

The Morning Email: Treasuries

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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.

Jim Goulding, GHCO, Treas-Arb, Chicago, jgoulding@ghco.com

Important Econ Releases Highs & Lows

	5y*	10y*	ZN	ZB	Date
Non-farm High	99.2450	101.0550	107.1400	111.0800	9/1/2006
Non-farm Low	99.1725	100.2700	107.0250	110.2200	9/1/2006
FOMC High	99.2500	101.0975	107.1900	111.1000	9/20/2006
FOMC Low	99.2125	101.0100	107.1000	111.1000	9/20/2006
PPI High	99.2350	101.0350	107.1300	111.0500	9/18/2006
PPI Low	99.1350	100.1900	106.2800	110.1300	9/18/2006
CPI High	99.2125	100.3150	107.1000	111.0200	9/15/2006
CPI Low	99.1325	100.1800	106.2900	110.1300	9/15/2006

*Adjusted for New Issue

Prices are recorded from econ release to 2pm CDT

Source: Reuters

		Quotes as of 5:42:25 CDT						
		32 nds						
	ls	net	high	low	open	Volume	SYM NAME	
@ZB.1	112.110	0.10	112.150	112.020	112.040	45,357	30y Futures	
@ZN.1	108.065	0.08	108.080	107.315	108.015	175,722	10y Futures	
@ZF.1	105.230	0.07	105.235	105.170	105.185	89,444	5y Futures	
@ZT.1	102.110	0.03	102.113	102.085	102.088	38,982	2y Futures	
	ls	net	high	low	open	Volume	SYM NAME	
@?bus30c	95.305	0.095	96.035	95.200	95.220	741.0	30y	
@?bus10c	102.000	0.055	102.030	101.255	101.260	9,817.0	10y	
@?bus5c	100.098	0.050	100.105	100.045	100.048	4,484.0	5y	
@?bus2c	100.123	0.020	100.125	100.100	100.100	7,802.0	2y	
	ls	net	high	low	open	Volume	SYM NAME	
@?bus30cy	4.757	(0.02)	4.778	4.747	4.774	741	30y Yield	
@?bus10cy	4.62	(0.02)	4.646	4.608	4.644	9,817	10y Yield	
@?bus5cy	4.553	(0.04)	4.592	4.549	4.59	4,484	5y Yield	
@?bus2cy	4.659	(0.04)	4.702	4.659	4.702	7,802	2y Yield	
	ls	net	high	low	open	Volume	SYM NAME	
XE@GBL.1	118.11	0.57	118.17	117.84	117.98	640,266	BUND	
XE@GBM.1	110.05	0.38	110.07	109.86	109.93	379,583	BOBL	
XE@GBS.1	104.04	0.14	104.04	103.96	103.99	387,353	SCHTZ	
GB@R.1	110.05	0.47	110.19	109.78	109.85	37,975	GILT	
	ls	net	high	low	open	Volume	SYM NAME	
@ES.1	1327.75	(2.50)	1331.50	1327.00	1330.00	1,287,018	MINI SP	
@YM.1	11607.00	(16.00)	11635.00	11595.00	11620.00	2,058	\$5 DOW	
&DJI	11533.23	(79.96)	0.00	0.00	0.00	0	DJIA	
XE@DX.1	5959.00	(55.00)	5977.00	5934.50	5970.50	51,833	DAX	
XE@FESX.1	3846.00	(31.00)	3856.00	3831.00	3847.00	249,759	EU STOXX	
XE@FSTX.1	3519.00	(33.00)	3534.00	3507.00	3522.00	1,441	DJ STOXX	
	ls	net	high	low	open	Volume	SYM NAME	
@CL.1	61.90	0.31	62.26	61.71	61.71	6,974	OIL	
@HO.1	1.679	0.00	1.695	1.679	1.685	313	HEAT OIL	
@NG.1	4.860	0.08	4.904	4.741	4.755	351	NAT GAS	
@HU.1	1.529	0.03	1.529	1.509	1.509	144	UNL GAS	
	ls	net	high	low	open	Volume	SYM NAME	
@ZG.1	596.80	8.30	598.20	590.10	590.40	6,331	GOLD	
@SI.1	1142.50	18.00	1145.00	1120.00	1126.00	1,245	SLVR	
\$\$EURUSD	1.2814	0.0037	1.2829	1.2778	1.2778	<NA>	EURO/USD	
\$\$USDJPY	116.34	0.00	116.61	116.21	116.33	<NA>	USD/YEN	

Source: Reuters

Overnight

[EURO GOVT-Bonds up after Philly Fed rally continues](#)

LONDON, Sept 22 (Reuters) - Euro zone government bonds were higher on Friday on follow-through trading after a U.S. business activity survey recorded its first fall since April 2003 and U.S. rate-cut expectations increased.

