

The Morning Email: Treasuries

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Rotate Me

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	100.0200	102.1200	108.2050	113.0000	10/6/2006
Non-farm Low	99.1050	101.1100	107.1850	111.1500	10/6/2006
FOMC High	99.0750	101.0975	107.1900	111.1000	9/20/2006
FOMC Low	99.0350	101.0100	107.1000	111.1000	9/20/2006
PPI High	99.0600	101.0350	107.1300	111.0500	9/18/2006
PPI Low	98.2800	100.1900	106.2800	110.1300	9/18/2006
CPI High	99.0350	100.3150	107.1000	111.0200	9/15/2006
CPI Low	98.2750	100.1800	106.2900	110.1300	9/15/2006

*Adjusted for New Issue

Prices are recorded from econ release to 2pm CDT

Quotes

		32 nds								
	ls	net	high	low	open	Volume				
TUAZ6	101.302	0.00	101.315	101.302	101.307	9,544			SYM NAME 2y Futures	
FVAZ6	104.280	0.50	104.300	104.275	104.280	27,293			5y Futures	
TYAZ6	107.030	1.00	107.055	107.025	107.025	59,983			10y Futures	
USAZ6	110.250	3	110.280	110.230	110.230	9,620			30y Futures	
BUS02P	99.187	(0.7)	99.200	99.187	99.197	na			SYM NAME 2y	
BUS05P	98.305	(0.5)	99.005	98.310	98.315	na			5y	
BUS10P	100.250	0.0	100.275	100.250	100.255	na			10y	
BUS30P	93.235	1	93.280	93.250	93.275	na			30y	
BUS02Y	4.844	0.90	4.861	4.819	4.857	na			SYM NAME 2y Yield	
BUS05Y	4.734	0.20	4.741	4.719	4.741	na			5y Yield	
BUS10Y	4.772	0.00	4.776	4.76	4.776	na			10y Yield	
BUS30Y	4.899	(0.60)	4.909	4.893	4.909	na			30y Yield	



Overnight

[Moskow Joins Chorus of Federal Reserve Officials Shying From Lower Rates](#) Federal Reserve Bank of Chicago President Michael Moskow said central bankers may need more rate increases to curb inflation, bringing to five the number of Fed officials since Oct. 4 who have played down a possible rate cut.

[U.S. Retail Sales, Services Demand Picking Up, Fed's Regional Survey Shows](#) The Federal Reserve said consumer spending and demand for services quickened across the U.S. last month even with ``widespread cooling'' in the housing market, evidence the economy may be poised for a so-called soft landing.

[Federal Reserve Douses Rate-Reduction Speculation, Stresses Inflation Risk](#) The Federal Reserve took a hammer to investor hopes that borrowing costs will fall by January.

[Bank of Japan Won't Rule Out Rate Increase This Year, Governor Fukui Says](#) Bank of Japan Governor Toshihiko Fukui unexpectedly raised the prospect of a second interest-rate increase this year as the economy heads for its longest expansion since World War II.

Treasurys end unchanged after Beige Book survey.

Earlier the market got a lift from news of record trade deficit

Sources: Reuters, MNI, Dow Jones, Bloomberg

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.63
10y	7.69
5y	4.38
3y	2.60
2y	2.03
ZB	10.00
ZN	5.80
ZF	3.90
ZT	1.84

DV01s (32nds)	
30y	4.73
10y	2.50
5y	1.39
3y	0.83
2y	0.59
ZB	3.59
ZN	2.00
ZF	1.32
ZT	1.20

DV01s (\$s)	
30y	\$1,477
10y	\$781
5y	\$435
3y	\$260
2y	\$184
ZB	\$112
ZN	\$63
ZF	\$41
ZT	\$38

Yield Curve Spreads

2/3	-7.00
3/5	-4.00
2/5	-11.00
5/10	3.80
2/10	-7.20
10/30	12.70
5/30	16.50
2/30	5.50

Fly's

2/3/5	-3.00
2/5/10	-14.80
2/10/30	-19.90
5/10/30	-8.90

CFs

	OTR*
ZB	0.7943
ZN	0.9178
ZF	0.9387
ZT	0.9774

*OTR = On the Run

*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		1.790	2.724	2.976
ZN	0.559		1.521	1.662
ZF	0.367	0.657		1.106
ZT	0.672	1.203	1.830	

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	2.32	3.88	6.97	13.18
ZN	2.94	4.16	6.94	12.48	23.60
ZF	4.47	6.33	10.56	18.99	35.91
ZT	4.89	6.91	11.54	20.75	39.23

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		1.415	2.362	4.247	8.028
3y	0.707		1.669	3.001	5.674
5y	0.423	0.599		1.798	3.399
10y	0.235	0.333	0.556		1.890
30y	0.125	0.176	0.294	0.529	

Commitment of Traders (COT)

