

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	101.270	0.5	101.270	101.257	101.262	4,859	2y Futures	
FVAH7	104.255	0.5	104.255	104.230	104.240	14,594	5y Futures	
TYAH7	107.060	1.5	107.060	107.020	107.035	70,918	10y Futures	
USAH7	110.300	0	110.310	110.250	110.280	16,822	30y Futures	
BUS02P	99.227	0.7	99.230	99.220	99.222	na	2y	
BUS05P	99.127	0.5	99.130	99.110	99.115	na	5y	
BUS10P	98.310	1.5	98.315	98.275	98.290	na	10y	
BUS30P	94.200	2	94.200	94.140	94.180	na	30y	
BUS02Y	4.899	(0.80)	4.929	4.895	4.92	na	2y Yield	
BUS05Y	4.757	(0.80)	4.779	4.757	4.779	na	5y Yield	
BUS10Y	4.755	(0.20)	4.773	4.751	4.769	na	10y Yield	
BUS30Y	4.844	(0.50)	4.861	4.844	4.852	na	30y Yield	

Source: CQG

Yesterday

01/22 15:27 **US TSYS/RECAP**: Tsys market ended higher amid weaker US stocks, earlier hedge funds selling US stocks/buying US bonds, and same trade in European stocks/Bunds, hope of corporate rate-lock unwinds, despite US\$8B in 20Y TIPS auction Tues. Hedge funds sold European stocks/buy German 2Y, 5Y, 10Ys. Corp issuance revs up, with early pressure from corporate bond rate-lock selling and then later unwinds. Market still remains nervous whether China would move away much from US Tsys with views divided between not much change seen despite developing plans and fear of separate FX-tied entity that could invest in any asset class. There earlier was computer-generated buying in Tsys on the open, with also swap receiving in the front-end and front-end buying too, but on other side, the corporate-rate-lock selling also surfaced early. There also was swap-tied selling in front end Eurodlrs; swappers did 2-way trades in Tsy 2s/10s. Servicers rolled from Mar to Apr 10-Yr 108 calls in size. SF Fed Pres Yellen repeated 1/17 spch. Moscow to retire this yr.

01/22 15:58 **US TSYS/RECAP II**: Further to the 15:27pm, 15:40pm RECAP bullets: Traders also reported some profit-taking selling near the highs in late afternoon. However most await these 2 things: a look at overnight stocks performance after US stocks, European stocks weakness on Mon, and some further feel for China's view of US Tsys/US bonds generally after recent development after weekend meeting on finance/FX reserves futures plans. Stocks weakness would tend to give Tsys a bid.

01/22 15:03 **US Swaps**: Swap spreads finished the session tighter in a directional move with lower Tsy ylds. The 2yr is in 0.50 bps at 34.50, the 5yr is in 0.75 bps at 40.00, while the 10yr and 30yr spds are in 1.00 bps at midpoints of 48.00 and 51.50, respectively, according to GovPX. Of note, the 2s/10s swap yld spd extends inversion in the second half, -1.1 bps, while the 2s/5s swap yld spd remains inverted at -8.1. **[Source - MNI]**

Overnight

01/23 02:54 **BONDS**: EGBs are opening lower on Tuesday and paring back the technical inspired bounce the previous session. JGBs closed modestly lower overnight and weakness in US Treasuries is weighing on sentiment ahead of supply, where \$8.0bln 20-year TIPS is due to be sold and around \$5.0bln corporate supply, which includes Alcoa's \$2.0 billion multi-tranche deal denominated in 10-, 20- and 30-year paper and Merrill Lynch's \$2.0 billion in a 30-year deal and GECC's \$750mln 4-year issue. In addition, hawkish comments from ECB Bini-Smaghi and Noyer this morning also adding to pressure on the short-dates, and early month-end duration trades -- estimate's for the iBoxx Euro sovereign index is for

an extension of a large +0.20 years. This is the largest on record and well above the historic average for this time of the year. This is fueling extension of flattening move in Bund curve, where the 2-/10-year yield spread is 1bps flatter at +8bps. **[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

LEI delayed. Should be out today though.

[Source: DailyFX.com]

Upcoming Speakers/Events

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

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	9.75
ZN	5.78
ZF	3.85
ZT	1.82

DV01s (32nds)

30y	4.76
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	\$1,488
10y	\$772
5y	\$434
3y	\$257
2y	\$183
ZB	\$111
ZN	\$62
ZF	\$41
ZT	\$37

Yield Curve Spreads

2/3	-8.30
3/5	-5.90
2/5	-14.20
5/10	-0.20
2/10	-14.40
10/30	8.90
5/30	8.70
2/30	-5.50

Fly's

2/3/5	-2.40
2/5/10	-14.00
2/10/30	-23.30
5/10/30	-9.10

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	Number of contracts LONG
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	0.366	0.336
ZN	1.778		0.651	0.597
ZF	2.730	1.536		0.917
ZT	0.671	1.194	1.833	

