

## The Morning Email: Treasuries

Rotate Me

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Want something added?

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

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### Important Econ Releases, Highs & Lows

	5y*	10y*	ZNH7**	ZBH7**	Date
Non-farm High	100.2350	101.0450	109.0400	114.0500	12/8/2006
Non-farm Low	99.1200	100.1800	108.1850	113.0700	12/8/2006
FOMC High	100.2450	101.0350	109.0400	114.0100	12/12/2006
FOMC Low	100.1650	100.2350	108.2450	113.1400	12/12/2006
PPI High	100.1050	100.1300	108.1650	112.2800	12/19/2006
PPI Low	100.0250	100.0550	108.0200	112.0700	12/19/2006
CPI High	100.2100	100.3000	109.0000	113.2400	12/15/2006
CPI Low	100.0450	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

## Quotes

32 nds

	ls	net	high	low	open	Volume	SYM NAME
TUAH7	102.032	1.5	102.037	102.022	102.030	10,180	2y Futures
FVAH7	105.065	1.5	105.075	105.050	105.050	21,911	5y Futures
TYAH7	107.210	2.5	107.220	107.190	107.195	64,028	10y Futures
USAH7	111.240	1	111.280	111.220	111.250	17,586	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.302	1.0	99.305	99.300	99.305	na	2y
BUS05P	99.252	0.5	99.262	99.245	99.250	na	5y
BUS10P	99.175	0.5	99.190	99.160	99.180	na	10y
BUS30P	95.165	1	95.190	95.155	95.170	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.775	(1.70)	4.792	4.767	4.792	na	2y Yield
BUS05Y	4.671	(0.60)	4.682	4.662	4.682	na	5y Yield
BUS10Y	4.680	(0.20)	4.692	4.674	4.69	na	10y Yield
BUS30Y	4.785	0.00	4.793	4.777	4.785	na	30y Yield

Source: CQG

## Yesterday

01/02 13:10 US Tsy Futures: Prices end better across the curve on very light volume and off Friday's multi week lows.

01/02 13:01 US TSYS/RECAP: US Tsys rose in quiet shortened-session trading amid light swap receiving and morning real money buying in the front end (2Y, 5Y), with also some spread product-tied buying and swap receiving in Eurodollar futures, 2Y and 3Y proxies...And in repo trading, the 10-year note special also aided the market, and was cited at 0.15% today in overnight repo, with that seen to continue Wed., as reg delivery cited at 2%. The market had seen a better bid overnight amid bargain-hunting, Asian real money buying, after last week's Tsys slide and the rally today on German Bunds on weaker PMI data

01/02 12:38 US TSYS/REPO: NY Fed reported brisk borrowing in current 10-year notes by dealers from the Fed: There was US\$1.466B lent to dealers in the Nov. 15 2016 10-year notes, and US\$1.011B lent in the E 4.875% Aug. 15, 2016 10-year notes. The 2-year notes also drew demand: dealers borrowed US\$1.985B in the 4.625% Nov. 30, 2008 2-year (the off-the-run) from the Fed, and also US\$1.053B in the 4.625% Sep. 30, 2008 2-year note.

01/02 13:04 US Swaps: Swap spreads finished the session steady to marginally mixed on light two way flow, Tsy ylds lower. The 2yr is in 0.25 bps at 35.50, the 5yr and 10yr spds steady at midpoints of 40.25 and 47.75 respectively, while the 30yr spd is out 0.25 bps at 50.50, according to GovPX. The 2s/5s swap yld curve remains inverted, -5.6, while the 2s/10s remained slightly off inversion, at +1.9 on the bell. [Source - MNI]

## Overnight

01/03 04:44 USTs: Treasuries are barely changed in London trade Wednesday, managing to consolidate overnight gains in light volumes. Once again, with no clear lead from Asia, the market was awaiting direction from the U.S., along with a slew of U.S. data. With Tokyo still celebrating the New Year, cash Treasury markets were still closed in Asia. However, the electronic pits were open, although volumes remained very light. There were light two-way flows in the benchmark issues in London, but traders said volumes remained muted ahead of the New York session. The curve continued to steepen slightly, as the 2-year note outperformed. [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	4.41
3y	2.64
2y	1.88
ZB	9.96
ZN	5.84
ZF	3.91
ZT	1.88

DV01s (32nds)	
30y	4.83
10y	2.50
5y	1.41
3y	0.84
2y	0.60
ZB	3.59
ZN	2.02
ZF	1.32
ZT	1.23

DV01s (\$s)	
30y	\$1,511
10y	\$781
5y	\$440
3y	\$263
2y	\$188
ZB	\$112
ZN	\$63
ZF	\$41
ZT	\$38

**Yield Curve Spreads**

2/3	-7.20
3/5	-3.20
2/5	-10.40
5/10	0.90
2/10	-9.50
10/30	10.50
5/30	11.40
2/30	1.00

**Fly's**

2/3/5	-4.00
2/5/10	-11.30
2/10/30	-20.00
5/10/30	-9.60

**CFs**

ZB	0.7956
ZN	0.9105
ZF	0.9438
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	
Bund (H)	1.000	1.800	2.800	3.000	Number of contracts LONG
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		0.563	0.368	0.342
ZN	1.777		0.653	0.607
ZF	2.719	1.530		0.929
ZT	0.684	1.215	1.859	

**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	1.67	2.34	3.85	6.95	13.45
ZN	2.97	4.16	6.83	12.35	23.90
ZF	4.55	6.37	10.46	18.91	36.58
ZT	4.90	6.85	11.25	20.34	39.35

