

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	100.0800	100.1000	108.0900	112.2400	1/5/2007
Non-farm Low	99.2075	99.1300	107.1500	111.1600	1/5/2007
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	102.015	(1.2)	102.025	102.007	102.025	20,638	2y Futures
FVAH7	105.065	(1.5)	105.085	105.045	105.085	26,234	5y Futures
TYAH7	107.250	(1.5)	107.270	107.215	107.270	71,200	10y Futures
USAH7	112.020	(2)	112.060	111.290	112.050	18,214	30y Futures
BUS02P	#VALUE!	(0.7)	99.297	99.287	99.297	na	2y
BUS05P	99.260	(2.0)	99.275	99.247	99.275	na	5y
BUS10P	99.220	(2.0)	99.240	99.190	99.240	na	10y
BUS30P	96.035	(6)	96.080	95.300	96.080	na	30y
BUS02Y	4.796	1.70	4.817	4.779	4.817	na	2y Yield
BUS05Y	4.664	1.10	4.68	4.652	4.661	na	5y Yield
BUS10Y	4.662	0.80	4.678	4.648	4.656	na	10y Yield
BUS30Y	4.746	1.30	4.761	4.734	4.739	na	30y Yield

Source: CQG

Yesterday

01/08 14:18 **Fed:** Michael Feroli, US Economist at JPMorgan Economics, says Mr Kohn's outlook was "more relaxed about the prospects for both growth and inflation. Kohn did not discuss the skew to the risks nor did he address the balance of risks, as he did in his October remarks, thus avoiding giving much direction to the market."

01/08 15:04 **US Swaps:** Swap spreads finished the session mostly wider in a directional move with higher Tsy ylds.

01/08 15:11 **US TSYS/RECAP:** Tsys clung to a tight range with 30-years outperform amid light 2-way flow, including some corporate rate-lock selling, some short-covering amid stocks weakness and given unknown cause of NYC gas leak that did not appear to have terror link, then a late bid amid news of a Miami port probe into a suspicious device. Tsys firmed a bit after Fed Vice Chair Kohn comments finish, had said still too early to relax re Fed inflation concern. There were morning real money corp-tied and hedge fund buyers of 10Y futures but also morning sellers of Mar 2Ys notes and corporate-tied swaps payers in 2Y and 3Ys. There also were 2-way fast money flow in intermediates earlier, foreign selling in 2s, intermediates but later buying, including Asian buying in Tsys and MBS. There was late swap receiver support as Chicago FCM bought 250 2Y Eurodollar bundles at -3.50. There was morning front end rate lock pressure in 2-yr bundles and Green packs. Vols off, but strong upside call bid. Fannie Mae to price US\$3B 10Y Wed. Tsy to sell US\$9B in 10Y TIPS Thurs. [Source - MNI]

Overnight

01/09 04:48 **USTs:** (1) USTs are trading lower across the curve in London Tuesday, as debt markets edge lower, weighed by higher stockmarkets and a lack of fresh buying interest from real money accounts. Traders said volumes were light in all maturities, with the dearth of fresh trading incentives - along with the very light U.S. data calendar - was keeping many players sidelined. Treasuries traded modestly lower in Asia, as the weaker JGB market weighed on sentiment in a lackluster trading session. With volumes light, prices drifted lower on a lack of buying interest. In London, real money names were better buyers of the front of the curve on dips, and they found a steady stream of offers. Leveraged players were noted as light sellers of the belly of the curve, while Japanese

regional banks were sellers of the long bond. Bids were seen largely from primary dealers. [Source - MNI]

Today

Econ Releases for today & this week

Date	ET	Release	For	Briefing.com	Consensus	Prior
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%

[Source: [DailyFX.com](#)]

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

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	9.82
ZN	5.82
ZF	3.89
ZT	1.86

DV01s (32nds)

30y	4.88
10y	2.50
5y	1.40
3y	0.84
2y	0.60
ZB	3.61
ZN	2.02
ZF	1.32
ZT	1.22

DV01s (\$s)

30y	\$1,524
10y	\$781
5y	\$439
3y	\$261
2y	\$186
ZB	\$113
ZN	\$63
ZF	\$41
ZT	\$38

Yield Curve Spreads

2/3	-9.30
3/5	-3.90
2/5	-13.20
5/10	-0.20
2/10	-13.40
10/30	8.40
5/30	8.20
2/30	-5.00

Fly's

2/3/5	-5.40
2/5/10	-13.00
2/10/30	-21.80
5/10/30	-8.60

CFs

ZB	0.7956
ZN	0.9105
ZF	0.9438
ZT	0.9794

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.

