

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	99.0625	101.0450	17.1400	111.0600	10/17/2006
PPI Low	98.2875	100.2200	106.3150	110.1500	10/17/2006
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	101.292	0.00	101.297	101.287	101.290	8,835			2y Futures	
FVAZ6	104.265	0.00	104.275	104.260	104.265	27,562			5y Futures	
TYAZ6	107.015	0.00	107.030	107.000	107.005	59,899			10y Futures	
USAZ6	110.190	0	110.220	110.180	110.190	19,055			30y Futures	
	ls	net	high	low	open	Volume			SYM NAME	
BUS02P	99.177	(0.2)	99.185	99.177	99.182	na			2y	
BUS05P	98.290	0.0	98.300	98.285	98.292	na			5y	
BUS10P	100.230	1.0	100.240	100.225	100.235	na			10y	
BUS30P	93.220	4	93.255	93.215	93.220	na			30y	
	ls	net	high	low	open	Volume			SYM NAME	
BUS02Y	4.863	0.50	4.876	4.837	4.876	na			2y Yield	
BUS05Y	4.747	(0.30)	4.761	4.74	4.758	na			5y Yield	
BUS10Y	4.777	(0.90)	4.79	4.773	4.788	na			10y Yield	
BUS30Y	4.907	(0.50)	4.912	4.898	4.912	na			30y Yield	

Yesterday

Source: **Yahoo! Bonds: 3:23 pm - Trade Cannot Capitalize on Philly Collapse:** The trade was **weighed on** by the improved jobless claims as well as supply down in the pipeline, increases in stocks & concerns over anticipated dumping of securities by some major players. The market tried to pull back to better levels as the early data faded & the newly (occasionally) powerful **Philly manufacturing report hit well below expectations**. The market did not have enough behind it to take prices higher on the second Philly hit in a row as forcefully as the mid-Sep release. The market worried over talk that BofA was planning on reducing securities holdings by \$100B over the next few years, a concern as they along with a number of other big-boy banks have been hit on curve inversion. The curve trade in the form of the **2-10-yr yield spread held steady much of the day, heading out about mid-range at -7.8. Fri's session should see fairly mechanical, technical action** as trade will be sniffing around for any scraps to trade off of, with no data to work of & likely only pre-weekend safety buying for support. The dollar was sold hard through the session as data failed to provide even a hint of support. The euro charged up to hit 1.2641 while the yen strengthened to tag 118.0500. The dollar index dropped to 86.24 (-0.64) as buyers took the day off. Spot gold is up at 599.10 (+8.90) as the 600 handle will take more effort to grab a hold of. The Nov front month crude oil goes off the board tomorrow & is up at 58.50 (+0.85) while the Dec is up at 60.55 (+1.25). Tomorrow brings nothing beyond a gateway to the weekend as data & Fed are absent

Overnight

Source: **Yahoo!:** [\[external\] GLOBAL MARKETS-Europe stocks extend highs, dollar struggles](#) - at Reuters - 29 minutes ago
Energy and mining stocks led European indexes to fresh five-year highs on Friday as crude prices rose following a larger-than-expected output cut from OPEC and as gold tackled the \$600 an ounce barrier.

[\[external\] JGB 10-yr yield near 2-mth peak, 2-yr note recoups](#) - at Reuters - Fri 2:48 am ET
Japanese government bonds were mixed on Friday as the benchmark 10-year yield hovered around a two-month high following losses in U.S. Treasuries, while investors bought back shorter-dated notes after recent sell-offs.

[\[external\] JGB futures slip, 2-year paper trims early losses](#) - at Reuters - Thu 11:01 pm ET
The yield on the 10-year Japanese government bond hovered around a two-month high on Friday, taking a cue from losses in U.S. Treasuries in the previous session.

[\[external\] JGB 2-year yield climbs to 2-mth high](#) - at Reuters - Thu 8:30 pm ET
The yield on the two-year Japanese government bond climbed to a two-month high on Friday on growing speculation that the Bank of Japan could raise rates before the end of the year.

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

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.60
10y	7.67
5y	4.36
3y	2.58
2y	2.01
ZB	9.98
ZN	5.79
ZF	3.88
ZT	1.83

DV01s (32nds)	
30y	4.72
10y	2.49
5y	1.38
3y	0.83
2y	0.58
ZB	3.58
ZN	2.00
ZF	1.31
ZT	1.19

DV01s (\$s)	
30y	\$1,475
10y	\$780
5y	\$433
3y	\$258
2y	\$182
ZB	\$112
ZN	\$62
ZF	\$41
ZT	\$37

Yield Curve Spreads

2/3	-7.50
3/5	-4.10
2/5	-11.60
5/10	3.00
2/10	-8.60
10/30	13.00
5/30	16.00
2/30	4.40

Fly's

2/3/5	-3.40
2/5/10	-14.60
2/10/30	-21.60
5/10/30	-10.00

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		1.791	2.729	2.997
ZN	0.559		1.524	1.674
ZF	0.366	0.656		1.112
ZT	0.667	1.195	1.821	

