

## The Morning Email: Treasuries

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Rotate Me

Want something added?

Let me know: [jgoulding@ghco.com](mailto: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	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

Quotes/Volume

32 nds

	ls	net	high	low	open	Volume	SYM NAME
@ZB.1	113.000	(0.01)	113.090	112.250	113.050	39,838	30y Futures
@ZN.1	108.175	(0.01)	108.225	108.130	108.210	172,393	10y Futures
@ZF.1	105.260	(0.01)	105.300	105.230	105.290	74,424	5y Futures
@ZT.1	102.110	(0.01)	102.128	102.098	102.123	23,434	2y Futures
@?bus30c	96.255	(0.075)	97.020	96.170	96.300	338.0	30y
@?bus10c	102.145	(0.055)	102.220	102.105	102.180	5,664.0	10y
@?bus5c	100.143	(0.033)	100.185	100.118	100.160	6,532.0	5y
@?bus2c	100.125	(0.010)	100.140	100.118	100.133	2,054.0	2y
@?bus30cy	4.701	0.02	4.719	4.685	4.693	338	30y Yield
@?bus10cy	4.563	0.02	4.579	4.534	4.55	5,664	10y Yield
@?bus5cy	4.522	0.02	4.54	4.492	4.51	6,532	5y Yield
@?bus2cy	4.654	0.02	4.671	4.633	4.646	2,054	2y Yield
XE@GBL.1	118.49	(0.02)	118.55	118.31	118.52	571,169	BUND
XE@GBM.1	110.23	(0.10)	110.35	110.13	110.31	316,643	BOBL
XE@GBS.1	104.15	(0.06)	104.22	104.11	104.22	405,215	SCHTZ
GB@R.1	110.44	(0.07)	110.60	110.33	110.54	30,587	GILT
@ES.1	1334.75	(1.00)	1336.25	1333.50	1335.75	31,197	MINI SP
@YM.1	11642.00	(6.00)	11649.00	11626.00	11645.00	1,515	\$5DOW
&DJI	11575.81	67.71	0.00	0.00	0.00	0	DJIA
XE@DX.1	5987.50	44.50	6003.50	5970.50	5984.00	42,706	DAX
XE@FESX.1	3868.00	30.00	3876.00	3857.00	3866.00	188,140	EU STOXX
XE@FSTX.1	3532.00	22.00	3536.00	3524.00	3531.00	396	DJ STOXX
@CL.1	61.02	(0.43)	61.90	60.99	61.44	4,586	OIL
@HO.1	1.698	(0.01)	1.715	1.698	1.708	280	HEAT OIL
@NG.1	4.308	(0.17)	4.540	4.308	4.528	501	NAT GAS
@HU.1	1.500	(0.00)	1.519	1.500	1.510	156	UNL GAS
@ZG.1	594.70	(1.30)	599.30	594.30	596.00	5,069	GOLD
@SL1	1134.00	1.50	1141.00	1131.00	1132.00	811	SLVR
\$\$EURUSD	1.2691	(0.0052)	1.2762	1.2692	1.2743	<NA>	EURO/USD
\$\$USDJPY	116.46	(0.13)	116.63	116.27	116.60	<NA>	USD/YEN

## Overnight

### [Bunds fall after stronger than expected Ifo](#)

LONDON, Sept 26 (Reuters) - Euro zone government bonds fell on Tuesday after a key German business climate survey came in stronger than expected, reminding investors that rates here are likely to go up despite signs of growth slowing in the U.S.

### [Average yield in Greek 10-yr bond auction is 3.91 pct](#)

ATHENS, Sept 26 (Reuters) - Greece's Public Debt Management Agency (PDMA) on Tuesday sold 1.2 billion euros in a reopening of a 10-year, 3.6 percent government bond at a weighted average yield of 3.91 percent, down from 4.29 percent in a previous May auction.

### [JGB five-year yield hits 6-1/2-month low](#)

TOKYO, Sept 26 (Reuters) - Japanese government bonds extended gains on Tuesday, pushing five-year yields to 6-1/2-month lows, as the market got a boost from the rally in U.S. Treasuries and a retreat in Tokyo shares during the afternoon session.

