

The Morning Email: Treasuries

Rotate Me

Table of Contents

Pg A	Important Econ Releases, Highs & Lows
Pg 1	Quotes
Pg 2	News Snapshot
Pg 3	Yield Curve Spreads & Flies, DV01s, CFs
Pg 4	Hedge Ratios: US Financial Futures / Eurex Bund, Bobl, Schatz,
Pg 5	Hedge Ratios: US Treasury Cash / Eurex Bund, Bobl, Schatz
Pg 6	Hedge Ratios: US Cash Treasuries / Eurodollar
Pg 7	Commitment of Traders (COT)
Pg 8	2 PM CDT Closes: US Treasuries, US Financial Futures, YC Spreads, Basis
Pg 9	Implied Volatility (Daily)
Pg 10	Implied Volatility (3-Hour)

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	
TUAH7	101.250	(0.2)	101.257	101.245	101.245	9,721	SYM NAME 2y Futures
FVAH7	104.185	(1.0)	104.210	104.180	104.180	45,626	5y Futures
TYAH7	106.270	(1.5)	106.310	106.265	106.275	117,183	10y Futures
USAH7	110.100	(3)	110.170	110.080	110.110	37,079	30y Futures
BUS02P	99.207	0.2	99.215	99.207	99.207	na	SYM NAME 2y
BUS05P	#VALUE!	(0.2)	99.085	99.060	99.067	na	5y
BUS10P	#VALUE!	0.0	98.225	98.180	98.190	na	10y
BUS30P	93.230	(1)	94.000	93.230	93.270	na	30y
BUS02Y	4.938	(0.40)	4.964	4.921	4.938	na	SYM NAME 2y Yield
BUS05Y	4.806	0.00	4.813	4.79	4.812	na	5y Yield
BUS10Y	4.808	0.00	4.814	4.787	4.812	na	10y Yield
BUS30Y	4.906	0.50	4.91	4.887	4.906	na	30y Yield

Source: CQG

Yesterday

01/23 15:28 **US TSYS/RECAP:** US Tsys stld Tues. amid pre-TIPS short-setting by dealers before USS8B 20Y TIPS sale, which turned out strong but suffered in aftermkt. There also was some hedge funds selling Tsys/buying of commodities. There also had been morning longer-dated Tsys selling, also some buy MBS/sell Tsys trades earlier; and corporate rate-lock selling in back end. There also were morning 5Y/10Y steepeners, earlier swaps paying/MBS buying earlier, leveraged accounts selling longer TIPS. But there also was hedge fund and foreign bid for US 30Ys, foreign central bank buying in US intermediates, unwinds of corporate rate-lock sales. Traders eye proposed SPR doubling: Pres. Bush details in 9pm ET State of Union SpH; wd aid TIPS, hurt Tsys (oil up). There was commodities buying as hedge funds appeared to want to buy oil, copper, corn for various reasons. Traders speak also of "hedge selling", what risk exactly being hedged not clear; but perhaps the selling is to ready for 2Y, 5Y auctions this wk, in case Asian bid stays out (last in Thu at 4.8% 10Y.01/23 15:26 **US Tsy Futures:** Tsys close lower across the curve with the Mar T-bond off 17/32 to 110-13 with 409K traded while the Mar 10-yr settled softer by 8/32 at 106-28.5 with just 941M traded. The Mar 5-yr notes settled lower by 5/32 at 104-19.5, with 422K traded while the Mar 2-yr were softer by 1.5/32 at 101-25 with 131K changing hands. 01/23 15:12 **Swaps:** On the futures close, spreads are marginally wider, in line with the rise in Tsy ylds. While there was some receiving early after the Nordic deal pricing, there was subsequent paying vs MBS, sources reported. So, the 2Y and 30Y spds stands at steady or 34.50bps and 51.50bps, respectively while the 5Y is 0.25bps wider at 40.25bps and the 10Y is wider by 0.50bps to a midpoint of 48.50bps, according to GovPx.. [Source - MNI]

Overnight

01/24 05:20 **USTs:** Treasuries are trading modestly higher across the board in London Wednesday, boosted by short-covering and dip-buying after renewed overnight weakness. Prices were modestly higher from the start of trade in Tokyo. Traders said comments from President George W. Bush, speaking in the State of the Union address, and stating the government would aim to eliminate the federal deficit within 5 years. Traders said although the comments didn't offer a direct bid, they

offered underlying support. Prices continued to push higher in Europe, helped by a rally in UK gilts. However, turnover was largely interdealer, with little in the way of end user activity. Traders did say there was modest demand in the intermediate sector of the curve from Japanese name investors. Bunds are trading modestly higher against U.S. 10-yr. [Source - MNI]

Today

Econ Releases for today & this week

Date	ET	Release	For	Briefing.com	Consensus	Prior
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)

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	15.38
10y	7.72
5y	4.34
3y	2.58
2y	1.82
ZB	9.72
ZN	5.78
ZF	3.85
ZT	1.82

DV01s (32nds)

30y	4.71
10y	2.46
5y	1.38
3y	0.82
2y	0.58
ZB	3.53
ZN	1.99
ZF	1.30
ZT	1.19

DV01s (\$s)

30y	\$1,472
10y	\$768
5y	\$432
3y	\$256
2y	\$182
ZB	\$110
ZN	\$62
ZF	\$41
ZT	\$37

Yield Curve Spreads

2/3	-8.00
3/5	-5.20
2/5	-13.20
5/10	0.20
2/10	-13.00
10/30	9.80
5/30	10.00
2/30	-3.20

Fly's

2/3/5	-2.80
2/5/10	-13.40
2/10/30	-22.80
5/10/30	-9.60

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

Number
of
contracts
LONG

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		0.564	0.368	0.338
ZN	1.772		0.652	0.598
ZF	2.718	1.534		0.917
ZT	0.675	1.196	1.834	

