

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	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	101.265	0.0	101.267	101.252	101.257	4,371	2y Futures
FVAH7	104.230	0.0	104.235	104.205	104.220	18,864	5y Futures
TYAH7	107.015	0.5	107.025	106.295	107.000	69,316	10y Futures
USAH7	110.250	(1)	110.270	110.190	110.230	16,302	30y Futures
BUS02P	99.222	1.0	99.225	99.215	99.220	na	2y
BUS05P	99.112	1.2	99.115	99.087	99.100	na	5y
BUS10P	98.275	1.5	98.285	98.235	98.250	na	10y
BUS30P	94.125	2	94.150	94.070	94.100	na	30y
BUS02Y	4.903	(1.70)	4.95	4.903	4.916	na	2y Yield
BUS05Y	4.772	(0.50)	4.793	4.768	4.792	na	5y Yield
BUS10Y	4.769	(0.80)	4.791	4.763	4.783	na	10y Yield
BUS30Y	4.860	(0.50)	4.877	4.855	4.868	na	30y Yield

Source: CQG

Yesterday

01/19 15:21 **US TSYS/RECAP:** US Tsys market ended lower amid likely rate-lock selling vs. corporates, possibly vs. further CMBS issuance; stronger 98 Univ. of Mich cons sent, day-trader selling earlier, MBS-tied pressure earlier. But traders mull if this is temporary lull, lower due to upcoming supply (2Y, 5Y, 20Y TIPS next wk) as Tsys 10Y holds above big supports between 4.80% 10Y (where Asian, US accts bought big Thu) & 4.81%-4.82% 10Y (50% Fibonacci retracement of July-mid-Dec. rally.) There were buy-and-hold investors buying 10s earlier and after Mich, some short-covering, other buying in 10s. 10Y tightened in o/n repo to 0.50% though loosened up to 5% later; There was MBS selling, accounts buying Tsys/selling MBS. US\$1.5B CMBS priced, gave Tsys a little boost in unwind of rate-lock sales. Lehman's US Tsys index: +0.01 yrs, MBS +0.4 yrs, Credit +0.10 yrs, +0.10 yrs Agen. CBOT raises limit for last 10 trdg days of 5Y, 10Y futs. And talk is yen carry trade may continue to aid Tsys after BOJ inaction. Asian bid seen 4.78%-4.80% 10Y.

01/19 15:09 **Swaps:** Spreads are tighter on the futures close with the 2Y, 5Y and 30Y narrower by 0.50bps while the 10Y is tighter by 0.25bps. Midpoints on the 2Y, 5Y, 10Y and 30Y are 35.00bps, 40.75bps, 49.00bps, and 52.50bps, respectively. [Source - MNI]

Overnight

01/22 05:42 **USTs:** Treasuries are trading modestly higher across the board in London trade Monday, rebounding from early weakness as dip-buying and short-covering helps underpin the curve. Prices were initially lower in Tokyo, pushed down by both follow-through selling and the China diversification report in the FT. However, volumes were light. Prices started to tick higher in London, helped by real money demand for the 5-year sector and leveraged names picking up 10-year notes. However, there was only a slight pick-up in volumes, with many players awaiting the start of the U.S. markets.

[Source - MNI]

Today

Econ Releases for today & this week

Date	ET	Release	For	Briefing.com	Consensus	Prior
Jan 22	10:00	Leading Indicators	Dec	0.4%	0.2%	0.1%
Jan 24	10:30	Crude Inventories	01/19	NA	NA	6768K
Jan 25	08:30	Initial Claims	01/19	310K	310K	290K
Jan 25	10:00	Existing Home Sales	Dec	6.25M	6.30M	6.28M
Jan 25	10:00	Help-Wanted Index	Dec	30	31	30
Jan 26	08:30	Durable Orders	Dec	7.0%	3.5%	1.6%
Jan 26	10:00	New Home Sales	Dec	1055K	1050K	1047K

[Source: DailyFX.com]