*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		0.560	0.365	0.338
ZN	1.786		0.652	0.603
ZF	2.738	1.533		0.925
ZT	0.675	1.206	1.849	

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	1.65	2.32	3.82	6.93	13.52
ZN	2.95	4.14	6.82	12.37	24.15
ZF	4.53	6.35	10.46	18.97	37.02
ZT	4.90	6.86	11.32	20.52	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
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		1.402	2.311	4.189	8.177
3y	0.713		1.649	2.989	5.833
5y	0.433	0.607		1.813	3.538
10y	0.239	0.335	0.552		1.952
30y	0.122	0.171	0.283	0.512	

Commitment of Traders (COT)

	Current Positions									
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	0	0	0	0	0	0	967,518	0	0	ZF
ZN	0	0	0	0	0	0	0	0	0	ZN
ZB	0	0	0	0	0	0	0	0	0	ZB

	WoW** Position Change				As of 12/26/2006	
	Sml Spec		Lrg Spec			Comm
	Net	Net	Net	Net		Net
ZF	11,814	82,805	(94,618)	182,407		
ZN	98,686	(281,093)	182,407	(74,359)		
ZB	14,606	59,753	(74,359)			

**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

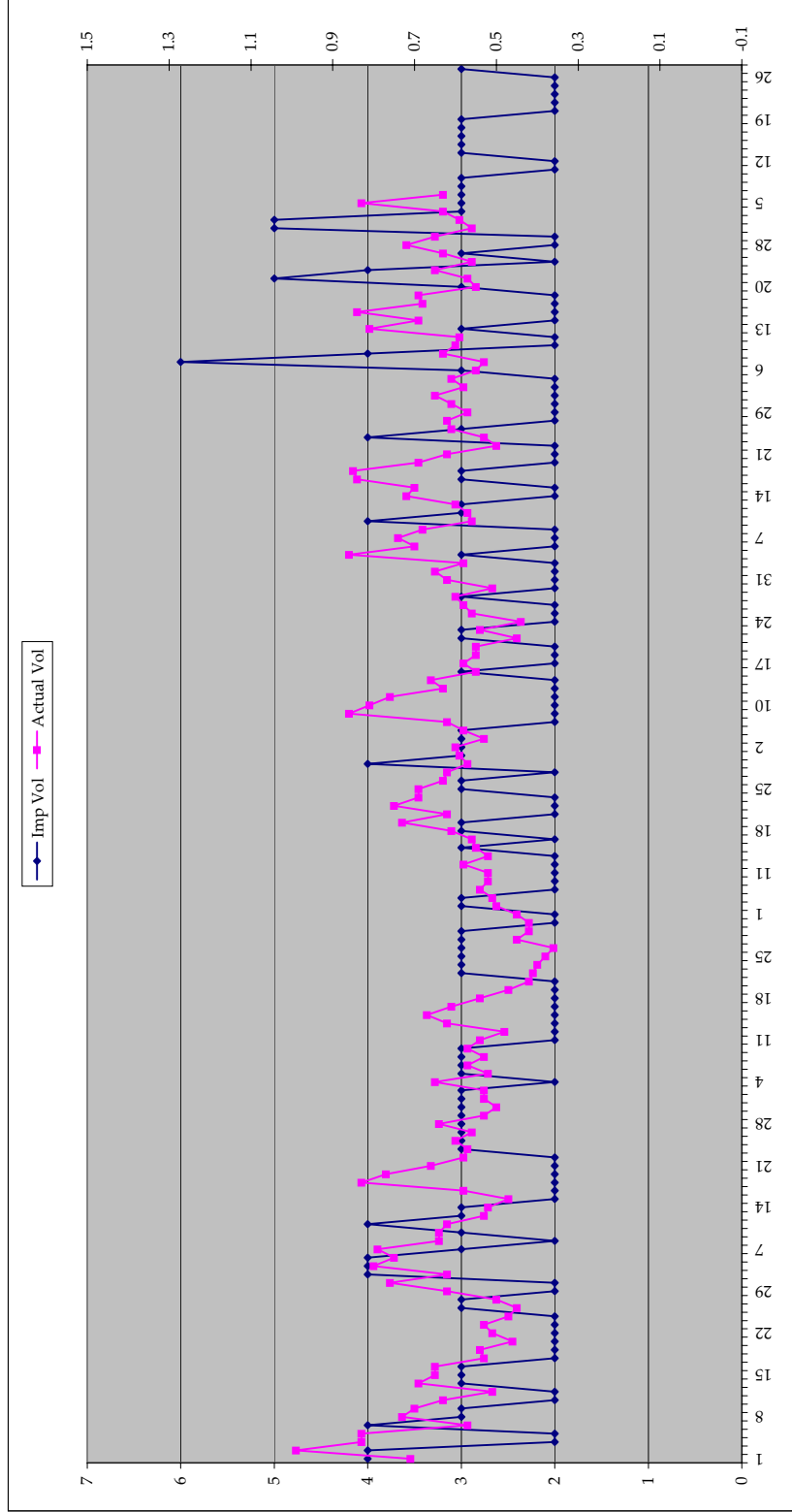
CF Basis*	Basis	32nds
5y	(0.03)	ZF 105.0950
10y	1.58	ZN 107.2800
30y	6.90	ZB 112.05

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