

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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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.

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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	101.255	0.0	101.257	101.250	101.255	7,381	2y Futures
FVAH7	104.195	0.0	104.205	104.180	104.190	33,925	5y Futures
TYAH7	106.280	0.0	106.300	106.265	106.275	80,566	10y Futures
USAH7	110.110	1	110.130	110.080	110.090	18,730	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.287	7.5	99.290	99.285	99.287	na	2y
BUS05P	99.067	0.0	99.077	99.062	99.072	na	5y
BUS10P	98.180	1.0	98.195	98.165	98.190	na	10y
BUS30P	93.230	1	93.250	93.215	93.250	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.926	(0.30)	4.95	4.913	4.934	na	2y Yield
BUS05Y	4.804	(0.20)	4.814	4.795	4.808	na	5y Yield
BUS10Y	4.806	0.00	4.818	4.8	4.81	na	10y Yield
BUS30Y	4.907	(0.10)	4.915	4.901	4.912	na	30y Yield

Source: CQG

Yesterday

01/24 15:21 **US TSYS/RECAP:** US Tsys ended flat Wed. after morning ebb on pre-auction dealer short-setting, then mixed US\$20B 2Y sale, late short-covering. 2-way morning flows had Asian central bank buying in front end, European central bank buying in front end, intermediates, with morning U.S. buying, mutual funds start to eye Tsys. MBS had p.m. managed money/real money buying after earlier brisk MBS selling then buying. FX side saw carry trades of various types unwound. There was earlier modest buying in 10- and 2Ys from real money corporate tied accounts on open, and same accounts small buyers of bond futures. Afternoon had buy-and-hold investors buy 2Ys, with also Street buying there too. Lvrgd accts bought bonds after selling shorter debt. There also was Bunds/US 5Y back-and-forth. Some eye Bund upward reversal if Mar Bund 10Ys break below 4% yld. TIPS saw profit-taking. Tsys had seen 2 rounds of Asian buying o/night. 2Y sale:26.6% indirects, lowest since 22.85% of Aug 2006, but cover high, 3.03; dealers took 72.5%.

01/24 15:17 **US Tsy Futures:** Tsys close mixed across the curve... 01/24 15:05 **US Swaps:** Swap spreads finished the session wider in the front end, Tsy ylds steady to mixed.

01/24 16:08 **U.S. STOCKS:** Dow ended the session with robust gains, adding almost 88 points to close at 12,621.77, a new closing high that is about 2 points off the new all-time high posted just ahead of the close. Nasdaq also had a robust day, adding almost 35 points to close at 2,466. [Source - MNI]

Overnight

01/25 05:08 **USTs:** Treasuries are trading flat to modestly higher in London Thursday, with the curve flattening modestly as the longer-end of the curve outperformed. However, with little in the way of fresh news, trading volumes were light, with many players awaiting the New York open. Tokyo saw prices consolidate at late New York levels, with little in the way of fresh demand. This despite traders noting a story on the Jiji Press Japanese language wire suggesting Japanese investors were

still buyers of 10-year Treasuries as the yield rises. London trade remained muted, although prices edged higher on the back of a bounce in European bond prices. German debt spiked higher on a weaker business sentiment reading, with the key Ifo index slipping to 107.9 from 108.7 in December. [Source - MNI]

Today

Econ Releases for today & this week

Date	ET	Release	For	Briefing.com	Consensus	Prior
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)

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 & Flys, DV01s, CFs

M Duration	
30y	15.35
10y	7.72
5y	4.34
3y	2.57
2y	1.85
ZB	9.72
ZN	5.78
ZF	3.85
ZT	1.81

DV01s (\$2nds)	
30y	4.70
10y	2.46
5y	1.38
3y	0.82
2y	0.61
ZB	3.52
ZN	2.00
ZF	1.30
ZT	1.18

DV01s (\$s)	
30y	\$1,470
10y	\$768
5y	\$432
3y	\$256
2y	\$189
ZB	\$110
ZN	\$62
ZF	\$41
ZT	\$37

Yield Curve Spreads

2/3	-8.00
3/5	-4.20
2/5	-12.20
5/10	0.20
2/10	-12.00
10/30	10.10
5/30	10.30
2/30	-1.90

Fly's

2/3/5	-3.80
2/5/10	-12.40
2/10/30	-22.10
5/10/30	-9.90

CFs

ZB	0.7956
ZN	0.9105
ZF	0.9438
ZT	0.9807

New, as of 01/25

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

CTD for the 30y has changed several times over the last month. It changed again after NFP. The two issues fighting for CTD are:

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		0.567	0.368	0.336
ZN	1.764		0.650	0.593
ZF	2.716	1.539		0.913
ZT	0.672	1.186	1.825	

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	1.72	2.32	3.86	6.98	13.35
ZN	3.03	4.10	6.80	12.31	23.55
ZF	4.67	6.31	10.47	18.94	36.25
ZT	5.12	6.92	11.47	20.76	39.72

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		1.351	2.242	4.055	7.761
3y	0.740		1.659	3.001	5.744
5y	0.446	0.603		1.809	3.462
10y	0.247	0.333	0.553		1.914
30y	0.129	0.174	0.289	0.523	

