

## The Morning Email: Treasuries

Rotate Me

### Table of Contents

<b>Pg A</b>	Important Econ Releases, Highs & Lows
<b>Pg 1</b>	Quotes
<b>Pg 2</b>	News Snapshot
<b>Pg 3</b>	Yield Curve Spreads & Flies, DV01s, CFs
<b>Pg 4</b>	Hedge Ratios: US Financial Futures / Eurex Bund, Bobl, Schatz,
<b>Pg 5</b>	Hedge Ratios: US Treasury Cash / Eurex Bund, Bobl, Schatz
<b>Pg 6</b>	Hedge Ratios: US Cash Treasuries / Eurodollar
<b>Pg 7</b>	Commitment of Traders (COT)
<b>Pg 8</b>	2 PM CDT Closes: US Treasuries, US Financial Futures, YC Spreads, Basis
<b>Pg 9</b>	Implied Volatility (Daily)
<b>Pg 10</b>	Implied Volatility (3-Hour)

Want something added?

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

**Disclaimer:**

All information within this newsletter is meant for internal use at Goldenberg, Hehmer & Co. only.

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](mailto:jgoulding@ghco.com)**

### Important Econ Releases, Highs & Lows

	5y*	10y*	ZNH7**	ZBH7**	Date
Non-farm High	100.0635	101.0450	109.0400	114.0500	12/8/2006
Non-farm Low	98.2825	100.1800	108.1850	113.0700	12/8/2006
FOMC High	100.0775	101.0350	109.0400	114.0100	12/12/2006
FOMC Low	100.0000	100.2350	108.2450	113.1400	12/12/2006
PPI High	99.2575	100.1300	108.1650	112.2800	12/19/2006
PPI Low	99.1775	100.0550	108.0200	112.0700	12/19/2006
CPI High	100.0425	100.3000	109.0000	113.2400	12/15/2006
CPI Low	99.2000	100.0400	108.0850	112.1700	12/15/2006

\*Adjusted for New Issue

\*\*Adjusted for Roll

Prices are recorded from econ release to 2pm CDT

Need to ROLL NEW 5Y

Quotes

		32 nds							
	ls	net	high	low	open	Volume		SYM NAME	
TUAH7	102.022	1.5	102.022	102.000	102.000	3,094		2y Futures	
FVAH7	105.055	4.0	105.060	105.015	105.020	10,895		5y Futures	
TYAH7	107.195	5.0	107.205	107.150	107.155	30,204		10y Futures	
USAH7	111.200	6	111.220	111.140	111.150	7,293		30y Futures	
		net	high	low	open	Volume		SYM NAME	
BUS02P	99.297	1.2	99.297	99.292	99.292	na		2y	
BUS05P	#VALUE!	2.7	99.252	99.232	99.232	na		5y	
BUS10P	99.160	3.0	99.165	99.130	99.140	na		10y	
BUS30P	95.115	6	95.125	95.060	95.065	na		30y	
		net	high	low	open	Volume		SYM NAME	
BUS02Y	4.784	(2.50)	4.817	4.78	4.8	na		2y Yield	
BUS05Y	4.670	(2.30)	4.693	4.67	4.686	na		5y Yield	
BUS10Y	4.686	(1.00)	4.704	4.682	4.704	na		10y Yield	
BUS30Y	4.796	(1.30)	4.812	4.793	4.806	na		30y Yield	

Source: CQG

## Yesterday

[Source - MNI]

### Overnight

01/02 05:04 US10s: Treasuries are trading very modestly higher in London Tuesday, although volumes are light, with flows hampered by the absence of many players ahead of the National Day of Mourning for former President Gerald Ford. Many traders said the impending early close ensured the market was as good as closed, with volumes in both the cash and futures market very thin. This was in part due to a Tokyo public holiday keeping Asian traders sidelined. In London, there was very light two-way trade in the benchmark issues, with prices edging higher on the coat-tails of a solid Bund rally. The front of the curve led the way higher, with the two-year finding good demand from end users. Bunds were trading higher against U.S. 10-year T-notes, up 2 bps on the day at 83 bps, as Treasuries mark time in thin volumes. The 2-yr note was 1/32 higher, trading at 99 29/32, to yield 4.79%. The 10-year note was 1/32 higher at 99 14/32 (4.69%), while the Bond was 2/32 higher at 95 7/32 (4.81%). The 2-/10-yr curve was also 1 bps steeper, trading at -10 bps. [Source - MNI]