Maximum and Minimum Positions*											
Max	Small Spec			Large Spec			Commercials			Date	
	Date	Min	Date	Max	Date	Min	Date	Max	Date		Min
ZF	10/3/2006	(179,890)	10/25/2005	45,278	7/11/2006	(284,813)	8/9/2005	459,733	8/9/2005	(66,981)	10/3/2006
ZN	8/29/2006	(274,045)	3/21/2006	537,763	10/3/2006	(117,947)	10/25/2005	292,853	10/25/2005	(476,446)	10/3/2006
ZB	10/3/2006	(92,110)	4/25/2006	44,491	8/23/2005	(172,009)	5/2/2006	255,085	5/2/2006	(6,409)	8/30/2005

Current Positions									
	Small Spec			Large Spec			Commercials (Hedgers)		
	Long	Short	Net	Long	Short	Net	Long	Short	Net
ZF	299,060	269,868	29,192	238,432	200,643	37,789	926,560	993,541	(66,981)
ZN	357,745	419,062	(61,317)	756,272	218,509	537,763	1,380,007	1,856,453	(476,446)
ZB	188,611	192,339	(3,728)	143,509	168,045	(24,536)	539,153	510,889	28,264

WoW** Position Change			
Sml Spec	Lrg Spec	Comm	Net
ZF	9,255	2,264	(11,519)
ZN	43,697	71,513	(115,210)
ZB	17,219	(4,710)	(15,510)

*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	39721	99.1875	4.848
3y	4.875	40040	100.0775	4.780
5y	4.625	40816	98.3000	4.742
10y	4.875	42597	100.235	4.778
30y	4.500	49720	93.20	4.912

GHCO

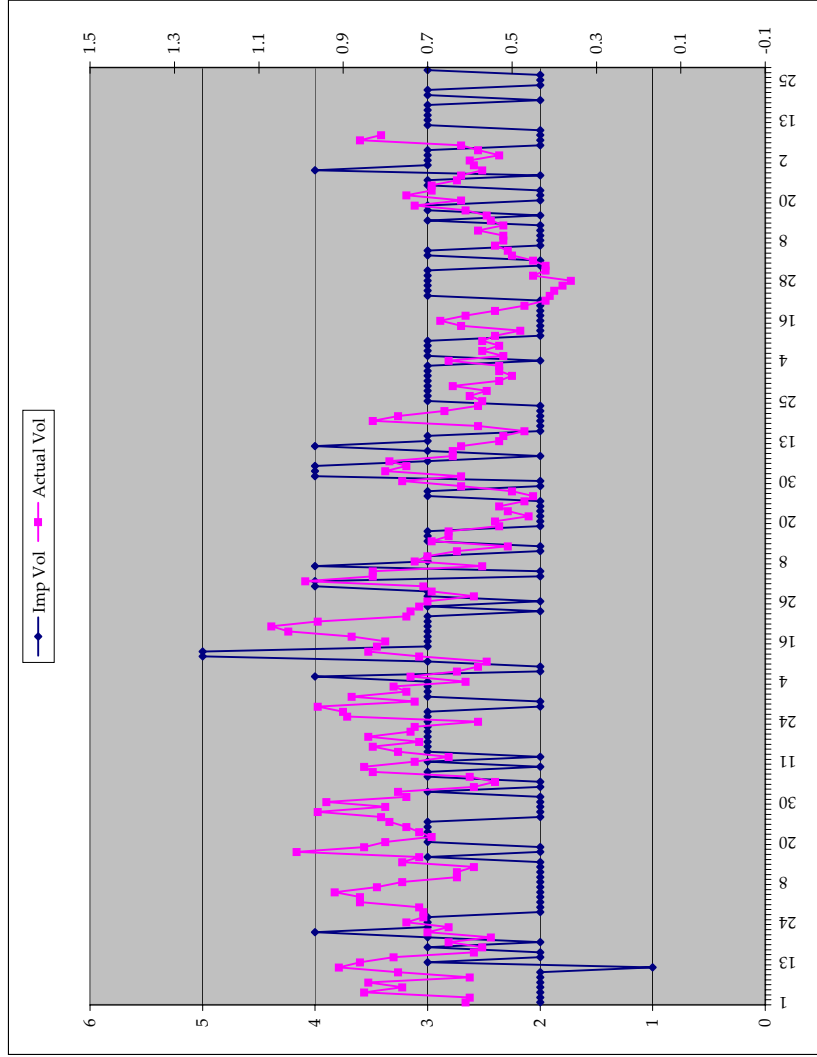
	CF Basis* Basis	32nds
5y	0.42	16.662
10y	2.02	74.095
30y	5.66	180.905
		ZF
		ZN
		ZB

Curve Spreads bps

2/3	(0.068)
3/5	(0.038)
2/5	(0.106)
5/10	0.036
2/10	(0.070)
10/30	0.134
5/30	0.170
2/30	0.064

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	10/11/2007	10/12/2007	10/13/2007
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	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