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	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					
	Sml Spec		Lrg Spec		Comm	
	Net		Net			
ZF	(26,109)		9,554		16,555	As of 1/16/2007
ZN	(23,213)		(34,760)		57,973	
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	4.875	1/31/09	99.2150	4.929
3y	4.625	11/15/09	99.1325	4.848
5y	4.625	12/31/11	99.0700	4.681
10y	4.625	11/15/16	98.180	4.810
30y	4.500	2/15/36	93.23	4.909

GHCO

CF Basis*	Basis	32nds
5y	0.81	15.630
10y	1.46	40.090
30y	5.53	190.032
		ZF 104.1950
		ZN 106.2800
		ZB 110.10

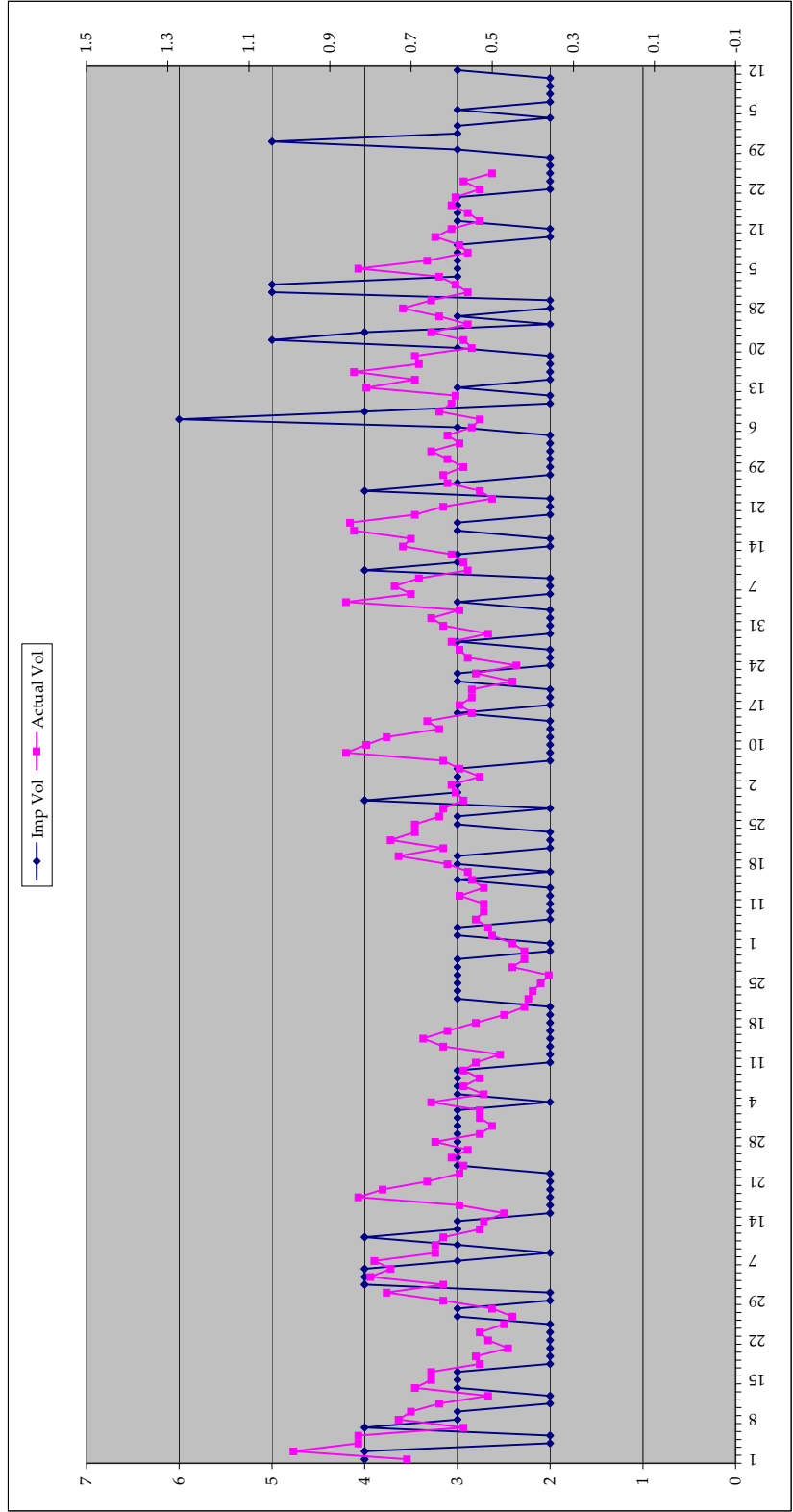
Curve Spreads bps

2/3	(0.081)
3/5	(0.167)
2/5	(0.248)
5/10	0.129
2/10	(0.119)
10/30	0.099
5/30	0.228
2/30	(0.020)

CF = Conversion Factor
Cash - (Futures * CF)

	New 2-yr	Old 2-yr
Coup	4.878	4.750
Price	99.285	99.215
Yield	4.932	4.925
Mat	1/31/09	12/31/09

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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