

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	101.230	(0.2)	101.232	101.222	101.225	9,656		2y Futures	
FVAH7	104.110	(1.0)	104.120	104.095	104.100	34,877		5y Futures	
TYAH7	106.140	(2.0)	106.160	106.125	106.135	109,788		10y Futures	
USAH7	109.190	(4)	109.220	109.180	109.190	21,118		30y Futures	
	ls	net	high	low	open	Volume		SYM NAME	
BUS02P	99.262	0.0	99.265	99.260	99.260	na		2y	
BUS05P	99.157	18.2	99.165	99.150	99.152	na		5y	
BUS10P	98.015	(0.5)	98.035	98.005	98.010	na		10y	
BUS30P	92.255	(1)	92.290	92.240	92.255	na		30y	
	ls	net	high	low	open	Volume		SYM NAME	
BUS02Y	4.967	(0.40)	5	4.959	4.98	na		2y Yield	
BUS05Y	4.864	(0.60)	4.875	4.855	4.866	na		5y Yield	
BUS10Y	4.873	(0.20)	4.884	4.865	4.881	na		10y Yield	
BUS30Y	4.969	0.20	4.977	4.961	4.967	na		30y Yield	

Source: CQG

Yesterday

01/25 15:28 **US TSYS/RECAP:** US Tsys slid daylong but end off selloff lows amid late bargain- hunting, but had big technical breakdown as 1) 10-year yield broke above 200-day moving avg, 4.855%. 2) US stocks weakness, rumored MBS buying late helped Tsys too. Tsys earlier hurt by 3) yen carry unwinds (buy yen/ sell Tsys, buy yen/sell US stocks), but also could be 4) Tsys used as hedge vs. other losses amid risk aversion trades by hedge funds, ltrgd accts (on emerging mkts, credit spreads, junk bond spreads, weaker Asian stocks, as Shanghai stk index Thu -3.96% loss eyed.) Tsys slid in a.m. amid 5) weak Tsys techs; 6) fears of hawkish language at FOMC next week; 7) German Bunds fell; 8) MBS-tied pressure in Tsys earlier amid morning selling; 9) short-setting before \$13B 5Y auction; 10) market roiled by Bunds/buy Tsys trades in 2 directions; 11) NYMEX natural gas margins rise Fri; 12) other U.S. accts set shorts; 13) was a.m. short end buying/10Y selling; buying in front end, 30s. 14) UK Gilts hurt 15) ISM revisions direction was upward (More)

01/25 15:17 **Swaps:** After several rounds of paying including logn-term real money payers in intermediates, levered payers and unwind of forward flatteners, spreads are still sharply wider. Sources said the late MBS buying was linked to the same acct that "paid all the way down." Still, spds on the 2Y are wider by 1bps to a mid of 36.00 bps while the 5Y is wider by 1.25bps to a mid of 41.75bps while the 10Y is wider by 1.50bps to a mid of 46.00bps. The 30Y is wider by 1.50bps to 53.00bps, according to GovPx. [Source - MNI]

Overnight

01/26 04:47 **USTs:** Treasuries are little changed in London trade Friday, as the market consolidates after Thursday's sell-off. However, traders say volumes and trading ranges are tight, with many players sidelined ahead of the New York open. Treasuries were modestly lower in Asian trade, weighed in part by light follow-through selling after Thursday's New York decline. However, traders said volumes were light ahead of the weekend. In London, trade was largely interdealer, with players book-squaring ahead of the weekend. There was light real money buying of the 2-year sector, but not enough to move the market. Bunds are trading modestly higher against U.S. 10-year T-notes, up 1 bps on the day at 85 bps. Source - MNI]

Today

Econ Releases for today & this week

Date	ET	Release	For	Briefing.com	Consensus	Prior
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]

Goldman early NFP call +175 (weather could account for as much as 80,000 of the increase); Unemp Rate 4.5%, with more risk of downtick than up tick.

Source: MNI

Upcoming Speakers/Events

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

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	15.27
10y	7.70
5y	4.30
3y	2.56
2y	1.84
ZB	9.69
ZN	5.76
ZF	3.84
ZT	1.81

DV01s (32nds)	
30y	4.63
10y	2.44
5y	1.40
3y	0.81
2y	0.60
ZB	3.50
ZN	1.98
ZF	1.29
ZT	1.18

DV01s (\$s)	
30y	\$1,448
10y	\$762
5y	\$438
3y	\$255
2y	\$188
ZB	\$109
ZN	\$62
ZF	\$40
ZT	\$37

Yield Curve Spreads

2/3	-5.90
3/5	-4.40
2/5	-10.30
5/10	0.90
2/10	-9.40
10/30	9.60
5/30	10.50
2/30	0.20

Fly's

2/3/5	-1.50
2/5/10	-11.20
2/10/30	-19.00
5/10/30	-8.70

CFs

ZB	0.7956
ZN	0.9105
ZF	0.9481
ZT	0.9807

New, as of 01/26

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		0.566	0.369	0.337
ZN	1.766		0.652	0.596
ZF	2.706	1.533		0.913
ZT	0.675	1.192	1.826	

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	1.73	2.33	4.01	6.98	13.26
ZN	3.05	4.12	7.09	12.33	23.41
ZF	4.67	6.31	10.86	18.89	35.88
ZT	5.11	6.91	11.89	20.69	39.30

