

The Morning Email: Treasuries

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) ← New
- 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)

Rotate Me

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	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	SYM NAME	
TUAZ6	101.310	1.20	101.312	101.302	101.305	8,418	2y Futures	
FVAZ6	104.295	3.00	104.300	104.270	104.275	36,068	5y Futures	
TYAZ6	107.055	5.50	107.060	107.020	107.025	80,773	10y Futures	
USAZ6	110.250	9	110.260	110.190	110.200	21,456	30y Futures	
BUS02P	99.195	0.7	99.195	99.190	99.190	na	2y	
BUS05P	99.002	1.7	99.007	98.305	98.305	na	5y	
BUS10P	100.275	4.5	100.280	100.235	100.235	na	10y	
BUS30P	93.275	8	93.285	93.205	93.210	na	30y	
BUS02Y	4.832	(1.20)	4.87	4.827	4.87	na	2y Yield	
BUS05Y	4.723	(1.60)	4.75	4.719	4.75	na	5y Yield	
BUS10Y	4.762	(1.60)	4.786	4.758	4.786	na	10y Yield	
BUS30Y	4.895	(1.50)	4.917	4.892	4.915	na	30y Yield	

Yesterday

Yahoo! Bonds: 3:19 pm CDT - Bonds Bounce Quietly: Treasuries crept higher, heading out of the session just off the day's highs in light, cautious trade. The early economic report offered little incentive, although it was somewhat bond negative, the market was held captive as today's information is overshadowed by what lies ahead on the data front. The Fed speakers offered little beyond confirming their data dependency. St. Louis' Poole had little to say on policy (nor did chief Bernanke) although Poole did answer questions saying he favored tightening if inflation ticks higher & that he would like to see core inflation off to a 1% to 2% level, while tacking on the qualifying remark that inflation was "tapering down," according to Bloomberg. The curve trade also shifted sideways, with the **2-10-yr yield spread waffling near -6.8 to -7** for the latter part of the session. The spread has been held in a tight range as small flattening positions are unwound. The dollar did little to further its cause today with action well-contained ahead of higher profile data tomorrow & beyond. The euro is up slightly at 1.2524 while the yen is a bit stronger at 119.1200. The dollar index is down at 87.00 (-0.17) as the day offered just a modest bounce off lows of 86.88. Spot gold is up at 595.10 (+4.70) while crude oil spiked to 59.96 (+1.39). The data tomorrow will be mostly about the **PPI print** at 8:30 along with **industrial production/capacity utilization & net foreign purchases** shortly thereafter. The Fed has Minneapolis' Stern at noon & Gov Bies at 13:45.

Overnight

- [GLOBAL MARKETS-Higher commodity prices dent stocks. ZEW ignored](#)
5:41 am - at Reuters
- [Washington Mutual plans European roadshows -lead](#)
4:53 am - at Reuters
- [American Express unit plans yen bond -lead](#)
3:39 am - at Reuters
- [JGB 10-yr yield hits 2-month high, curve flattens](#)
3:08 am - at Reuters

Sources: Reuters, MNI, Dow Jones, Bloomberg, Yahoo!

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.59
10y	7.68
5y	4.38
3y	2.59
2y	2.03
ZB	9.99
ZN	5.80
ZF	3.90
ZT	1.84

DV01s (32nds)	
30y	4.72
10y	2.50
5y	1.39
3y	0.83
2y	0.59
ZB	3.58
ZN	2.00
ZF	1.32
ZT	1.20

DV01s (\$s)	
30y	\$1,475
10y	\$781
5y	\$434
3y	\$260
2y	\$184
ZB	\$112
ZN	\$63
ZF	\$41
ZT	\$38

Yield Curve Spreads

2/3	-7.60
3/5	-3.30
2/5	-10.90
5/10	3.90
2/10	-7.00
10/30	13.30
5/30	17.20
2/30	6.30

Fly's

2/3/5	-4.30
2/5/10	-14.80
2/10/30	-20.30
5/10/30	-9.40

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	2.723	2.981
ZN	0.559		1.522	1.666
ZF	0.367	0.657		1.108
ZT	0.671	1.201	1.827	

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	6.98	13.18
ZN	2.93	4.15	6.94	12.49	23.59
ZF	4.46	6.32	10.56	19.00	35.89
ZT	4.89	6.92	11.56	20.80	39.28