### [UK gilts, short stg dip with Bunds after Ifo](#)

LONDON, Sept 26 (Reuters) - British gilt and short sterling rate futures slipped on Tuesday after news that German business morale remained robust in September depressed euro zone debt.

### [Treasuries pause after 10-yr yield hits 7-mth low](#)

TOKYO, Sept 26 (Reuters) - U.S. Treasury prices were little moved in Asia on Tuesday, pausing after the yield on the benchmark 10-year bond dropped to a seven-month low on weak housing data that suggested economic growth was slowing.

[14:18 EDT 09/25]

US TSYS/LEHMAN: The advance estimates for Lehman Bros month-end bond index estextensions show only very slight extensions in Treasuries at 0.02 yrs but other categories are higher. Final month-end duration index extension calculations are made after the close of business on Friday, Sept. 29

- U.S. Tsy Index duration will lengthen by +0.02 yrs at month-end;

- Agencies will extend by +0.07 yrs,

- U.S. Credit extends by +0.08 yrs

- MBS are estimated at +0.06 yrs.

- U.S. Aggregate Index duration increase by +0.06 yrs

- U.S. High-Yield Index will expand by +0.03 years.

- U.S. Gov/Credit to increase by +0.05 yrs

Sources: Reuters, MNI, Dow Jones

**Yield Curve Spreads & Flies, DV01s, CFs**

M Duration	
30y	15.90
10y	7.77
5y	4.25
3y	2.65
2y	1.88
ZB	9.48
ZN	5.72
ZF	3.67
ZT	1.65

DV01s (32nds)	
30y	4.95
10y	2.56
5y	1.39
3y	0.86
2y	0.58
ZB	3.49
ZN	2.02
ZF	1.26
ZT	1.09

DV01s (\$s)	
30y	\$1,548
10y	\$800
5y	\$434
3y	\$267
2y	\$183
ZB	\$109
ZN	\$63
ZF	\$39
ZT	\$34

**Yield Curve Spreads**

2/3	-10.40
3/5	-3.30
2/5	-13.70
5/10	4.10
2/10	-9.60
10/30	13.90
5/30	18.00
2/30	4.30

**Fly's**

2/3/5	-7.10
2/5/10	-17.80
2/10/30	-23.50
5/10/30	-9.80

**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,**

**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		1.729	4.936	3.199
ZN	0.578		1.596	1.850
ZF	0.362	0.626		1.159
ZT	0.313	1.081	1.726	

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	1.68	2.45	4.17	7.34	14.20
ZN	2.90	4.24	7.20	12.70	24.56
ZF	4.63	6.77	11.50	20.27	39.20
ZT	5.36	7.85	13.33	23.49	45.44

## 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		1.463	2.484	4.380	8.472
3y	0.683		1.698	2.993	5.789
5y	0.421	0.615		1.842	3.563
10y	0.228	0.334	0.567		1.934
30y	0.118	0.173	0.293	0.517	

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	8/15/2006	(179,890)	10/25/2005	45,278	38,909	(284,813)	8/9/2005	459,733	38,573	7,099	8/1/2006
ZN	8/29/2006	(274,045)	3/21/2006	330,741	38,944	(117,947)	10/25/2005	292,853	38,650	(279,626)	8/15/2006
ZB	8/15/2006	(92,110)	4/25/2006	44,491	38,587	(172,009)	5/2/2006	255,085	38,839	(6,409)	8/30/2005

Current Positions											
Small Spec			Large Spec			Commercials (Hedgers)					
Long	Short	Net	Long	Short	Net	Long	Short	Net			
ZF	289,165	296,925	198,937	208,427	(9,490)	863,891	846,641	17,250			
ZN	357,363	438,322	801,716	283,559	518,157	1,440,407	1,877,604	(437,197)			
ZB	184,090	192,707	135,250	167,532	(32,282)	500,502	459,604	40,898			

WoW** Position Change			
Sml Spec	Lrg Spec	Comm	Net
ZF	7,532	(44,624)	37,092
ZN	(19,528)	44,430	(24,902)
ZB	4,235	941	(5,177)

