

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	99.0625	101.0450	17.1400	111.0600	10/17/2006
PPI Low	98.2875	100.2200	106.3150	110.1500	10/17/2006
CPI High	99.0125	100.3000	107.0750	110.3100	10/18/2006
CPI Low	98.2650	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	101.262	(0.20)	101.267	101.257	101.265	8,186	2y Futures	
FVAZ6	104.190	0.00	104.205	104.180	104.195	24,224	5y Futures	
TYAZ6	106.240	(0.50)	106.255	106.220	106.245	55,710	10y Futures	
USAZ6	110.040	0	110.060	110.010	110.050	10,802	30y Futures	
BUS02P	99.302	15.2	99.307	99.302	99.307	na	2y	
BUS05P	98.215	0.0	98.227	98.210	98.222	na	5y	
BUS10P	100.120	0.5	100.135	100.110	100.135	na	10y	
BUS30P	93.040	(1)	93.060	93.025	93.040	na	30y	
BUS02Y	4.900	(1.10)	4.925	4.871	4.916	na	2y Yield	
BUS05Y	4.803	0.30	4.816	4.792	4.809	na	5y Yield	
BUS10Y	4.822	0.00	4.834	4.814	4.826	na	10y Yield	
BUS30Y	4.945	0.20	4.953	4.94	4.946	na	30y Yield	

Yesterday

Treasuries Hold Tight in Report & Rhetoric-Free Session: The market has made **small attempts at taking back some of the ground** lost yesterday, but each run has lost steam quickly. The blips higher have been driven by limited short-covering & trade remains quiet. The market will be held captive **until the FOMC statement comes & goes** Wed, which is expected to offer few surprises but remain leaning toward the hawkish side. The FOMC is also supposed to discuss its communication issues, but if there is any comment on that discussion, it will likely be limited & not very illuminating. The day's auction is expected to run smoothly & will not likely cause much of a stir in trade hampered by future Fed & data. The **2-10-yr yield spread has been working its way into a less inverted pose, barely, now -9** as unwinds slowly back out of positions. The buck is sliding as overnight highs were not supported with decent flows through the morning. The euro has ticked up to 1.2575 while the yen moved to a stronger at 119.6600 The dollar index is well down now at 86.58 (-0.13) after hitting 86.91 overnight. Spot gold has rebounded to 582.25 (+0.30) as the greenback falls apart while crude oil is up at 59.50 (+0.69). Treasury auction results on \$20B of 2-yr notes hit at 13ET.

Source: Yahoo!

Overnight

[external] JGBs gain on Nikkei dip, Fed meeting awaited - at Reuters - Wed 2:48 am ET

Japanese government bonds rose on Wednesday as the Nikkei share average gave up early gains and slipped, helping push the benchmark 10-year yield further down from a two-month peak.

[external] JGBs mixed as investors eye stocks and Fed meeting - at Reuters - Tue 11:34 pm ET

Japanese government bonds were mixed to slightly firmer on Wednesday as slight gains in the Nikkei share average kept investors cautious, pinning the benchmark 10-year yield near a two-month peak.

[external] Treasuries steady in Fed vigil, unruffled by auction - at Reuters - Tue 4:56 pm ET

Long-dated U.S. government bond prices edged higher on Tuesday, but short maturities stood still as investors showed caution on the eve of the central bank's interest rate decision and statement on Wednesday. Source: Yahoo!

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

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.55
10y	7.66
5y	4.35
3y	2.57
2y	2.00
ZB	9.96
ZN	5.77
ZF	3.87
ZT	1.82

DV01s (32nds)	
30y	4.68
10y	2.48
5y	1.38
3y	0.82
2y	0.58
ZB	3.55
ZN	1.99
ZF	1.31
ZT	1.19

DV01s (\$s)	
30y	\$1,462
10y	\$776
5y	\$431
3y	\$257
2y	\$181
ZB	\$111
ZN	\$62
ZF	\$41
ZT	\$37

Yield Curve Spreads

2/3	-4.90
3/5	-4.80
2/5	-9.70
5/10	1.90
2/10	-7.80
10/30	12.30
5/30	14.20
2/30	4.50

Fly's

2/3/5	-0.10
2/5/10	-11.60
2/10/30	-20.10
5/10/30	-10.40

CFs

	OTR*
ZB	0.7943
ZN	0.9178
ZF	0.9387
ZT	0.9528

*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		1.786	2.716	2.992
ZN	0.560		1.521	1.676
ZF	0.368	0.657		1.115
ZT	0.668	1.194	1.815	

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	1.67	2.32	3.88	6.99	13.17
ZN	2.98	4.14	6.94	12.49	23.52
ZF	4.53	6.29	10.55	19.00	35.78
ZT	4.89	6.93	11.62	20.93	39.41