## 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		1.399	2.298	4.154	8.036
3y	0.715		1.643	2.969	5.744
5y	0.435	0.609		1.808	3.497
10y	0.241	0.337	0.553		1.935
30y	0.124	0.174	0.286	0.517	

Commitment of Traders (COT)

	Current Positions									
	Small Spec			Large Spec			Commercials (Hedgers)			Net
	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	ZF
ZN	282,576	381,262	(98,686)	556,494	275,401	281,093	1,521,682	1,704,089	(182,407)	ZN
ZB	141,639	156,245	(14,606)	120,519	180,272	(59,753)	571,179	496,820	74,359	ZB

	WoW** Position Change				
	Sml Spec		Lrg Spec		Comm
	Net	Net	Net	Net	
ZF	(5,440)	2,511	2,929	As of	
ZN	(10,984)	(14,407)	25,390	12/26/2006	
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	99.2925	4.670
3y	4.625	11/15/09	99.2400	4.717
5y	4.625	12/31/11	99.2400	4.557
10y	4.625	11/15/16	99.160	4.688
30y	4.500	2/15/36	95.16	4.788

## GHCO

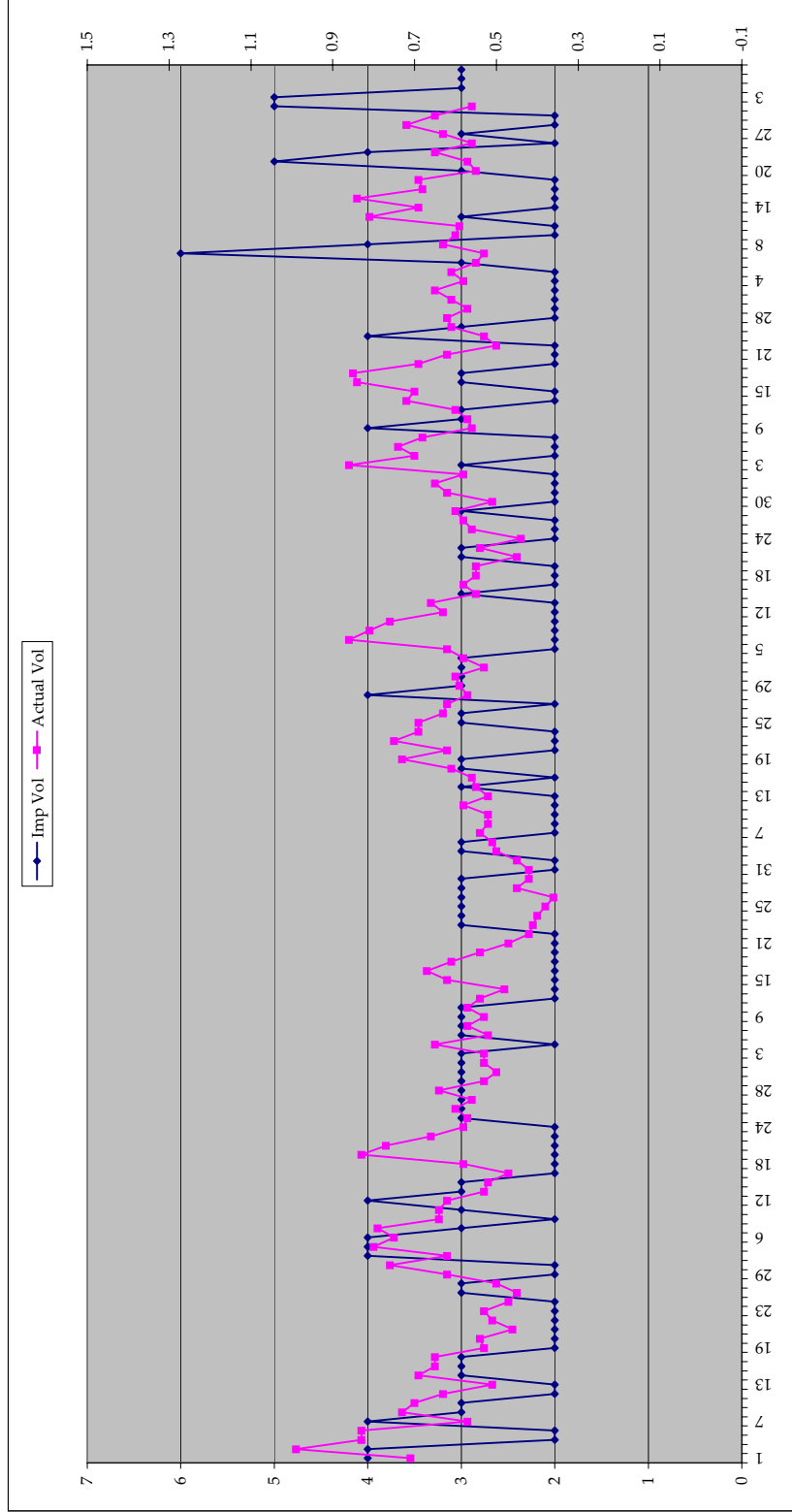
CF Basis*	Basis	32nds
5y	(0.04)	16.585
10y	1.57	49.149
30y	6.68	211.730
		ZF 105.0450
		ZN 107.1900
		ZB 111.23

## Curve Spreads bps

2/3	0.047
3/5	(0.160)
2/5	(0.113)
5/10	0.131
2/10	0.018
10/30	0.100
5/30	0.231
2/30	0.118

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

### 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	1/3/2007	1/4/2007	1/5/2007
1900-2200	0000-0300	2000-2300	4	3	3
2200-0100	0300-0600	2300-0200	4	3	2
0100-0400	0600-0900	0200-0500	4	3	2
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	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