

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	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	112.260	(0.02)	112.280	112.220	112.260	19,805	30y Futures				
@?ZN.1	108.115	(0.01)	108.125	108.090	108.120	93,873	10y Futures				
@?ZF.1	105.210	(0.01)	105.220	105.190	105.215	55,851	5y Futures				
@?ZT.1	102.095	0.00	102.098	102.083	102.093	15,400	2y Futures				
@?bus30c	96.170	(0.020)	96.195	96.135	96.190	400.0	30y				
@?bus10c	102.080	(0.015)	102.095	102.060	102.090	4,163.0	10y				
@?bus5c	100.093	(0.003)	100.100	100.080	100.095	3,164.0	5y				
@?bus2c	100.103	0.000	100.105	100.100	100.105	5,602.0	2y				
@?bus30cy	4.718	0.00	4.726	4.714	4.715	400	30y Yield				
@?bus10cy	4.589	0.01	4.596	4.583	4.585	4,163	10y Yield				
@?bus5cy	4.556	0.00	4.567	4.553	4.556	3,164	5y Yield				
@?bus2cy	4.693	0.00	4.701	4.693	4.693	5,602	2y Yield				
XE@GBL.1	118.41	(0.15)	118.46	118.24	118.40	524,901	BUND				
XE@GBM.1	110.13	(0.11)	110.19	110.04	110.16	346,374	BOBL				
XE@GBS.1	104.09	(0.06)	104.13	104.06	104.12	307,670	SCHTZ				
GB@R.1	110.36	(0.11)	110.43	110.30	110.35	42,738	GILT				
@ES.1	1347.25	0.50	1348.00	1344.50	1346.50	32,600	MINI SP				
@YM.1	11750.00	2.00	11757.00	11733.00	11739.00	1,543	\$5DOW				
&DJI	11669.39	93.58	0.00	0.00	0.00	0	DJIA				
XE@DX.1	6030.00	21.50	6043.50	6025.50	6028.00	42,798	DAX				
XE@FESX.1	3907.00	21.00	3917.00	3901.00	3908.00	243,631	EU STOXX				
XE@FSTX.1	3564.00	12.00	3574.00	3563.00	3572.00	422	DJ STOXX				
@CL.1	61.40	0.39	61.59	61.10	61.14	3,298	OIL				
@HO.1	1.713	0.01	1.714	1.698	1.698	313	HEAT OIL				
@NG.1	4.360	(0.17)	4.491	4.350	4.460	231	NAT GAS				
@HU.1	1.498	0.01	1.504	1.496	1.500	94	UNL GAS				
@ZG.1	600.70	3.70	602.80	595.50	597.10	6,761	GOLD				
@SI.1	1171.00	21.50	1178.50	1144.00	1148.00	938	SLVR				
\$\$EURUSD	1.2689	0.0001	1.2700	1.2672	1.2686	<NA>	EURO/USD				
\$\$USDJPY	117.35	0.28	117.37	116.91	117.07	<NA>	USD/YEN				

Overnight

[Bunds open down on German, euro zone data](#)

LONDON, Sept 27 (Reuters) - Euro zone government bonds were weaker on Wednesday after firmer than expected German consumer sentiment data and stronger euro zone money supply growth boosted expectations for higher rates in the 12-nation bloc.

[UK gilts extend losses as mortgage data offset GDP](#)

LONDON, Sept 27 (Reuters) - UK long gilt futures extended losses on Wednesday after a rise in U.K. mortgage approvals offset a slight downward revision in second quarter economic growth.

[German 5-yr bond sale lacklustre](#)

LONDON, Sept 27 (Reuters) - Germany sold 6.7 billion euros of new five-year Bobl bonds on Wednesday, in an auction analysts said met with lacklustre demand.

[JGB futures slide from 6-1/2-month high, await data](#)

TOKYO, Sept 27 (Reuters) - Japanese government bond futures pulled further away from 6-1/2-month highs on Wednesday as a slide in U.S. Treasuries overnight and solid gains in Tokyo shares prompted market players to take profits.

[BOE's Blanchflower says sees further labour market weakness](#)

LONDON, Sept 27 (Reuters) - Britain's labour market looks set to weaken further and the economy may have more capacity than data has indicated, according to Bank of England policymaker David Blanchflower.