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	2.378	4.282	8.065	
3y	0.720		1.677	3.019	5.686	
5y	0.430	0.596		1.801	3.392	
10y	0.239	0.331	0.555		1.883	
30y	0.127	0.176	0.295	0.531		

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	10/3/2006	(179,890)	10/25/2005	45,278	(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	(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	(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	271,211	273,227	186,943	183,015	3,928	1,000,663	1,002,575	(1,912)	ZF		
ZN	337,809	430,194	727,705	282,618	445,087	1,636,386	1,989,088	(352,702)	ZN		
ZB	154,880	176,317	101,215	157,609	(56,394)	554,339	476,507	77,832	ZB		

WoW** Position Change			
Sml Spec	Lrg Spec	Comm	As of
Net	Net	Net	10/17/2006
ZF	12,554	(37,763)	25,209
ZN	(14,373)	(50,647)	65,020
ZB	(16,864)	(11,226)	28,092

*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	39751	99.1525	4.911
3y	4.875	40040	100.0225	4.845
5y	4.625	40816	98.2225	4.800
10y	4.875	42597	100.130	4.821
30y	4.500	49720	93.06	4.943

GHCO

	CF Basis* Basis	32nds
5y	0.41	15.482
10y	2.62	72.330
30y	5.65	179.920
		ZF 104.2000
		ZN 106.2400
		ZB 110.04

	New 2y	Close	Exp	Yield	Price
	4.875		10/08	4.8935	99.3025

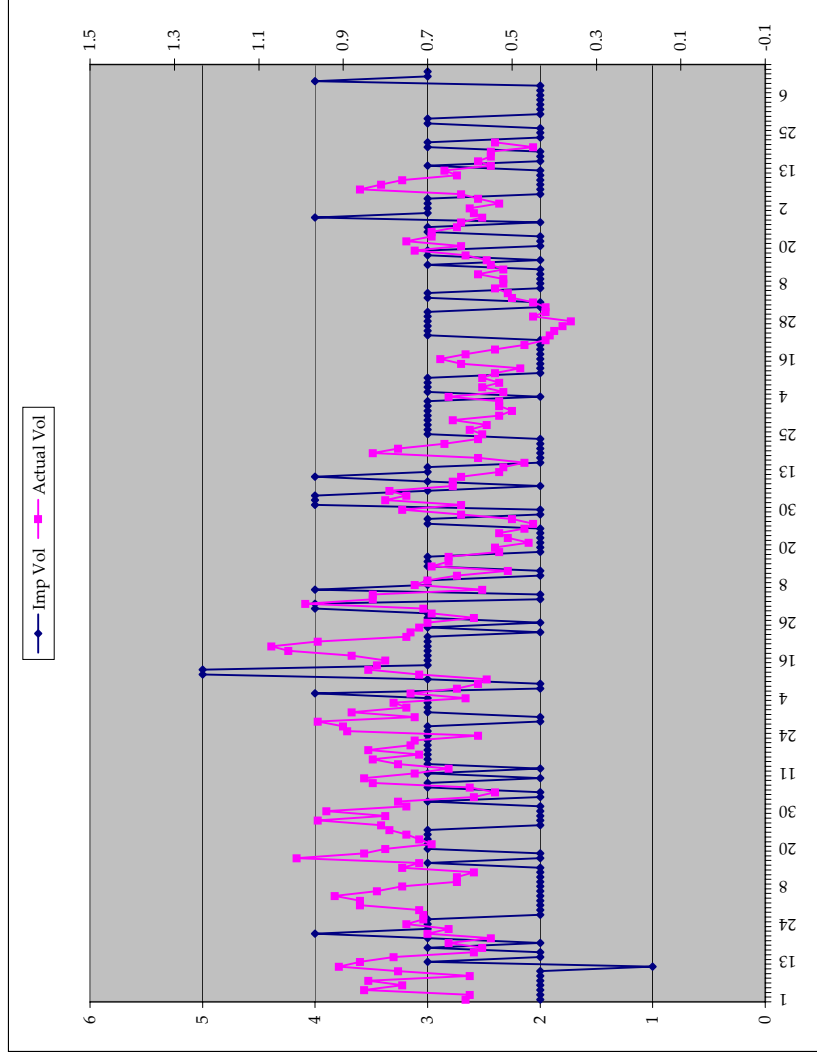
Curve Spreads bps

2/3	(0.066)
3/5	(0.045)
2/5	(0.111)
5/10	0.021
2/10	(0.090)
10/30	0.122
5/30	0.143
2/30	0.032

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	10/24/2007	10/25/2007	10/26/2007
1900-2200	0000-0300	2000-2300	2	2	2
2200-0100	0300-0600	2300-0200	1	1	1
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

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