

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	102.022	(0.70)	102.037	102.017	102.030	10,919			2y Futures	
FVAZ6	105.115	(1.50)	105.150	105.105	105.130	29,895			5y Futures	
TYAZ6	107.310	(2.50)	108.040	107.285	108.005	87,916			10y Futures	
USAZ6	112.130	(5)	112.220	112.100	112.170	20,951			30y Futures	
BUS02P										
	100.065	(0.7)	100.080	100.062	100.077	na			2y	
T.US.B045P1011	100.015	(1.5)	100.047	100.000	100.032	na			5y	
BUS10P	101.245	(2.5)	101.300	101.225	101.275	na			10y	
BUS30P	96.070	(5)	96.170	96.040	96.125	na			30y	
BUS02Y										
	4.761	0.80	4.778	4.727	4.753	na			2y Yield	
BUS05Y	4.610	1.00	4.626	4.589	4.609	na			5y Yield	
BUS10Y	4.645	1.00	4.657	4.621	4.645	na			10y Yield	
BUS30Y	4.738	1.10	4.748	4.715	4.736	na			30y Yield	

Source: CQG

Yesterday

11:52 am EDT - 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 Moscow 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

[04:41 EST 11/09]

USTs: Treasuries are trading modestly lower across the board in London Thursday, weighed by profit-taking after the solid recent gains. Prices were modestly higher from the off in Tokyo, helped by early follow-through buying and by media reports, unconfirmed, in the U.S. that the Democrats had also taken control of the Senate. However, sellers emerged later in the session, and prices continued to edge lower in London, with talk of a good-sized seller of 10-year paper weighing on sentiment. The front of the curve was also pressured, as talk of future ECB rate hikes pushed European front-end yields higher. Real money names were also sellers of the 2-year note, although there was light buying of 30-year paper on the dip from leveraged names, as the recent curve flattening trend continued. Bunds were trading modestly lower against U.S. 10-year T-notes, down 1 bps on the day at 95 bps. the 2-yr note was 1/32 lower, trading at 100 6/32, to yield 4.77%. The 10-year note was 4/32 lower at 101 23/32 (4.65%).

Source: Yahoo! , Briefing.com, MNI

Other Sources: Reuters, Dow Jones, Bloomberg,

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.76
10y	7.64
5y	4.39
3y	2.72
2y	1.86
ZB	10.00
ZN	5.75
ZF	3.84
ZT	1.78

DV01s (32nds)	
30y	4.91
10y	2.52
5y	1.43
3y	0.87
2y	0.60
ZB	3.65
ZN	2.01
ZF	1.31
ZT	1.17

DV01s (\$s)	
30y	\$1,534
10y	\$787
5y	\$448
3y	\$272
2y	\$186
ZB	\$114
ZN	\$63
ZF	\$41
ZT	\$36

Yield Curve Spreads

2/3	-9.90
3/5	-5.20
2/5	-15.10
5/10	3.50
2/10	-11.60
10/30	9.30
5/30	12.80
2/30	-2.30

Fly's

2/3/5	-4.70
2/5/10	-18.60
2/10/30	-20.90
5/10/30	-5.80

CFs

ZB	0.795
ZN	0.9194
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		1.819	2.795	3.126
ZN	0.550		1.536	1.719
ZF	0.358	0.651		1.133
ZT	0.640	1.164	1.788	

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	1.64	2.39	3.93	6.90	13.46
ZN	2.97	4.34	7.14	12.55	24.47
ZF	4.57	6.67	10.97	19.29	37.60
ZT	4.89	7.46	12.28	21.57	42.06

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
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)	0.520		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		1.526	2.512	4.415	8.607	
3y	0.686		1.646	2.894	5.642	
5y	0.416	0.607		1.757	3.427	
10y	0.237	0.346	0.569		1.950	
30y	0.122	0.177	0.292	0.513		

