

The Morning Email: Treasuries

Rotate Me

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Want something added?

Let me know: 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	102.030	(1.5)	102.042	102.025	102.042	13,272	2y Futures	
FVAH7	105.070	(2.5)	105.100	105.065	105.090	26,786	5y Futures	
TYAH7	107.245	(3.5)	107.295	107.240	107.280	66,528	10y Futures	
USAH7	112.000	(5)	112.070	111.300	112.050	18,442	30y Futures	
	ls	net	high	low	open	Volume	SYM NAME	
BUS02P	99.302	(1.2)	99.315	99.302	99.312	na	2y	
BUS05P	99.267	(3.5)	99.282	99.267	99.282	na	5y	
BUS10P	99.220	(4.5)	99.250	99.220	99.245	na	10y	
BUS30P	95.310	(8)	96.055	95.315	96.055	na	30y	
	ls	net	high	low	open	Volume	SYM NAME	
BUS02Y	4.775	2.90	4.788	4.75	4.758	na	2y Yield	
BUS05Y	4.659	2.30	4.666	4.614	4.63	na	5y Yield	
BUS10Y	4.660	2.00	4.712	4.648	4.712	na	10y Yield	
BUS30Y	4.755	2.10	4.759	4.421	4.426	na	30y Yield	

Source: CQG

Yesterday

DATA REACTION

01/05 08:57 US data react: Economist Stephen Gallagher at SoGen says..."The Federal Reserve will be on hold with such numbers. Chances for rate cuts in mid-year or later remain viable, but near-term rate cuts are very unlikely."

01/05 08:59 US data react: Economist Steve Wood at Insight Economics says "...If job continue to grow this quickly, the FOMC will not be able to ease any time soon."

Economist Annalisa Piazza at FIMAT Cube Strategy says "...As for monetary policy implications, today's outcome doesn't leave much room for a more relaxed tone at the next FOMC meeting on January 31st...We expect the Fed to start to cut rates in May this year, once inflation will have eased a tad more."

01/05 09:17 US data react: Economist Drew Matus of Lehman says employment was "a uniformly strong report. Three key signs of strength: 1) strong payrolls growth despite housing and manufacturing drag; 2) unchanged unemployment rate combined with rising labor force participation and 3) strong wage gains suggesting that 1) and 2) above are not flukes but represent real labor market strength."

01/05 09:24 US data react: Economists at Bear say "...We are struck by not only the strength in payrolls, despite continued contractions in manufacturing and construction employment, but also by rising labor force participation, and further tightening in the available labor supply. With wage growth hitting a six-year high, and the pool of available labor contracting, we strongly doubt the Fed will change its bias that is currently toward inflation concerns at the Jan meeting." [Source - MNI]

Overnight

01/08 05:03 USTs: Treasuries are trading modestly lower in London trade Monday, as European traders take advantage of the late rebound in the U.S. Friday to sell some paper. With Tokyo celebrating the Coming of Age Day holiday, cash Treasury markets were closed in Asia, but CBOT electronic futures were open for trade. Volumes were light, with price movements limited in narrow ranges. The Asian close offered no early direction for European accounts, and prices just drifted on light selling pressure. However, traders said many players were sidelined ahead of the New York open. Leveraged names were seen as sellers of the 10-year sector of the curve, with talk of small unwinds of Bund/Treasury trades. In recent sessions, the 10-year Treasury/ bund spread had fallen as low as 72 bps. [Source - MNI]

Today

Econ Releases for today & this week

[Source: DailyFX.com]