## Today

### Econ Releases for today & this week

Date	ET	Release	For	Briefing.com	Consensus	Prior
Jan 03	10:00	<a href="#">Construction Spending</a>	Nov	-0.7%	-0.6%	-1.0%
Jan 03	10:00	<a href="#">ISM Index</a>	Dec	51.0	50.0	49.5
Jan 03	14:00	FOMC Minutes	Dec 12			
Jan 03	17:00	<a href="#">Auto Sales</a>	Dec	5.3M	5.2M	5.1M
Jan 03	17:00	<a href="#">Truck Sales</a>	Dec	7.7M	7.3M	7.2M
Jan 04	08:30	<a href="#">Initial Claims</a>	12/30	320K	318K	317K
Jan 04	10:00	<a href="#">Factory Orders</a>	Nov	1.5%	1.4%	-4.7%
Jan 04	10:00	<a href="#">ISM Services</a>	Dec	58.0	57.0	58.9
Jan 05	08:30	<a href="#">Nonfarm Payrolls</a>	Dec	115K	110K	132K
Jan 05	08:30	<a href="#">Unemployment Rate</a>	Dec	4.5%	4.5%	4.5%
Jan 05	08:30	<a href="#">Hourly Earnings</a>	Dec	0.4%	0.3%	0.2%
Jan 05	08:30	<a href="#">Average Workweek</a>	Dec	33.9	33.9	33.9

[Source: DailyFX.com]

### Upcoming Speakers/Events (Chi/NY/London Times)

USD: Jan 3 at 19:00 - FOMC Minutes of Meeting on Dec 12

USD: Jan 5 at 18:30 - Fed's Bernanke speaks in Chicago.

[Source: MNI, todayfx.com]

[Other Sources: FXStreet.com, Briefing.com, MNI, Reuters, Dow Jones, Bloomberg, Icap]

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

**M Duration**

30y	15.53
10y	7.79
5y	4.34
3y	2.64
2y	1.88
ZB	9.82
ZN	5.84
ZF	3.91
ZT	1.85

**DV01s (32nds)**

30y	4.82
10y	2.50
5y	1.38
3y	0.84
2y	0.60
ZB	3.59
ZN	2.02
ZF	1.32
ZT	1.22

**DV01s (\$s)**

30y	\$1,508
10y	\$780
5y	\$432
3y	\$263
2y	\$188
ZB	\$112
ZN	\$63
ZF	\$41
ZT	\$38

Old

**Yield Curve Spreads**

2/3	-7.50
3/5	-3.90
2/5	-11.40
5/10	1.60
2/10	-9.80
10/30	11.00
5/30	12.60
2/30	1.20

**Fly's**

2/3/5	-3.60
2/5/10	-13.00
2/10/30	-20.80
5/10/30	-9.40

**CFs**

ZB	0.7956
ZN	0.9105
ZF	0.9397
ZT	0.9794

\*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	Number of contracts LONG
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	

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		0.564	0.369	0.339
ZN	1.773		0.653	0.602
ZF	2.713	1.530		0.921
ZT	0.679	1.203	1.841	

Month Codes:

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	1.68	2.35	3.86	6.97	13.46
ZN	2.98	4.16	6.83	12.35	23.85
ZF	4.56	6.37	10.46	18.89	36.50
ZT	4.95	6.92	11.36	20.52	39.64

Old

## 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
Shatz (H)	7.1	10.4	16.7	30.0	56.1

Eurex Hedge Ratio's source: Bloomberg

## Eurex Hedge Ratios

	Bund (H)	Bobl (H)	Shatz (H)
Bund (H)		1.900	4.600
Bobl (H)	0.530		2.500
Shatz (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		1.398	2.295	4.147	8.012
3y	0.715		1.641	2.966	5.729
5y	0.436	0.609		1.807	3.490
10y	0.241	0.337	0.554		1.932
30y	0.125	0.175	0.287	0.518	
					Old

Commitment of Traders (COT)

	Current Positions								
	Small Spec			Large Spec			Commercials (Hedgers)		
	Long	Short	Net	Long	Short	Net	Long	Short	Net
ZF	244,185	255,999	(11,814)	172,734	255,539	(82,805)	967,518	872,900	94,618
ZN	282,576	381,262	(98,686)	556,494	275,401	281,093	1,521,682	1,704,089	(182,407)
ZB	141,639	156,245	(14,606)	120,519	180,272	(59,753)	571,179	496,820	74,359

	WoW** Position Change			As of 12/26/2006
	Sml Spec		Comm	
	Net	Lrg Spec	Net	
ZF	(5,440)	2,511	2,929	
ZN	(10,984)	(14,407)	25,390	
ZB	(7,606)	(317)	7,922	

\*\*WoW = Week over week

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

	Cpn	Mty	32nds	Yield	
2y	4.750	12/31/08	99.2900	4.675	<b>New</b>
3y	4.625	11/15/09	99.2350	4.723	
5y	4.500	12/31/11	99.0650	4.682	<b>Old</b>
10y	4.625	11/15/16	99.155	4.690	
30y	4.500	2/15/36	95.05	4.812	

