

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	102.080	(1.20)	102.092	102.080	102.092	5,451	2y Futures		
FVAZ6	105.215	(3.50)	105.250	105.215	105.245	30,675	5y Futures		
TYAZ6	108.120	(4.50)	108.160	108.120	108.160	76,274	10y Futures		
USAZ6	112.300	(7)	113.030	112.290	113.020	17,536	30y Futures		
T.US:B045P1011									
BUS02P	100.125	(1.2)	100.132	100.127	100.132	na	2y		
BUS10P	100.117	(2.7)	100.145	100.117	100.137	na	5y		
BUS10P	102.085	(2.5)	102.115	102.090	102.115	na	10y		
BUS30P	96.265	(6)	96.315	96.270	96.300	na	30y		
T.US:B045P1011									
BUS02Y	4.663	2.00	4.671	4.634	4.642	na	2y Yield		
BUS05Y	4.540	2.10	4.544	4.515	4.517	na	5y Yield		
BUS10Y	4.580	1.00	4.584	4.559	4.56	na	10y Yield		
BUS30Y	4.698	1.10	4.701	4.68	4.681	na	30y Yield		

Yesterday

[09:02 EST 11/01]US TSY/REFUNDING: **Roll** is said at -2.5 bps on 3Y, -1.0 to -1.5 bps on 10Y.

3:32 pm - Bonds Big Bounce: The market has been pushing the envelop, **sneaking in a late session bump** to make new highs. Trade has knocked **yields off to recent lows**, but grew somewhat cautious approaching some would-be technical barriers that could either prove difficult stumbling blocks or ignite a run of stop orders. Neither is likely to happen ahead of the payrolls report & it is more possible that there will be a "**cleansing sell-off**," unless some of the filler data due out ahead of Fri really come in on the dark side of "worse-than-expected." The **2-10-yr yield spread is hanging near -8** & likely to muck around at that level for the duration. The day ahead might find action confined to a tight, but lower range, although with Fisher tossing out comments on the economy in NY, all bets are off. His tendency toward florid (read ambiguous) language can cause some market head scratching. The dollar sold-off post-data but managed a lukewarm reversal to near unchanged levels with the index now sitting around 85.32 (0.00). Spot gold is holding just off its day's highs of 619.40 at 619.00 (+12.40) while crude oil trickled lower to 58.55 (-0.18). On tap tomorrow is **initial jobless claims, productivity & factory orders** while the Fed has Dallas' Fisher at noon & Gov Bies late.

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

Overnight

U.S. Treasuries on hold ahead of U.S. jobs data - at Reuters - Wed 10:06 pm ET

The yield on the 10-year U.S. Treasury hovered near a one-month low on Thursday before non-farm payrolls data due later in the week, which could offer more clues as to whether a slowdown in economic growth would prompt a rate cut in the future.

Source: Yahoo!, Briefing.com

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

Unemployment

Released on 11/3/06 For Oct 2006

Nonfarm Payrolls, M/M change	
Consensus	130,000
Consensus Range	75,000 to 180,000

Unemployment Rate, Level	
Consensus	4.6%
Consensus Range	4.5% to 4.7%

Average Hourly Earnings, M/M change	
Consensus	0.3%
Consensus Range	0.2% to 0.4%

Average Workweek, Level	
Consensus	33.8hrs
Consensus Range	33.8hrs to 33.9hrs

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.79
10y	7.66
5y	4.41
3y	2.55
2y	1.88
ZB	10.02
ZN	5.77
ZF	3.86
ZT	1.80

DV01s (32nds)	
30y	4.94
10y	2.53
5y	1.45
3y	0.82
2y	0.60
ZB	3.67
ZN	2.02
ZF	1.32
ZT	1.18

DV01s (\$s)	
30y	\$1,544
10y	\$792
5y	\$452
3y	\$257
2y	\$189
ZB	\$115
ZN	\$63
ZF	\$41
ZT	\$37

Yield Curve Spreads

2/3	-7.20
3/5	-5.10
2/5	-12.30
5/10	4.00
2/10	-8.30
10/30	11.80
5/30	15.80
2/30	3.50

Fly's

2/3/5	-2.10
2/5/10	-16.30
2/10/30	-20.10
5/10/30	-7.80

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		1.819	2.789	3.106
ZN	0.550		1.533	1.707
ZF	0.359	0.652		1.128
ZT	0.644	1.172	1.796	

