

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	102.017	(0.70)	102.025	102.015	102.020	6,172	2y Futures	
FVAZ6	105.130	(0.50)	105.150	105.130	105.135	31,134	5y Futures	
TYAZ6	108.070	(0.50)	108.090	108.060	108.070	67,809	10y Futures	
USAZ6	112.290	0	113.010	112.280	112.280	13,454	30y Futures	
BUS02P								
	100.057	0.0	100.065	100.060	100.060	na	2y	
T.US.B045P1011	100.035	0.0	100.055	100.032	100.040	na	5y	
BUS10P	100.070	0.5	100.090	100.065	100.075	na	10y	
BUS30P	97.065	2	97.085	97.060	97.060	na	30y	
BUS02Y								
	4.771	0.40	4.788	4.754	4.779	na	2y Yield	
BUS05Y	4.596	0.00	4.603	4.585	4.599	na	5y Yield	
BUS10Y	4.595	0.20	4.603	4.586	4.599	na	10y Yield	
BUS30Y	4.673	(0.20)	4.679	4.668	4.679	na	30y Yield	

Source: CQG

Yesterday

Trade Trades Quietly: The market had a **long crawl back** today after shuffling through the day's light data before drifting aimlessly for the majority of the session. Treasuries clawed their way back to unchanged to a touch better late on very, very light holiday related volume. The market has a hard road higher, with little data to support prices while other events are minimal as well. The economic reports will have to continue coming in badly, or some other event to occur for the market to get another significant rally. Players remain cautiously bullish with technicians looking for 10-yr futures taking out 108-24 & 30-yrs 113-18. Futures traders report that the market is starting to roll in to the Mar contract. **The 2-10-yr yield spread wiggled its way to a less inverted** pose, but not by much, finishing the session about **mid-range at -16.8**. Tues is another data-free day but may see some bumps after a smattering of overseas reports. CNBC's Rick Santelli sees potential for action tomorrow on the rescheduled Dec options expiration...Hope springs eternal. Leading indicators were inline though the currencies paid little attention.

Overnight

[05:44 EST 11/21]

USTs: Treasuries are trading flat to modestly higher in London Tuesday, as the markets mark time ahead of the New York open. With a dearth of fresh trading incentives overnight and a lack of

data due later in the session, many traders say the market is likely to drift into the holiday period. Tokyo saw prices edge higher, with light real money buying helping underpin the front of the curve.

This helped the curve steepen a little, helped by modest unwinds of curve flatteners by hedge funds as the European session opened. Longer-dated paper found a bid from real money names in mid-morning, with Asian life and pension funds on the bid. The thin conditions helped the move higher.

Today

Date	ET	Release	For	Actua l	Briefing.com	Consensus	Prior	Revised From
Nov 22	10:00	Mich Sentiment Rev.	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	\$1,554
10y	\$794
5y	\$438
3y	\$275
2y	\$183
ZB	\$114
ZN	\$63
ZF	\$41
ZT	\$36

Yield Curve Spreads

2/3	-10.90
3/5	-6.60
2/5	-17.50
5/10	-0.10
2/10	-17.60
10/30	7.80
5/30	7.70
2/30	-9.80

Fly's

2/3/5	-4.30
2/5/10	-17.40
2/10/30	-25.40
5/10/30	-7.90

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		1.827	2.821	3.189
ZN	0.547		1.544	1.745
ZF	0.354	0.648		1.145
ZT	0.627	1.146	1.769	

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	1.60	2.40	3.83	6.95	13.59
ZN	2.93	4.39	7.00	12.69	24.82
ZF	4.53	6.78	10.81	19.60	38.33
ZT	4.89	7.67	12.22	22.16	43.32

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		1.569	2.501	4.533	8.864
3y	0.667		1.594	2.890	5.651
5y	0.419	0.627		1.813	3.545
10y	0.231	0.346	0.552		1.955
30y	0.118	0.177	0.282	0.511	

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

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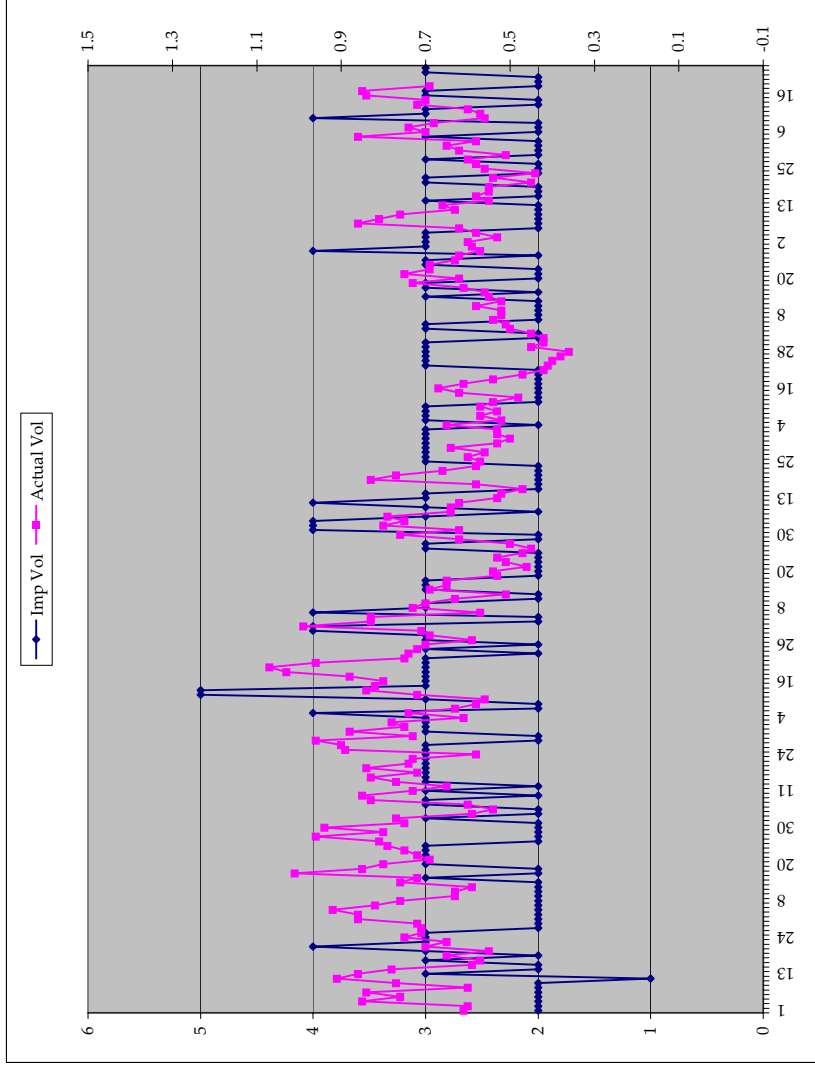
CF Basis* Basis	32nds
5y 0.90 10.268	ZF 105.1350
10y 2.86 88.881	ZN 108.0550
30y 7.07 231.550	ZB 112.26

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

1,2 = very slow

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