

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

Disclaimer:

All information within this newsletter is meant for internal use at Goldenberg, Hehmer & Co. only.

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.

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

Important Econ Releases Highs & Lows

	5y*	10y*	ZN	ZB	Date
Non-farm High	0.0000	0.0000	0.0000	0.0000	11/3/2006
Non-farm Low	0.0000	0.0000	0.0000	0.0000	11/3/2006
FOMC High	99.1600	100.2800	107.0550	110.2700	10/25/2006
FOMC Low	99.0800	100.1500	106.2550	110.0500	10/25/2006
PPI High	99.2350	101.0450	17.1400	111.0600	10/17/2006
PPI Low	99.1400	100.2200	106.3150	110.1500	10/17/2006
CPI High	99.1850	100.3000	107.0750	110.3100	10/18/2006
CPI Low	99.1150	100.1950	106.2950	110.1400	10/18/2006

*Adjusted for New Issue

Prices are recorded from econ release to 2pm CDT

Quotes

		32 nds										
	ls	net	high	low	open	Volume						
TUAZ6	101.307	(0.50)	101.312	101.302	101.307	13,572					2y Futures	
FVAZ6	105.005	(1.50)	105.015	104.315	105.010	46,756					5y Futures	
TYAZ6	107.130	(1.50)	107.145	107.125	107.140	72,999					10y Futures	
USAZ6	111.170	(4)	111.190	111.150	111.190	20,052					30y Futures	
BUS02P												
	100.030	0.0	100.035	100.027	100.030	na					2y	
T.US.B045P1011	99.215	(0.5)	99.230	99.210	99.222	na					5y	
BUS10P	101.050	(1.5)	101.065	101.045	101.055	na					10y	
BUS30P	94.310	(4)	95.030	94.305	95.030	na					30y	
BUS02Y												
	4.820	0.40	4.858	4.803	4.858	na					2y Yield	
BUS05Y	4.698	0.60	4.703	4.685	4.703	na					5y Yield	
BUS10Y	4.721	0.60	4.733	4.715	4.715	na					10y Yield	
BUS30Y	4.819	0.90	4.825	4.809	4.824	na					30y Yield	

Source: CQG

Yesterday

3:42 pm - Trade Slammed on "Data": The market was **smacked** down on impressive improved data revisions on jobs as official reports continue to morph from month to month. Déjà vu all over again. The market was able to close tiny bit better on the longer stuff, meaning not on the absolute lows, but not by much. The **market tanked once the jobs & newly revised revisions** hit, again, calling into question for many the value of preliminary reports. From the WSJ to bloggers, to armchair pundits, people are **pondering the validity of "official" reports**. Greg Ip had a piece today that referred to a BLS official saying the "BLS is considering a variety of explanations for why it undercounted payrolls so much in its initial estimates last year." Take your pick. **ISM came in better** as well & that didn't help, adding to the session's spanking. No buyers showed up & many stepped back & scratched their heads. The **2-10-yr yield spread gave back all its run to less inverted territory, whacking the difference back to -10.3**, covering the week's range in a few hours. The dollar ratcheted higher as the data, revisions, were of the good variety for the buck. The index shot up to 85.71 (+0.37). Spot gold spewed lower on the data, re-thought the move, & then spun higher to grab a gain of \$2.30 to 627.00 as fast money, according to CNBC's Rick Santelli, may be behind the recent break-out helping to support prices as funds look to pile back into commodities. Crude oil picked up to 59.09 (+1.21) as threats to production/refining facilities around the globe. Next week is a bit of a sleeper with few data points (**import/export prices & monthly trade balance** being the only notables) while the Fed has Chicago's Moskow, Cleveland's Pianalto & SF's Yellen.

