

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	102.022	0.5	102.027	102.012	102.012	5,581	2y Futures	
FVAH7	105.080	0.0	105.095	105.060	105.070	24,916	5y Futures	
TYAH7	107.260	0.0	107.285	107.240	107.255	65,750	10y Futures	
USAH7	112.030	0	112.080	112.010	112.040	15,557	30y Futures	
BUS02P	99.297	0.5	99.302	99.292	99.292	na	2y	
BUS05P	99.280	0.5	99.295	99.267	99.272	na	5y	
BUS10P	99.230	(0.5)	99.260	99.220	99.230	na	10y	
BUS30P	96.055	(2)	96.120	96.070	96.070	na	30y	
BUS02Y	4.784	(0.80)	4.809	4.771	4.809	na	2y Yield	
BUS05Y	4.652	(0.30)	4.662	4.639	4.662	na	5y Yield	
BUS10Y	4.658	0.20	4.664	4.644	4.66	na	10y Yield	
BUS30Y	4.742	0.20	4.745	4.728	4.74	na	30y Yield	

Source: CQG

Yesterday

01/09 15:05 CDS: Homebuilders are soggy after reports from DR Horton and Meritage. Subprime lending concerns are having an impact on homebuilders, sources say. While cancellations are not as bad there is some talk that to protect against high inventories some of these guys are going to have to do some pretty high incentives, which makes some investors worry about the bottom line, a CDS analyst said.

01/09 15:23 US TSYS/RECAP: Tsys ended flat Tues. after 2-way flow including some morning selling pressure on Tsys, MBS, swaps and Agencies as many accounts exited short spread positions. Long end Tsys drew some support amid rate-lock unwinds vs. US\$3B EIB 10Y, \$3B KFW 10Y, with also swaps receiving, but Asian accounts sold some Tsys to buy EIB, KFW; swaps spreads saw little followthrough help. There also was talk of Tsys long-end pressure amid MBS accounts doing steepeners, with also some dealers hit on front-end Agency paper. There also was leveraged acct selling in 10Y cash Tsys after deal pricings. German Bunds pressured amid brisk European issuance in next few days. 10-year US/Bund narrower. Fast money sold US 10s earlier, while financial institutions bought. There also was foreign offl acct interest in front end, with also some central bank flattener using 30Ys. There was earlier Street 10Y buying. 30Y RP special cooled a bit but expected to last to Feb. 15. Some sought to buy 2015-2021 "1" (interest) STRIPS and Nov. 2015-2028 STRIPS too. [Source - MNI]

Overnight

01/10 04:47 USTs: Treasuries are trading modestly higher in London Weds, as the U.S. debt market continues to trade well against major global markets. Treasuries were barely changed in Tokyo, as yields marked time ahead of the US open later in the day. With little in the way of fresh trading incentives, both cash and futures volumes were light. The low levels of volume continued into the London time zone. However, the front of the curve continued to underperform, with the flattening trend of recent sessions continuing. The two-year underperformed by 1 bps against both the 10 and 30-year notes. In London, there was light buying of Treasuries by leveraged accounts, continuing to prefer U.S. debt to European bonds...Bunds were trading lower against U.S. [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)

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	15.57
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	\$1,526
10y	\$781
5y	\$439
3y	\$261
2y	\$186
ZB	\$113
ZN	\$63
ZF	\$41
ZT	\$38

Yield Curve Spreads

2/3	-8.90
3/5	-4.30
2/5	-13.20
5/10	0.60
2/10	-12.60
10/30	8.40
5/30	9.00
2/30	-4.20

Fly's

2/3/5	-4.60
2/5/10	-13.80
2/10/30	-21.00
5/10/30	-7.80

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	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		0.560	0.365	0.337
ZN	1.785		0.652	0.602
ZF	2.739	1.534		0.924
ZT	0.674	1.204	1.847	

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	13.53
ZN	2.95	4.14	6.82	12.37	24.17
ZF	4.52	6.34	10.47	18.97	37.07
ZT	4.90	6.87	11.33	20.54	40.13

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	2.314	4.194	8.196
3y	0.713		1.650	2.991	5.844
5y	0.432	0.606		1.813	3.542
10y	0.238	0.334	0.552		1.954
30y	0.122	0.171	0.282	0.512	

Commitment of Traders (COT)

	Current Positions								
	Small Spec			Large Spec			Commercials (Hedgers)		
	Long	Short	Net	Long	Short	Net	Long	Short	Net
ZF	252,267	271,682	(19,415)	159,975	244,221	(84,246)	999,041	895,380	103,661
ZN	298,491	411,693	(113,202)	582,549	293,694	288,855	1,597,549	1,773,202	(175,653)
ZB	137,590	172,921	(35,331)	105,961	179,289	(73,328)	614,034	505,374	108,660

	WoW** Position Change			As of 1/3/2007
	Sml Spec		Comm	
	Net	Lrg Spec	Net	
ZF	(7,601)	(1,441)	9,043	
ZN	(14,516)	7,762	6,754	
ZB	(20,725)	(13,575)	34,301	