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	3.85	6.97	13.36
ZN	2.93	4.12	6.83	12.35	23.68
ZF	4.49	6.32	10.47	18.95	36.32
ZT	4.90	6.89	11.42	20.65	39.59

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	2.332	4.218	8.085
3y	0.711		1.658	3.000	5.751
5y	0.429	0.603		1.809	3.467
10y	0.237	0.333	0.553		1.917
30y	0.124	0.174	0.288	0.522	

Commitment of Traders (COT)

	Current Positions								
	Small Spec			Large Spec			Commercials (Hedgers)		
	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
ZN	315,578	464,039	(148,461)	565,496	348,848	216,648	1,685,270	1,753,457	(68,187)
ZB	127,996	178,512	(50,516)	118,802	190,344	(71,542)	639,962	517,904	122,058

	WoW** Position Change				
	Sml Spec		Lrg Spec		Comm
	Net	Net	Net	Net	
ZF	(26,109)	9,554	16,555	As of	
ZN	(23,213)	(34,760)	57,973	1/16/2007	
ZB	(10,996)	(19,887)	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	99.3100	4.818
3y	4.625	11/15/09	99.1275	4.854
5y	4.625	12/31/11	99.0750	4.677
10y	4.625	11/15/16	98.195	4.804
30y	4.500	2/15/36	93.29	4.896

GHCO

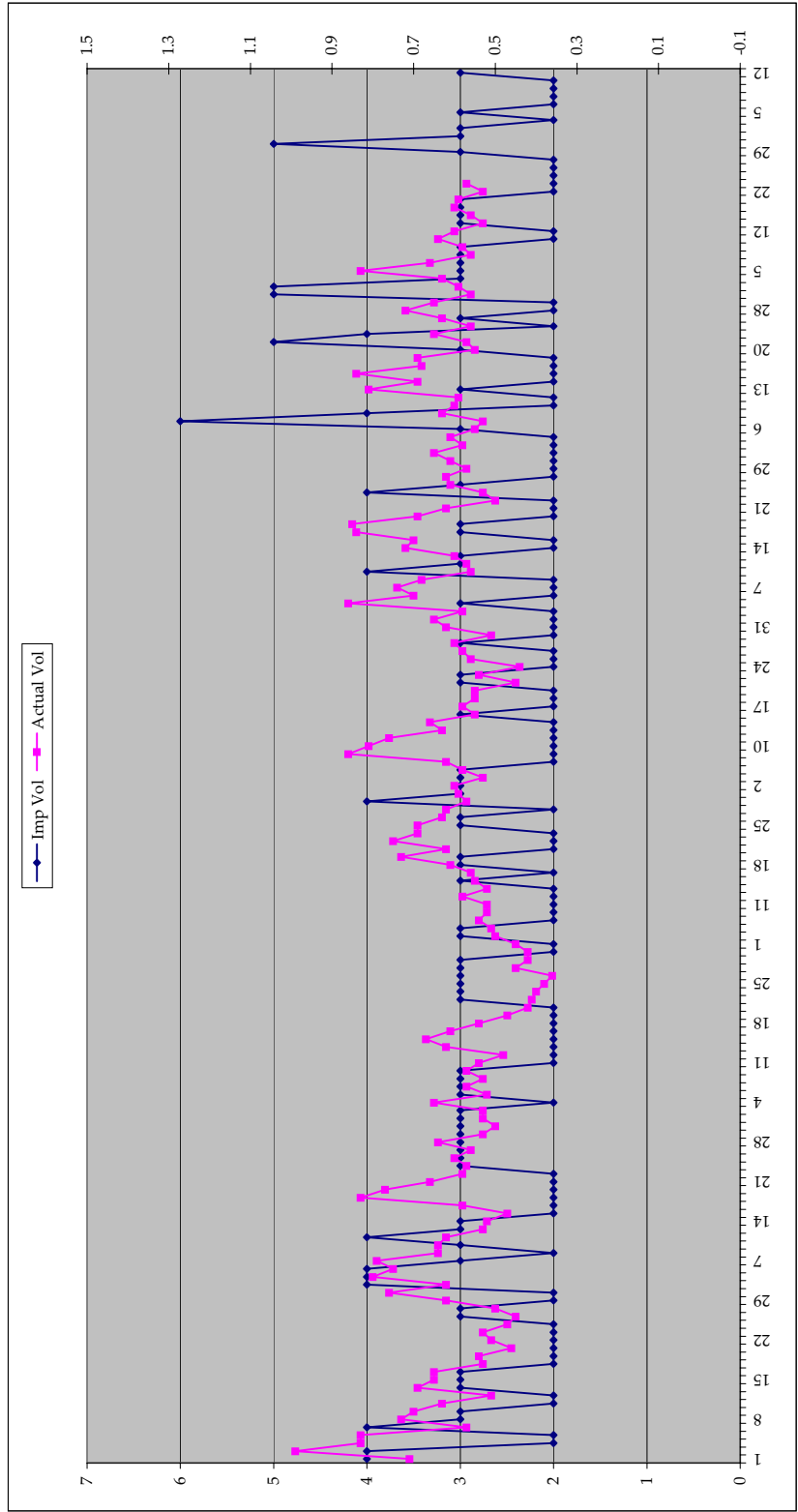
CF Basis*	Basis	32nds
5y	0.81	16.130
10y	1.47	41.135
30y	5.54	193.645
		ZF 104.1950
		ZN 106.2850
		ZB 110.13

Curve Spreads bps

2/3	0.036
3/5	(0.177)
2/5	(0.141)
5/10	0.127
2/10	(0.014)
10/30	0.092
5/30	0.219
2/30	0.078

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
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