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		1.416	2.366	4.257	8.038
3y	0.706		1.671	3.006	5.677
5y	0.423	0.598		1.799	3.398
10y	0.235	0.333	0.556		1.888
30y	0.124	0.176	0.294	0.530	

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	284,406	298,976	(14,570)	231,964	190,273	41,691	983,167	1,010,288	(27,121)	ZF
ZN	373,188	451,200	(78,012)	745,189	249,455	495,734	1,490,357	1,908,079	(417,722)	ZN
ZB	176,997	181,570	(4,573)	113,783	158,951	(45,168)	538,696	488,956	49,740	ZB

WoW** Position Change			
Sml Spec	Lrg Spec	Comm	Net
ZF	(43,762)	3,902	39,860
ZN	(16,695)	(42,029)	58,724
ZB	(845)	(20,632)	21,476

*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	99.1850	4.853
3y	4.875	40040	100.0725	4.786
5y	4.625	40816	98.2925	4.748
10y	4.875	42597	100.220	4.784
30y	4.500	49720	93.18	4.917

GHCO

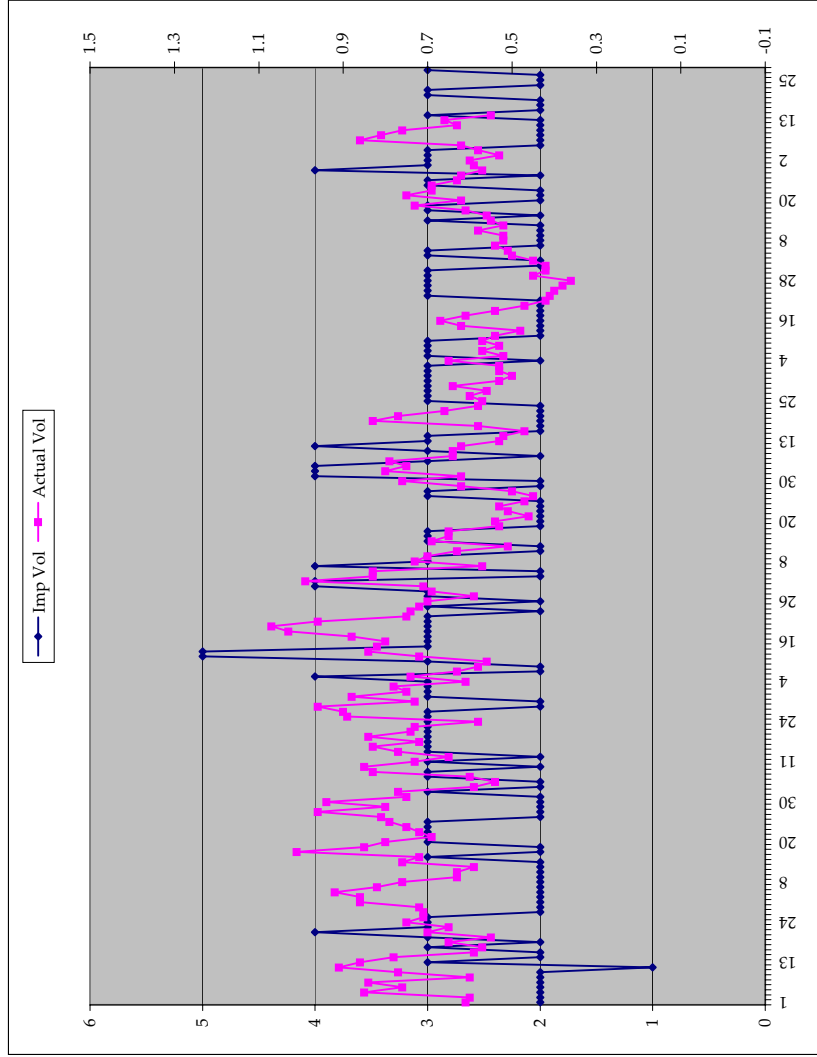
CF Basis* Basis	32nds	
5y	0.42	16.850
10y	2.01	73.055
30y	5.67	181.585
ZF		104.2600
ZN		107.0100
ZB		110.17

Curve Spreads bps

2/3	(0.067)
3/5	(0.038)
2/5	(0.105)
5/10	0.036
2/10	(0.069)
10/30	0.133
5/30	0.169
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	10/16/2007	10/17/2007	10/18/2007
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
 3 = moderate
 4,5 = volatile
 6-9 = very volatile