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	2.326	4.046	7.685
3y	0.740		1.722	2.995	5.688
5y	0.430	0.581		1.739	3.304
10y	0.247	0.334	0.575		1.900
30y	0.130	0.176	0.303	0.526	

Commitment of Traders (COT)

	Current Positions									
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	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	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	4.750	1/31/12	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	0.36	15.630
10y	1.46	40.090
30y	5.53	190.032
		ZF 104.1950
		ZN 106.2800
		ZB 110.10

Curve Spreads bps

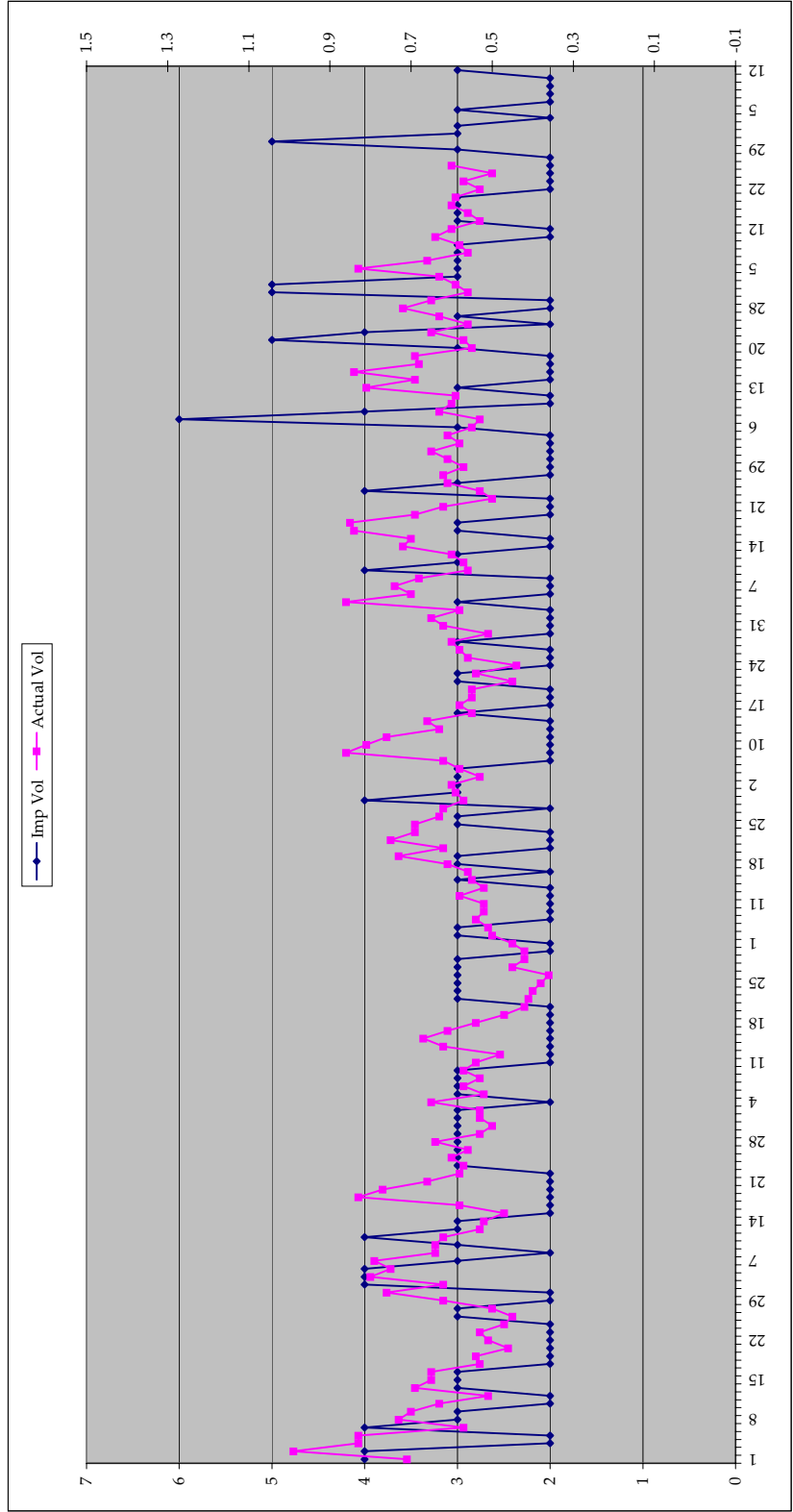
2/3	(0.081)
3/5	(0.167)
2/5	(0.248)
5/10	0.129
2/10	(0.119)
10/30	0.099
5/30	0.228
2/30	(0.020)

CF = Conversion Factor
Cash - (Futures * CF)

	New 5yr	Old 5yr
Coup	4.750	4.625
Price		
Yield		
Mat	1/31/09	12/31/09

Roll = +.75 bps

Implied Volatility (Daily)



Imp Vol Actual Vol

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	1/26/2007	1/0/1900	1/0/1900
1900-2200	0000-0300	2000-2300	2	0	0
2200-0100	0300-0600	2300-0200	2	0	0
0100-0400	0600-0900	0200-0500	2	0	0
0400-0700	0900-1200	0500-0800	2	0	0
0700-1000	1200-1500	0800-1100	1	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
 1,2 = very slow
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