

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	101.300	0.7	101.302	101.292	101.292	7,766	2y Futures
FVAH7	104.295	1.5	104.310	104.285	104.285	34,272	5y Futures
TYAH7	107.100	3.0	107.120	107.080	107.085	94,471	10y Futures
USAH7	111.030	5	111.060	111.000	111.000	19,058	30y Futures
		net	high	low	open	Volume	SYM NAME
BUS02P	99.255	0.5	99.260	99.252	99.257	na	2y
BUS05P	99.177	1.5	99.187	99.167	99.170	na	5y
BUS10P	99.030	2.5	99.045	99.015	99.015	na	10y
BUS30P	94.250	3	94.275	94.235	94.240	na	30y
		net	high	low	open	Volume	SYM NAME
BUS02Y	4.856	0.10	4.894	4.843	4.894	na	2y Yield
BUS05Y	4.725	(0.70)	4.739	4.716	4.739	na	5y Yield
BUS10Y	4.739	(1.00)	4.753	4.731	4.749	na	10y Yield
BUS30Y	4.835	(0.50)	4.844	4.829	4.844	na	30y Yield

Source: CQG

Yesterday

01/16 15:02 US TSYS/RECAP: Tsys ended higher Tues. after rangebound trading, wait for inflation data...Wed. [B]ut also eye possible overnight Asian bid. MNI poll projects Dec. PPI at median estimate of 0.5%/0.1% core, with Dec. CPI median est of 0.5%/0.2% core. This morning saw muted two-way flows in Tsys (real money buying 2s, fast money short-covered after weak Empire State, some portfolio profit-taking in Tsys) after Asian central bank, Asian real money buying overnight in Tsys in Tokyo, UK, and European and Mideast intermediates buying, intermediate swaps receiving, with also some profit-taking overnight in 10s. Real money accounts in NY bought 2Ys earlier after yld above 4.85%, while there also was light fund manager selling in Tsys, while leveraged money sold a decent amt of Mar 10Y futures.

01/16 15:05 Swaps: Near the futures close, spreads are wider across the board with the 2Y thru 30Y wider by .25bps to midpoints of 36.25bps, 42.00bps, 49.00bps and 52.75bps, respectively, according to GovPx.

01/16 15:11 US AGENCIES: Little to report with swap spreads mostly wider by a 1/4-bp as GSEs hold Fridays closing marks. Some front end buying heard vs Treasuries earlier. Also heard was the pitter-patter of foreign feet in the 10-year. But in the end, spreads are unchanged.

[Source - MNI]

Overnight

01/17 05:41 USTs: Treasuries are trading modestly higher in London Wednesday, consolidating overnight gains ahead of the release of the producer price data later in the session. However, traders note that volumes are muted, with largely interdealer trade noted ahead of the releases. Prices were buoyed from the start of Asian trade by renewed demand from end-user accounts and Asian central banks. The front of the curve initially outperformed, but soon slipped back as the buying dried up. London saw light demand in the 10-year sector of the curve, with price outperforming, helping the 2-10-year curve flatten slightly. Bunds were little changed against U.S. 10-year T-notes, up just 0.5 bps on the day at 78 bps. [Source - MNI]

Today

Econ Releases for today & this week

Date	ET	Release	For	Briefing.com	Consensus	Prior
Jan 17	08:30	PPI	Dec	0.7%	0.6%	2.0%
Jan 17	08:30	Core PPI	Dec	0.1%	0.1%	1.3%
Jan 17	09:00	Net Foreign Purchases	Nov			\$82.3B
Jan 17	09:15	Industrial Production	Dec	0.0%	0.1%	0.2%
Jan 17	09:15	Capacity Utilization	Dec	81.6%	81.8%	81.8%
Jan 17	10:30	Crude Inventories	01/12	NA	NA	-4990K
Jan 17	14:00	Fed's Beige Book				
Jan 18	08:30	CPI	Dec	0.4%	0.5%	0.0%
Jan 18	08:30	Core CPI	Dec	0.1%	0.2%	0.0%
Jan 18	08:30	Housing Starts	Dec	1580K	1575K	1588K
Jan 18	08:30	Building Permits	Dec	1510K	1510K	1513K
Jan 18	08:30	Initial Claims	01/12	315K	NA	299K
Jan 18	10:00	Leading Indicators	Dec	0.2%	0.2%	0.1%
Jan 18	12:00	Philadelphia Fed	Jan	3.0	3.0	-2.3
Jan 19	10:00	MICH Sentiment-Prel.	Jan	93.0	92.0	91.7