[U.S. Treasuries up in Europe on rate optimism](#)

LONDON, Sept 22 (Reuters) - U.S. Treasury prices rose in Europe on Friday on follow-through buying fuelled by a surprisingly weak reading on mid-Atlantic business conditions which reinforced views that interest rates have peaked.

[JGBs jump as Treasury rally fuels growth worries](#)

TOKYO, Sept 22 (Reuters) - Japanese government bond prices surged on Friday tracking Treasuries, which rallied after weak U.S. business condition data strengthened expectations the Federal Reserve would not raise interest rates any further.

[UK gilt futures storm higher after weak U.S. data](#)

LONDON, Sept 22 (Reuters) - British gilt and interest rate futures stormed higher on Friday after weak U.S. data in the previous session bolstered expectations that the Federal Reserve may start to cut rates next year.

[EURO CORP-Philly Fed hits indexes; KPN, Telecom Italia wane](#)

LONDON, Sept 22 (Reuters) - Weak U.S. economic data sapped the European credit market on Friday, while the Dutch state's sale of its remaining stake in KPN and continuing unease about Telecom Italia stung the telecoms sector.

Sources: Reuters, MNI, Dow Jones

Yield Curve Spreads & Flys, DV01s, CFs

M Duration

30y	15.84
10y	7.76
5y	4.25
3y	2.66
2y	1.88
ZB	9.47
ZN	5.72
ZF	3.68
ZT	1.65

DV01s (32nds)

30y	4.89
10y	2.55
5y	1.39
3y	0.86
2y	0.59
ZB	3.46
ZN	2.01
ZF	1.26
ZT	1.09

DV01s (\$s)

30y	\$1,528
10y	\$796
5y	\$434
3y	\$268
2y	\$183
ZB	\$108
ZN	\$63
ZF	\$39
ZT	\$34

Yield Curve Spreads

2/3	-9.10
3/5	-1.80
2/5	-10.90
5/10	6.50
2/10	-4.40
10/30	13.70
5/30	20.20
2/30	9.30

Fly's

2/3/5	-7.30
2/5/10	-17.40
2/10/30	-18.10
5/10/30	-7.20

CFs

OTR*

ZB	0.7943
ZN	0.9178
ZF	0.9421
ZT	0.9799

*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,

MAKE SURE YOU ARE LOOKING AT THE RIGHT TRADING MONTH!

US Financial Futures / Eurex Bond Hedge Ratios

Short Number of Contracts

	ZB	ZN	ZF	ZT	Number of contracts LONG
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	

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		1.722	4.874	3.168
ZN	0.581		1.592	1.840
ZF	0.365	0.628		1.155
ZT	0.316	1.087	1.731	

H=Mch

M=Jun

U=Sep

Z=Dec

Hedge Ratios: US Treasury Cash / Eurex Bund, Bobl, Shatz

US Treasuries v US Financial Futures Hedge Ratios

	2y	3y	5y	10y	30y
ZB	1.69	2.47	4.19	7.36	14.12
ZN	2.91	4.26	7.22	12.67	24.32
ZF	4.64	6.78	11.49	20.17	38.72
ZT	5.36	7.84	13.28	23.31	44.73

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
Shatz (Z)	7.1	10.4	16.7	30.0	56.1

Eurex Hedge Ratio's source: Bloomberg

Eurex Hedge Ratios

	Bund (Z)	Bobl (Z)	Shatz (Z)
Bund (Z)		1.880	4.800
Bobl (Z)	0.532		2.484
Shatz (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		1.462	2.477	4.347	8.343
3y	0.684		1.694	2.974	5.707
5y	0.422	0.617		1.834	3.520
10y	0.230	0.336	0.570		1.919
30y	0.120	0.175	0.297	0.521	

2 PM CDT Closes: US Treasuries, US Financial Futures, YC Spreads, Basis

	Cpn	Mty	32nds	Yield
2y	4.875	8/31/2008	100.0950	4.703
3y	4.875	8/15/2009	100.2200	4.617
5y	4.625	8/31/2011	100.3750	4.598
10y	4.875	8/15/2016	101.2500	4.643
30y	4.500	2/15/2036	95.1750	4.783

GHCO

	CF Basis*	Basis		32nds
5y	1.304	14.4428	ZF	105.160
10y	2.123	79.0939	ZN	108.005
30y	6.761	209.0150	ZB	111.31