Upcoming Speakers/Events

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

JPY: Jan 22 at 00:45 - BoJ Governor Fukui speaks at International Forum.
 EUR: Jan 22 at 11:00 - ECB's Papademos Speaks at Conference in Athens (European Union)
 USD: Jan 22 at 20:20 - Fed's Yellen Speaks about US economic outlook in Reno.
 EUR: Jan 23 - Commissioner Almunia Speaks
 JPY: Jan 23 at 05:00 - BoJ release minutes from prior (18-19 Dec) MPC meeting3
 EUR: Jan 23 at 12:00 - ECB's Draghi News Conference
 GBP: Jan 23 at 19:00 - BoE King to speak.
 WLD: Jan 24-28 - World Economic Forum Annual Meeting
 GBP: Jan 24 at 09:30 - BoE release minutes from prior (10-11 Dec) MPC Meeting
 EUR: Jan 25 at 17:00 - ECB's Stark Speaks
 CAD: Jan 25 at 17:45 - BOC Governor Dodge speaks on Monetary Policy in Toronto
 EUR: Jan 25 at 19:45 - ECB's Gonzalez-Paramo speaks in Berlin.
 CHF: Jan 26 at 06:00 - Swiss National Bank Gives Full-Year Results

[Source: MNI, todayfx.com]

Yield Curve Spreads & Flies, DV01s, CFs

M Duration

30y	15.41
10y	7.73
5y	4.35
3y	2.58
2y	1.82
ZB	9.74
ZN	5.78
ZF	3.86
ZT	1.82

DV01s (32nds)

30y	4.75
10y	2.47
5y	1.39
3y	0.82
2y	0.58
ZB	3.55
ZN	2.00
ZF	1.30
ZT	1.19

DV01s (\$s)

30y	\$1,485
10y	\$771
5y	\$434
3y	\$257
2y	\$183
ZB	\$111
ZN	\$62
ZF	\$41
ZT	\$37

Yield Curve Spreads

2/3	-7.50
3/5	-5.60
2/5	-13.10
5/10	-0.30
2/10	-13.40
10/30	9.10
5/30	8.80
2/30	-4.30

Fly's

2/3/5	-1.90
2/5/10	-12.80
2/10/30	-22.50
5/10/30	-9.40

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
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		0.563	0.367	0.337
ZN	1.776		0.652	0.598
ZF	2.726	1.534		0.918
ZT	0.674	1.196	1.836	

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	6.96	13.40
ZN	2.93	4.12	6.83	12.36	23.81
ZF	4.49	6.32	10.47	18.97	36.53
ZT	4.90	6.88	11.41	20.66	39.80

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	4.219	8.128
3y	0.712		1.658	3.002	5.783
5y	0.429	0.603		1.811	3.488
10y	0.237	0.333	0.552		1.926
30y	0.123	0.173	0.287	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	219,429	300,783	(81,354)	192,073	234,746	(42,673)	1,110,209	986,183	124,026	ZF
ZN	315,578	464,039	(148,461)	565,496	348,848	216,648	1,685,270	1,753,457	(68,187)	ZN
ZB	127,996	178,512	(50,516)	118,802	190,344	(71,542)	639,962	517,904	122,058	ZB

	WoW** Position Change				As of
	Sml Spec		Lrg Spec		
	Net	Net	Net	Net	Net
ZF	(26,109)	9,554	16,555	16,555	1/16/2007
ZN	(23,213)	(34,760)	57,973	57,973	
ZB	(10,996)	(19,887)	30,884	30,884	

**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	99.2225	4.795
3y	4.625	11/15/09	99.1450	4.832
5y	4.625	12/31/11	99.1100	4.651
10y	4.625	11/15/16	98.275	4.771
30y	4.500	2/15/36	94.14	4.860