Source: Yahoo! , Briefing.com, DJ News Wire

Overnight

[05:00 EST 11/06]

USTs: Treasuries are trading lower across the curve Monday, as global debt markets continue to struggle in the wake of Friday's US employment data. Prices were lower from the getgo in Tokyo, with regional accounts having their first opportunity to react to the data. The longer-end of the curve lead the way lower, as a little the flattening seen Friday was unwound. There was little sign of a rally in London, as weaker European bonds helped maintain the pressure. However, there was light real money demand noted in the two-year sector, which helped drag in a few leveraged name buyers, who were unwinding recent curve flattening trades. Bunds were trading modestly lower against U.S. 10-year T-notes, down 0.5 bps on the day at 100 3/32. By mid-morning, the 2-yr note was unchanged, trading at 100 3/32, to yield 4.82% and the 5-year note was 1/32 lower, trading at 99 22/32 (4.70%). The 10-year note was 1/32 lower at 101 6/32 (4.72%), while the Bond was 4/32 lower at 95 1/32 (4.82%).

Source: Yahoo! , Briefing.com, MNI

Other Sources: Reuters, MNI, Dow Jones, Bloomberg,

Yield Curve Spreads & Flies, DV01s, CFs

M Duration

30y	#VALUE!
10y	#VALUE!
5y	4.40
3y	#VALUE!
2y	1.87
ZB	9.97
ZN	5.75
ZF	#VALUE!
ZT	1.79

DV01s (32nds)

30y	#VALUE!
10y	#VALUE!
5y	1.42
3y	#VALUE!
2y	0.60
ZB	3.61
ZN	1.99
ZF	#VALUE!
ZT	1.17

DV01s (\$s)

30y	#VALUE!
10y	#VALUE!
5y	\$445
3y	#VALUE!
2y	\$187
ZB	\$113
ZN	\$62
ZF	#VALUE!
ZT	\$37

Yield Curve Spreads

2/3	-6.60
3/5	-5.60
2/5	-12.20
5/10	2.30
2/10	-9.90
10/30	9.80
5/30	12.10
2/30	-0.10

Fly's

2/3/5	-1.00
2/5/10	-14.50
2/10/30	-19.70
5/10/30	-7.50

CFs

ZB	0.7943
ZN	0.9178
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	2.900
Bobl (Z)	0.530	0.940	1.400	1.500
Schatz (Z)	0.230	0.410	0.620	0.680

Number
of
contracts
LONG

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		1.808	#VALUE!	3.082
ZN	0.553		#VALUE!	1.705
ZF	#VALUE!	#VALUE!		#VALUE!
ZT	0.649	1.173	#VALUE!	

H=Mch
M=Jun
U=Sep
Z=Dec

Hedge Ratios: US Treasury Cash / Eurex Bund, Bobl, Schatz

US Treasuries v US Financial Futures Hedge Ratios

	2y	3y	5y	10y	30y
ZB	1.66	#VALUE!	3.95	#VALUE!	#VALUE!
ZN	3.00	#VALUE!	7.14	#VALUE!	#VALUE!
ZF	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
ZT	4.89	#VALUE!	12.18	#VALUE!	#VALUE!

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
Schatz (Z)	7.1	10.4	16.7	30.0	56.1

Eurex Hedge Ratio's source: Bloomberg

Eurex Hedge Ratios

	Bund (Z)	Bobl (Z)	Schatz (Z)
Bund (Z)		1.880	4.800
Bobl (Z)	0.532		2.484
Schatz (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	#VALUE!	#VALUE!	2.491	#VALUE!	#VALUE!
3y	#VALUE!		#VALUE!	#VALUE!	#VALUE!
5y	0.420	#VALUE!		#VALUE!	#VALUE!
10y	#VALUE!	#VALUE!	#VALUE!		#VALUE!
30y	#VALUE!	#VALUE!	#VALUE!	#VALUE!	

Commitment of Traders (COT)

Maximum and Minimum Positions*											
Small Spec			Large Spec			Commercials					
Max	Date	Min	Date	Max	Min	Date	Max	Date	Min	Date	
ZF											
ZN											
ZB											

Current Positions											
Small Spec			Large Spec			Commercials (Hedgers)					
Long	Short	Net	Long	Short	Net	Long	Short	Net	Long	Short	Net
ZF	270,393	303,355	(32,962)	190,761	193,146	(2,385)	1,007,441	972,095	35,346	ZF	
ZN	340,634	436,820	(96,186)	735,890	336,086	399,804	1,588,691	1,892,309	(303,618)	ZN	
ZB	165,981	196,432	(30,451)	114,578	146,062	(31,484)	578,587	516,652	61,935	ZB	

