

## The Morning Email: Treasuries

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### Table of Contents

<b>Pg A</b>	Important Econ Releases Highs & Lows
<b>Pg 1</b>	Quotes
<b>Pg 2</b>	News Snapshot
<b>Pg 3</b>	Yield Curve Spreads & Flies, DV01s, CFs
<b>Pg 4</b>	Hedge Ratios: US Financial Futures / Eurex Bund, Bobl, Schatz,
<b>Pg 5</b>	Hedge Ratios: US Treasury Cash / Eurex Bund, Bobl, Schatz
<b>Pg 6</b>	Hedge Ratios: US Cash Treasuries / Eurodollar
<b>Pg 7</b>	Commitment of Traders (COT)
<b>Pg 8</b>	2 PM CDT Closes: US Treasuries, US Financial Futures, YC Spreads, Basis
<b>Pg 9</b>	Implied Volatility (Daily)
<b>Pg 10</b>	Implied Volatility (3-Hour)

Want something added?

Let me know: [jgoulding@ghco.com](mailto: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	100.0075	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					
TUAZ6	102.025	0.50	102.035	102.020	102.022	12,785				2y Futures	
FVAZ6	105.145	1.50	105.165	105.135	105.145	32,881				5y Futures	
TYAZ6	108.080	3.00	108.105	108.055	108.060	69,621				10y Futures	
USAZ6	112.310	6	113.030	112.250	112.260	16,701				30y Futures	
<b>T. US: B045P1011</b>											
BUS02P	100.065	0.2	100.075	100.065	100.065	na				2y	
BUS10P	100.045	1.0	100.070	100.030	100.042	na				5y	
BUS30P	100.080	3.0	100.100	100.055	100.055	na				10y	
	97.065	8	97.095	96.295	96.310	na				30y	
<b>BUS02Y</b>											
BUS02Y	4.758	(0.50)	4.771	4.737	4.767	na				2y Yield	
BUS05Y	4.590	(0.60)	4.599	4.578	4.592	na				5y Yield	
BUS10Y	4.589	(1.00)	4.601	4.582	4.601	na				10y Yield	
BUS30Y	4.674	(1.30)	4.695	4.668	4.694	na				30y Yield	

Source: CQG

## Yesterday

US TSYS: One trader said today has been "tough" for traders as the craziness has caught people off guard all session. In recapping today's activity he said: 1) There was buying at the lows overnight; 2) The market was run up into the 8:30 housing report; 3) More buying came in on the weakness of the housing data; 4) Hedge fund selling came in after the data and there was concern there would be a repeat of yesterday; 5) There was no follow thru selling a la Thursday and soon all sorts of unconfirmed rumors about hedge funds in trouble got the market moving higher and a short squeeze/Flight to quality bid ensued and still continues. "It's funny," the trader said, "the hedge fund selling that crushed the market yesterday morphed into a flight to quality bid on concerns about hedge fund losses Friday." [12:51 EST 11/17]

## Overnight

On the G10 meeting running parallel with the G20, Trichet signalled confidence in global economic outlook but stated that inflation can be a threat to growth and he once again called for vigilance on inflation and said that ECB interest rate may be raised to 3.5% in December.

The Japanese vice Finance Minister, Watanabe, stated that they have no reason on the domestic side to further the JPY's depreciation. "But exchange rate isn't decided by one country alone." BoJ's Fukui seized the opportunity to play down the chance of a December hike and said that the G20 statement on "the

normalisation of monetary policy underway in many G20 countries will need to continue," did not refer directly to Japan.

The JPY took a knock when a central banker from UAE said that they had no intentions to diversify their FX reserves into JPY. [FXSTREET.COM]

## Today

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Nov 20	10:00	<a href="#">Leading Indicators</a>	Oct	0.3%	0.2%	0.1%		
Nov 22	08:30	<a href="#">Initial Claims</a>	11/18	310K	310K	308K		
Nov 22	10:00	<a href="#">Michi Sentiment-Rev.</a>	Nov	92.3	93.0	92.3		
Nov 22	10:30	Crude Inventories	11/17	NA	NA	1283K		

[Sources: [FXStreet.com](#), [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	2.75
2y	1.83
ZB	9.97
ZN	5.72
ZF	3.81
ZT	1.75

**DV01s (32nds)**

30y	4.97
10y	2.54
5y	1.40
3y	0.88
2y	0.59
ZB	3.66
ZN	2.00
ZF	1.30
ZT	1.15

**DV01s (\$s)**

30y	\$1,553
10y	\$795
5y	\$439
3y	\$275
2y	\$184
ZB	\$114
ZN	\$63
ZF	\$41
ZT	\$36

**Yield Curve Spreads**

2/3	-10.20
3/5	-6.60
2/5	-16.80
5/10	-0.10
2/10	-16.90
10/30	8.50
5/30	8.40
2/30	-8.40

**Fly's**

2/3/5	-3.60
2/5/10	-16.70
2/10/30	-25.40
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

Eurex Hedge Ratio's source: Bloomberg

Number  
of  
contracts  
LONG

**US Financial Futures Hedge Ratios**

	ZB	ZN	ZF	ZT
ZB		1.828	2.820	3.186
ZN	0.547		1.543	1.743
ZF	0.355	0.648		#VALUE!
ZT	0.628	1.147	1.770	

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	2.40	3.83	6.95	13.57
ZN	2.93	4.40	7.01	12.70	24.81
ZF	4.53	6.78	10.81	19.59	38.28
ZT	4.89	7.66	12.21	22.14	43.25