Date	ET	Release	For	Briefing.com	Consensus	Prior
Jan 05	08:30	Nonfarm Payrolls	Dec	115K	100K	154K
Jan 05	08:30	Unemployment Rate	Dec	4.5%	4.5%	4.5%
Jan 05	08:30	Hourly Earnings	Dec	0.4%	0.3%	0.3%
Jan 05	08:30	Average Workweek	Dec	33.9	33.9	33.9
Jan 08	15:00	Consumer Credit	Nov	\$6.0B	\$5.5B	-\$1.2B
Jan 10	08:30	Trade Balance	Nov	-\$60.0B	-\$59.5B	-\$58.9B
Jan 10	10:00	Wholesale Inventories	Nov	0.6%	0.5%	0.8%
Jan 10	10:30	Crude Inventories	01/05	NA	NA	-8132K
Jan 11	08:30	Initial Claims	01/05	320K	NA	329K
Jan 11	14:00	Treasury Budget	Dec	\$26.0B	\$21.0B	\$11.2B
Jan 12	08:30	Export Prices ex-ag.	Dec	NA	NA	0.1%
Jan 12	08:30	Import Prices ex-oil	Dec	NA	NA	0.7%
Jan 12	08:30	Retail Sales	Dec	0.7%	0.7%	1.0%
Jan 12	08:30	Retail Sales ex-auto	Dec	0.5%	0.6%	1.1%
Jan 12	10:00	Business Inventories	Nov	0.3%	0.4%	0.4%

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

USD: Jan 8 at 17:45 - Fed's Kohn speaks on economic outlook in Atlanta.

CHF: Jan 9 - SNB release Quarterly Bulletin

USD: Jan 11 at 13:00 - Geithner Speaks on Developments in the Global Economy

EUR: Jan 11 at 13:30 - Trichet Speaks at ECB News Conference (English)

USD Jan 11 at 17:00 - Fed's Bies Speaks at Risk Mitigation Summit in Washington

[Source: MNI, todayfx.com]

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

Yield Curve Spreads & Flies, DV01s, CFs

M Duration

30y	15.56
10y	7.78
5y	4.39
3y	2.62
2y	1.86
ZB	9.98
ZN	5.83
ZF	3.90
ZT	1.86

DV01s (32nds)

30y	4.87
10y	2.50
5y	1.41
3y	0.84
2y	0.60
ZB	3.64
ZN	2.02
ZF	1.32
ZT	1.22

DV01s (\$s)

30y	\$1,522
10y	\$781
5y	\$439
3y	\$262
2y	\$187
ZB	\$114
ZN	\$63
ZF	\$41
ZT	\$38

Yield Curve Spreads

2/3	-8.10
3/5	-3.50
2/5	-11.60
5/10	0.10
2/10	-11.50
10/30	9.50
5/30	9.60
2/30	-2.00

Fly's

2/3/5	-4.60
2/5/10	-11.70
2/10/30	-21.00
5/10/30	-9.40

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
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

Number
of
contracts
LONG

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		0.555	0.362	0.335
ZN	1.803		0.653	0.604
ZF	2.760	1.531		0.925
ZT	0.671	1.209	1.851	

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	1.64	2.30	3.79	6.87	13.38
ZN	2.96	4.15	6.83	12.39	24.12
ZF	4.53	6.35	10.46	18.96	36.93
ZT	4.90	6.86	11.31	20.49	39.91

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		1.401	2.309	4.184	8.150
3y	0.714		1.648	2.986	5.817
5y	0.433	0.607		1.812	3.529
10y	0.239	0.335	0.552		1.948
30y	0.123	0.172	0.283	0.513	

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	99.3175	4.627
3y	4.625	11/15/09	99.2750	4.676
5y	4.625	12/31/11	99.2925	4.519
10y	4.625	11/15/16	99.260	4.648
30y	4.500	2/15/36	96.06	4.743