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	100.0750	4.748
3y	4.875	11/15/09	99.3000	4.647
5y	4.625	10/31/11	100.0275	4.605
10y	4.875	8/15/16	101.270	4.633
30y	4.500	2/15/36	96.12	4.730

New issue

GHCO

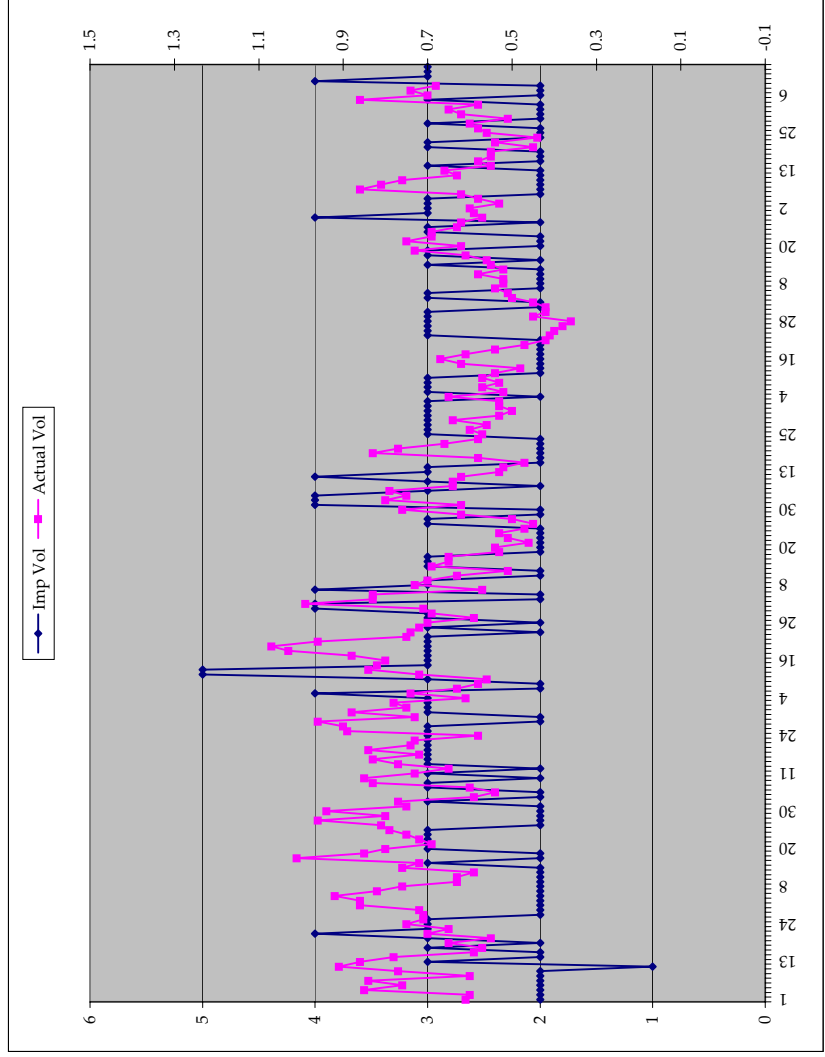
CF Basis* Basis	32nds
5y 0.89	ZF 105.1350
10y 1.96	ZN 108.0150
30y 14.89	ZB 102.18

Curve Spreads bps

2/3	(0.101)
3/5	(0.042)
2/5	(0.143)
5/10	0.028
2/10	(0.115)
10/30	0.097
5/30	0.125
2/30	(0.018)

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	11/9/2006	11/10/2006	11/11/2006
1900-2200	0000-0300	2000-2300	2	3	2
2200-0100	0300-0600	2300-0200	2	3	2
0100-0400	0600-0900	0200-0500	4	3	2
0400-0700	0900-1200	0500-0800	4	2	2
0700-1000	1200-1500	0800-1100	4	2	2
1000-1300	1500-1800	1100-1400	2	2	1
1300-1600	1800-2100	1400-1700	2	2	2
1600-1900	2100-0000	1700-2000	2	1	2

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
 1,2 = very slow
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