

## 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*	ZNH7**	ZBH7**	Date
Non-farm High	99.2725	98.2250	106.3100	110.1700	2/2/2007
Non-farm Low	99.1925	98.0950	106.1900	109.2900	2/2/2007
FOMC High	99.2300	98.1500	106.2500	110.0500	1/31/2007
FOMC Low	99.1775	98.0600	106.1700	109.2300	1/31/2007
PPI High	99.1875	99.0550	107.1200	111.0700	1/17/2007
PPI Low	99.1025	98.2350	106.3100	110.1700	1/17/2007
CPI High	99.1500	99.0150	107.0700	111.0100	1/18/2007
CPI Low	99.0500	98.1600	106.2350	110.0800	1/18/2007

\*Adjusted for New Issue

\*\*Adjusted for Roll

Prices are recorded from econ release to 2pm CDT

## Quotes

	32 nds						
	ls	net	high	low	open	Volume	SYM NAME
TUAH7	101.257	0.2	101.262	101.247	101.252	12,611	2y Futures
FVAH7	104.185	2.0	104.200	104.160	104.170	22,268	5y Futures
TYAH7	106.250	2.5	106.280	106.225	106.230	66,411	10y Futures
USAH7	110.070	5	110.120	110.020	110.040	11,468	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.287	0.5	99.292	99.285	99.285	na	2y
BUS05P	99.237	1.5	99.255	99.222	99.222	na	5y
BUS10P	#VALUE!	2.0	98.195	98.135	98.135	na	10y
BUS30P	93.185	2	93.240	93.135	93.135	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.925	(0.90)	4.942	4.9	4.942	na	2y Yield
BUS05Y	4.805	(0.90)	4.829	4.793	4.816	na	5y Yield
BUS10Y	4.812	(1.00)	5.495	4.802	4.835	na	10y Yield
BUS30Y	4.916	(0.60)	4.932	4.903	4.924	na	30y Yield

Source: CQG

Yesterday

**TREASURYS:** Investors used a below-forecast jobs report early Friday to lever prices higher on U.S. Treasurys, seizing one of their few opportunities after several weeks of robust economic data. A healthy consumer survey and a slightly stronger-than-expected reading for factory orders clipped these early gains,

[Source - ICAP]

Overnight

02/05 05:05 USTs: Treasuries are holding onto modest gains in London Monday, as the market consolidates and builds on gains seen in the US Friday. However, volumes remained muted, with this week's \$38 billion quarterly refunding capping the upside. Prices were modestly higher in Tokyo, as the weaker stock market offered light support in thin, rangebound trade. With little in Friday's jobs data to excite Asian traders, activity was limited to largely interdealer trade as the Superbowl showdown took centre-stage. Light buying was seen across the curve in London, with the curve steepening a fraction on solid real money demand for the two-year note. The long-end also managed modest gains, but the upside was capped by trader positioning ahead of the quarterly refunding. A slow start on the data front is also keeping traders sidelined, with only second tier data expected Monday. Bunds are trading modestly higher against U.S. 10-year T-notes...Source - MNI]

Today***Econ Releases for today& this week***

Date	ET	Release	For	Briefing.com	Consensus	Prior
Feb 05	10:00	<a href="#">ISM Services</a>	Jan	56.0	57.0	56.7
Feb 07	08:30	<a href="#">Productivity-Prel</a>	Q4	1.5%	1.7%	0.2%
Feb 07	10:30	Crude Inventories	02/02	NA	NA	2684K
Feb 07	15:00	<a href="#">Consumer Credit</a>	Dec	\$8.0B	\$6.5B	\$12.3B
Feb 08	08:30	<a href="#">Initial Claims</a>	02/03	310K	310K	307K
Feb 08	10:00	<a href="#">Wholesale Inventories</a>	Dec	0.7%	0.6%	1.3%

[Source: DailyFX.com]

***Upcoming Speakers/Events***

**(London Times; CST -6 hrs, EST -5 hrs)**

AUD: Feb 5 - Feb 6 - RBA Monetary Policy Meeting

USD: Feb 5 - US President Bush to send Fiscal Year 2008 Budget to Congress

USD: Feb 6 at 15:00 - Treasury Secretary Paulson testifies on budget to Congress

USD: Feb 6 at 18:00 - Fed's Moskow speaks in Chicago at Planning Summit

USD: Feb 6 at 18:30 - Fed's Bernanke speaks in Nebraska

USD: Feb 6 at 20:30 - Fed's Yellen speaks in Los Angeles on Asian Financial Crisis

USD: Feb 7 at 13:15 - Fed's Plosser speaks in Philadelphia

JPY: Feb 8 at 01:00 - BoJ's Haru speaks at Conference on Finance

JPY: Feb 8 at 05:10 - BoJ's Iwata speaks at Finance Policy Meeting

GBP: Feb 8 at 12:00 - BoE Rate Decision -

EUR: Feb 8 at 13:30 - ECB's Trichet gives News Conference - WLD: Feb 9 -

G7 Finance Ministers and Central Bankers Meet in Germany (9th - 10th Feb)

