

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				
TUAZ6	102.057	(0.50)	102.062	102.050	102.062	18,072			2y Futures	
FVAZ6	105.250	(0.50)	105.270	105.240	105.265	36,575			5y Futures	
TYAZ6	108.245	(1.00)	108.270	108.235	108.260	100,340			10y Futures	
USAZ6	113.270	(2)	113.310	113.240	113.300	24,791			30y Futures	
T. US: B045P1011										
BUS02P	99.290	(14.2)	99.295	99.285	99.295	na			2y	
BUS10P	100.167	(1.2)	100.177	100.155	100.175	na			5y	
BUS30P	98.115	(5)	98.160	98.095	98.145	na			10y	
									30y	
T. US: B045P1011										
BUS02Y	4.671	(0.40)	4.691	4.658	4.683	na			2y Yield	
BUS05Y	4.503	0.80	4.515	4.492	4.497	na			5y Yield	
BUS10Y	4.507	0.80	4.523	4.499	4.511	na			10y Yield	
BUS30Y	4.601	1.00	4.608	4.586	4.591	na			30y Yield	

Source: CQG

Yesterday

[Source: Yahoo!]

From MNI: Poole

U.S. monetary policy is "mildly restrictive," but it will take more than just slower economic growth to ease policy, St. Louis Federal Reserve Bank President William Poole said late Monday afternoon. See story by Steven K. Beckner on the MNI Main Wire at 9:39 EST/1539 GMT.

From Howard: NY FED'S PLOSSER

-HIGHER RATE MAY BE NEEDED TO STEM INFLATION
-THERE'S RISK FED NOT YET FIRM ENOUGH ON RATES
-SIGNIFICANT POSSIBILITY INFLATION TO STAY HIGH
-HOUSING SLOWDOWN WAS EXPECTED, BUT NOT UNWELCOME
-ECONOMY PERFORMING FAIRLY WELL OUTSIDE HOUSING
-ECONOMY'S TREND TGRWOTH RATE CLOSER TO 3%
-FED'S RATE, MINUS INFLATION IS RELATIVELY LOW

From Howard: BERNANKE:

-RISKS TO INFLATION ARE TO THE UPSIDE
-NO PRICE EASING WOULD BE ESPECIALLY TROUBLESOME
-CASE FOR FURTHER POLICY ACTION DEPENDS ON DATA
-US GROWTH RETURNING TO TREND NEXT YEAR
-FED WATCHING LABOUR COSTS CAREFULLY
-Q4 GDP GROWTH ABOUT SAME AS PAST 2 QUARTERS
-CORE INFLATION REMAINS UNCOMFORTABLY HIGH
-GROWTH SLOWING ROUGHLY AS FED ANTICIPATED
-SLOWDOWN 'PRIMARILY' REFLECTS HOUSING DOWNTURN
-CORE INFLATION SOMEWHAT BETTER BEHAVED OF LATE
-ECONOMY CONTINUES TO BE STRONG; LIKELY TO EXPAND AT MODERATE PACE
-CORE INFLATION SHOULD SLOW GRADUALLY;

Overnight

[05:15 EST 11/29]

USTs: Treasuries are trading lower across the board in London Wednesday, pushed lower by profit-taking after renewed overnight gains in the U.S. Despite renewed warnings on inflationary pressures from Federal Reserve Chairman Ben Bernanke, Treasuries ended higher in New York on a strong 2-year auction. Tokyo saw prices open very modestly lower, although volumes in the cash market were light. Traders said with little in the way of fresh trading incentives, many players were concentrating on the roll of futures contracts from December to March. Prices edged lower again in London, with light selling at the front of the curve from real money accounts - some unwinding of auction positions was seen - pushing the two-year note lower. Also, the 10-year ran into light profit-taking, although good two-way demand was noted at levels close to 4.50%.

[Source - Market Watch, Reuters]

Today

Date	ET	Release	For	Briefing.com	Consensus	Prior
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	1.80
ZB	9.97
ZN	5.70
ZF	3.79
ZT	1.73

DV01s (32nds)	
30y	5.03
10y	2.56
5y	1.40
3y	0.88
2y	0.58
ZB	3.69
ZN	2.01
ZF	1.30
ZT	1.14

DV01s (\$s)	
30y	\$1,570
10y	\$800
5y	\$438
3y	\$274
2y	\$181
ZB	\$115
ZN	\$63
ZF	\$41
ZT	\$36

Yield Curve Spreads

2/3	-10.70
3/5	-6.10
2/5	-16.80
5/10	0.40
2/10	-16.40
10/30	9.40
5/30	9.80
2/30	-7.00

Fly's

2/3/5	-4.60
2/5/10	-17.20
2/10/30	-25.80
5/10/30	-9.00

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		1.835	2.847	3.248
ZN	0.545		1.551	1.770
ZF	0.351	0.645		1.141
ZT	0.616	1.130	1.753	

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	1.57	2.37	3.80	6.93	13.61
ZN	2.88	4.35	6.97	12.71	24.97
ZF	4.47	6.75	10.81	19.72	38.74
ZT	4.89	7.70	12.33	22.51	44.20

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		1.576	2.523	4.606	9.045
3y	0.662		1.601	2.922	5.739
5y	0.413	0.625		1.825	3.585
10y	0.226	0.342	0.548		1.964
30y	0.115	0.174	0.279	0.509	

