

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				
TUAZ6	102.045	0.50	102.052	102.035	102.035	9,120			2y Futures	
FVAZ6	105.205	2.00	105.215	105.175	105.180	30,266			5y Futures	
TYAZ6	108.120	3.50	108.140	108.080	108.085	89,869			10y Futures	
USAZ6	113.040	5	113.060	112.290	112.300	21,789			30y Futures	
T. US: B045P1011										
BUS02P	100.087	0.7	100.097	100.082	100.082	na			2y	
BUS10P	100.102	2.7	100.115	100.070	100.075	na			5y	
BUS30P	100.125	4.0	100.145	100.090	100.090	na			10y	
BUS02Y	97.040	10	97.060	96.285	96.285	na			30y	
T. US: B045P1011										
BUS02Y	4.722	(1.30)	4.739	4.705	4.726	na			2y Yield	
BUS05Y	4.550	(2.00)	4.564	4.543	4.561	na			5y Yield	
BUS10Y	4.574	(1.60)	4.588	4.566	4.584	na			10y Yield	
BUS30Y	4.679	(1.50)	4.695	4.675	4.69	na			30y Yield	

Source: CQG

Yesterday

PBOC's Zhou

- No plan this year to adjust deposit reserve rate
- No preparations to sell any currency
- Should avoid sudden change in fx rate
- Money supply a bit higher than it should be, but inflation low

TREASURYS: Treasuries turned in a strong performance in uninspiring conditions Friday, with prices rising in a data-free session. By early afternoon, the yield on the 10-year had sunk to 4.58% from its open at 4.61%, and looked set to head lower still. The move proposes a new multimonth record for inversion of the yield curve, as the two- to 10-year spread is now around -14 basis points, just below the -16 seen back in May. At 1:45 p.m. EST (1845 GMT), the new

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

Overnight

[04:51 EST 11/13]

USTs: Treasuries are trading higher across the board Monday, as both European and Asian investors picked up the pace after the solid gains in the U.S. Friday. Tokyo prices were higher from the getgo, helped by a continuing rally in the JGB market. Boosted by recent weak Japanese data, JGB traders are talking of weaker-than-expected third quarter growth data to be released Tuesday. This helped underpin Treasuries, with good Asian real money demand seen at the longer-end of the curve. Early European trade saw prices continue to push higher, initially helped by ongoing long-end demand. The front of the curve soon played catch-up, with both leveraged and real money accounts noted as buyers. Traders said the curve was still trading with a flattening bias. Bunds were trading modestly lower against U.S. 10-year T-notes, down 0.5 bps on the day at 93 bps. The 2-yr was 1/32 higher, trading at 100 9/32, to yield 4.71%, while the 10-yr note was 5/32 higher at 100 14/32 (4.57%).

Source: Yahoo! , Briefing.com, MNI

Other Sources: Reuters, Dow Jones, Bloomberg,

Yield Curve Spreads & Flies, DV01s, CFs

M Duration

30y	15.80
10y	7.76
5y	4.38
3y	2.71
2y	1.85
ZB	10.00
ZN	5.74
ZF	3.83
ZT	1.77

DV01s (32nds)

30y	4.97
10y	2.50
5y	1.41
3y	0.87
2y	0.59
ZB	3.67
ZN	2.01
ZF	1.31
ZT	1.16

DV01s (\$s)

30y	\$1,553
10y	\$780
5y	\$441
3y	\$271
2y	\$186
ZB	\$115
ZN	\$63
ZF	\$41
ZT	\$36

Yield Curve Spreads

2/3	-11.40
3/5	-5.80
2/5	-17.20
5/10	2.40
2/10	-14.80
10/30	10.50
5/30	12.90
2/30	-4.30

Fly's

2/3/5	-5.60
2/5/10	-19.60
2/10/30	-25.30
5/10/30	-8.10

CFs

ZB	0.795
ZN	0.8995
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	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		1.822	2.808	3.158
ZN	0.549		1.541	1.733
ZF	0.356	0.649		1.139
ZT	0.633	1.154	1.778	

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	1.62	2.37	3.85	6.80	13.54
ZN	2.95	4.31	7.01	12.39	24.67
ZF	4.55	6.64	10.80	19.10	38.03
ZT	4.89	7.47	12.15	21.48	42.77

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		1.529	2.485	4.395	8.752	
3y	0.684		1.625	2.875	5.724	
5y	0.421	0.615		1.769	3.522	
10y	0.238	0.348	0.565		1.991	
30y	0.120	0.175	0.284	0.502		

