

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	100.1375	99.0600	108.1850	113.1900	11/14/2006
PPI Low	100.0600	98.2350	108.0600	112.3100	11/14/2006
CPI High	100.1050	100.1700	108.1450	113.1200	11/16/2006
CPI Low	99.2425	99.2000	107.2050	112.0300	11/16/2006

*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	101.312	1.70	101.312	101.292	101.295	17,136	2y Futures		
FVAZ6	105.070	3.00	105.075	105.025	105.025	62,739	5y Futures		
TYAZ6	107.275	5.00	107.285	107.215	107.220	127,915	10y Futures		
USAZ6	112.120	3	112.130	112.050	112.050	29,868	30y Futures		
T.US:B045P1011									
BUS02P	100.030	2.0	100.032	100.020	100.020	na	2y		
BUS10P	99.282	4.7	99.290	99.252	99.255	na	5y		
BUS30P	99.275	6.5	99.280	99.230	99.230	na	10y		
BUS02Y	96.130	12	96.140	96.065	96.065	na	30y		
T.US:B045P1011									
BUS02Y	4.818	(3.00)	4.861	4.805	4.831	na	2y Yield		
BUS05Y	4.649	(3.10)	4.685	4.644	4.674	na	5y Yield		
BUS10Y	4.641	(2.70)	4.672	4.637	4.672	na	10y Yield		
BUS30Y	4.725	(2.50)	4.748	4.724	4.736	na	30y Yield		

Source: CQG

Yesterday

Market Clocked After Early Gains: The market got whipped around pretty hard as trade spent the majority of the session underwater after an initial inflation related rally. The market gave back its whole whipped around week & change. Trade was dinged on a nasty combo of hedge fund liquidation, rumors on a size up-tick in Philly Fed (which came in as expected), Federal Reserve speakers beating the apparently un-dead inflation drum, falling foreign buying, supply & technical issues. [Source: Briefing.com]

Overnight

[04:59 EST 11/17]

USTs: Treasuries are trading modestly higher across the curve in London Friday, as light dip-buying helps steady the boat after the late weakness Thursday. Outright buying of the longer end of the curve initially helped underpin the market, although real money names soon stepped in to buy the two and three-year notes. London saw follow-through buying of the two-year note, with traders saying profit-taking unwinding of recent curve flattening trades helped push prices higher. Leveraged names were also better sellers of the 10-year note, although volumes were light. Bunds were trading modestly lower

against U.S. 10-year T-notes, down 0.5 bps on the day at 93 bps. By mid-morning, the 2-yr note was 1+/32 higher, trading at 100 3/32, to yield 4.82% and the 5-year note was 2+/32 higher, trading at 99 27/32 (4.66%). The 10-year note was 2/32 higher at 99 25/32 (4.65%), while the Bond was 4/32 higher at 96 10/32 (4.73%). [Source: MNI]

Today

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior
Nov 17	08:30	Housing Starts	Oct	1675K	1680K	1680K	1772K
Nov 17	08:30	Building Permits	Oct	1630K	1625K	1625K	1638K

[Sources: FX Street.con, Yahoo! , Briefing.com, MNI, Reuters, Dow Jones, Bloomberg, icap]

Yield Curve Spreads & Flies, DV01s, CFs

M Duration

30y	15.78
10y	7.92
5y	4.36
3y	2.76
2y	1.83
ZB	9.96
ZN	5.72
ZF	3.81
ZT	1.75

DV01s (32nds)

30y	4.93
10y	2.53
5y	1.40
3y	0.88
2y	0.59
ZB	3.64
ZN	1.99
ZF	1.29
ZT	1.15

DV01s (\$s)

30y	\$1,541
10y	\$791
5y	\$437
3y	\$275
2y	\$184
ZB	\$114
ZN	\$62
ZF	\$40
ZT	\$36

Yield Curve Spreads

2/3	-10.50
3/5	-6.40
2/5	-16.90
5/10	-0.80
2/10	-17.70
10/30	8.40
5/30	7.60
2/30	-9.30

Fly's

2/3/5	-4.10
2/5/10	-16.10
2/10/30	-26.10
5/10/30	-9.20

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		1.824	2.809	3.165
ZN	0.548		1.540	1.735
ZF	0.356	0.649		1.141
ZT	0.632	1.153	1.775	

