

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.

Jim Goulding, GHCO, Treas-Arb, Chicago, jgoulding@ghco.com

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	101.232	101.220	101.225	8,149	2y Futures
FVAH7	104.095	1.0	104.110	104.080	104.085	28,035	5y Futures
TYAH7	106.125	0.5	106.140	106.100	106.100	78,099	10y Futures
USAH7	109.140	0	109.170	109.110	109.110	16,937	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.260	0.5	99.267	99.255	99.257	na	2y
BUS05P	99.145	1.0	99.155	99.130	99.140	na	5y
BUS10P	97.310	1.0	98.010	97.295	97.305	na	10y
BUS30P	92.165	3	92.200	92.135	92.160	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.971	(0.90)	4.992	4.955	4.992	na	2y Yield
BUS05Y	4.875	(0.50)	4.889	4.864	4.886	na	5y Yield
BUS10Y	4.886	(0.60)	4.898	4.875	4.894	na	10y Yield
BUS30Y	4.988	(0.30)	4.999	4.981	4.997	na	30y Yield

Source: CQG

Yesterday

01/29 15:21 US TSY\$/RECAP: Tsy's weaken Mon amid 1) profit-taking/selling, 2) German Bunds selloff; 3) MBS-tied selling, also MBS-tied swaps paying before mo-end in 2Y through 10Y swaps (though MBS flows two-way including Asian buying, money mgr & hedge fund selling); also 4) mkt uncertainty b4 FOMC, 5) future US/Euro area supply weight; 6) US Tsy's technical weakness. But there also was 7) earlier Asian bid in longer-end Tsy's; 8) earlier buying of Tsy's/selling Bunds trade; 9) earlier short-covering in Tsy's; 10) momentum buyers in 10Y futures at the opening. 11) options-tied selling in Bunds, and supply pressure there too, also hawkish ECB comments; 12) earlier big MBS-tied selling in US 3Y notes, also MBS-tied 3Y swaps paying; 13) fast money did 2Y/10Y flatteners earlier. 14) Some disappointment in Bunds that month-end buying has not surfaced as yet as is a 0.20-yr extension in iBoxx European govt bond index. Tsy will borrow US\$141B in 1Q (lower than Tsy's US\$175B prior estimate). US stocks mixed: DJIA and Nasdaq up, S&P 500 down. Curve mildly steeper.

01/29 15:01 Swaps: Spreads remain wider on the Tsy futures close with the 2Y wider by 0.75bps to a midpoint of 36.75bps while the 5Y is out by 1.25bps to 43.00bps. The 10Y was wider by 1.00 bps to a midpoint of 51.00bps while the 30Y was wider by 0.75 bps to a midpoint of 53.75bps. Widening seen amid mortgage paying linked to duration shedding all day, ahead of month-end sources report. This action took place in 2-10Y spds, sources say. [Source - MNI]

Overnight

01/30 04:56 USTs: Treasuries are trading modestly higher across the board in London Tuesday, helped by light short-covering after overnight weakness in the U.S. But many players were sidelined ahead of the start of the Federal Reserve's 2-day FOMC meeting. Light demand was seen from the getgo in Tokyo, with real money demand noted at the front of the curve and light buying of the 10-year sector from leveraged accounts. There was little change in London, with tight demand noted in longer-dated paper, as both dip-buying and short-covering was noted from early in the session. However, volumes were tight, with many saying trading ranges were tight, with flows largely interdealer. 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 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

	#VALUE!
30y	7.69
10y	4.40
5y	2.56
3y	1.88
2y	9.68
ZB	5.75
ZN	3.83
ZF	1.80
ZT	

DV01s (32nds)

	#VALUE!
30y	2.44
10y	0.81
5y	3.48
3y	1.98
2y	1.29
ZB	1.18
ZN	
ZF	
ZT	

DV01s (\$s)

	#VALUE!
30y	\$761
10y	#NUM!
5y	\$254
3y	#NUM!
2y	\$109
ZB	\$62
ZN	\$40
ZF	\$37
ZT	

Yield Curve Spreads

2/3	-5.10
3/5	-4.50
2/5	-9.60
5/10	1.10
2/10	-8.50
10/30	10.20
5/30	11.30
2/30	1.70

Fly's

2/3/5	-0.60
2/5/10	-10.70
2/10/30	-18.70
5/10/30	-9.10

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		0.567	0.370	0.339
ZN	1.764		0.652	0.597
ZF	2.705	1.533		0.916
ZT	0.677	1.195	1.832	

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	#NUM!	2.33	#NUM!	6.99	#VALUE!
ZN	#NUM!	4.11	#NUM!	12.33	#VALUE!
ZF	#NUM!	6.31	#NUM!	18.91	#VALUE!
ZT	#NUM!	6.89	#NUM!	20.65	#VALUE!

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	#NUM!	#NUM!	#NUM!	#NUM!	#VALUE!
3y	#NUM!		#NUM!	2.998	#VALUE!
5y	#NUM!	#NUM!		#NUM!	#VALUE!
10y	#NUM!	0.334	#NUM!		#VALUE!
30y	#NUM!	#VALUE!	#NUM!	#VALUE!	

