

## 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, Hehmyer & 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	100.0800	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			
TUAH7	102.002	(0.7)	102.007	101.317	102.002	8,762		2y Futures	
FVAH7	105.040	(1.5)	105.050	105.030	105.040	39,303		5y Futures	
TYAH7	107.200	(2.0)	107.215	107.190	107.210	56,653		10y Futures	
USAH7	111.210	(5)	111.260	111.200	111.240	18,330		30y Futures	
	ls	net	high	low	open	Volume			
BUS02P	99.282	0.2	99.285	99.280	99.285	na		2y	
BUS05P	99.247	(0.2)	99.255	99.240	99.250	na		5y	
BUS10P	99.150	(0.5)	99.175	99.145	99.165	na		10y	
BUS30P	95.190	(2)	95.240	95.175	95.225	na		30y	
	ls	net	high	low	open	Volume			
BUS02Y	4.805	(0.40)	4.826	4.8	4.809	na		2y Yield	
BUS05Y	4.675	0.60	4.686	4.661	4.671	na		5y Yield	
BUS10Y	4.688	0.40	4.698	4.68	4.69	na		10y Yield	
BUS30Y	4.779	0.40	4.787	4.767	4.78	na		30y Yield	

Source: CQG

## Yesterday

01/10 15:06 **US TSYS/RECAP:** US Tsys market slid Wed. morning amid stronger data, sister market supply pressure, sliding oil prices, but then stabilized off the lows as Asian buying helped stabilize the market at the lows before 4.70% 10Y cash yield hit. Tsys earlier fell amid 1) German Bunds slide amid selling ahead of Thurs. ECB policy as market expects Trichet 8:30a.m. ET Thurs to be largely hawkish or bearish; 2) MBA data earlier suggests housing rebound; 3) Brisk sister market (agencies, corps.) issuance weighs; 4) Morning swaps paying in 2Y, 3Y, 5Y swaps, with also servicer swaps paying. 5) European bond supply weighs 6) US\$9B US 10Y TIPS sale Thurs; 7) sliding oil prices spur fear of more consumer spending (though others noted lower oil = lower inflation.) 8) earlier was hedge fund and Street selling of 10s, 2s, but dealer buying in 5s also; was morning Street buying of 2s, 10s, and later hedge fund selling in 2s, intermediates. But Asian buyers bought Tsys at low near 4.70% cash 10-yr with more expected possibly, hedge funds now 2-way flows, and Chicago Purchasers revised to mainly weaker. 30Y special.

[Source - MNI]

## Overnight

01/11 04:55 **UST:** Treasuries are trading unchanged to modestly higher in London trade Thursday. With a lack of fresh trading incentives and a relatively light U.S. data calendar later in the day, few players were prepared to open new positions. After the overnight weakness, prices had consolidated in Tokyo trade, where a sharp sell-off in crude oil futures had only limited impact on yields. At one point, the lead Nymex contract was down over a dollar at \$52.94. London trade saw the curve steepen modestly, as light demand from Asian central banks helped the two and three-year sector outperform. But traders noted that volumes were very light, with many players sidelined ahead of key interest rate decisions from the Bank of England and the ECB. Leveraged names were

also light sellers of 10-year paper, in part against European bonds, unwinding recent curve convergence trades. [Source - MNI]

## Today

### Econ Releases for today & this week

Date	ET	Release	For	Briefing.com	Consensus	Prior
Jan 11	08:30	<a href="#">Initial Claims</a>	01/05	320K	NA	329K
Jan 11	14:00	<a href="#">Treasury Budget</a>	Dec	\$26.0B	\$21.0B	\$11.2B
Jan 12	08:30	<a href="#">Export Prices ex-ag.</a>	Dec	NA	NA	0.1%
Jan 12	08:30	<a href="#">Import Prices ex-oil</a>	Dec	NA	NA	0.7%
Jan 12	08:30	<a href="#">Retail Sales</a>	Dec	0.7%	0.7%	1.0%
Jan 12	08:30	<a href="#">Retail Sales ex-auto</a>	Dec	0.5%	0.6%	1.1%
Jan 12	10:00	<a href="#">Business Inventories</a>	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	15.58
10y	7.77
5y	4.38
3y	2.61
2y	1.85
ZB	9.80
ZN	5.82
ZF	3.89
ZT	1.85

**DV01s (32nds)**

30y	4.86
10y	2.49
5y	1.40
3y	0.83
2y	0.59
ZB	3.59
ZN	2.02
ZF	1.32
ZT	1.21

**DV01s (\$s)**

30y	\$1,518
10y	\$779
5y	\$438
3y	\$261
2y	\$186
ZB	\$112
ZN	\$63
ZF	\$41
ZT	\$38

**Yield Curve Spreads**

2/3	-8.10
3/5	-4.90
2/5	-13.00
5/10	1.30
2/10	-11.70
10/30	9.10
5/30	10.40
2/30	-2.60

**Fly's**

2/3/5	-3.20
2/5/10	-14.30
2/10/30	-20.80
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
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		0.562	0.366	0.338
ZN	1.780		0.652	0.602
ZF	2.729	1.533		0.924
ZT	0.677	1.205	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	1.66	2.32	3.83	6.94	13.53
ZN	2.95	4.14	6.83	12.36	24.09
ZF	4.52	6.34	10.46	18.95	36.93
ZT	4.90	6.87	11.33	20.52	39.99