[Source: DailyFX.com]

Upcoming Speakers/Events

(London Times; CST -6hrs, EST -5hrs)

EUR: Jan 15 at 09:00 - ECB's Trichet and Gaspari Speaks

EUR: Jan 17 - Chancellor Merkel to present EU Presidency Programme

USD: Jan 17 at 19:00 - Fed's Yellen Speaks on Economy in Scottsdale

USD: Jan 17 at 19:00 - Fed's Beige Book

AUD: Jan 18 at 00:30 - RBA release Monthly Bulletin

EUR: Jan 18 at 09:00 - ECB Publishes Jan. Monthly Report

CAD: Jan 18 at 15:30 - BoC release Monetary Policy Report

JPY: Jan 18 - BoJ MPC Interest Rate Decision and release of monthly Report

WLD: Jan 18 - IEA release Oil Market Report

WLD: Jan 19 - OPEC release Monthly Oil Market Report

USD: Jan 19 at 13:00 - Fed's Lacker Speaks on Economic Outlook in Richmond

USD: Jan 19 at 18:00 - Baker Hughes U.S. Rig Count

USD: Jan 19 at 18:15 - Fed's Hoenig Speaks on Economy in Kansas City

[Source: MNI, todayfx.com]

Yield Curve Spreads & Flies, DV01s, CFs

M Duration

30y	15.44
10y	7.75
5y	4.37
3y	2.60
2y	1.84
ZB	9.77
ZN	5.80
ZF	3.87
ZT	1.84

DV01s (\$2nds)

30y	4.78
10y	2.48
5y	1.39
3y	0.83
2y	0.59
ZB	3.56
ZN	2.01
ZF	1.31
ZT	1.20

DV01s (\$s)

30y	\$1,493
10y	\$774
5y	\$436
3y	\$259
2y	\$184
ZB	\$111
ZN	\$63
ZF	\$41
ZT	\$38

Yield Curve Spreads

2/3	-7.70
3/5	-5.40
2/5	-13.10
5/10	1.40
2/10	-11.70
10/30	9.60
5/30	11.00
2/30	-2.10

Fly's

2/3/5	-2.30
2/5/10	-14.50
2/10/30	-21.30
5/10/30	-8.20

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 Bond, 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		0.563	0.367	0.338
ZN	1.777		0.652	0.600
ZF	2.724	1.533		0.920
ZT	0.676	1.200	1.841	

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	3.84	6.95	13.41
ZN	2.94	4.13	6.83	12.35	23.83
ZF	4.51	6.33	10.47	18.94	36.54
ZT	4.90	6.87	11.38	20.58	39.70

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		1.404	2.323	4.202	8.106
3y	0.712		1.655	2.994	5.774
5y	0.430	0.604		1.809	3.490
10y	0.238	0.334	0.553		1.929
30y	0.123	0.173	0.287	0.518	

Commitment of Traders (COT)

	Current Positions									
	Small Spec			Large Spec			Commercials (Hedgers)			Net
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	233,083	288,328	(55,245)	182,355	234,582	(52,227)	1,057,388	949,917	107,471	ZF
ZN	293,347	418,595	(125,248)	573,709	322,301	251,408	1,640,153	1,766,313	(126,160)	ZN
ZB	141,099	180,619	(39,520)	117,541	169,196	(51,655)	602,498	511,324	91,174	ZB

	WoW** Position Change				As of 1/9/2007	
	Sml Spec		Lrg Spec			Comm
	Net	Net	Net	Net		
ZF	(35,830)	32,019	3,810			
ZN	(12,046)	(37,447)	49,493			
ZB	(4,189)	21,673	(17,486)			

**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	99.1825	4.787
5y	4.625	12/31/11	99.1650	4.611
10y	4.625	11/15/16	99.005	4.751
30y	4.500	2/15/36	94.22	4.843

GHCO

CF Basis*	Basis	32nds
5y	0.81	17.107
10y	1.56	44.119
30y	6.47	204.324
		ZF
		104.2800
		ZN
		107.0750
		ZB
		110.31

