

The Morning Email: Treasuries

Rotate Me

Table of Contents

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

Want something added?

Let me know: jgoulding@ghco.com

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Jim Goulding, GHCO, Treas-Arb, Chicago, jgoulding@ghco.com

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	102.035	(0.20)	102.047	102.032	102.042	19,638	2y Futures	
FVAZ6	105.200	(2.00)	105.235	105.190	105.225	45,753	5y Futures	
TYAZ6	108.170	(1.50)	108.220	108.160	108.195	118,209	10y Futures	
USAZ6	113.170	(3)	113.240	113.150	113.210	23,801	30y Futures	
BUS02P								
	100.082	(0.5)	100.092	100.082	100.090	na	2y	
T.US.B045P1011	100.112	(1.7)	100.142	100.105	100.132	na	5y	
BUS10P	100.205	(3.5)	100.255	100.195	100.235	na	10y	
BUS30P	98.015	(6)	98.085	97.310	98.085	na	30y	
BUS02Y								
	4.727	0.90	4.739	4.701	4.735	na	2y Yield	
BUS05Y	4.542	1.40	4.551	4.517	4.533	na	5y Yield	
BUS10Y	4.542	1.40	4.552	4.521	4.534	na	10y Yield	
BUS30Y	4.620	1.00	4.629	4.602	4.614	na	30y Yield	

Source: CQG

Yesterday

3:23 pm - Trade Reverses Early Losses: Treasuries got a **solid pop** after spending the majority of the day underwater. The market failed yet again however, at the strongest levels, after being aided by crumbling stocks, the dollar debacle & a late safe-haven bid. The market has a week full of supply, data & monetary-policy speakers that is contributing to the buy-side as the numbers are expected to continue to deteriorate while Fed speakers try to talk up longer rates (although the policy posse is a real fly in the ointment as their speeches are generally not very revelatory, but their run-ins with reporters are). The 2-10-yr yield spread wound in a fairly tight range on the session, going out at -18.5.
[Source: Yahoo!]

Overnight

[05:23 EST 11/28]

USTs: Treasuries are trading modestly lower in London Tuesday, weighed by light profit-taking after overnight gains. However, traders say volumes were light, with many players awaiting the U.S. open. Tokyo led the way lower, with light selling in the belly and 10-year sector of the curve from real money investors. But, with a lack of fresh trading incentives, the downside was underpinned by the weakness of Asian stockmarkets. London trade saw little change in trading patterns, with prices showing modest weakness on profit-taking. Real money names were light sellers of most areas of the curve, with leveraged accounts seen as better buyers of the 2 and 10-year sector.

[Source – Market Watch, Reuters]

Today

Date	ET	Release	For	Briefing.com	Consensus	Prior
Nov 28	08:30	Durable Orders	Oct	-6.0%	-4.5%	8.3%
Nov 28	10:00	Consumer Confidence	Nov	105.0	106.5	105.4
Nov 28	10:00	Existing Home Sales	Oct	6.15M	6.20M	6.18M
Nov 29	08:30	GDP-Prel.	Q3	1.8%	1.8%	1.6%
Nov 29	08:30	Chain Deflator-Prel.	Q3	1.8%	1.8%	1.8%
Nov 29	10:00	New Home Sales	Oct	1010K	1045K	1075K
Nov 29	10:30	Crude Inventories	11/24	NA	NA	5161K
Nov 29	14:00	Fed's Beige Book				
Nov 30	08:30	Initial Claims	11/25	310K	NA	321K
Nov 30	08:30	Personal Income	Oct	0.5%	0.5%	0.5%
Nov 30	08:30	Personal Spending	Oct	0.1%	0.1%	0.1%
Nov 30	10:00	Chicago PMI	Nov	56.0	54.5	53.5
Nov 30	10:00	Help-Wanted Index	Oct	30	31	30
Dec 01	00:00	Auto Sales	Nov	5.3M	5.2M	5.1M
Dec 01	00:00	Truck Sales	Nov	7.5M	7.3M	7.2M
Dec 01	10:00	Construction Spending	Oct	-0.3%	-0.2%	-0.3%
Dec 01	10:00	ISM Index	Nov	52.5	52.0	51.2

[Sources: DailyFX.com]

[Other Sources: FXStreet.com, Briefing.com, MNI, Reuters, Dow Jones, Bloomberg, icap]

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.76
10y	7.91
5y	4.34
3y	2.73
2y	1.81
ZB	9.97
ZN	5.70
ZF	3.79
ZT	1.73

DV01s (32nds)	
30y	5.01
10y	2.55
5y	1.40
3y	0.88
2y	0.58
ZB	3.68
ZN	2.01
ZF	1.30
ZT	1.14

DV01s (\$s)	
30y	\$1,566
10y	\$797
5y	\$439
3y	\$274
2y	\$182
ZB	\$115
ZN	\$63
ZF	\$40
ZT	\$36

