

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	102.0700	108.1600	113.0000	11/3/2006
Non-farm Low	99.2175	101.0500	107.1250	111.1300	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	SYM NAME				
TUAZ6	102.000	1.00	102.002	101.310	101.315	12,731	2y Futures				
FVAZ6	105.055	3.50	105.065	105.025	105.035	45,252	5y Futures				
TYAZ6	107.220	5.00	107.225	107.170	107.180	105,817	10y Futures				
USAZ6	112.010	10	112.020	111.260	111.260	24,453	30y Futures				
BUS02P											
	100.042	0.2	100.042	100.035	100.037	na	2y				
T.US:B045P1011	99.272	2.2	99.280	99.235	99.245	na	5y				
BUS10P	101.155	2.5	101.160	101.105	101.115	na	10y				
BUS30P	95.225	4	95.235	95.150	95.155	na	30y				
BUS02Y											
	4.795	(0.80)	4.841	4.795	4.816	na	2y Yield				
BUS05Y	4.657	(1.20)	4.683	4.651	4.678	na	5y Yield				
BUS10Y	4.681	(1.00)	4.707	4.677	4.701	na	10y Yield				
BUS30Y	4.772	(0.80)	4.794	4.769	4.788	na	30y Yield				

Source: CQG

Yesterday

Moskow: -Vigilance needed on inflation expectations -If price expectations rise,policy response needed -Some additional firming may yet be necessary -Risk of higher inflation greater than slower growth -Growth will pick up from weak 3Q -Economy outside housing remains on good footing -Productivity trends remain solid -Oil price decline should give people more to spend

Treasuries Scratching way Back: The market is **trying to edge back to unchanged** on extreme thin trade as players hit the sidelines in a data-free stretch in front of assorted event risk. The market has been slumping lower all session while just beginning to make a push for better levels into mid-session. The talk from Moskow early leaned hawkish, as usual, with the standard-issue assurances, but the jittery market allowed the word "inflation" to keep prices under pressure. The **absence of any scheduled market drivers will help to keep trade steady**, but the lack of flows passing through will contribute to exaggeration of any decisive directional runs. The curve has seen ongoing unwinding which is pushing the **2-10-yr yield spread to -11.3, into the most inverted levels since early Mar**. The dollar is flipping around where it began the session with the index holding modestly higher at 85.79 (+0.08). Spot gold is down at 625.70 (-1.70) as last week's highs of 629.90 set-up some profit taking objectives this morning while crude oil is up at 59.47 (+0.33) though off highs of 59.90 earlier after reports of an attack on Nigerian production facilities.

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

Overnight

[04:27 EST 11/07]

USTs: Treasuries are trading higher across the board in London Tuesday, building on late gains in New York. Traders said the market overlooked mildly hawkish overnight comments from Fed officials to move higher. Prices were little changed throughout the Tokyo session, with many players happy to stay on the sidelines ahead of the US Congressional elections. The market picked up a light bid going into the London session, helped by the renewed bid seen by European government bonds. However, once again the longer-end of the curve outperformed, helping fuel a modest flattening of the curve. Bunds were trading modestly lower against U.S. 10-year T-notes, down 1 bps on the day at 98 bps. By mid-morning, the 2-yr note was unchanged, trading at 100 4/32, to yield 4.80% and the 5-year note was 1/64 higher, trading at 99 26/32 (4.67%). The 10-year note was 1/32 higher at 101 14/32 (4.69%), while the Bond was 4/32 higher at 95 20/32 (4.78%).