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	100.0850	4.731
3y	4.625	11/15/09	100.0050	4.619
5y	4.625	10/31/11	100.0850	4.564
10y	4.625	11/15/16	100.100	4.586
30y	4.500	2/15/36	96.31	4.692

New issue

GHCO

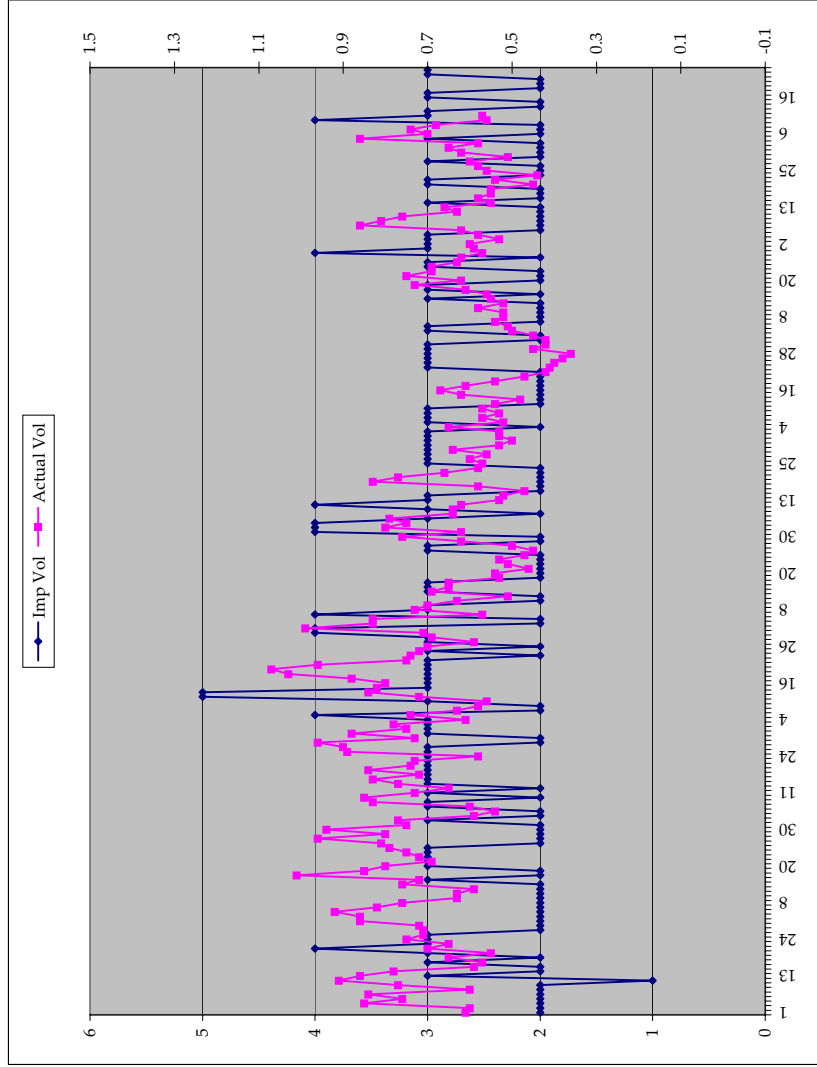
CF Basis* Basis	32nds
5y 0.90 12.768	ZF 105.1850
10y 2.87 80.175	ZN 108.0900
30y 7.02 220.410	ZB 112.31

Curve Spreads bps
2/3 (0.112)
3/5 (0.055)
2/5 (0.167)
5/10 0.022
2/10 (0.145)
10/30 0.106
5/30 0.128
2/30 (0.039)

Old 10y	
Cpn	4.875
Mty	8/15/2016
32nds	101.2700

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	11/13/2006	11/14/2006	11/15/2006
1900-2200	0000-0300	2000-2300	2	2	2
2200-0100	0300-0600	2300-0200	2	2	2
0100-0400	0600-0900	0200-0500	2	2	2
0400-0700	0900-1200	0500-0800	1	1	1
0700-1000	1200-1500	0800-1100	2	2	2
1000-1300	1500-1800	1100-1400	1	1	1
1300-1600	1800-2100	1400-1700	1	1	1
1600-1900	2100-0000	1700-2000	1	1	1

Shaded boxes denote market hours 4am to 4pm CDT

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