## 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	4.190	8.166
3y	0.713		1.650	2.988	5.823
5y	0.432	0.606		1.811	3.529
10y	0.239	0.335	0.552		1.949
30y	0.122	0.172	0.283	0.513	

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	99.2850	4.684
3y	4.625	11/15/09	99.2400	4.718
5y	4.625	12/31/11	99.2575	4.544
10y	4.625	11/15/16	99.180	4.680
30y	4.500	2/15/36	99.25	4.769

## GHCO

CF Basis*	Basis	32nds
5y	(0.03)	ZF 105.0550
10y	1.57	ZN 107.2200
30y	10.70	ZB 111.26

## Curve Spreads bps

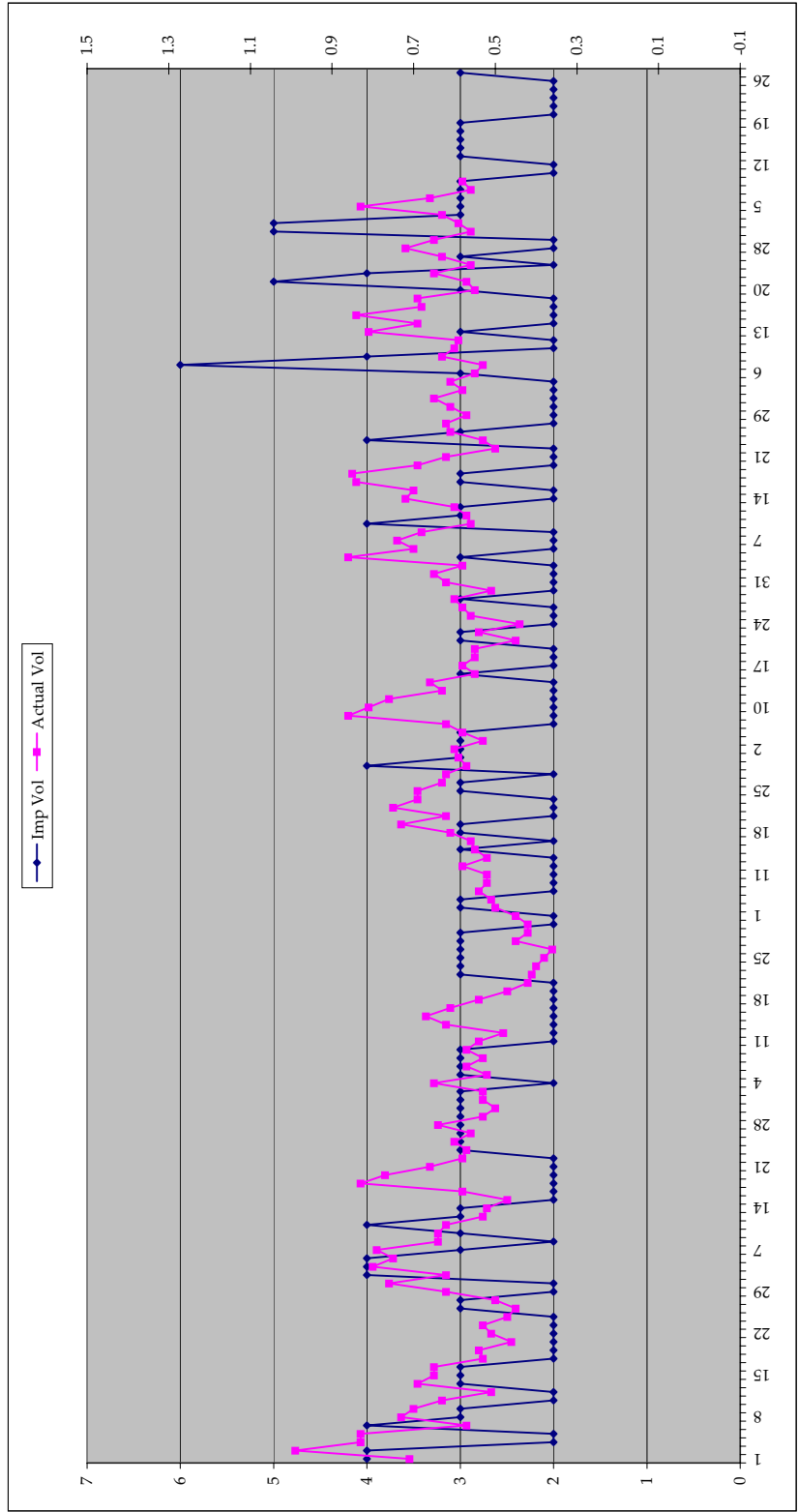
2/3	0.034
3/5	(0.174)
2/5	(0.140)
5/10	0.136
2/10	(0.004)
10/30	0.089
5/30	0.225
2/30	0.085

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

1/11/2007 5:27

Fig 9

### 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  
 1,2 = very slow  
 3 = moderate  
 4,5 = volatile  
 6-9 = very volatile