CHF: Feb 9 at 10:15 - SNB's Blattner speaks in Basel

[Source: dailyfx.com]

## Yield Curve Spreads &amp; Flys, DV01s, CFs

M Duration	
30y	15.31
10y	7.69
5y	4.39
3y	2.54
2y	1.87
ZB	9.69
ZN	5.74
ZF	3.82
ZT	1.79

DV01s (32nds)	
30y	4.69
10y	2.45
5y	1.40
3y	0.81
2y	0.60
ZB	3.52
ZN	1.98
ZF	1.29
ZT	1.17

DV01s (\$s)	
30y	\$1,466
10y	\$765
5y	\$438
3y	\$253
2y	\$187
ZB	\$110
ZN	\$62
ZF	\$40
ZT	\$37

CTD for the 30y has changed several times over the last month. It changed again after NFP. The two issues fighting for CTD are:

Coupon	Issue Date	Mat Date	Cusip	(Billions)
7.250	8/17/1992	8/15/2022	912810EL8	\$9.8
7.625	11/15/1992	11/15/2022	912810EM6	\$7.0

The greyed out issue is currently CTD.

I'll be keeping this section up as we continue to get changes.

## Yield Curve Spreads

2/3	-7.10
3/5	-4.90
2/5	-12.00
5/10	0.70
2/10	-11.30
10/30	10.40
5/30	11.10
2/30	-0.90

Fly's	
2/3/5	-2.20
2/5/10	-12.70
2/10/30	-21.70
5/10/30	-9.70

CFs	
ZB	0.7956
ZN	0.9105
ZF	0.9481
ZT	0.9807

\*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 (H)	1.000	1.800	2.800	3.000
Bobl (H)	0.550	0.970	1.500	1.600
Schatz (H)	0.200	0.400	0.600	0.660

Number  
of  
contracts  
LONG

Eurex Hedge Ratio's source: Bloomberg

## US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		0.564	0.366	0.333
ZN	1.774		0.650	0.591
ZF	2.729	1.538		0.909
ZT	0.666	1.182	1.818	

## Month Codes:

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	1.70	2.30	3.98	6.96	13.34
ZN	3.01	4.08	7.07	12.35	23.66
ZF	4.64	6.28	10.87	19.01	36.39
ZT	5.10	6.91	11.96	20.91	40.04

## US Treasuries v Eurex Bonds Hedge Ratios

	2y	3y	5y	10y	30y
Bund (H)	1.7	2.4	3.9	7.0	13.1
Bobl (H)	3.1	4.7	7.3	13.5	25.2
Schatz (H)	7.1	10.4	16.7	30.0	56.1

Eurex Hedge Ratio's source: Bloomberg

## Eurex Hedge Ratios

	Bund (H)	Bobl (H)	Schatz (H)
Bund (H)		1.900	4.600
Bobl (H)	0.530		2.500
Schatz (H)	0.220	0.400	

Eurex Hedge Ratio's source: Bloomberg

Month Codes:

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		1.354	2.346	4.100	7.850
3y	0.738		1.732	3.027	5.797
5y	0.426	0.577		1.748	3.347
10y	0.244	0.330	0.572		1.915
30y	0.127	0.173	0.299	0.522	

## Commitment of Traders (COT)

Current Positions										
Small Spec			Large Spec			Commercials (Hedgers)				
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
<b>ZF</b>	218,078	320,845	(102,767)	220,600	215,405	5,195	1,141,019	1,043,448	97,571	<b>ZF</b>
<b>ZN</b>	332,447	466,745	(134,298)	567,695	387,897	179,798	1,756,829	1,802,330	(45,501)	<b>ZN</b>
<b>ZB</b>	145,454	202,715	(57,261)	122,292	210,761	(88,469)	721,446	575,716	145,730	<b>ZB</b>

WoW** Position Change				
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	
<b>ZF</b>	(36,825)	71,239	(34,415)	As of 1/30/2007
<b>ZN</b>	19,957	(27,169)	7,210	
<b>ZB</b>	3,615	(11,520)	7,905	

\*\*WoW = Week over week

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

	Cpn	Mty	32nds	Yield
2y	4.875	1/31/09	99.2850	4.933
3y	4.625	11/15/09	99.1200	4.866
5y	4.750	1/31/12	99.2250	4.818
10y	4.625	11/15/16	98.135	4.828
30y	4.500	2/15/36	93.15	4.926

GHCO

	CF Basis*	Basis		32nds
5y	0.42	33.961	ZF	104.1650
10y	1.47	40.143	ZN	106.2000
30y	5.52	187.601	ZB	110.03