WoW** Position Change			
Sml Spec	Lrg Spec	Comm	As of
Net	Net	Net	10/31/2006
ZF	981	24,222	(25,203)
ZN	11,375	(14,962)	3,585
ZB	(1,085)	58,968	(57,883)

*Minimum and Maximum Positions

go back to 07/05/2005

**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	100.0325	4.820
3y	4.875	8/15/09	100.1025	4.748
5y	4.625	10/31/11	99.2000	4.689
10y	4.875	8/15/16	101.075	4.713
30y	4.500	2/15/36	95.05	4.810

GHCO

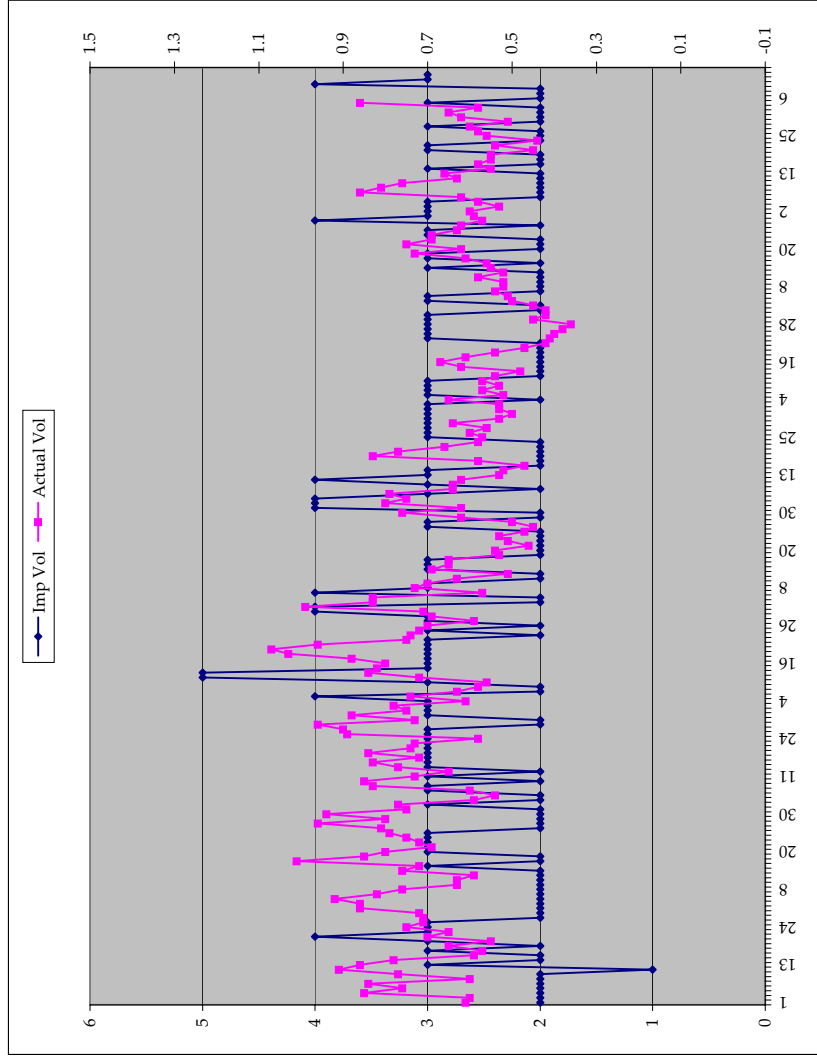
CF Basis* Basis		32nds	
5y	0.17	12.366	ZF 105.0150
10y	2.73	77.683	ZN 107.1500
30y	6.72	205.260	ZB 111.20

Curve Spreads bps

2/3	(0.072)
3/5	(0.059)
2/5	(0.131)
5/10	0.024
2/10	(0.107)
10/30	0.097
5/30	0.121
2/30	(0.010)

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	11/6/2006	11/7/2006	11/8/2006
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	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
 3 = moderate
 4,5 = volatile
 6-9 = very volatile