\*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	8/31/2008	100.1325	4.634
3y	4.875	8/15/2009	100.2800	4.546
5y	4.625	8/31/2011	100.1575	4.512
10y	4.875	8/15/2016	102.170	4.547
30y	4.500	2/15/2036	96.28	4.697

## GHCO

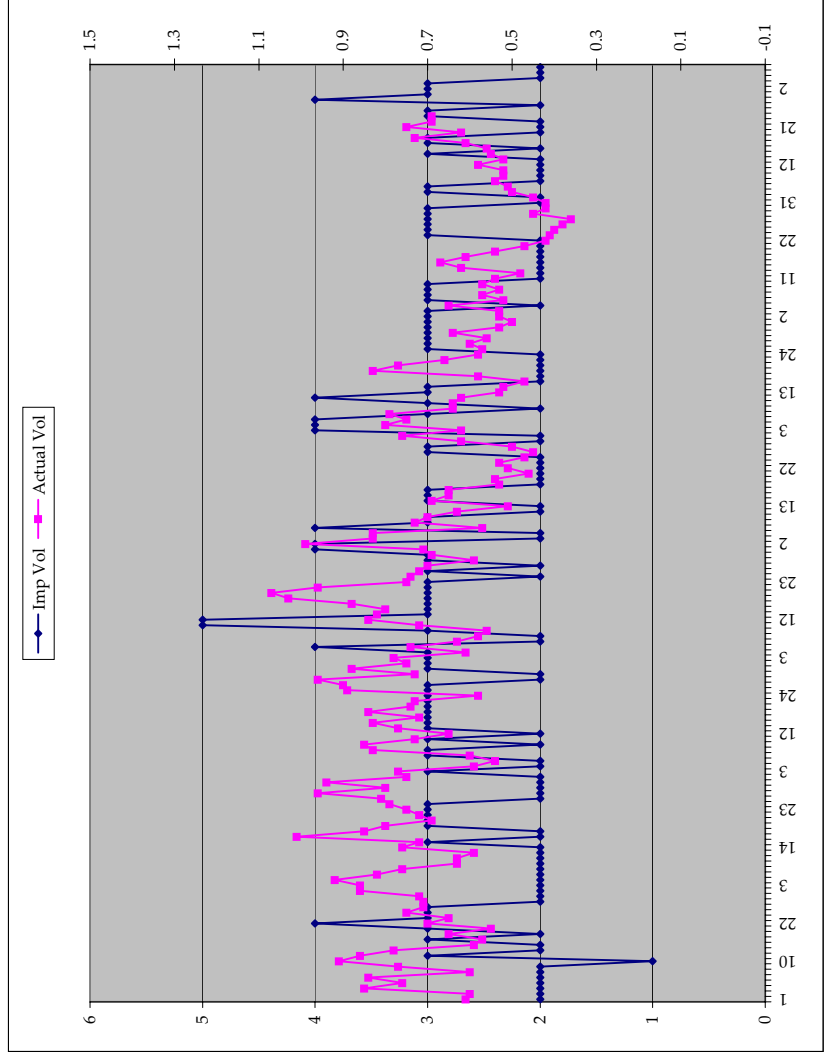
	CF Basis* Basis	32nds
5y	0.98	16.051
10y	2.86	84.706
30y	6.52	224.485
		ZF
		ZN
		ZB

## Curve Spreads bps

2/3	(0.088)
3/5	(0.034)
2/5	(0.122)
5/10	0.035
2/10	(0.087)
10/30	0.150
5/30	0.185
2/30	0.063

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	9/25/2007	9/26/2007	9/27/2007
1900-2200	0000-0300	2000-2300	2	2	2
2200-0100	0300-0600	2300-0200	3	2	2
0100-0400	0600-0900	0200-0500	3	2	2
0400-0700	0900-1200	0500-0800	1	1	2
0700-1000	1200-1500	0800-1100	1	1	1
1000-1300	1500-1800	1100-1400	1	1	1
1300-1600	1800-2100	1400-1700	2	1	2
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