

The Morning Email: Treasuries

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Rotate Me

Want something added?

Let me know: jgoulding@ghco.com

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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.

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Important Econ Releases Highs & Lows

	5y*	10y*	ZN	ZB	Date
Non-farm High	100.2000	102.1200	108.2050	113.0000	10/6/2006
Non-farm Low	99.2800	101.1100	107.1850	111.1500	10/6/2006
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	(0.20)	102.030	102.020	102.030	8,720	2y Futures			
FVAZ6	105.080	(0.50)	105.095	105.070	105.090	38,066	5y Futures			
TYAZ6	107.235	(1.00)	107.255	107.225	107.250	78,310	10y Futures			
USAZ6	111.270	(2)	111.310	111.260	111.300	21,991	30y Futures			
T.US:B045P1011										
BUS02P	100.065	(0.5)	100.070	100.065	100.070	na	2y			
BUS10P	99.295	(0.7)	99.310	99.287	99.305	na	5y			
BUS10P	101.170	(1.5)	101.190	101.165	101.185	na	10y			
BUS30P	95.145	(2)	95.175	95.140	95.165	na	30y			
T.US:B045P1011										
BUS02Y	4.763	0.80	4.775	4.722	4.746	na	2y Yield			
BUS05Y	4.641	0.50	4.648	4.627	4.632	na	5y Yield			
BUS10Y	4.673	0.40	4.695	4.654	4.695	na	10y Yield			
BUS30Y	4.788	0.40	4.798	4.777	4.797	na	30y Yield			

Yesterday

3:39 pm - Dallas Fed's Fisher told Reuters that he was "encouraged inflation slowed last month and the U.S. economy appeared to be recovering after a weak third quarter."

"We're flying at a less than optimal altitude in terms of the speed of the economy ... and the good news is that ... some inflationary pressure has been released,' he adds he is 'comfortable with where we are right now in terms of monetary policy,'

"He said that he remained vigilant on both inflation and growth, but had been comforted by recent readings on inflation, marking a clear change in his tone from previous hawkish warnings on prices."

Source: [Yahoo!](#), [Briefing.com](#)

Overnight

[\[external\] GLOBAL MARKETS-European stocks, bonds edge up, dollar firms](#) - *at Reuters* - 20 minutes ago
European shares edged higher on Tuesday, halting a three-session losing streak sparked by worries about earnings and U.S. growth, while oil hovered near \$58 a barrel on expectations of a bounce in U.S. crude supplies.

[\[external\] JGB futures fail after Fukui comments on rates](#) - *at Reuters* - 1 hour, 12 minutes ago
Japanese government bond futures hit session lows on Tuesday after Bank of Japan Governor Toshiniko Fukui left the door open for a rate increase before the end of this year.

Source: [Yahoo!](#), [Briefing.com](#)

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

Yield Curve Spreads & Flies, DV01s, CFs

M Duration	
30y	15.71
10y	7.66
5y	4.34
3y	2.56
2y	1.88
ZB	9.98
ZN	5.77
ZF	3.86
ZT	1.80

DV01s (32nds)	
30y	4.85
10y	2.51
5y	1.39
3y	0.82
2y	0.60
ZB	3.62
ZN	2.01
ZF	1.31
ZT	1.18

DV01s (\$s)	
30y	\$1,515
10y	\$786
5y	\$433
3y	\$257
2y	\$188
ZB	\$113
ZN	\$63
ZF	\$41
ZT	\$37

Yield Curve Spreads

2/3	-6.90
3/5	-5.30
2/5	-12.20
5/10	3.20
2/10	-9.00
10/30	11.50
5/30	14.70
2/30	2.50

Fly's

2/3/5	-1.60
2/5/10	-15.40
2/10/30	-20.50
5/10/30	-8.30

CFs

ZB	0.7943
ZN	0.9178
ZF	0.943
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	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		1.802	2.761	3.061
ZN	0.555		1.532	1.699
ZF	0.362	0.653		1.123
ZT	0.653	1.177	1.804	

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	2.27	3.97	6.95	13.41
ZN	3.00	4.09	7.14	12.53	24.16
ZF	4.60	6.27	10.95	19.20	37.02
ZT	4.89	6.95	12.14	21.28	41.05

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		1.423	2.484	4.355	8.400	
3y	0.734		1.745	3.060	5.903	
5y	0.420	0.573		1.753	3.382	
10y	0.240	0.327	0.570		1.929	
30y	0.124	0.169	0.296	0.518		

Commitment of Traders (COT)

