

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											
Is	net	high	low	open	Volume	SYM NAME	Is	net	high	low	open	Volume	SYM NAME
TUAZ6	102.020	0.00	102.025	102.017	102.022	6,054	2y Futures						
FVAZ6	105.165	0.50	105.170	105.150	105.170	34,214	5y Futures						
TYAZ6	108.110	0.50	108.120	108.085	108.115	71,231	10y Futures						
USAZ6	113.050	1	113.070	113.010	113.030	26,363	30y Futures						
BUS02P	100.062	(0.5)	100.065	100.062	100.065	na	2y						
T.US.B045P1011	100.065	0.0	100.075	100.050	100.070	na	5y						
BUS10P	100.130	0.5	100.140	100.105	100.130	na	10y						
BUS30P	97.180	2	97.205	97.140	97.175	na	30y						
BUS02Y	4.762	0.40	4.779	4.741	4.775	na	2y Yield						
BUS05Y	4.574	0.10	4.589	4.567	4.578	na	5y Yield						
BUS10Y	4.572	0.00	4.587	4.566	4.578	na	10y Yield						
BUS30Y	4.651	(0.30)	4.664	4.638	4.64	na	30y Yield						

Source: CQG

Yesterday

3:21 pm - Trade Rides Light Bid into Close: The market **snuck in a bid towards the latter part of the session** as bears threw in the towel in light action. The market is still reaching toward the recent lowest yield on the 10-yr's at 4.550% level. Prices found support as estimates for growth in the year ahead were ratcheted down & the motor got gunning some as one less dissenter on raising rates showed up in the wider ranks of "Team Fed!" The **curve continued its trek into more inverted territory** as the overall economic picture remains murky with the **2-10-yr yield spread slipping to -18.7** heading toward the most inverted levels of the century.

[Source: Yahoo!]

Overnight

[05:09 EST 11/22]

USTs: Treasuries are trading lower in London trade Wednesday, as market volumes slow ahead of the Thanksgiving holidays in both Japan and the U.S. Thursday. With Asian buyers largely sidelined, prices slipped more on a lack of buying interest than any real downward momentum. But slight outperformance by the very long end of the curve helped fuel further curve flattening. Volumes in London were also seen as light, with trade seen as largely inter-dealer position squaring. [Source - MNI]

Today

Date	ET	Release	For	Actua	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: DailyFX.com]

[Other Sources: FXStreet.com, 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	1.82
ZB	9.98
ZN	5.72
ZF	3.80
ZT	1.74

DV01s (32nds)	
30y	4.99
10y	2.55
5y	1.40
3y	0.88
2y	0.59
ZB	3.68
ZN	2.00
ZF	1.30
ZT	1.15

DV01s (\$s)	
30y	\$1,559
10y	\$796
5y	\$439
3y	\$275
2y	\$183
ZB	\$115
ZN	\$63
ZF	\$41
ZT	\$36

Yield Curve Spreads

2/3	-11.80
3/5	-7.00
2/5	-18.80
5/10	-0.20
2/10	-19.00
10/30	7.90
5/30	7.70
2/30	-11.10

Fly's

2/3/5	-4.80
2/5/10	-18.60
2/10/30	-26.90
5/10/30	-8.10

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

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		1.837	2.839	3.214
ZN	0.544		1.545	1.749
ZF	0.352	0.647		1.147
ZT	0.622	1.144	1.767	

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	1.59	2.39	3.81	6.92	13.55
ZN	2.93	4.39	7.01	12.71	24.89
ZF	4.52	6.78	10.83	19.64	38.46
ZT	4.89	7.67	12.26	22.23	43.53

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		1.570	2.508	4.549	8.908
3y	0.667		1.597	2.897	5.673
5y	0.417	0.626		1.814	3.551
10y	0.230	0.345	0.551		1.958
30y	0.118	0.176	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	191,818	222,999	(31,181)	1,015,976	985,020	30,956	0
0	371,511	430,612	682,120	289,773	392,347	1,575,451	1,908,698	(333,247)	0
0	190,726	183,280	132,305	163,970	(31,665)	603,344	579,125	24,219	0