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	2.24	3.94	6.91	13.47
ZN	2.99	4.08	7.17	12.57	24.51
ZF	4.59	6.25	10.99	19.27	37.58
ZT	4.89	6.96	12.24	21.46	41.85

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	2.504	4.392	8.563
3y	0.734		1.757	3.082	6.009
5y	0.418	0.569		1.754	3.419
10y	0.238	0.324	0.570		1.950
30y	0.122	0.166	0.292	0.513	

Commitment of Traders (COT)

Maximum and Minimum Positions*											
Small Spec			Large Spec			Commercials					
Max	Date	Min	Date	Max	Min	Date	Max	Min	Date	Max	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	
Net	Net	Net	As of
ZF	(31,927)	(30,535)	10/24/2006
ZN	(15,176)	(30,321)	
ZB	(7,929)	(34,058)	

*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	100.1425	4.638
3y	4.875	8/15/09	100.2525	4.567
5y	4.625	10/31/11	100.1550	4.515
10y	4.875	8/15/16	102.145	4.555
30y	4.500	2/15/36	97.06	4.677

GHCO

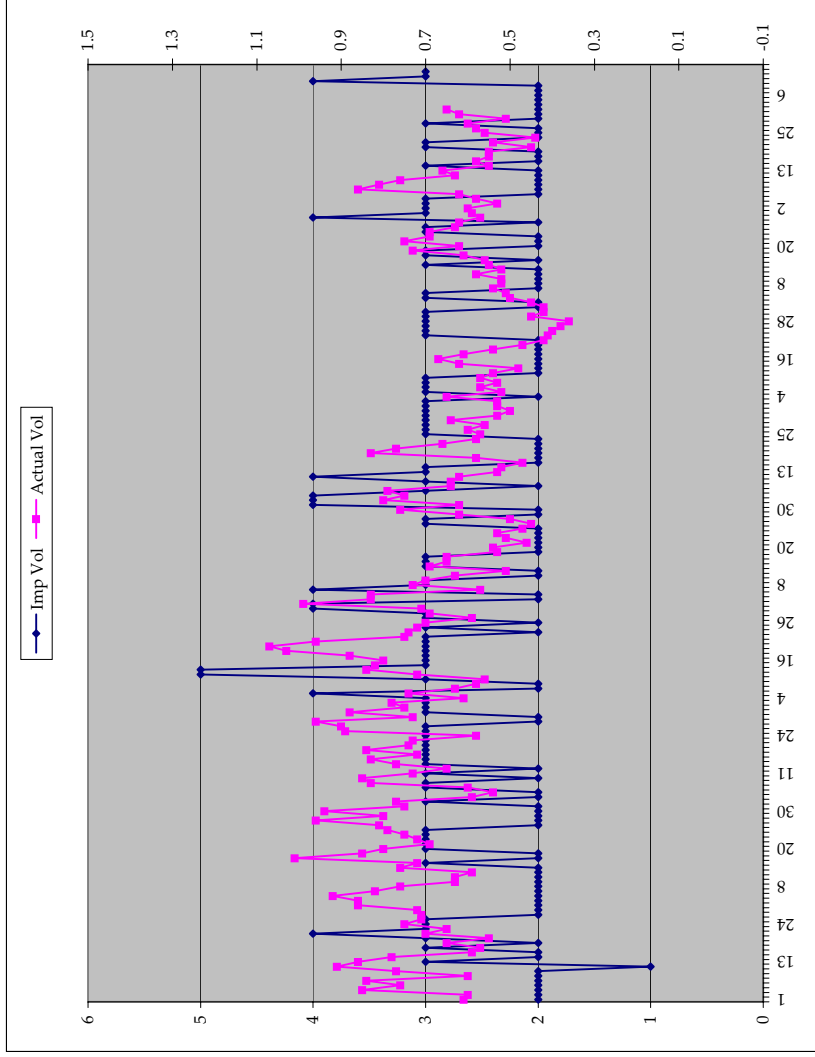
	CF Basis* Basis	32nds
5y	0.90	14.644
10y	2.87	85.424
30y	7.26	231.305
		ZF
		105.2500
		ZN
		108.1700
		ZB
		113.05

Curve Spreads bps

2/3	(0.071)
3/5	(0.052)
2/5	(0.123)
5/10	0.040
2/10	(0.083)
10/30	0.122
5/30	0.162
2/30	0.039

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

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