

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	100.0900	108.1600	113.0000	11/3/2006
Non-farm Low	99.2175	99.6500	107.1250	111.1300	11/3/2006
FOMC High	99.1600	98.2950	107.0550	110.2700	10/25/2006
FOMC Low	99.0800	98.1650	106.2550	110.0500	10/25/2006
PPI High	0.0000	99.0600	0.0000	0.0000	11/14/2006
PPI Low	0.0000	98.2350	0.0000	0.0000	11/14/2006
CPI High	99.1850	98.3150	107.0750	110.3100	10/18/2006
CPI Low	99.1150	98.2100	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	102.045	1.00	102.045	102.025	102.035	10,365	2y Futures	
FVAZ6	105.210	2.00	105.210	105.165	105.185	42,707	5y Futures	
TYAZ6	108.150	2.50	108.150	108.090	108.120	81,857	10y Futures	
USAZ6	113.130	3	113.130	113.030	113.090	24,529	30y Futures	
BUS02P								
	100.087	0.5	100.087	100.072	100.072	na	2y	
T.US:B045P1011	100.105	2.2	100.107	100.065	100.077	na	5y	
BUS10P	100.175	2.5	100.175	100.110	100.135	na	10y	
BUS30P	97.205	5	97.190	97.095	97.130	na	30y	
BUS02Y								
	4.722	(1.20)	4.76	4.717	4.751	na	2y Yield	
BUS05Y	4.548	(1.30)	4.578	4.548	4.575	na	5y Yield	
BUS10Y	4.554	(1.20)	4.586	4.554	4.566	na	10y Yield	
BUS30Y	4.646	(0.80)	4.674	4.646	4.664	na	30y Yield	

Source: CQG

Yesterday

Earl Spencer (11/14/06 08:33:56) : The BLS says that Oct once-a-year quality adjustment in new model car prices was a subtraction and while not unusually large, amplified the impact of vehicle prices on the indexes. The Oct core ex-ares/trucks would have been +.1 with out the adjustment

1356 GMT [Dow Jones] The BLS emphasized that the quality adjustment to cars and trucks lowered the PPI. The index excluding food, energy and autos was up 0.1%, soft, but not as weak as the headline number. (JJM/BB)

Overnight

[05:04 EST 11/15] **USTs:** Treasuries are trading unchanged to modestly lower in London Weds, as light profit-taking weighs on the belly of the curve after the solid overnight gains seen in the US. However, the long-end of the curve again outperformed, as the global flattening trend continued unabated. The front of the curve initially led the way lower, with selling of the 2-yr from real money names, although volumes were light. The London market saw prices consolidate at the lower levels, awaiting the open of the US

market. Traders noted that there were sellers of the 5-year sector

waiting to pounce on any upticks. However, there were still buyers looking to pick up paper on any pullbacks. Real money names were again buyers on dips of the ultralong sector, with leveraged accounts continuing to put on curve flatteners - although in smaller size than in recent sessions. Bunds were trading modestly lower against U.S. 10-year T-notes, down just 0.5 bps on the day at 91 bps. The 2-yr was 1/64 lower, with the 10-year note 2/32 lower at 100 13/32 (4.57%).

Today

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Nov 14	08:30	Retail Sales	Oct	-0.2%	-0.2%	-0.4%	-0.8%	-0.4%
Nov 14	08:30	Retail Sales ex-auto	Oct	-0.4%	0.1%	-0.3%	-1.2%	-0.5%
Nov 14	08:30	PPI	Oct	-1.6%	-0.7%	-0.5%	-1.3%	
Nov 14	08:30	Core PPI	Oct	-0.9%	0.1%	0.1%	0.6%	
Nov 14	10:00	Business Inventories	Sep	0.4%	0.6%	0.5%	0.6%	

8.1 magnitude quake strikes as | write this, in Japan. Tsunami is expected.

Yield Curve Spreads & Flies, DV01s, CFs

M Duration

30y	15.79
10y	7.94
5y	4.38
3y	2.77
2y	1.84
ZB	10.00
ZN	5.74
ZF	3.82
ZT	1.76

DV01s (32nds)

30y	4.99
10y	2.56
5y	1.41
3y	0.89
2y	0.59
ZB	3.68
ZN	2.01
ZF	1.30
ZT	1.16

DV01s (\$s)

30y	\$1,561
10y	\$798
5y	\$441
3y	\$277
2y	\$185
ZB	\$115
ZN	\$63
ZF	\$41
ZT	\$36

Yield Curve Spreads

2/3	-11.40
3/5	-6.00
2/5	-17.40
5/10	0.60
2/10	-16.80
10/30	9.20
5/30	9.80
2/30	-7.60

Fly's

2/3/5	-5.40
2/5/10	-18.00
2/10/30	-26.00
5/10/30	-8.60

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		1.828	2.822	3.179
ZN	0.547		1.544	1.739
ZF	0.354	0.648		1.141
ZT	0.629	1.150	1.776	

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	2.41	3.83	6.94	13.56
ZN	2.94	4.40	7.01	12.68	24.79
ZF	4.54	6.79	10.82	19.58	38.27
ZT	4.89	7.65	12.19	22.06	43.11