## GHCO

CF Basis*	Basis	32nds
5y	0.34	13.309
10y	1.57	49.909
30y	6.66	210.456
		ZF
		ZN
		ZB

## Curve Spreads bps

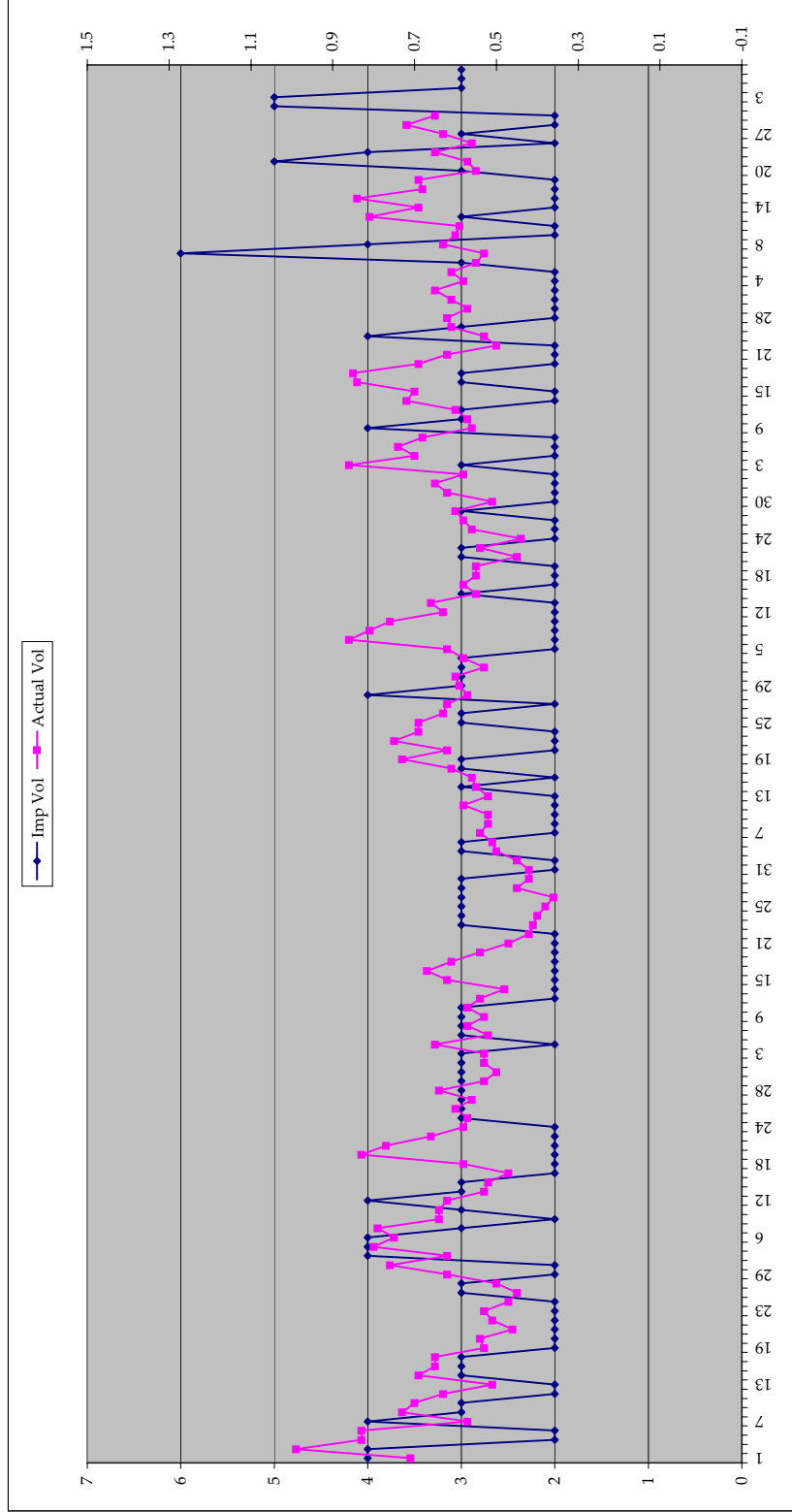
2/3	0.048
3/5	(0.041)
2/5	0.007
5/10	0.008
2/10	0.015
10/30	0.122
5/30	0.130
2/30	0.137

CF = Conversion Factor

Cash - (Futures \* CF)

<b>Old 2y</b>		<b>New 5y</b>	
coup	4.625	coup	4.625
mat	11/30/08	mat	12/31/11
price32	99.2075	price32	99.24
yield	4.817	yield	4.69

### Implied Volatility (Daily)



Imp Vol Actual Vol

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	1/2/2007	1/3/2007	1/4/2007
1900-2200	0000-0300	2000-2300	4	4	3
2200-0100	0300-0600	2300-0200	4	4	3
0100-0400	0600-0900	0200-0500	4	4	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	2	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