

The Morning Email: Treasuries

Rotate Me

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Want something added?

Let me know: jgoulding@ghco.com

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Jim Goulding, GHCO, Treas-Arb, Chicago, 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	SYM NAME	
TUAH7	101.292	(0.7)	101.302	101.287	101.295	12,952	2y Futures	
FVAH7	104.280	(1.5)	104.305	104.270	104.290	35,960	5y Futures	
TYAH7	107.085	(1.5)	107.120	107.070	107.105	88,624	10y Futures	
USAH7	111.020	(3)	111.090	111.010	111.070	19,396	30y Futures	
		net	high	low	open	Volume	SYM NAME	
BUS02P	99.250	(0.5)	99.262	99.247	99.255	na	2y	
BUS05P	99.167	(1.0)	99.187	99.162	99.180	na	5y	
BUS10P	99.015	(3.0)	99.055	99.010	99.050	na	10y	
BUS30P	94.250	(7)	95.020	94.250	95.010	na	30y	
		net	high	low	open	Volume	SYM NAME	
BUS02Y	4.864	0.90	4.877	4.843	4.868	na	2y Yield	
BUS05Y	4.732	1.10	4.741	4.716	4.739	na	5y Yield	
BUS10Y	4.741	0.90	4.751	4.727	4.745	na	10y Yield	
BUS30Y	4.834	1.60	4.838	4.813	4.82	na	30y Yield	

Source: CQG

Yesterday

01/11 15:19 **US TSYS/RECAP:** Tsys ended lower on 1) weak US\$9B TIPS 10Y auction and 2) hedge funds sell Tsys vs. German Bunds this morning, afternoon. That follow such morning events as 3) early dip on BOE surprise 25-bps hike; 4) pressure as German Bunds early briefly broke 115.50 support but rose above in post-Trichet relief; 5) Asian buy-and-hold buying in 10s; 6) Asian central banks bought morning lows. Morning flows had 7) short-term specs add to 10Y shorts, while 8) real money took profits in cash 10Ys, similar accounts bought 2Y futures though was also 9) US buy-and-hold investors buying 10s in dip, swap-tied buying in 10Y, 30Y, and 10) Mideast buying in front end. This afternoon, after TIPS auction there was dealer selling to offset weak TIPS sale, then further sell US/buy Bunds action by hedge funds, also heavy swaps paying and funds liquidating bad positions vs commodities. But there is also p.m. hedge funds buying Dec. 2007 Eurodir futures vs. selling 10s, 30s, and also buying short end Tsys in steepeners. Cash 10y held 4.75% big level.

01/11 14:14 **US Tsys:** As we have heard since late December, there is talk of selling Tsys to cover commodity losses. Sources note that the fall in crude again today is substantial and that it often leads to such trades by any number of funds....Sources also said a few funds were involved selling Tsys and the euro currency vs German bunds.

01/11 14:19 **US Tsys/Swaps:** Spreads blowing out again and while a few shops we pinged reported no flows, the ones that usually see the MBS flows are way to busy to talk. Nonetheless, hearing heavy swap paying contributing to the Tsy downtick.

01/11 14:29 **US MBS:** In the last flush down in Tsys, mbs spreads blew out again but some decent buying or receiving emerged taking MBS back to only slightly wider on the day. Some say banks bought and ended the slide in Tsys. [Source - MNI]

Overnight

01/12 04:48 **USTs:** Treasuries are trading modestly lower across the board in London Friday, holding close to late New York levels as traders

await the open of the US markets...There was little guidance from Tokyo, as Treasuries were barely changed in Asian trade, consolidating ahead of the long holiday weekend in the U.S. The curve was unchanged, helped by light buying of the 2-year note by Asian central banks. Flows remained light in London and there were few stand-out features as trade was reported as largely interdealer. However, there were a few light hedge fund buyers of the 10-year note on dips, unwinding the trade against Bunds from the previous session. [Source - MNI]

Today

Ecom Releases for today & this week

Date	ET	Release	For	Briefing.com	Consensus	Prior
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)

None

[Source: MNI, [todayfx.com](#)]

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

Yield Curve Spreads & Flies, DV01s, CFs

M Duration

30y	15.52
10y	7.75
5y	4.37
3y	2.60
2y	1.85
ZB	9.78
ZN	5.81
ZF	3.88
ZT	1.85

DV01s (32nds)

30y	4.80
10y	2.48
5y	1.40
3y	0.83
2y	0.59
ZB	3.57
ZN	2.01
ZF	1.31
ZT	1.21

DV01s (\$s)

30y	\$1,500
10y	\$774
5y	\$436
3y	\$259
2y	\$185
ZB	\$111
ZN	\$63
ZF	\$41
ZT	\$38

Yield Curve Spreads

2/3	-8.00
3/5	-5.20
2/5	-13.20
5/10	0.90
2/10	-12.30
10/30	9.30
5/30	10.20
2/30	-3.00

Fly's

2/3/5	-2.80
2/5/10	-14.10
2/10/30	-21.60
5/10/30	-8.40

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	Number of contracts LONG
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

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		0.562	0.367	0.339
ZN	1.778		0.652	0.602
ZF	2.726	1.533		0.923
ZT	0.677	1.205	1.846	

