5y	4.625	10/31/11	100.0350	4.600
10y	4.875	11/15/16	101.280	4.629
30y	4.500	2/15/36	96.10	4.734

New issue

Old issue

GHCO

CF Basis* Basis	32nds
5y 0.89	ZF 105.1400
10y 1.97	ZN 108.0200
30y 6.92	ZB 112.18

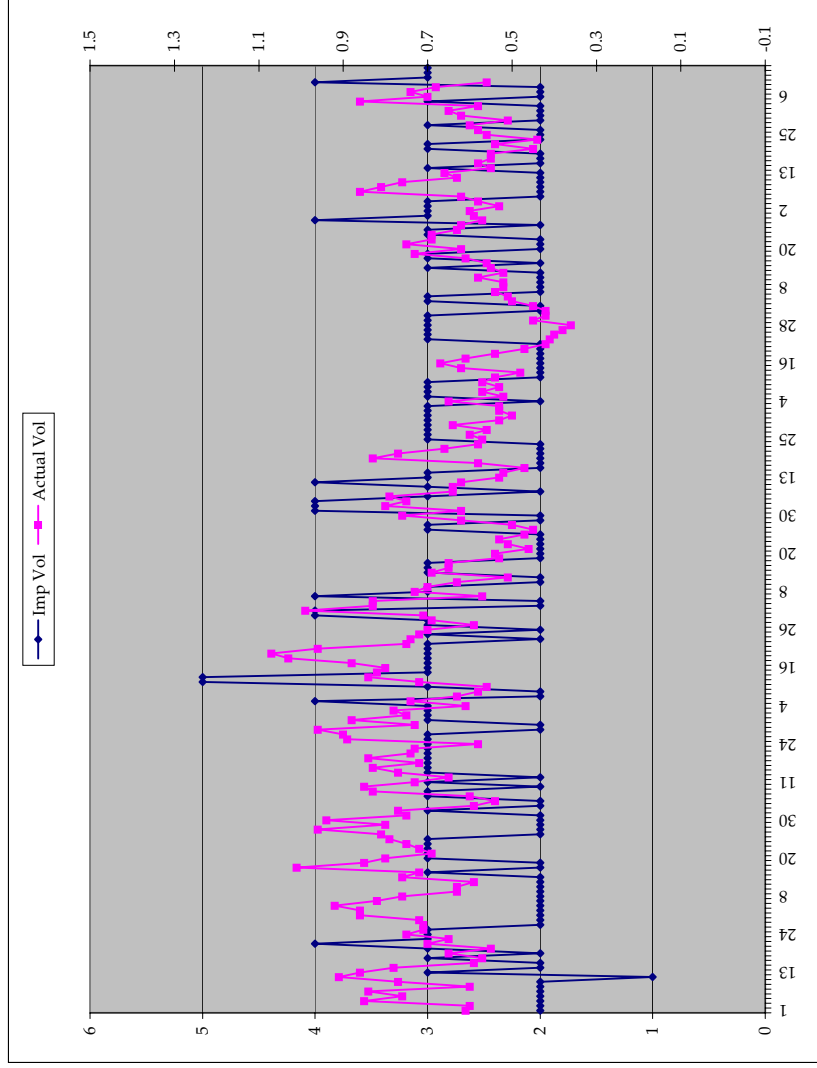
Curve Spreads bps

2/3	(0.105)
3/5	(0.047)
2/5	(0.152)
5/10	0.029
2/10	(0.123)
10/30	0.105
5/30	0.134
2/30	(0.018)

New 10y	
Cpn	4.625
Mty	11/15/2016
32nds	100.0250
Yield	4.616

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	11/9/2006	11/10/2006	11/11/2006
1900-2200	0000-0300	2000-2300	2	3	2
2200-0100	0300-0600	2300-0200	2	3	2
0100-0400	0600-0900	0200-0500	4	3	2
0400-0700	0900-1200	0500-0800	4	2	2
0700-1000	1200-1500	0800-1100	4	2	2
1000-1300	1500-1800	1100-1400	2	2	1
1300-1600	1800-2100	1400-1700	2	2	2
1600-1900	2100-0000	1700-2000	2	1	2

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
 1,2 = very slow
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