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	1.63	2.31	3.87	6.98	13.20
ZN	2.92	4.14	6.93	12.49	23.63
ZF	4.45	6.31	10.57	19.04	36.01
ZT	4.89	6.93	11.61	20.91	39.55

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		1.418	2.375	4.278	8.094
3y	0.705		1.675	3.017	5.709
5y	0.421	0.597		1.801	3.408
10y	0.234	0.331	0.555		1.892
30y	0.124	0.175	0.293	0.529	

Commitment of Traders (COT)

Maximum and Minimum Positions*											
Small Spec			Large Spec			Commercials					
Max	Date	Min	Date	Max	Date	Min	Date	Max	Date	Min	Date
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	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	As of
Net	Net	Net	10/10/2006
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	99.1800	4.862
3y	4.875	40040	100.0700	4.789
5y	4.625	40816	98.2900	4.750
10y	4.875	42597	100.225	4.782
30y	4.500	49720	93.21	4.911

GHCO

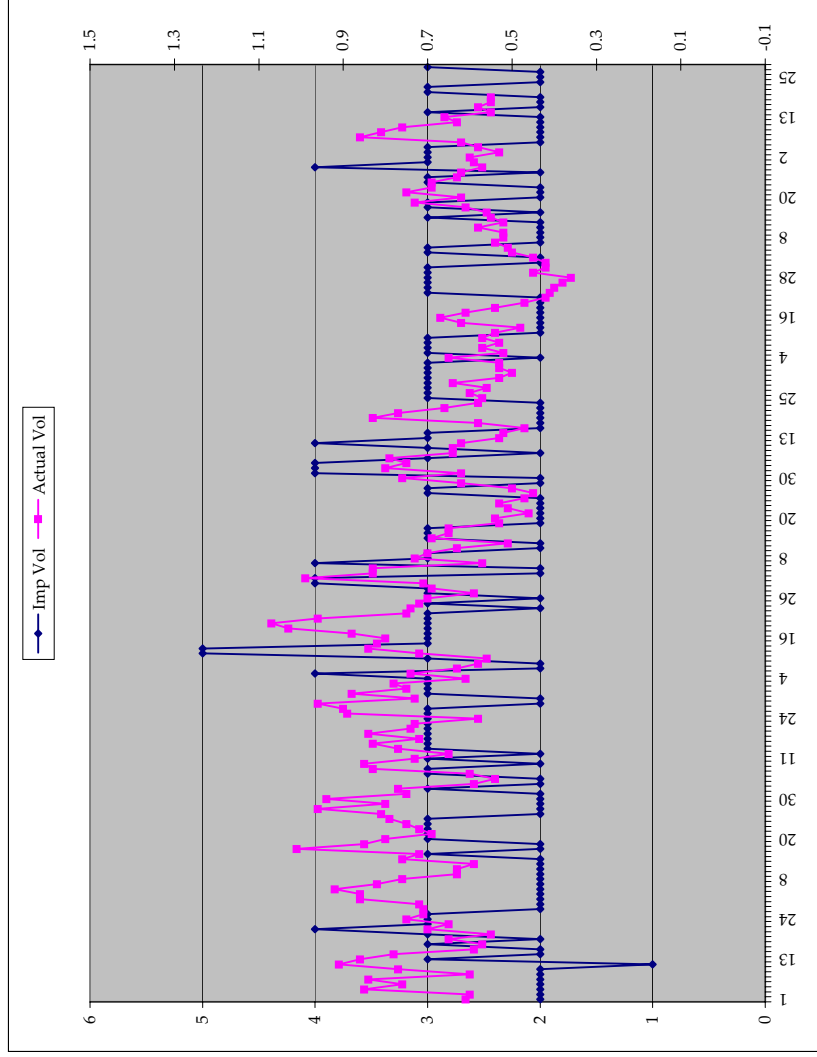
	CF Basis* Basis	32nds
5y	0.42	16.131
10y	2.02	74.017
30y	5.68	182.995
		ZF
		104.2650
		ZN
		107.0050
		ZB
		110.19

Curve Spreads bps

2/3	(0.073)
3/5	(0.039)
2/5	(0.112)
5/10	0.032
2/10	(0.080)
10/30	0.129
5/30	0.161
2/30	0.049

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	10/20/2007	1/0/1900	1/0/1900
1900-2200	0000-0300	2000-2300	4	0	0
2200-0100	0300-0600	2300-0200	4	0	0
0100-0400	0600-0900	0200-0500	4	0	0
0400-0700	0900-1200	0500-0800	2	0	0
0700-1000	1200-1500	0800-1100	2	0	0
1000-1300	1500-1800	1100-1400	2	0	0
1300-1600	1800-2100	1400-1700	2	0	0
1600-1900	2100-0000	1700-2000	2	0	0

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