## 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		1.568	2.499	4.530	8.849
3y	0.668		1.594	2.889	5.644
5y	0.419	0.627		1.812	3.541
10y	0.231	0.346	0.552		1.954
30y	0.118	0.177	0.282	0.512	

Commitment of Traders (COT)

Current Positions									
Small Spec			Large Spec			Commercials (Hedgers)			Net
Long	Short	Net	Long	Short	Net	Long	Short	Net	
0	302,725	302,501	224	191,818	222,999	(31,181)	985,020	30,956	0
0	371,511	430,612	(59,101)	682,120	289,773	392,347	1,908,698	(333,247)	0
0	190,726	183,280	7,446	132,305	163,970	(31,665)	579,125	24,219	0

WoW** Position Change				As of
Sml Spec		Lrg Spec		Comm
Net		Net		Net
0	9,406	18,948	(28,355)	11/14/2006
0	5,322	6,620	(11,942)	
0	9,586	20,378	(29,964)	

\*\*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	100.0625	4.767
3y	4.625	11/15/09	99.2900	4.659
5y	4.625	10/31/11	100.0375	4.598
10y	4.625	11/15/16	100.055	4.603
30y	4.500	2/15/36	96.32	4.690

## GHCO

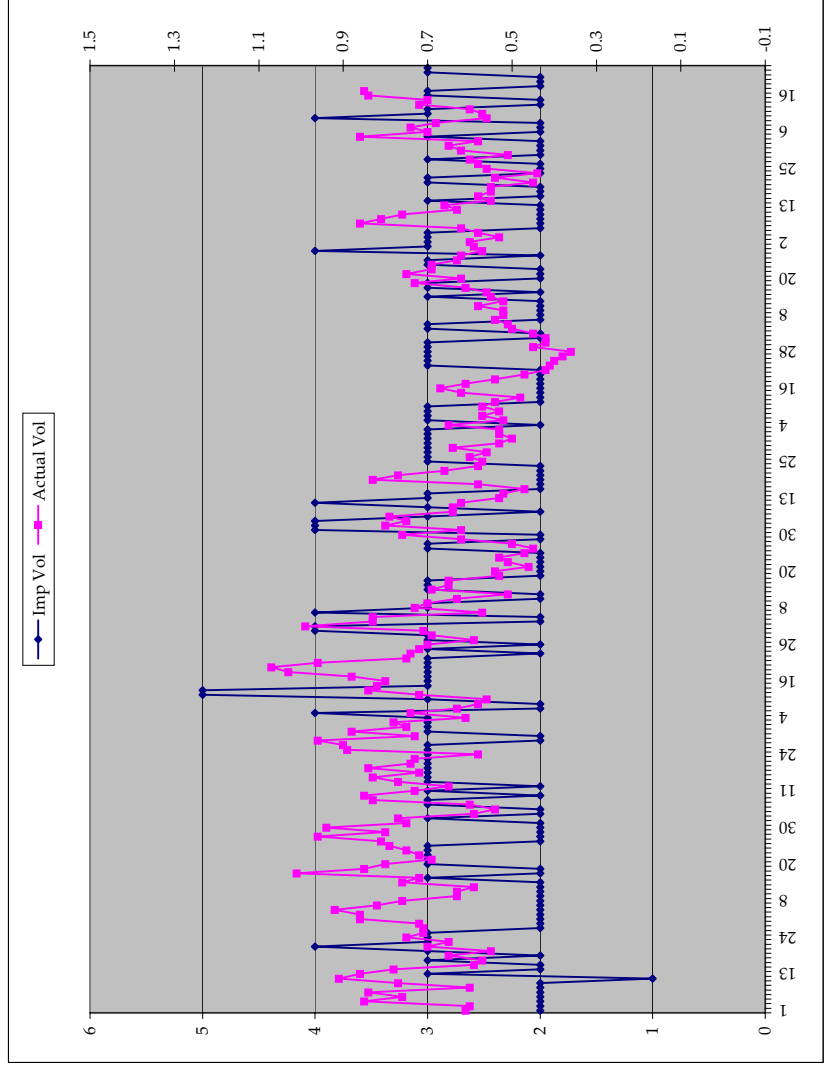
CF Basis* Basis	32nds
5y 0.90 10.268	ZF 105.1350
10y 2.86 88.881	ZN 108.0550
30y 7.07 231.550	ZB 112.26

## Curve Spreads bps

2/3	(0.108)
3/5	(0.061)
2/5	(0.169)
5/10	0.005
2/10	(0.164)
10/30	0.087
5/30	0.092
2/30	(0.077)

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	11/20/2006	11/21/2006	11/22/2006
1900-2200	0000-0300	2000-2300	1	1	1
2200-0100	0300-0600	2300-0200	1	1	1
0100-0400	0600-0900	0200-0500	1	1	1
0400-0700	0900-1200	0500-0800	1	1	1
0700-1000	1200-1500	0800-1100	1	1	1
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

Scale is 1-9  
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