Source: Yahoo! , Briefing.com, MNI

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

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.71
10y	7.64
5y	4.40
3y	2.54
2y	1.86
ZB	9.98
ZN	5.75
ZF	3.84
ZT	1.78

DV01s (32nds)	
30y	4.86
10y	2.51
5y	1.43
3y	0.81
2y	0.60
ZB	3.63
ZN	2.00
ZF	1.30
ZT	1.17

DV01s (\$s)	
30y	\$1,520
10y	\$784
5y	\$447
3y	\$255
2y	\$187
ZB	\$113
ZN	\$63
ZF	\$41
ZT	\$37

Yield Curve Spreads

2/3	-7.20
3/5	-6.60
2/5	-13.80
5/10	2.40
2/10	-11.40
10/30	9.10
5/30	11.50
2/30	-2.30

Fly's

2/3/5	-0.60
2/5/10	-16.20
2/10/30	-20.50
5/10/30	-6.70

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		1.812	2.782	3.102
ZN	0.552		1.535	1.712
ZF	0.359	0.651		1.129
ZT	0.645	1.169	1.794	

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	1.65	2.25	3.94	6.92	13.41
ZN	2.99	4.07	7.14	12.53	24.30
ZF	4.58	6.25	10.96	19.24	37.30
ZT	4.89	6.97	12.22	21.45	41.59

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

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		1.426	2.500	4.389	8.510
3y	0.733		1.754	3.079	5.969
5y	0.418	0.570		1.755	3.403
10y	0.238	0.325	0.570		1.939
30y	0.123	0.168	0.294	0.516	

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

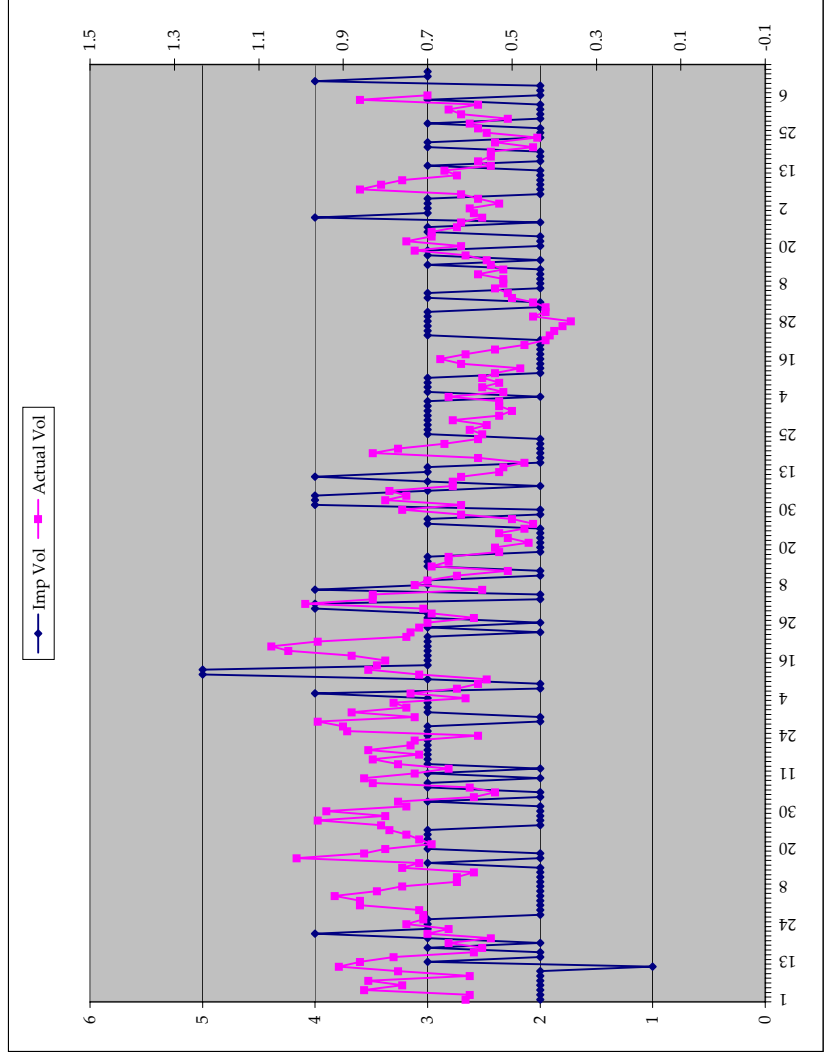
CF Basis* Basis		32nds	
5y	0.17	12.366	ZF 105.0150
10y	2.73	77.683	ZN 107.1500
30y	6.72	205.260	ZB 111.20

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

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