[Treasuries take breather in Asia, await 2-yr offer](#)

TOKYO, Sept 27 (Reuters) - U.S. Treasuries were steady on Wednesday, taking a breather after falling the previous session on profit-taking and position-squaring ahead of a two-year auction

[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	15.88
10y	7.76
5y	4.24
3y	2.65
2y	1.87
ZB	9.47
ZN	5.72
ZF	3.67
ZT	1.64

DV01s (32nds)	
30y	4.93
10y	2.55
5y	1.39
3y	0.85
2y	0.58
ZB	3.48
ZN	2.01
ZF	1.26
ZT	1.09

DV01s (\$s)	
30y	\$1,542
10y	\$798
5y	\$433
3y	\$267
2y	\$182
ZB	\$109
ZN	\$63
ZF	\$39
ZT	\$34

Yield Curve Spreads

2/3	-11.10
3/5	-2.80
2/5	-13.90
5/10	3.10
2/10	-10.80
10/30	13.00
5/30	16.10
2/30	2.20

Fly's

2/3/5	-8.30
2/5/10	-17.00
2/10/30	-23.80
5/10/30	-9.90

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	4.928	3.198
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	14.19
ZN	2.90	4.24	7.20	12.69	24.52
ZF	4.63	6.77	11.50	20.26	39.15
ZT	5.36	7.85	13.33	23.48	45.37

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

Hedge Ratios: US Cash Treasuries / Eurodollar

	US Treasuries v US Treasuries				
	2y	3y	5y	10y	30y
2y		1.464	2.485	4.378	8.459
3y	0.683		1.698	2.991	5.779
5y	0.421	0.616		1.841	3.558
10y	0.228	0.334	0.568		1.932
30y	0.118	0.173	0.294	0.518	

Commitment of Traders (COT)

Maximum and Minimum Positions*											
Max	Small Spec			Large Spec			Commercials			Date	
	Date	Min	Date	Max	Date	Min	Date	Max	Date		Min
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	(7,760)	198,937	208,427	(9,490)	863,891	846,641	17,250
ZN	357,363	438,322	(80,959)	801,716	283,559	518,157	1,440,407	1,877,604	(437,197)
ZB	184,090	192,707	(8,617)	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	100.1050	4.683
3y	4.875	8/15/2009	100.2475	4.584
5y	4.625	8/31/2011	100.1000	4.553
10y	4.875	8/15/2016	102.095	4.577
30y	4.500	2/15/2036	96.21	4.712

GHCO

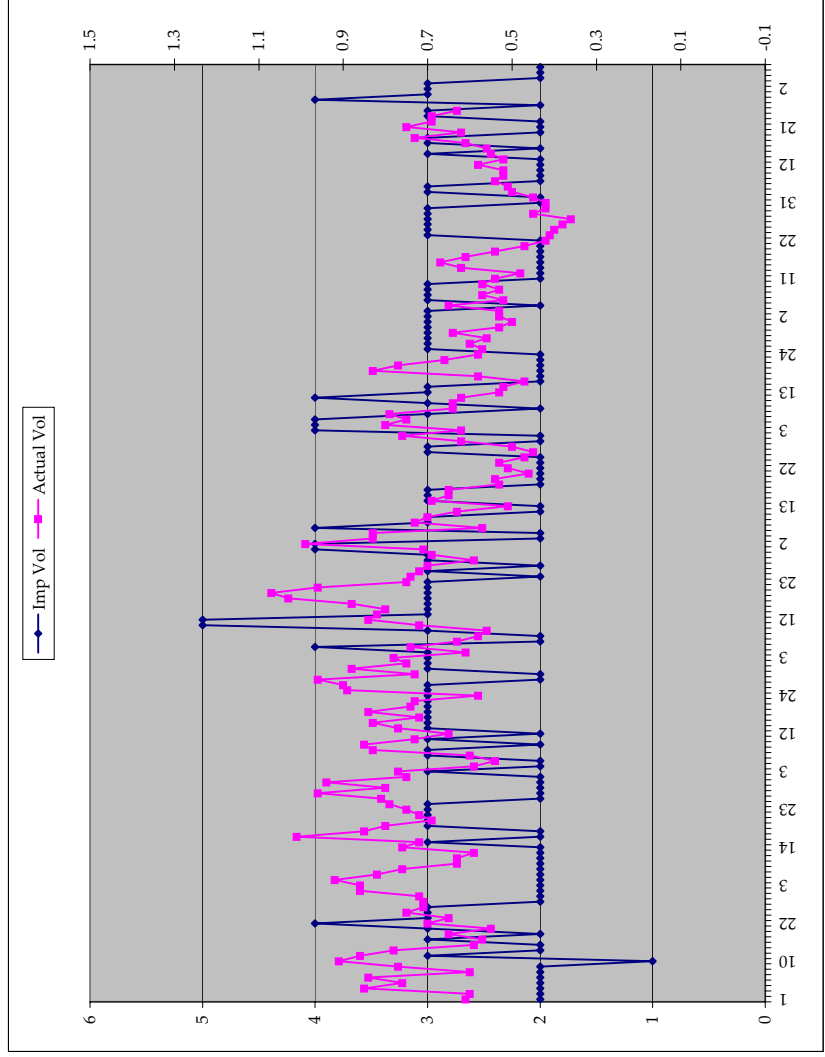
CF Basis* Basis	32nds
5y 0.98	ZF 105.2150
10y 2.86	ZN 108.1250
30y 7.04	ZB 112.25

Curve Spreads bps

2/3	(0.099)
3/5	(0.031)
2/5	(0.130)
5/10	0.024
2/10	(0.106)
10/30	0.135
5/30	0.159
2/30	0.029

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
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