Curve Spreads bps

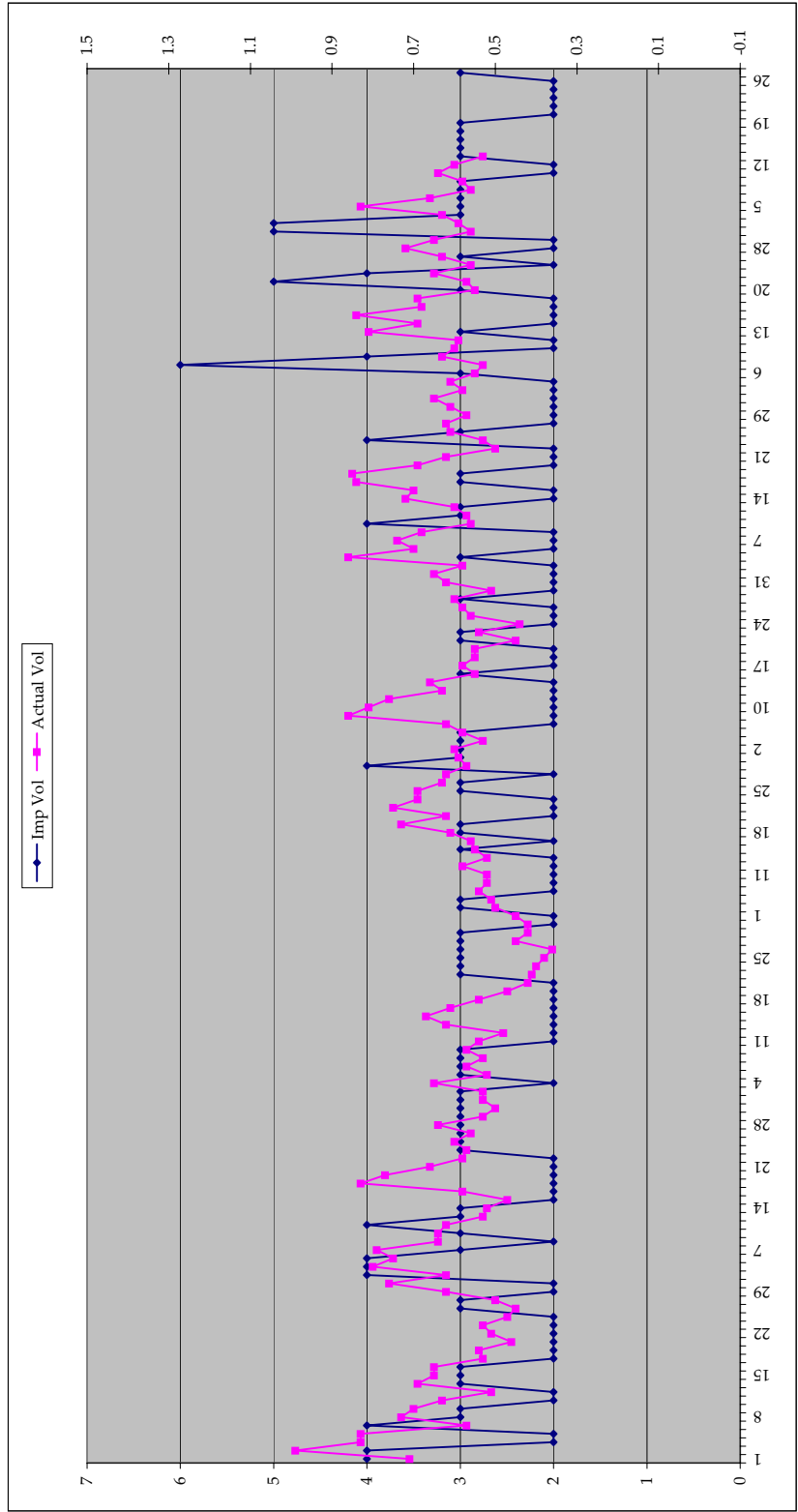
2/3	0.046
3/5	(0.176)
2/5	(0.130)
5/10	0.140
2/10	0.010
10/30	0.092
5/30	0.232
2/30	0.102

CF = Conversion Factor
Cash - (Futures * CF)

1/17/2007 5:25

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	1/17/2007	1/18/2007	1/19/2007
1900-2200	0000-0300	2000-2300	4	3	3
2200-0100	0300-0600	2300-0200	3	3	3
0100-0400	0600-0900	0200-0500	3	3	3
0400-0700	0900-1200	0500-0800	2	2	2
0700-1000	1200-1500	0800-1100	2	2	2
1000-1300	1500-1800	1100-1400	2	2	2
1300-1600	1800-2100	1400-1700	2	2	2
1600-1900	2100-0000	1700-2000	2	1	1

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
 1,2 = very slow
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