GHCO

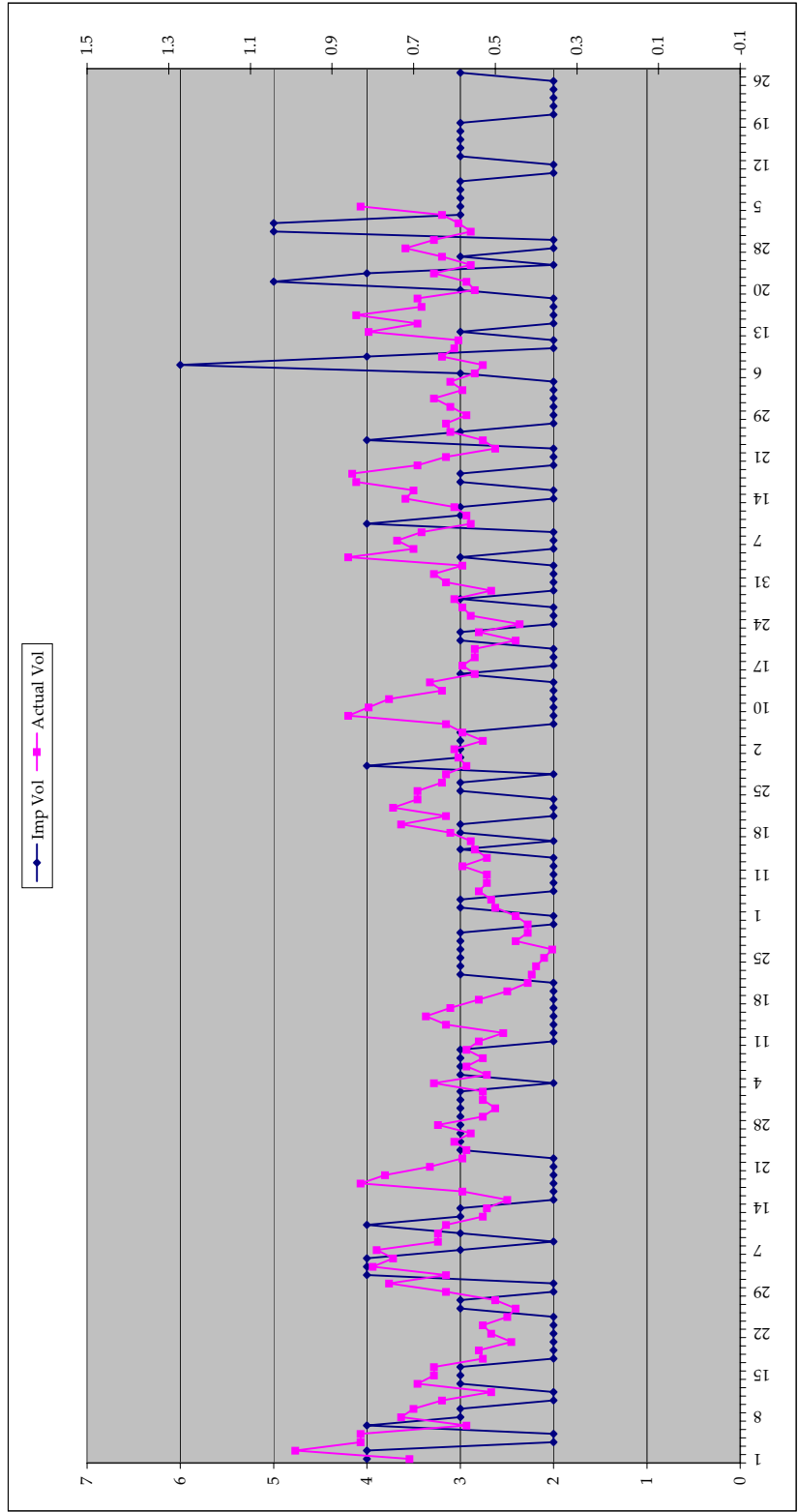
CF Basis*	Basis	32nds
5y	(0.03)	ZF 105.0950
10y	1.58	ZN 107.2800
30y	6.90	ZB 112.05

Curve Spreads bps

2/3	0.049
3/5	(0.157)
2/5	(0.108)
5/10	0.129
2/10	0.021
10/30	0.095
5/30	0.224
2/30	0.116

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	1/8/2007	1/9/2007	1/10/2007
1900-2200	0000-0300	2000-2300	3	3	2
2200-0100	0300-0600	2300-0200	2	2	2
0100-0400	0600-0900	0200-0500	2	2	2
0400-0700	0900-1200	0500-0800	2	2	2
0700-1000	1200-1500	0800-1100	2	2	1
1000-1300	1500-1800	1100-1400	2	2	1
1300-1600	1800-2100	1400-1700	2	2	1
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
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 6-9 = very volatile