Commitment of Traders (COT)

	Current Positions									
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	220,641	286,583	(65,942)	191,690	257,734	(66,044)	1,166,856	1,034,870	131,986	ZF
ZN	346,503	500,758	(154,255)	594,967	388,000	206,967	1,736,537	1,789,248	(52,711)	ZN
ZB	135,716	196,592	(60,876)	130,531	207,480	(76,949)	666,665	528,840	137,825	ZB

	WoW** Position Change				
	Sml Spec		Lrg Spec		Comm
	Net		Net		Net
ZF	15,412		(23,371)		7,960
ZN	(5,794)		(9,681)		15,476
ZB	(10,360)		(5,407)		15,767
					As of 1/23/2007

**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	99.2550	4.983
3y	4.625	11/15/09	99.0675	4.929
5y	4.750	1/31/12	99.1375	4.880
10y	4.625	11/15/16	97.300	4.892
30y	4.500	2/15/36	92.16	4.993

GHCO

CF Basis*	Basis	32nds
5y	0.41	32.289
10y	0.55	35.113
30y	5.30	174.104
		ZF 104.0900
		ZN 106.1150
		ZB 109.13

Curve Spreads bps

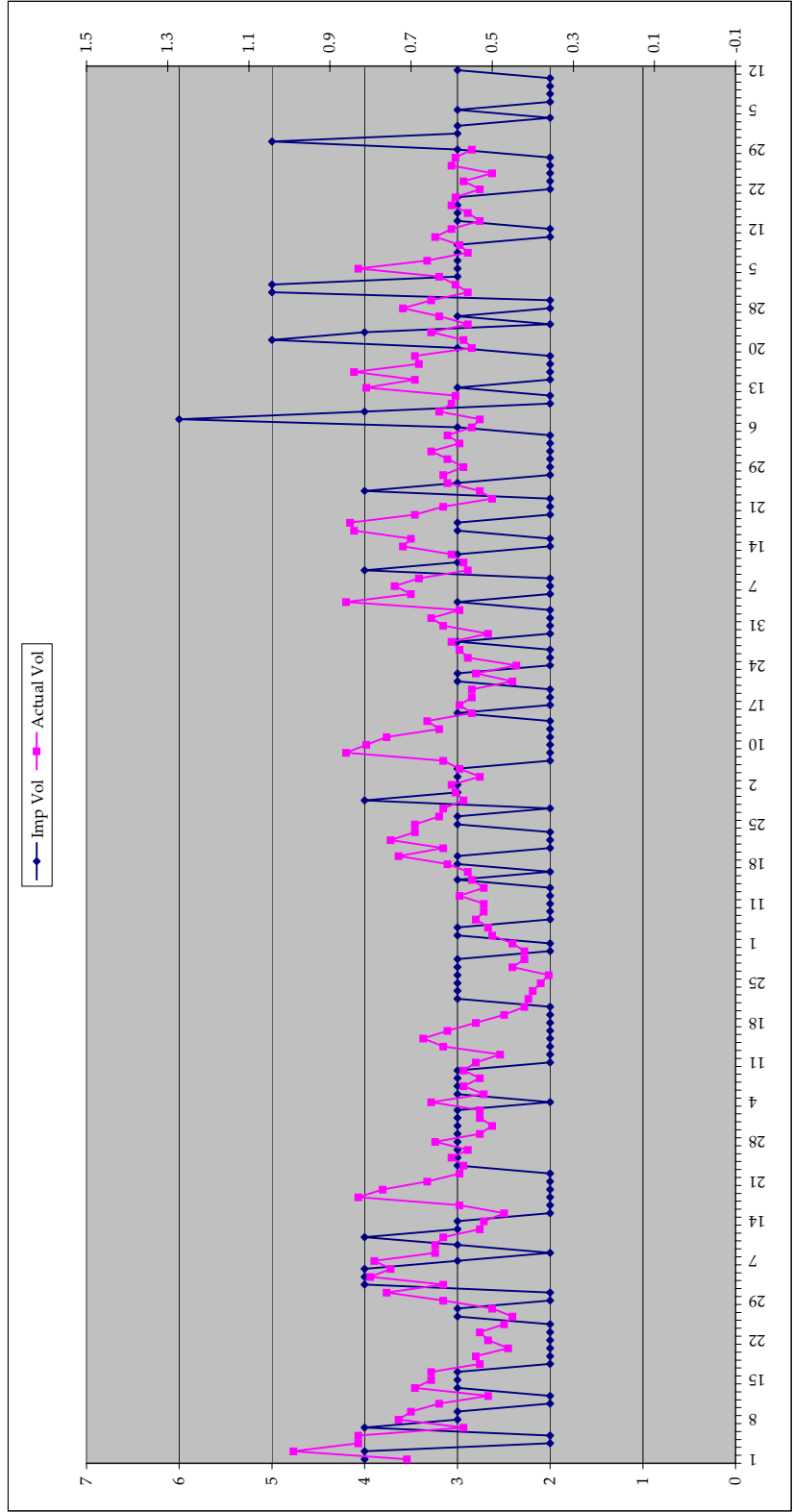
2/3	(0.054)
3/5	(0.049)
2/5	(0.103)
5/10	0.012
2/10	(0.091)
10/30	0.101
5/30	0.113
2/30	0.010

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	1/30/2007	1/31/2007	2/1/2007
1900-2200	0000-0300	2000-2300	4	3	3
2200-0100	0300-0600	2300-0200	4	3	3
0100-0400	0600-0900	0200-0500	4	3	3
0400-0700	0900-1200	0500-0800	2	2	2
0700-1000	1200-1500	0800-1100	2	2	2
1000-1300	1500-1800	1100-1400	2	2	2
1300-1600	1800-2100	1400-1700	2	2	2
1600-1900	2100-0000	1700-2000	2	1	1

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
 1,2 = very slow
 3 = moderate
 4,5 = volatile
 6-9 = very volatile