Yield Curve Spreads

2/3	-12.00
3/5	-6.50
2/5	-18.50
5/10	0.00
2/10	-18.50
10/30	7.80
5/30	7.80
2/30	-10.70

Fly's

2/3/5	-5.50
2/5/10	-18.50
2/10/30	-26.30
5/10/30	-7.80

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		1.834	2.842	3.237
ZN	0.545		1.549	1.765
ZF	0.352	0.645		1.139
ZT	0.618	1.133	1.756	

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	1.58	2.38	3.81	6.93	13.61
ZN	2.90	4.36	7.00	12.71	24.97
ZF	4.49	6.76	10.84	19.70	38.68
ZT	4.89	7.70	12.35	22.43	44.06

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		1.575	2.526	4.590	9.015	
3y	0.665		1.604	2.915	5.724	
5y	0.415	0.623		1.817	3.569	
10y	0.228	0.343	0.550		1.964	
30y	0.116	0.175	0.280	0.509		

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				As of
Sml Spec		Lrg Spec		Comm
Net	Net	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	100.0875	4.722
3y	4.625	11/15/09	100.0225	4.599
5y	4.625	10/31/11	100.1250	4.535
10y	4.625	11/15/16	100.225	4.536
30y	4.500	2/15/36	98.04	4.618

GHCO

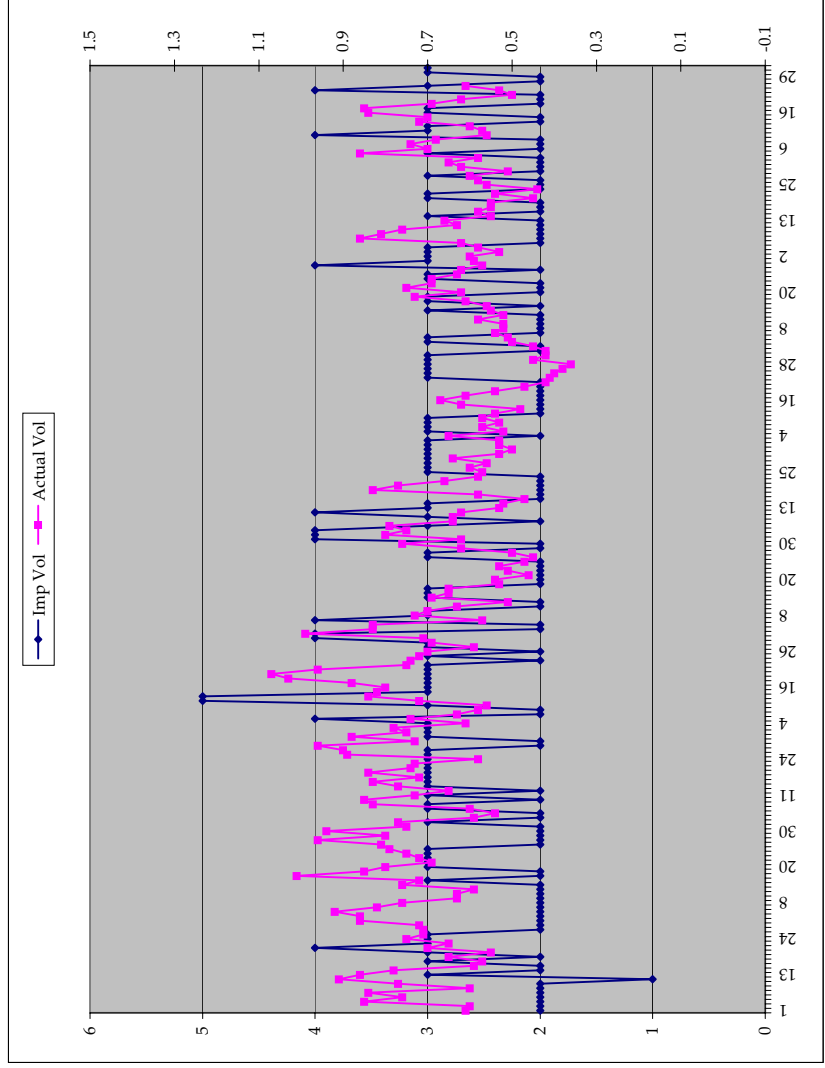
CF Basis* Basis	32nds
5y 0.91 14.954	ZF 105.2150
10y 2.91 96.738	ZN 108.1900
30y 8.05 249.675	ZB 113.19

Curve Spreads bps

2/3	(0.123)
3/5	(0.064)
2/5	(0.187)
5/10	0.001
2/10	(0.186)
10/30	0.082
5/30	0.083
2/30	(0.104)

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	11/27/2006	11/28/2006	11/29/2006
1900-2200	0000-0300	2000-2300	2	2	1
2200-0100	0300-0600	2300-0200	2	2	1
0100-0400	0600-0900	0200-0500	2	2	1
0400-0700	0900-1200	0500-0800	1	1	1
0700-1000	1200-1500	0800-1100	2	2	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

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