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	2.42	3.84	6.96	13.55
ZN	2.95	4.41	7.01	12.70	24.72
ZF	4.54	6.80	10.80	19.55	38.08
ZT	4.89	7.66	12.16	22.03	42.90

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	2.489	4.508	8.778
3y	0.668		1.589	2.878	5.604
5y	0.421	0.629		1.811	3.527
10y	0.232	0.347	0.552		1.947
30y	0.119	0.178	0.284	0.514	

Commitment of Traders (COT)

Current Positions									
Small Spec			Large Spec			Commercials (Hedgers)			Net
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	100.0400	4.806
3y	4.625	11/15/09	99.2600	4.693
5y	4.625	10/31/11	100.0025	4.623
10y	4.625	11/15/16	100.025	4.615
30y	4.500	2/15/36	96.30	4.694

GHCO

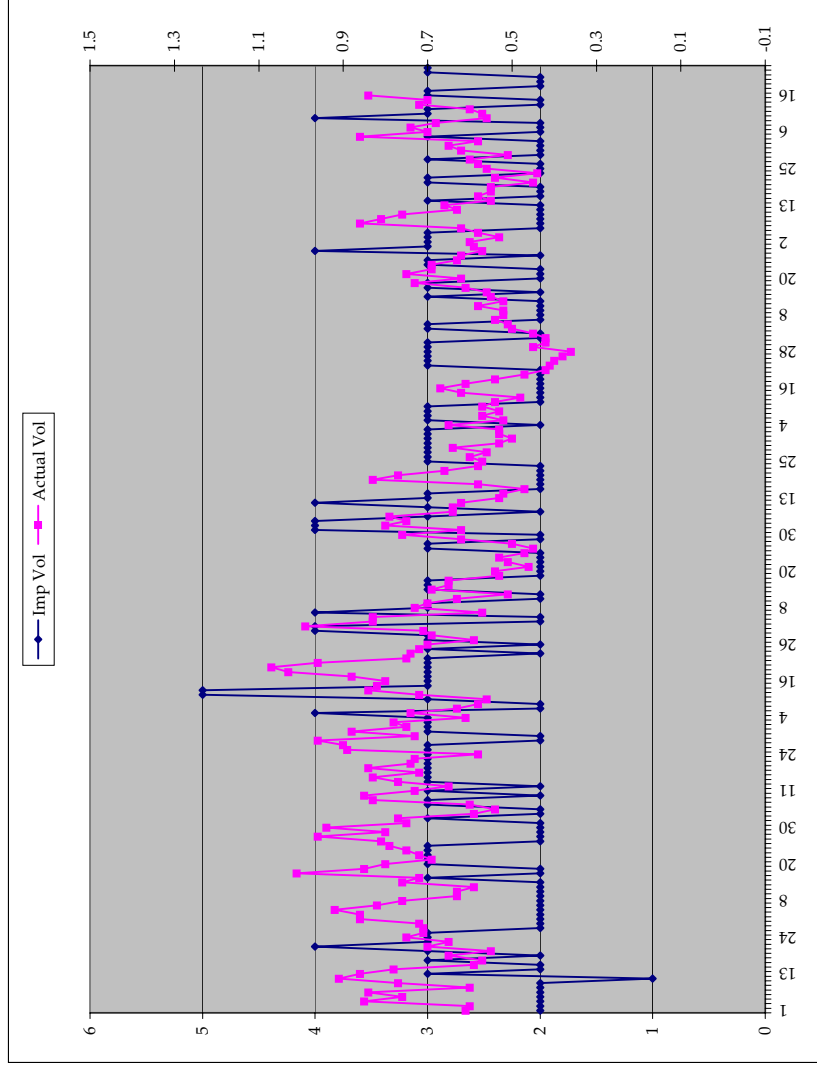
CF Basis* Basis	32nds
5y 0.89 13.578	ZF 105.1000
10y 2.87 92.929	ZN 108.0100
30y 7.06 232.345	ZB 112.25

Curve Spreads bps

2/3	(0.113)
3/5	(0.070)
2/5	(0.183)
5/10	(0.008)
2/10	(0.191)
10/30	0.079
5/30	0.071
2/30	(0.112)

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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