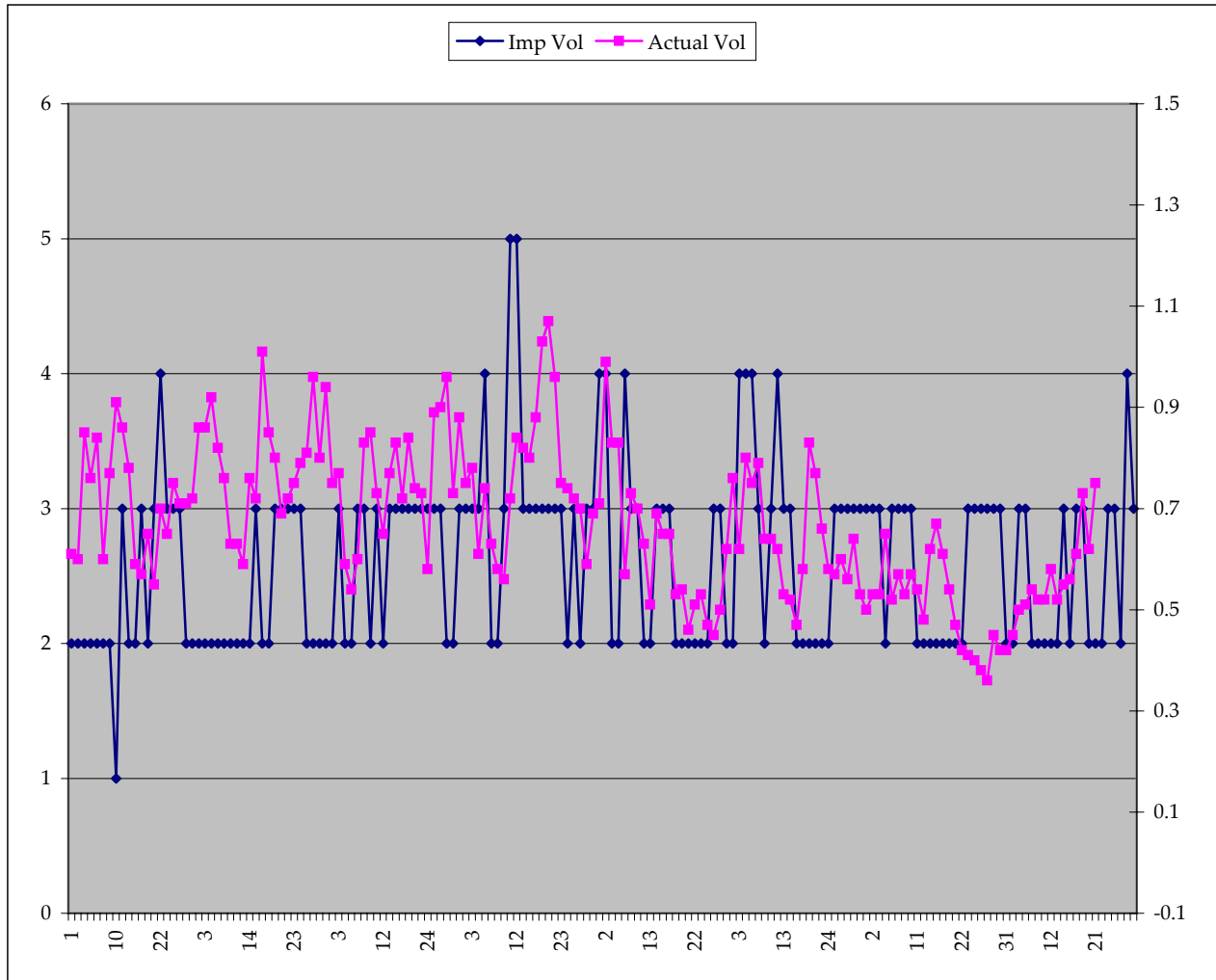
Curve Spreads bps

2/3	-0.086
3/5	-0.019
2/5	-0.105
5/10	0.045
2/10	-0.060
10/30	0.140
5/30	0.185
2/30	0.080

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	9/20/2007	9/21/2007	9/22/2007
1900-2200	0000-0300	2000-2300	2	2	2
2200-0100	0300-0600	2300-0200	3	2	2
0100-0400	0600-0900	0200-0500	2	2	2
0400-0700	0900-1200	0500-0800	2	1	1
0700-1000	1200-1500	0800-1100	2	1	1
1000-1300	1500-1800	1100-1400	2	1	1
1300-1600	1800-2100	1400-1700	2	1	1
1600-1900	2100-0000	1700-2000	2	2	2

Shaded boxes denote market hours 4am to 4pm CDT

Scale = 1-9

where

1,2 = very slow

3 = moderate

4,5 = volatile

6-9 = very volatile