Commitment of Traders (COT)

	Current Positions									
	Small Spec			Large Spec			Commercials (Hedgers)			Net
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	238,301	251,960	(13,659)	151,927	199,357	(47,430)	1,084,430	1,023,341	61,089	ZF
ZN	287,834	409,908	(122,074)	663,883	281,454	382,429	1,431,396	1,691,750	(260,354)	ZN
ZB	127,600	138,690	(11,090)	139,402	217,234	(77,832)	538,574	449,653	88,921	ZB

	WoW** Position Change				As of
	Sml Spec		Lrg Spec		
	Net	Net	Net	Net	Net
ZF	(13,883)	(16,249)	30,133	72,893	11/21/2006
ZN	(62,973)	(9,918)	72,893	64,702	
ZB	(18,536)	(46,167)	64,702		

**WoW = Week over week

2 PM CDT Closes: US Treasuries, US Financial Futures, YC Spreads, Basis

	Cpn	Mty	32nds	Yield
2y	4.625	11/30/08	100.1100	4.687
3y	4.625	11/15/09	100.0550	4.599
5y	4.625	10/31/11	100.1750	4.535
10y	4.625	11/15/16	100.300	4.536
30y	4.500	2/15/36	98.15	4.618

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CF Basis* Basis

	5y	10y	30y	32nds
	0.91	2.92	8.09	
	14.954	96.738	249.675	
	ZF	ZN	ZB	
	105.2650	108.2650	113.28	

Curve Spreads bps

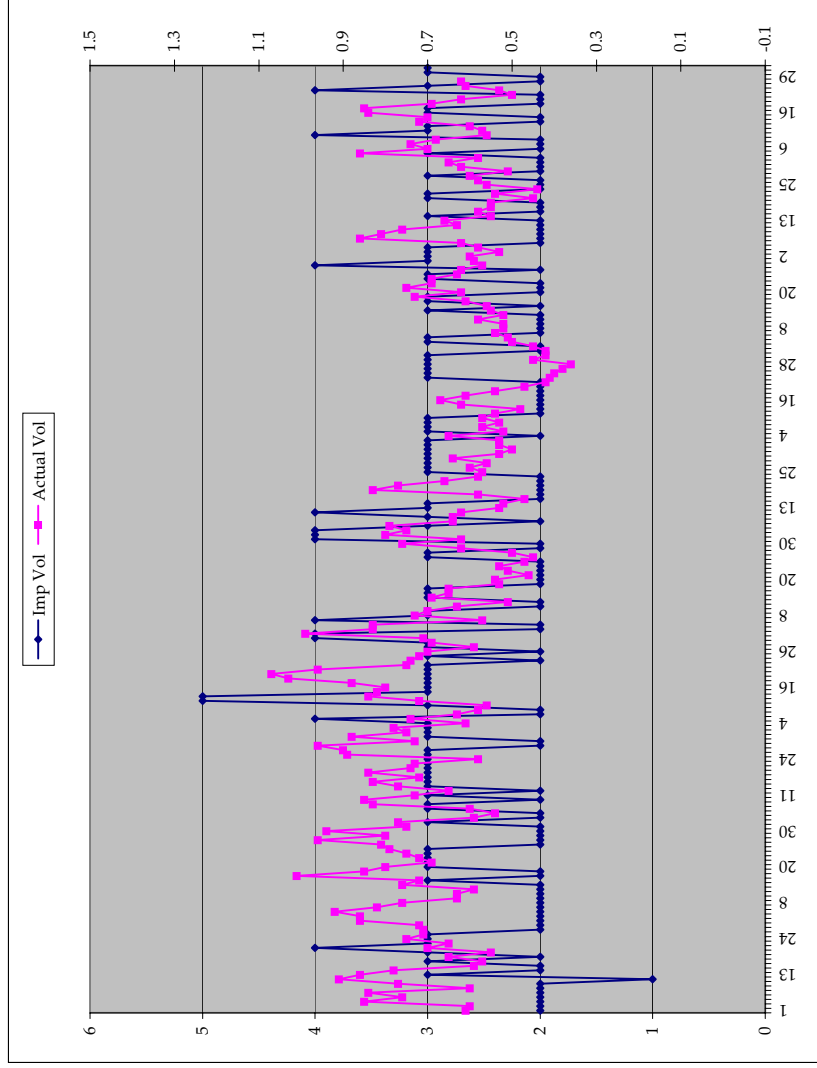
2/3	(0.088)
3/5	(0.064)
2/5	(0.152)
5/10	0.001
2/10	(0.151)
10/30	0.082
5/30	0.083
2/30	(0.069)

CF = Conversion Factor
Cash - (Futures * CF)

New 2Y

Cpn	4.625
Mty	11/30/08
32nds	99.2900
Yield	4.674

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	11/29/2006	11/30/2006	12/1/2006
1900-2200	0000-0300	2000-2300	2	2	2
2200-0100	0300-0600	2300-0200	2	2	2
0100-0400	0600-0900	0200-0500	2	2	2
0400-0700	0900-1200	0500-0800	2	2	2
0700-1000	1200-1500	0800-1100	2	2	2
1000-1300	1500-1800	1100-1400	2	2	2
1300-1600	1800-2100	1400-1700	2	2	2
1600-1900	2100-0000	1700-2000	2	2	2

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
 1,2 = very slow
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 6-9 = very volatile