Maximum and Minimum Positions*											
Small Spec			Large Spec			Commercials					
Max	Date	Min	Date	Max	Min	Date	Max	Min	Date	Max	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	249,962	283,905	(33,943)	162,014	188,621	(26,607)	1,066,819	1,006,270	60,549	ZF	
ZN	317,106	424,667	(107,561)	750,450	335,684	414,766	1,731,622	2,038,825	(307,203)	ZN	
ZB	154,908	184,274	(29,366)	72,362	162,814	(90,452)	580,124	460,306	119,818	ZB	

WoW** Position Change			
Sml Spec	Lrg Spec	Comm	As of
Net	Net	Net	10/24/2006
ZF	(31,927)	(30,535)	62,461
ZN	(15,176)	(30,321)	45,499
ZB	(7,929)	(34,058)	41,986

*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	100.0700	4.759
3y	4.875	8/15/09	100.1475	4.694
5y	4.625	10/31/11	99.3025	4.637
10y	4.875	8/15/16	101.185	4.668
30y	4.500	2/15/36	95.17	4.786

GHCO

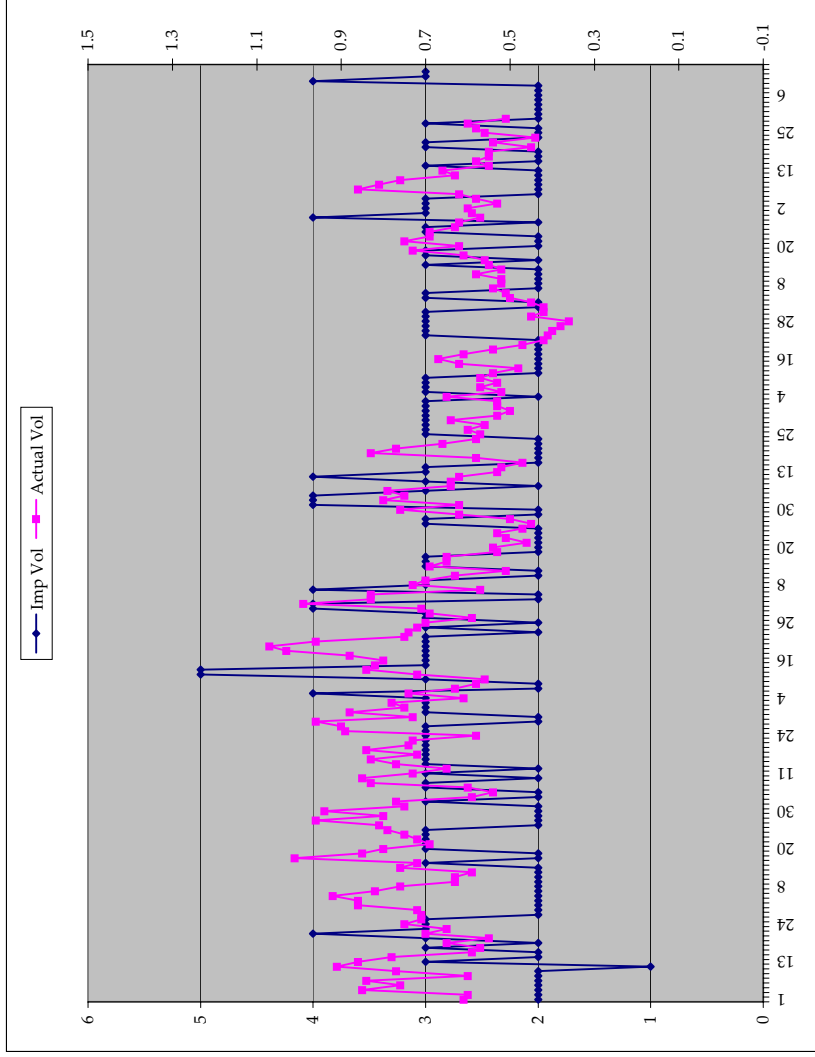
	CF Basis* Basis	32nds
5y	0.21	12.996
10y	2.76	79.949
30y	6.76	208.810
		ZF
		ZN
		ZB

Curve Spreads bps

2/3	(0.065)
3/5	(0.057)
2/5	(0.122)
5/10	0.031
2/10	(0.091)
10/30	0.118
5/30	0.149
2/30	0.027

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	10/30/2007	10/31/2007	11/1/2007
1900-2200	0000-0300	2000-2300	3	2	1
2200-0100	0300-0600	2300-0200	2	2	1
0100-0400	0600-0900	0200-0500	2	2	1
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	0
1300-1600	1800-2100	1400-1700	1	1	0
1600-1900	2100-0000	1700-2000	0	2	1

Shaded boxes denote market hours 4am to 4pm CDT

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