

The Morning Email: Treasuries

Rotate Me

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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	101.227	(0.2)	101.235	101.225	101.227	4,721	2y Futures
FVAH7	104.110	0.5	104.130	104.100	104.105	25,608	5y Futures
TYAH7	106.145	0.5	106.175	106.135	106.140	106,379	10y Futures
USAH7	109.180	1	109.240	109.170	109.180	22,167	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	#VALUE!	(0.5)	99.267	99.257	99.262	na	2y
BUS05P	#VALUE!	0.2	99.175	99.155	99.160	na	5y
BUS10P	98.020	0.0	98.050	98.015	98.020	na	10y
BUS30P	92.235	(1)	92.285	92.230	92.280	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.975	1.60	4.988	4.955	4.98	na	2y Yield
BUS05Y	4.864	0.00	4.886	4.85	4.886	na	5y Yield
BUS10Y	4.871	(0.20)	4.884	4.859	4.884	na	10y Yield
BUS30Y	4.973	0.40	4.979	4.959	4.978	na	30y Yield

Source: CQG

Yesterday

[Source - MNI]

Overnight

01/29 04:46 USTs: Treasuries are trading modestly higher across the board Monday, building on the consolidation seen on Friday. The modest boost in investor confidence has helped the curve flatten modestly, although both cash and futures volumes are light. The modest rally and the slight curve flattening began in the Tokyo session, with follow-through demand from Tokyo accounts underpinning prices. London trade was largely featureless, as prices held their early gains. But a lack of fresh trading incentives, along with a U.S. calendar devoid of any primary data and the FOMC's looming rate decision, saw many players sidelined. Bunds are trading modestly lower against U.S. 10-year T-notes, down 0.5 bps on the day at 83 bps. **Source - MNI]**

Today

Econ Releases for today & this week

Date	ET	Release	For	Briefing.com	Consensus	Prior
Jan 30	10:00	Consumer Confidence	Jan	110.5	109.5	109.0
Jan 31	08:30	GDP-Adv.	Q4	3.0%	3.0%	2.0%
Jan 31	08:30	Chain Deflator-Adv.	Q4	1.5%	1.7%	1.9%
Jan 31	08:30	Employment Cost Index	Q4	0.9%	1.0%	1.0%
Jan 31	09:45	Chicago PMI	Jan	52.0	52.0	51.6
Jan 31	10:00	Construction Spending	Dec	-0.2%	0.0%	-0.2%
Jan 31	10:30	Crude Inventories	01/26	NA	NA	789K
Jan 31	14:15	FOMC policy statement				
Feb 01	08:30	Personal Income	Dec	0.5%	0.5%	0.3%
Feb 01	08:30	Personal Spending	Dec	0.7%	0.7%	0.5%
Feb 01	08:30	Initial Claims	01/27	315K	318K	325K
Feb 01	10:00	ISM Index	Jan	52.0	51.5	51.4
Feb 01	17:00	Auto Sales	Jan	5.4M	5.4M	5.6M
Feb 01	17:00	Truck Sales	Jan	7.3M	7.4M	7.2M
Feb 02	08:30	Nonfarm Payrolls	Jan	135K	150K	167K
Feb 02	08:30	Unemployment Rate	Jan	4.5%	4.5%	4.5%
Feb 02	08:30	Hourly Earnings	Jan	0.2%	0.3%	0.5%
Feb 02	08:30	Average Workweek	Jan	33.9	33.9	33.9

Feb 02 10:00 [Factory Orders](#) Dec 2.0% 1.5%
 Feb 02 10:00 [Mich Sentiment-Rev.](#) Jan 98.0 97.8
[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)

EUR: Jan 29 - ECB's Trichet Attends Eurogroup Meeting
 EUR: Jan 29 - Eurogroup Meeting
 EUR: Jan 30 - ECOFIN Meeting
 EUR: Jan 31 - European Parliament hold Plenary Session
 USD: Jan 31 at 19:00 - FOMC Meeting to discuss Interest Rates, [Policy Statement](#) to be issued at 19:15
 CHF: Feb 1 - SNB's Roth Speaks
 EUR: Feb 1 at 16:30 - ECB's Trichet speaks in South Africa

[Source: MNI, todayfx.com]

Yield Curve Spreads & Flies, DV01s, CFs

M Duration

30y	15.26
10y	7.70
5y	4.30
3y	2.56
2y	1.84
ZB	9.69
ZN	5.76
ZF	3.83
ZT	1.80

DV01s (32nds)

30y	4.63
10y	2.44
5y	1.40
3y	0.81
2y	0.60
ZB	3.49
ZN	1.98
ZF	1.29
ZT	1.18

DV01s (\$s)

30y	\$1,447
10y	\$762
5y	\$438
3y	\$254
2y	\$188
ZB	\$109
ZN	\$62
ZF	\$40
ZT	\$37

Yield Curve Spreads

2/3	-5.80
3/5	-5.30
2/5	-11.10
5/10	0.70
2/10	-10.40
10/30	10.20
5/30	10.90
2/30	-0.20

