

The Morning Email: Treasuries

Rotate Me

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Want something added?

Let me know: jgoulding@ghco.com

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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

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	99.1875	99.0550	107.1200	111.0700	1/17/2007
PPI Low	99.1025	98.2350	106.3100	110.1700	1/17/2007
CPI High	99.1500	99.0150	107.0700	111.0100	1/18/2007
CPI Low	99.0500	98.1600	106.2350	110.0800	1/18/2007

*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	101.285	0.7	101.287	101.272	101.277	7,937	2y Futures
FVAH7	104.270	1.0	104.285	104.245	104.260	38,982	5y Futures
TYAH7	107.085	2.5	107.090	107.040	107.070	89,485	10y Futures
USAH7	111.020	5	111.030	110.280	111.000	22,530	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.242	0.5	99.245	99.235	99.240	na	2y
BUS05P	99.155	0.5	99.162	99.132	99.150	na	5y
BUS10P	99.020	0.5	99.025	98.300	99.015	na	10y
BUS30P	94.250	4	94.245	94.190	94.230	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.877	(0.40)	4.907	4.869	4.907	na	2y Yield
BUS05Y	4.739	(0.60)	4.763	4.734	4.754	na	5y Yield
BUS10Y	4.743	(0.20)	4.765	4.739	4.751	na	10y Yield
BUS30Y	4.834	(0.40)	4.851	4.834	4.844	na	30y Yield

Source: CQG

Yesterday

01/18 15:08 **US TSYS/RECAP:** Tsys market rallied, catching many unprepared, after gapping lower initially but then digesting without too much problem 4.5% Dec. housing starts, -8K jobless claims decrease, and as-expected 0.5% CPI/0.2% core CPI. That spurred Asian, US buying at 4.80% 10Y cash notes, which reversed mkt's course. 10-year yield also rejected 4.82%, the 50% Fibonacci retracement of July-mid-Dec. rally. That spurred buy-and-hold accounts to buy 2Y, 10Y, out curve, with technical buying. Some said hsg starts weather-aided. There was front-end swap receiving on morning bounce off lows. Crude oil slid amid news of big inventories. Treasury's annnt of US\$8B 20Y TIPS sale came in at low end of expectatn. There also was late-day short-covering by day shorts, corporate rate-lock unwinds, real money (insurers, funds) buying. Primary dealers had to cover shorts as were short going into CPI and Bernanke; Bernanke did not let loose any bombshells. Some noted mkt took out too aggressively Fed ease idea. Tech stocks slid. Fri: only 10am ET UMich.

01/18 15:02 **US Swaps:** Reversing early wides, swap spreads finished the session broadly tighter in a directional move with lower Tsy ylds. The 2yr is in 1.00 bps at 35.50, the 5yr is in 1.50 bps at 41.25, the 10yr in 0.50 at 49.25, while the 30yr spd is in 0.75 bps at 53.00, according to GovPX. Of note, the 2s/10s swap yld spd has reinverted briefly near the close currently +1.0 bps. the 2s/5s swap yld spd remains inverted at -7.2
[source - MNI]

Overnight

01/19 05:06 **USTs:** Treasuries are trading modestly lower in London Friday, slipping on light profit-taking after the gains seen in New York overnight. However, traders said volumes are light, with many players awaiting the U.S open. Prices were modestly lower from the getgo in Tokyo, with regional players taking advantage of the overnight rally. The

front of curve was underpinned by demand from Asian central banks. There was little incentive for London traders to push prices far from the late New York levels. Volumes remained muted and largely interdealer as real money names were sidelined. Bunds were little changed against U.S.
[Source - MNI]

Today

Econ Releases for today & this week

Date	ET	Release	For	Briefing.com	Consensus	Prior
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)

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	15.39
10y	7.74
5y	4.36
3y	2.59
2y	1.83
ZB	9.75
ZN	5.79
ZF	3.86
ZT	1.83

DV01s (32nds)

30y	4.77
10y	2.47
5y	1.39
3y	0.82
2y	0.59
ZB	3.56
ZN	2.01
ZF	1.30
ZT	1.20

DV01s (\$s)

30y	\$1,489
10y	\$773
5y	\$435
3y	\$257
2y	\$183
ZB	\$111
ZN	\$63
ZF	\$41
ZT	\$37

Yield Curve Spreads

2/3	-8.30
3/5	-5.50
2/5	-13.80
5/10	0.40
2/10	-13.40
10/30	9.10
5/30	9.50
2/30	-4.30

Fly's

2/3/5	-2.80
2/5/10	-14.20
2/10/30	-22.50
5/10/30	-8.70

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	7.250	Issue Date	8/15/2022	Cusip	912810EL8	(Billions)	\$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

Number
of
contracts
LONG

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		0.564	0.367	0.336
ZN	1.774		0.650	0.597
ZF	2.728	1.538		0.918
ZT	0.673	1.193	1.835	

Month Codes:

- H=Mch
- U=Sep
- M=Jun
- 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	2.31	3.84	6.96	13.40
ZN	2.92	4.11	6.81	12.34	23.77
ZF	4.49	6.32	10.47	18.98	36.55
ZT	4.90	6.88	11.41	20.68	39.83