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

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		1.566	2.493	4.513	8.821
3y	0.668		1.592	2.882	5.633
5y	0.420	0.628		1.810	3.538
10y	0.232	0.347	0.552		1.954
30y	0.119	0.178	0.283	0.512	

Commitment of Traders (COT)

Current Positions									
Small Spec			Large Spec			Commercials (Hedgers)			
Long	Short	Net	Long	Short	Net	Long	Short	Net	
0	290,060	(9,182)	146,513	196,642	(50,129)	1,001,980	942,669	59,311	0
0	347,588	(64,423)	690,129	304,402	385,727	1,570,498	1,891,803	(321,305)	0
0	171,759	(2,140)	112,486	164,529	(52,043)	579,745	525,562	54,183	0

WoW** Position Change					
Sml Spec		Lrg Spec		Comm	
Net		Net		Net	
0	23,780	(47,744)	23,965	As of	11/7/2006
0	31,763	(14,077)	(17,687)		
0	28,311	(20,559)	(7,752)		

**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	100.0800	4.738
3y	4.625	11/15/09	100.0500	4.569
5y	4.625	10/31/11	100.0900	4.560
10y	4.625	11/15/16	100.150	4.566
30y	4.500	2/15/36	97.15	4.659

GHCO

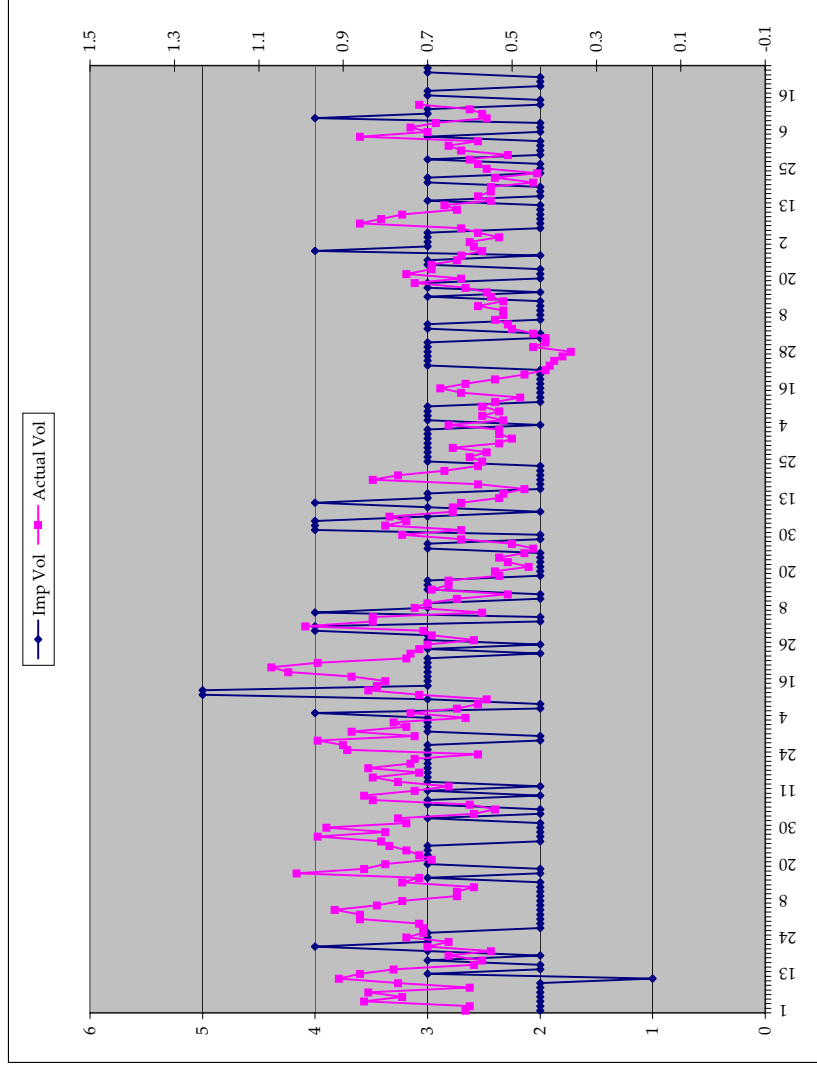
CF Basis* Basis	32nds
5y 0.90 13.818	ZF 105.1900
10y 2.89 95.084	ZN 108.1250
30y 7.24 237.125	ZB 113.09

Curve Spreads bps

2/3	(0.169)
3/5	(0.009)
2/5	(0.178)
5/10	0.006
2/10	(0.172)
10/30	0.093
5/30	0.099
2/30	(0.079)

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	11/15/2006	11/16/2006	11/17/2006
1900-2200	0000-0300	2000-2300	2	3	3
2200-0100	0300-0600	2300-0200	2	2	3
0100-0400	0600-0900	0200-0500	2	2	3
0400-0700	0900-1200	0500-0800	1	2	2
0700-1000	1200-1500	0800-1100	2	2	2
1000-1300	1500-1800	1100-1400	1	2	2
1300-1600	1800-2100	1400-1700	1	2	2
1600-1900	2100-0000	1700-2000	1	2	1

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9

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