Fly's

2/3/5	-0.50
2/5/10	-11.80
2/10/30	-20.60
5/10/30	-9.50

CFs

ZB	0.7956
ZN	0.9105
ZF	0.9481
ZT	0.9807

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	0.338
ZN	1.766		0.653	0.597
ZF	2.706	1.532		0.915
ZT	0.676	1.195	1.830	

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	2.33	4.01	6.99	13.26
ZN	3.05	4.11	7.09	12.34	23.42
ZF	4.67	6.30	10.86	18.91	35.89
ZT	5.10	6.89	11.87	20.66	39.22

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	2.328	4.051	7.691
3y	0.740		1.723	2.999	5.693
5y	0.430	0.580		1.740	3.304
10y	0.247	0.333	0.575		1.899
30y	0.130	0.176	0.303	0.527	

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

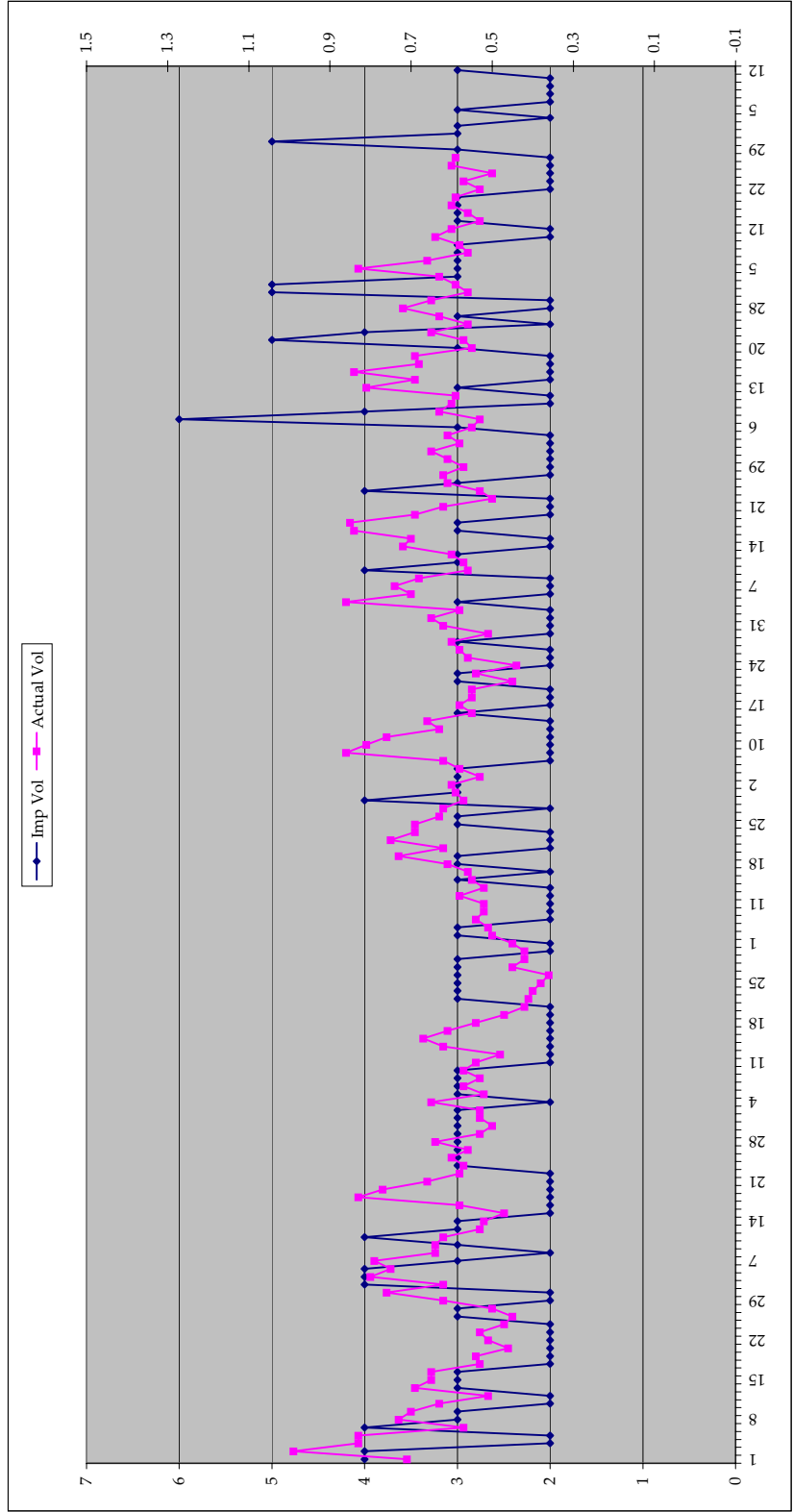
2/3	(0.081)
3/5	(0.167)
2/5	(0.248)
5/10	0.129
2/10	(0.119)
10/30	0.099
5/30	0.228
2/30	(0.020)

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)



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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