WoW** Position Change					
Sml Spec		Lrg Spec		Comm	
Net		Net		Net	As of
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	99.3025	4.645
5y	4.625	10/31/11	100.0650	4.578
10y	4.625	11/15/16	100.120	4.578
30y	4.500	2/15/36	97.16	4.657

GHCO

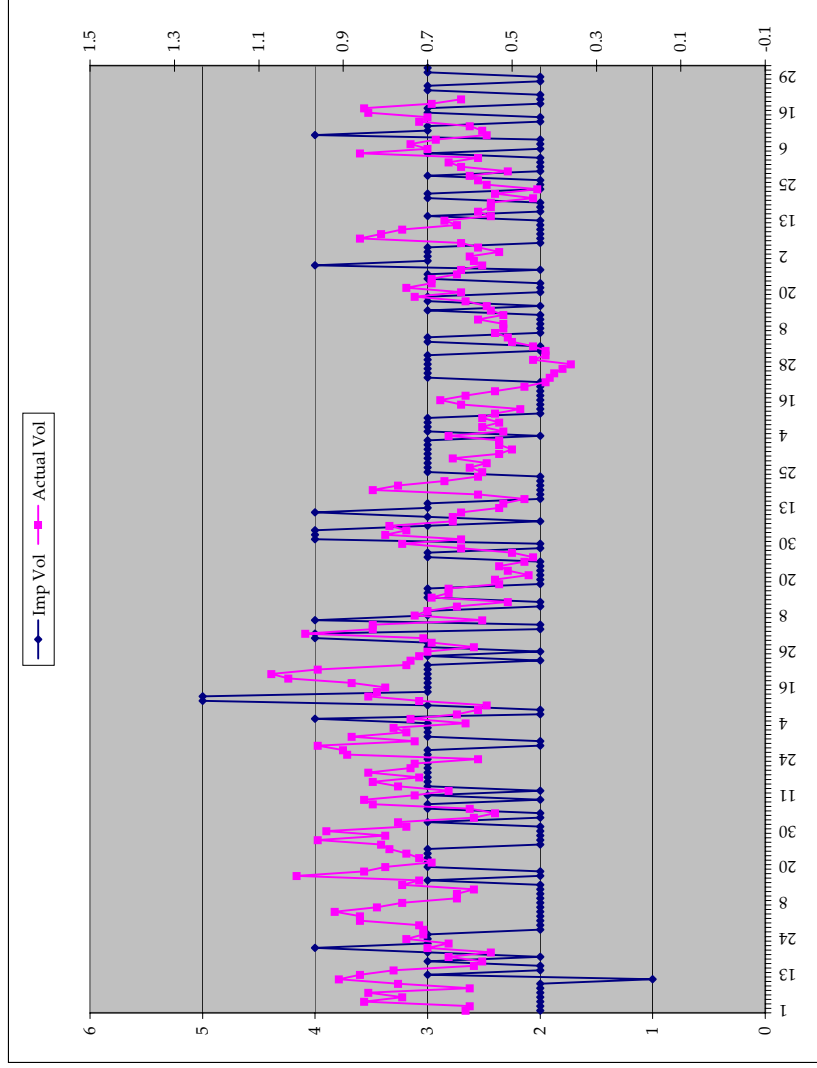
CF Basis* Basis	32nds
5y 0.89 13.682	ZF 105.1650
10y 2.87 92.984	ZN 108.1150
30y 7.29 241.305	ZB 113.05

Curve Spreads bps

2/3	(0.122)
3/5	(0.067)
2/5	(0.189)
5/10	0.000
2/10	(0.189)
10/30	0.079
5/30	0.079
2/30	(0.110)

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	11/22/2006	11/24/2006	1/0/1900
1900-2200	0000-0300	2000-2300	0	2	0
2200-0100	0300-0600	2300-0200	0	1	0
0100-0400	0600-0900	0200-0500	1	2	0
0400-0700	0900-1200	0500-0800	1	1	0
0700-1000	1200-1500	0800-1100	1	1	0
1000-1300	1500-1800	1100-1400	1	3	0
1300-1600	1800-2100	1400-1700	1	4	0
1600-1900	2100-0000	1700-2000	2	4	0

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9

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