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	2.33	3.84	6.94	13.45
ZN	2.95	4.14	6.83	12.35	23.93
ZF	4.52	6.34	10.47	18.93	36.67
ZT	4.90	6.87	11.34	20.51	39.73

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		1.403	2.316	4.187	8.113
3y	0.713		1.651	2.985	5.784
5y	0.432	0.606		1.808	3.502
10y	0.239	0.335	0.553		1.938
30y	0.123	0.173	0.286	0.516	

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	99.2525	4.741
3y	4.625	11/15/09	99.1875	4.780
5y	4.625	12/31/11	99.1775	4.602
10y	4.625	11/15/16	99.045	4.735
30y	4.500	2/15/36	94.32	4.822

GHCO

CF Basis*	Basis	32nds
5y	0.81	16.942
10y	1.56	45.843
30y	5.77	208.755
		ZF
		104.2950
		ZN
		107.1000
		ZB
		111.06

Curve Spreads bps

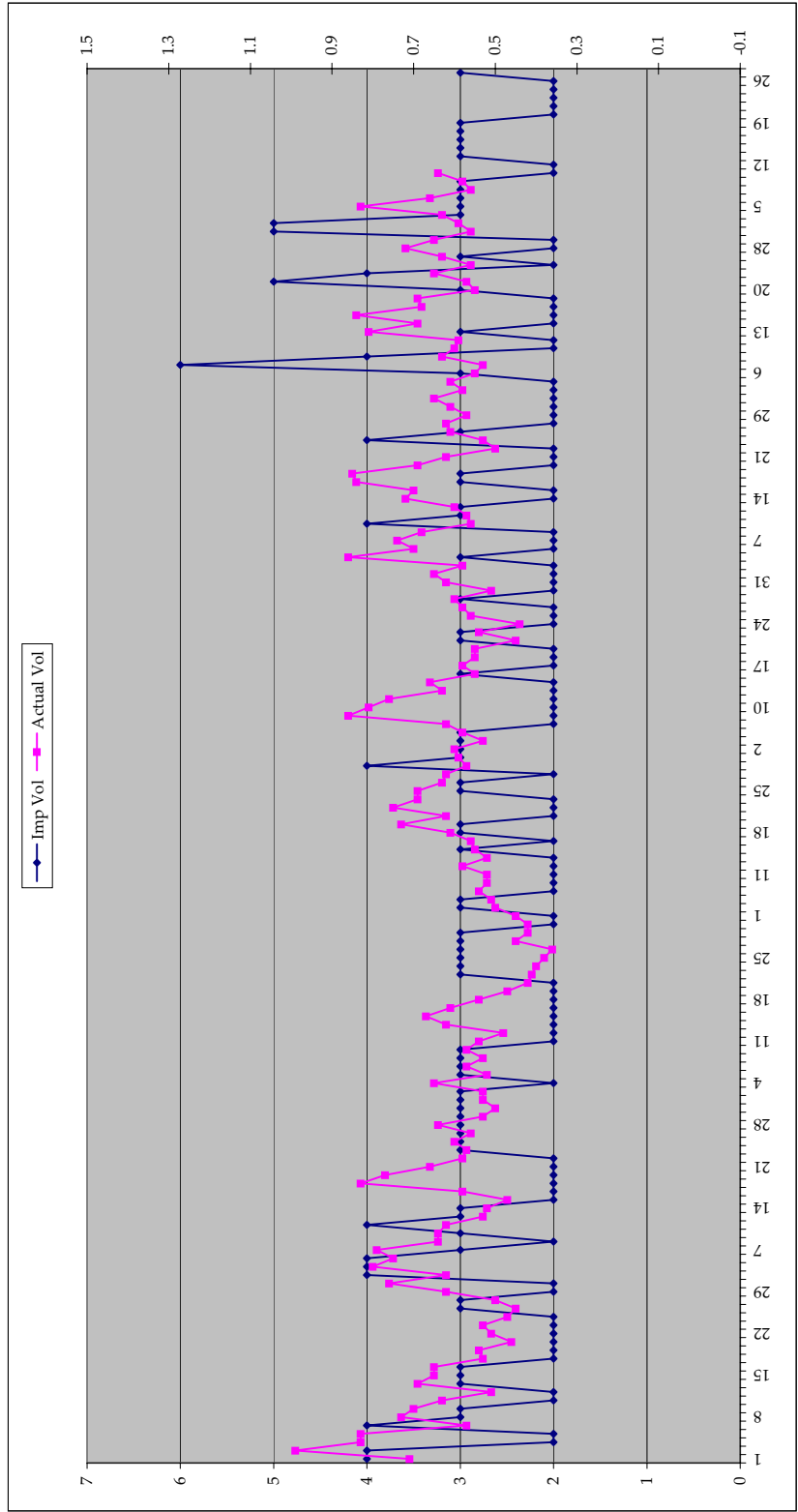
2/3	0.039
3/5	(0.178)
2/5	(0.139)
5/10	0.133
2/10	(0.006)
10/30	0.087
5/30	0.220
2/30	0.081

CF = Conversion Factor
Cash - (Futures * CF)

1/12/2007 5:35

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
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