

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	102.037	2.00	102.042	102.010	102.020	16,613	2y Futures		
FVAZ6	105.155	6.50	105.160	105.085	105.095	85,053	5y Futures		
TYAZ6	108.040	9.00	108.060	107.260	107.275	182,220	10y Futures		
USAZ6	112.210	1.3	112.240	112.040	112.070	38,999	30y Futures		
BUS02P									
	100.082	2.2	100.085	100.055	100.055	na	2y		
T.US.B045P1011	100.052	6.7	100.060	99.297	99.302	na	5y		
BUS10P	101.310	10.5	102.010	101.190	101.195	na	10y		
BUS30P	96.145	18	96.195	95.275	95.275	na	30y		
BUS02Y									
	4.732	(3.80)	4.79	4.723	4.79	na	2y Yield		
BUS05Y	4.586	(4.40)	4.642	4.579	4.634	na	5y Yield		
BUS10Y	4.619	(4.20)	4.673	4.609	4.659	na	10y Yield		
BUS30Y	4.722	(3.50)	4.765	4.712	4.754	na	30y Yield		

Source: CQG

Yesterday

[13:26 EST 11/07]DOLLAR/US: Strategists at BNP Paribas maintain that gridlock between legislative/executive branches could prompt the Fed to ease more quickly. "This is because, in contrast to the period following the Hurricane Katrina crisis, the government could have trouble justifying emergency spending programs in response to a housing-triggered consumption slowdown, particularly if there is no 'crash,'" they say. "A divided Congress could use the opportunity of the need to increase the national debt cap of \$8.97 trillion to call for greater fiscal austerity," BNPP says. Given the daily increase of \$2.55bn/day in the national debt since the end of Sept, the US should reach this cap by March 2007, the strategists say. "Tighter fiscal conditions may argue for prolonged Fed easing, which could result in a dollar-bearish looser-monetary, tighter-fiscal policy mix," they add.

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

Overnight

[02:23 EST 11/08]

USTs: Treasuries are trading higher across the board in early London trade Thursday, reversing early losses as it appears a better than even chance that the Democrats are about to gain control of both Houses of Congress.

[04:25 EST 11/08]

USTs: Treasuries are trading higher across the curve in London Thursday, with the long-end of the curve outperforming, as investors take stock of a victorious night for the Democratic party. With the Democrats assured of a solid majority in the House of Reps and the possibility of also winning the Senate, buyers were seen across the curve. However, demand was skewed toward the back of the curve as auctions and comments helped cap gains in shorter-dated paper.

06:30 EST 11/08]

US Elect: Fate of the Senate, now at 49-49, still hangs on those 2 races in Virginia and Montana where the outcome may not be known for days. The big Democratic win in the House produced a 229-to-201 majority. President Bush holds a news conference at 1p ET. Democrat Spitzer in the NY governor's mansion as expected and Republican Arnold back in California.

Source: Yahoo! , Briefing.com, MNI

Other Sources: Reuters, Dow Jones, Bloomberg,

Yield Curve Spreads & Flies, DV01s, CFs

M Duration

30y	#VALUE!
10y	#VALUE!
5y	4.40
3y	#VALUE!
2y	1.86
ZB	#VALUE!
ZN	#VALUE!
ZF	#VALUE!
ZT	#VALUE!

DV01s (32nds)

30y	#VALUE!
10y	#VALUE!
5y	1.44
3y	#VALUE!
2y	0.60
ZB	#VALUE!
ZN	#VALUE!
ZF	#VALUE!
ZT	#VALUE!

DV01s (\$s)

30y	#VALUE!
10y	#VALUE!
5y	\$449
3y	#VALUE!
2y	\$187
ZB	#VALUE!
ZN	#VALUE!
ZF	#VALUE!
ZT	#VALUE!