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		1.405	2.330	4.223	8.134
3y	0.712		1.658	3.004	5.787
5y	0.429	0.603		1.812	3.491
10y	0.237	0.333	0.552		1.926
30y	0.123	0.173	0.286	0.519	

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	99.2400	4.764
3y	4.625	11/15/09	99.1675	4.805
5y	4.625	12/31/11	99.1450	4.626
10y	4.625	11/15/16	99.005	4.751
30y	4.500	2/15/36	94.21	4.845

GHCO

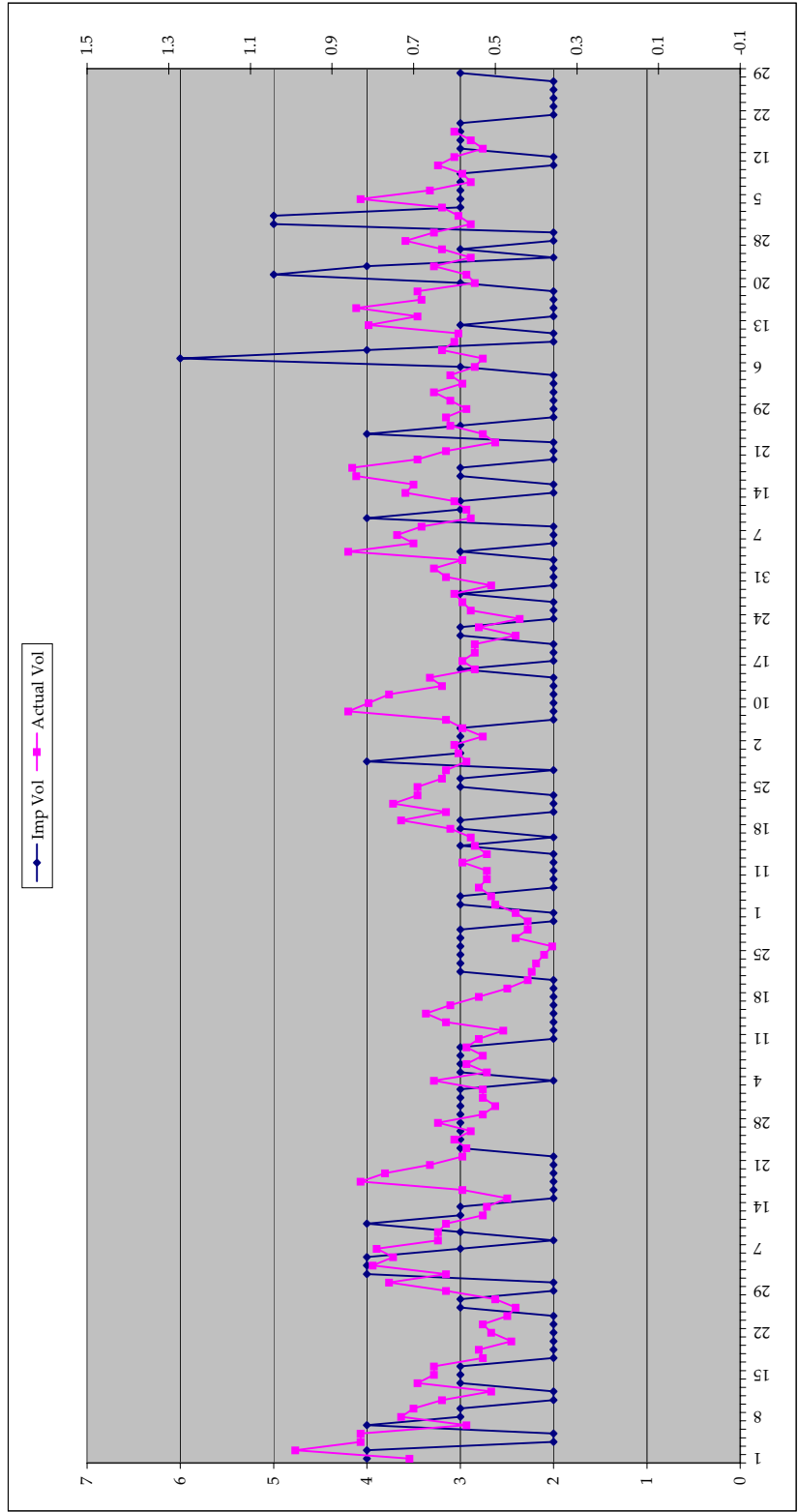
CF Basis*	Basis	32nds
5y	0.81	16.995
10y	1.56	45.485
30y	6.47	204.120
		ZF
		104.2600
		ZN
		107.0600
		ZB
		110.30

Curve Spreads bps

2/3	0.041
3/5	(0.179)
2/5	(0.138)
5/10	0.125
2/10	(0.013)
10/30	0.094
5/30	0.219
2/30	0.081

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	1/19/2007	1/0/1900	1/0/1900
1900-2200	0000-0300	2000-2300	4	0	0
2200-0100	0300-0600	2300-0200	3	0	0
0100-0400	0600-0900	0200-0500	3	0	0
0400-0700	0900-1200	0500-0800	2	0	0
0700-1000	1200-1500	0800-1100	2	0	0
1000-1300	1500-1800	1100-1400	1	0	0
1300-1600	1800-2100	1400-1700	1	0	0
1600-1900	2100-0000	1700-2000	1	0	0

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
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