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	1.64	2.31	3.84	6.95	13.41
ZN	2.92	4.11	6.82	12.36	23.83
ZF	4.49	6.31	10.47	18.99	36.61
ZT	4.90	6.89	11.43	20.71	39.93

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		1.406	2.333	4.230	8.155	
3y	0.711		1.659	3.008	5.799	
5y	0.429	0.603		1.813	3.495	
10y	0.236	0.332	0.552		1.928	
30y	0.123	0.172	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	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	99.2275	4.787
3y	4.625	11/15/09	99.1550	4.821
5y	4.625	12/31/11	99.1225	4.642
10y	4.625	11/15/16	98.310	4.757
30y	4.500	2/15/36	94.20	4.847

GHCO

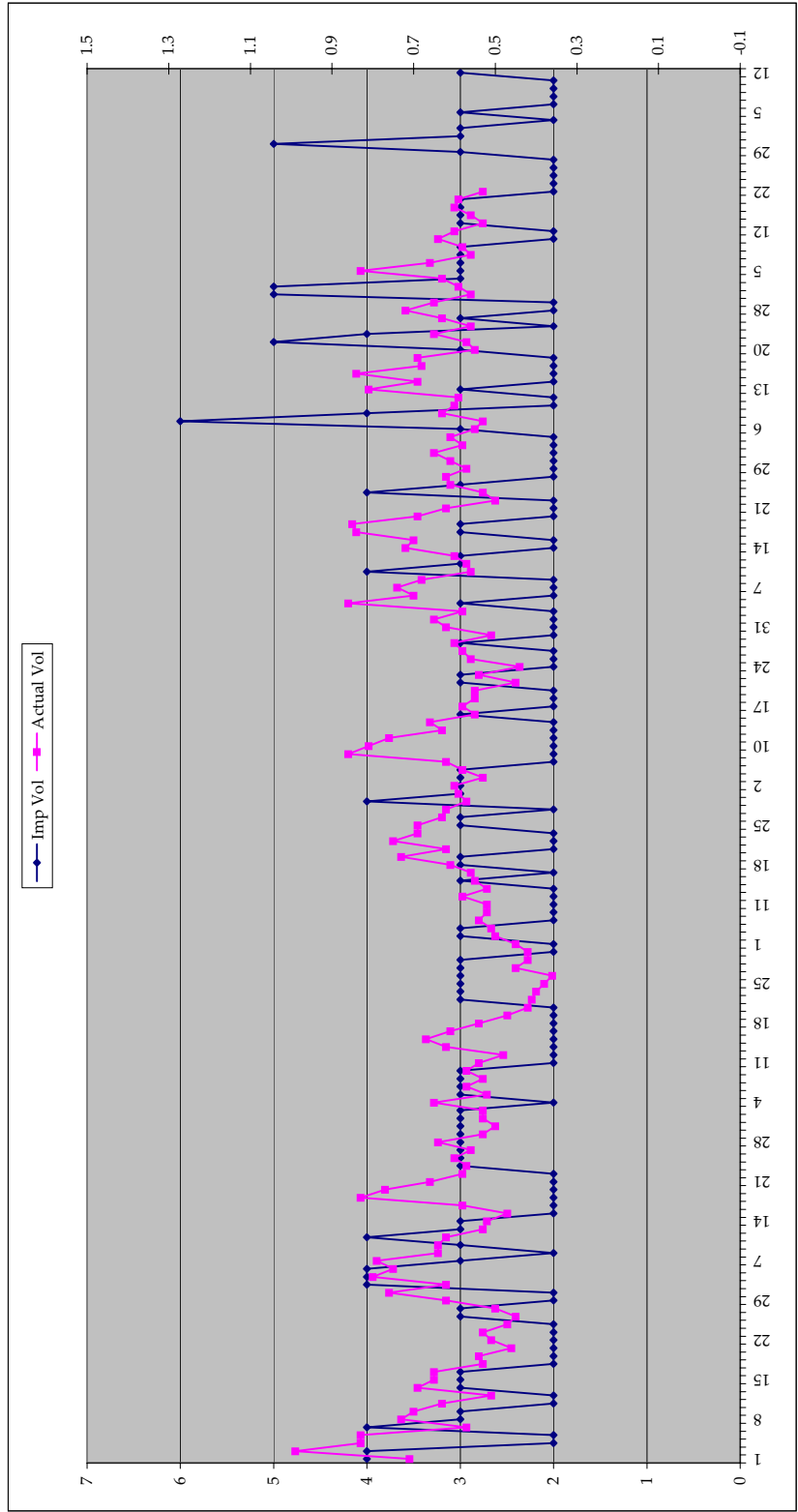
CF Basis*	Basis	32nds
5y	0.81	16.161
10y	0.66	45.351
30y	6.47	203.620
		ZF
		104.2450
		ZN
		107.0450
		ZB
		110.30

Curve Spreads bps

2/3	0.034
3/5	(0.179)
2/5	(0.145)
5/10	0.115
2/10	(0.030)
10/30	0.090
5/30	0.205
2/30	0.060

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
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