Curve Spreads bps

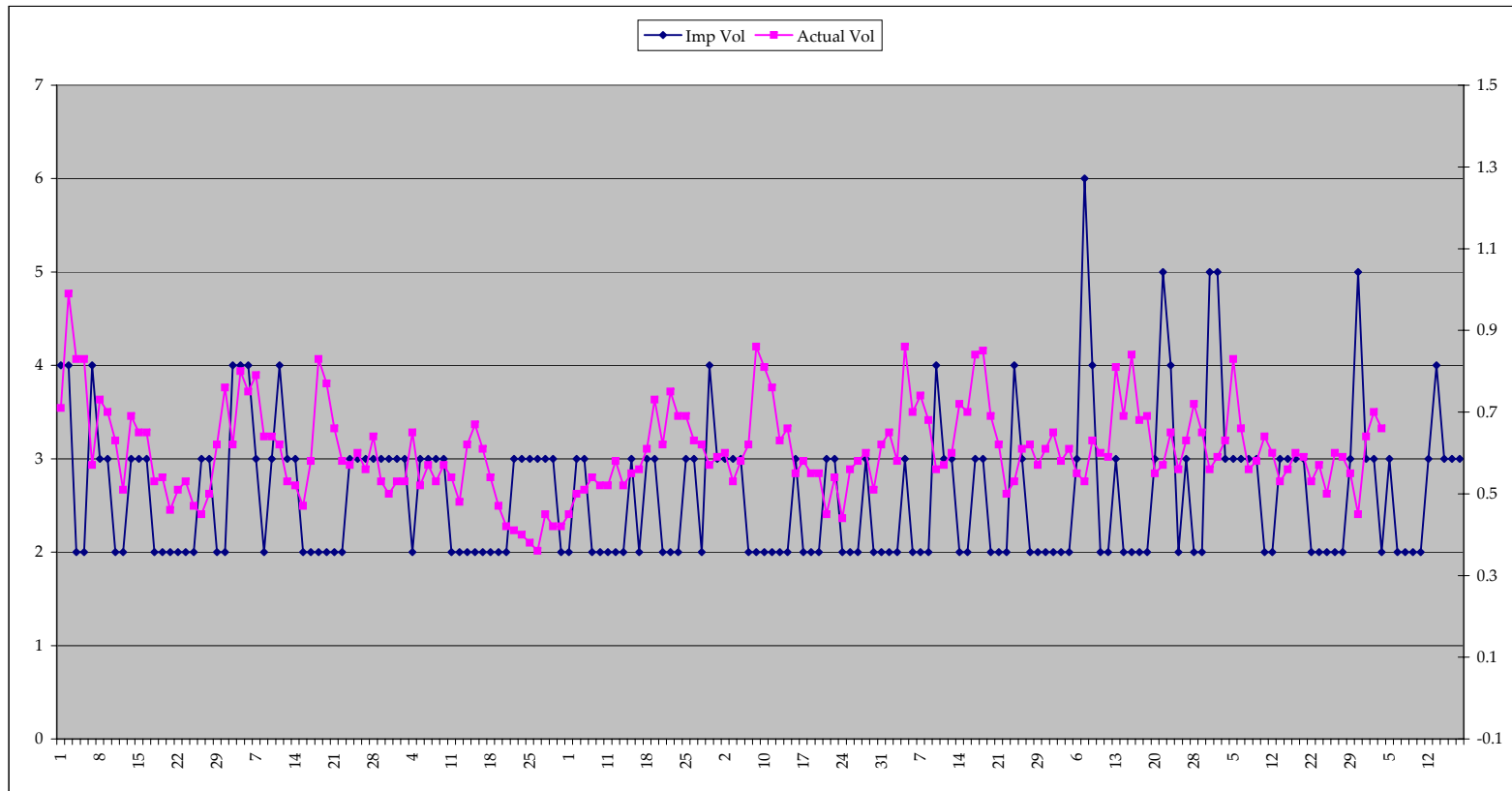
2/3	(0.067)
3/5	(0.048)
2/5	(0.115)
5/10	0.010
2/10	(0.105)
10/30	0.098
5/30	0.108
2/30	(0.007)

	New 5yr	Old 5yr
Coup	4.750	4.625
Price		
Yield		
Mat	1/31/09	12/31/09

Roll = +.75 bps

CF = Conversion Factor  
 Cash - (Futures \* CF)

Implied Volatility (Daily)



Begins Jun 1, 2006. 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  
 of the 30yr T-Bond Futures.

**Implied Volatility (3-Hour)**

CDT Time	UT Time	EDT Time	1/30/2007	1/31/2007	2/1/2007
1900-2200	0000-0300	2000-2300	4	3	3
2200-0100	0300-0600	2300-0200	4	3	3
0100-0400	0600-0900	0200-0500	4	3	3
0400-0700	0900-1200	0500-0800	2	2	2
0700-1000	1200-1500	0800-1100	2	2	2
1000-1300	1500-1800	1100-1400	2	2	2
1300-1600	1800-2100	1400-1700	2	2	2
1600-1900	2100-0000	1700-2000	2	1	1

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