GHCO

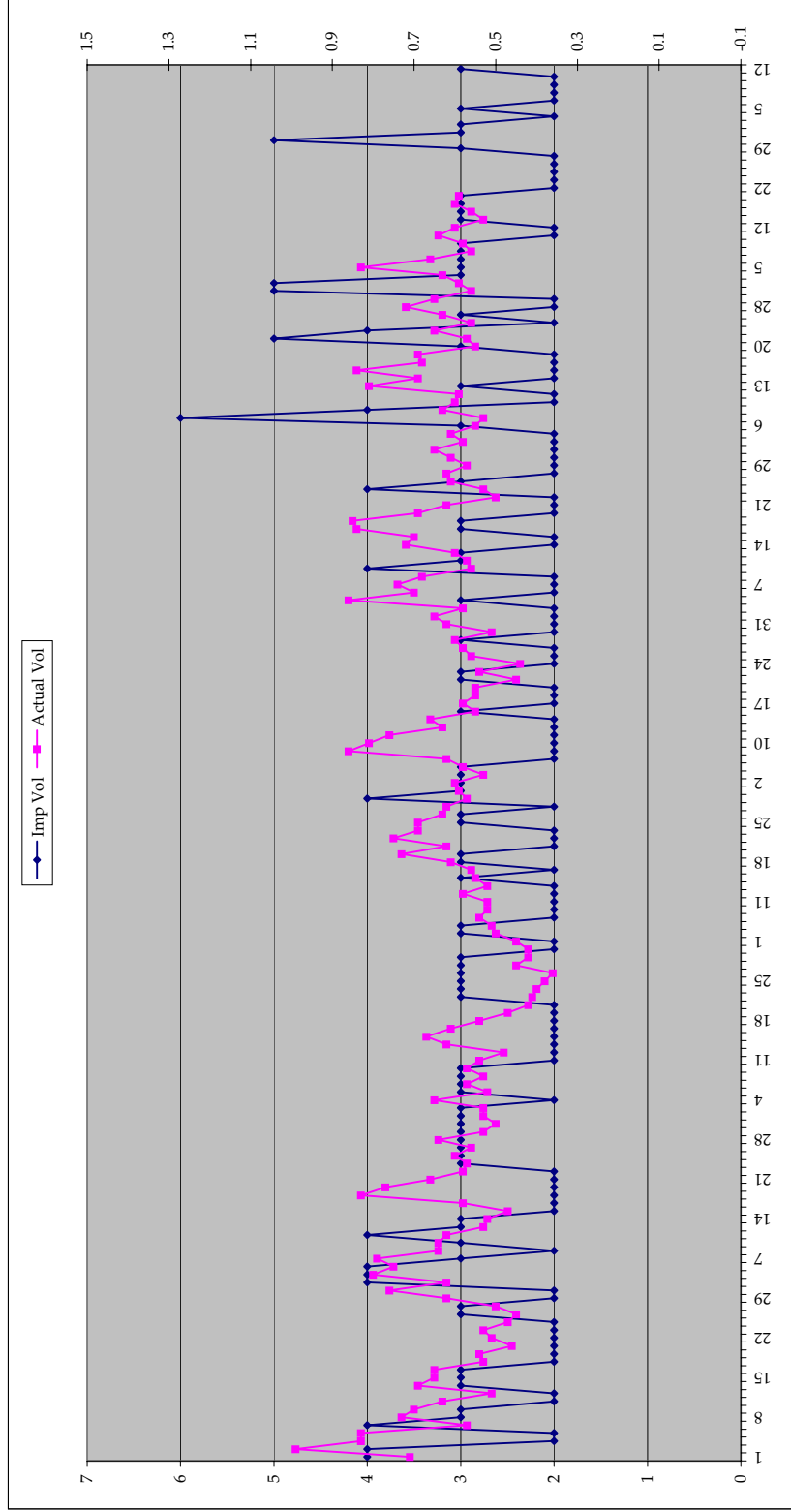
CF Basis*	Basis	32nds
5y	0.81	16.326
10y	0.66	44.582
30y	6.52	201.098
		ZF
		104.2300
		ZN
		107.0150
		ZB
		110.02

Curve Spreads bps

2/3	0.037
3/5	(0.181)
2/5	(0.144)
5/10	0.120
2/10	(0.024)
10/30	0.089
5/30	0.209
2/30	0.065

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	1/22/2007	1/23/2007	1/24/2007
1900-2200	0000-0300	2000-2300	2	2	2
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	1
1600-1900	2100-0000	1700-2000	1	1	1

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