**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	99.2950	4.666
3y	4.625	11/15/09	99.2550	4.700
5y	4.625	12/31/11	99.2775	4.530
10y	4.625	11/15/16	99.240	4.656
30y	4.500	2/15/36	96.09	4.737

GHCO

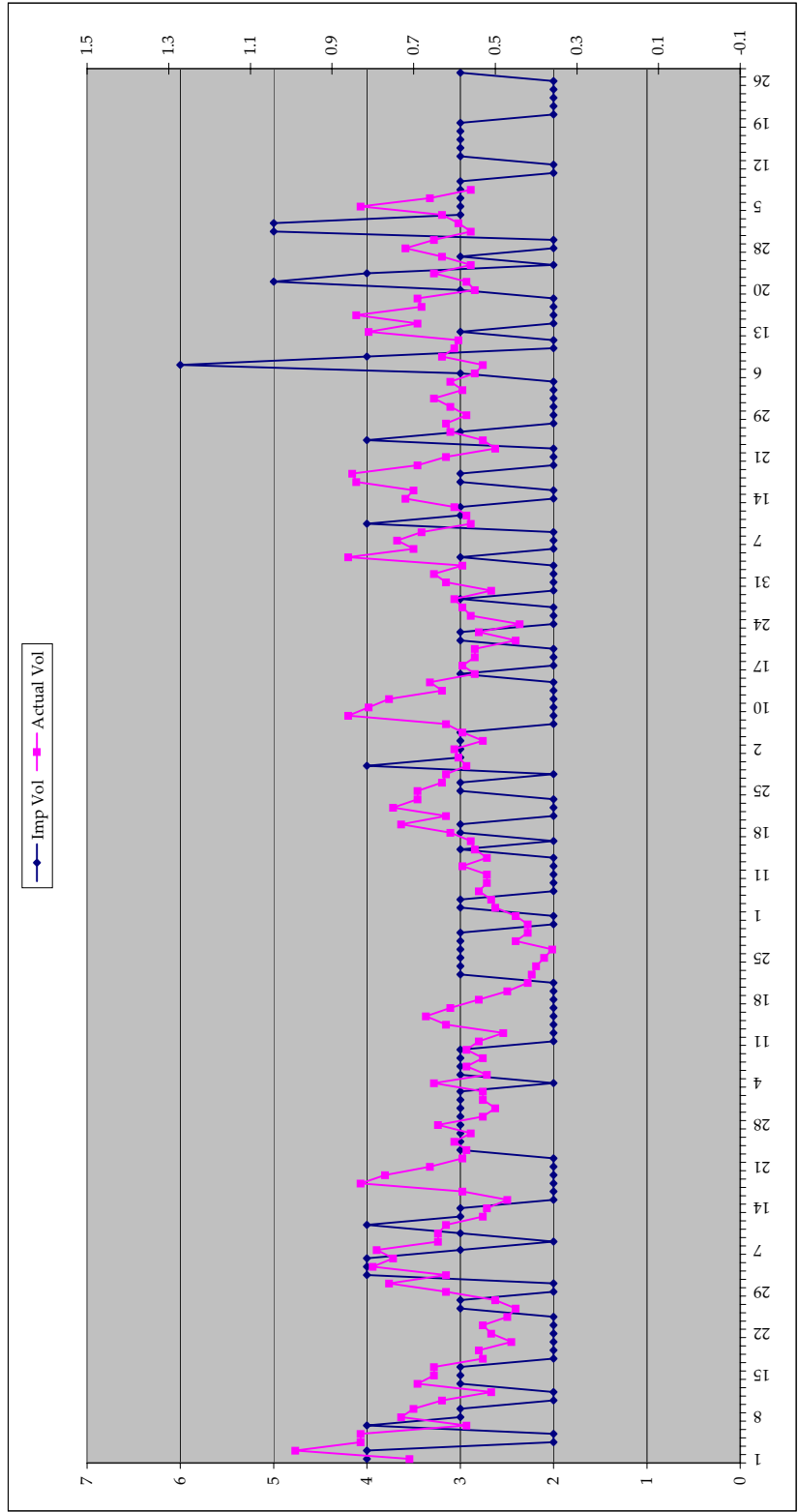
CF Basis*	Basis	32nds
5y	(0.03)	17.504
10y	1.58	50.775
30y	6.91	226.387
		ZF
		105.0750
		ZN
		107.2600
		ZB
		112.04

Curve Spreads bps

2/3	0.034
3/5	(0.170)
2/5	(0.136)
5/10	0.126
2/10	(0.010)
10/30	0.081
5/30	0.207
2/30	0.071

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	1/10/2007	1/11/2007	1/12/2007
1900-2200	0000-0300	2000-2300	2	2	3
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	1	1	1
1000-1300	1500-1800	1100-1400	1	1	1
1300-1600	1800-2100	1400-1700	1	1	0
1600-1900	2100-0000	1700-2000	1	1	0

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
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