Yield Curve Spreads

2/3	-7.90
3/5	-6.70
2/5	-14.60
5/10	3.30
2/10	-11.30
10/30	10.30
5/30	13.60
2/30	-1.00

Fly's

2/3/5	-1.20
2/5/10	-17.90
2/10/30	-21.60
5/10/30	-7.00

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	#VALUE!	#VALUE!	#VALUE!	#VALUE!
ZN	#VALUE!	#VALUE!	#VALUE!	#VALUE!
ZF	#VALUE!	#VALUE!	#VALUE!	#VALUE!
ZT	#VALUE!	#VALUE!	#VALUE!	#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	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
ZN	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
ZF	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
ZT	#VALUE!	#VALUE!	#VALUE!	#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!	#VALUE!	#VALUE!	#VALUE!
3y	#VALUE!		#VALUE!	#VALUE!	#VALUE!
5y	0.416	#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

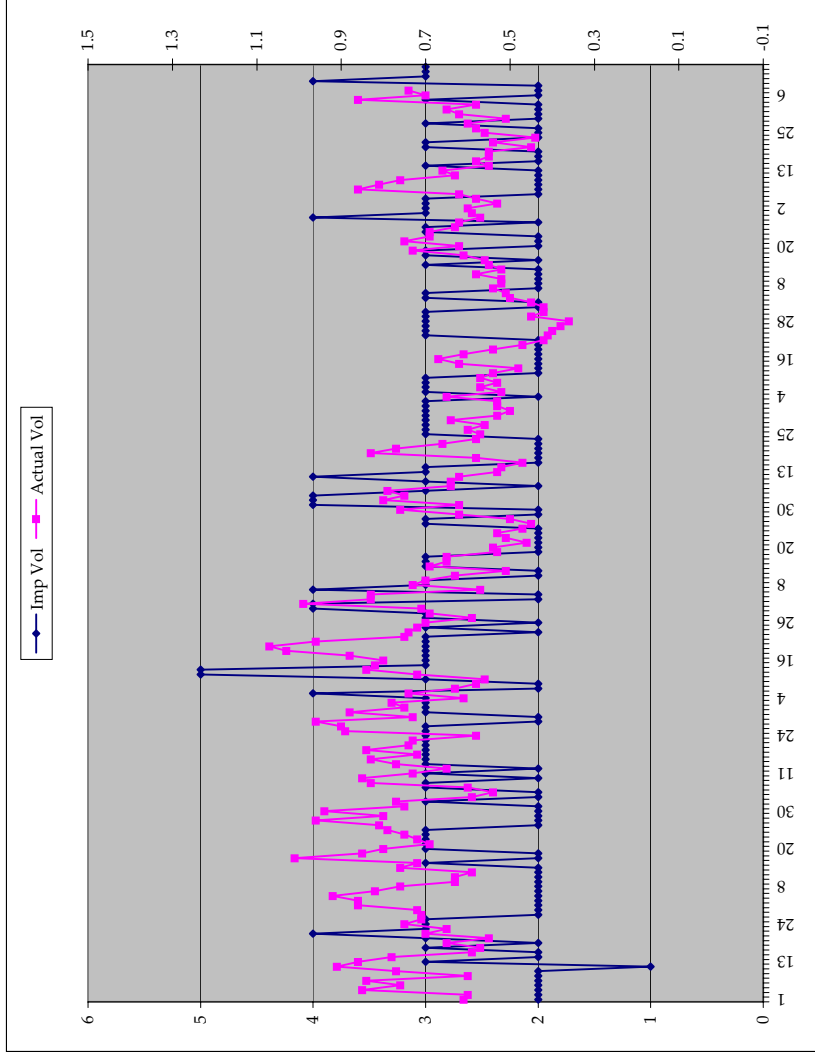
	CF Basis* Basis		32nds
5y	0.17	12.366	ZF 105.0150
10y	2.73	77.683	ZN 107.1500
30y	6.72	205.260	ZB 111.20

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