

## The Morning Email: Treasuries

Rotate Me

### Table of Contents

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

Want something added?

Let me know: [jgoulding@ghco.com](mailto: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	101.235	0.5	101.237	101.227	101.230	7,487	2y Futures
FVAH7	104.125	2.0	104.130	104.110	104.115	20,637	5y Futures
TYAH7	106.170	2.5	106.175	106.145	106.150	79,868	10y Futures
USAH7	109.210	5	109.220	109.170	109.180	20,211	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.272	0.7	99.272	99.267	99.267	na	2y
BUS05P	99.177	1.5	99.180	99.165	99.167	na	5y
BUS10P	98.045	1.5	98.050	98.025	98.025	na	10y
BUS30P	92.270	5	92.270	92.225	92.225	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.950	(1.30)	4.975	4.921	4.975	na	2y Yield
BUS05Y	4.850	(0.90)	4.864	4.848	4.864	na	5y Yield
BUS10Y	4.861	(1.00)	4.88	4.859	4.878	na	10y Yield
BUS30Y	4.966	(1.00)	4.981	4.965	4.98	na	30y Yield

Source: CQG

## Yesterday

01/30 15:10 US TSY5/RECAP: Tsy5 end Tues slightly higher amid 1) slightly stronger technicals; 2) servicer big buying in June 10Y calls; 3) money manager selling June 10Y vol; 4) morning swap tightening with some citing receiver-tied support across curve, while others didn't see receiving & said spreads came off wides as recent paying pressure from large unwind of bear steppener, mtge extension abated. 5) Conf. Board confidence at Jan 110.3 vs. rumored 116. 6) Foreign buy-and-hold investor buying in intermediates. 7) 10Y yield near 200-day moving avg at 4.83%. 8) German Bunds firm as popular Greek 30Y deal priced. 9) Some eye smallish 1Q refunding, ranges from US\$398-\$42B; 10) Some buy-and-hold money selling in belly, 11) leveraged account 2Y/5Y, 2Y/10Y steepeners; 12) fund mgr selling in intermediates in morn. 13)Corp-rate-lock unwinds. German Jan CPI friendly: -0.2% m/m, +1.6% y/y. Wed big news is 9am Feb refndg annt, then 10am ET Tsy refunding news conference; also is 8:30am GDP and 8:15 am ADP priv employment report.

01/30 15:04 US Swaps: Swap spreads finished the session steady to tighter in a directional move with lower Tsy ylds, well off early wides. The 2yr and 10yr spds were steady at midpoints of 37.50 and 52.75, respectively, while the 5yr and 30yr spds are in 0.25 bps at 44.25 and 55.00 respectively, according to GovPX. Of note, the 2s/10s swap yld spd continues to move off inversion, +6.7 bps on the bell, as does the 2s/5s swap yld spd, -2.7 bps..[Source - MNI]

## Overnight

01/31 05:48 USTs: (1) Treasuries are modestly higher in London trade Wednesday, as book-squaring ahead of the Federal Reserve's FOMC rate decision, a full calendar of economic data and light month-end duration demand helps buoy prices. But traders were quick to note that the upcoming Fed decision, the release of fourth quarter growth data and Chicago purchasing managers data was keeping many players sidelined. Also due Weds is the Treasury's quarterly refunding statement, with around \$40 bln expected to be sold...Volumes were light, with flows largely inter-dealer. Prices were better from the getgo in Tokyo, helped in part by the stronger yen. Additionally, traders said the sharp falls in the Chinese equity market helped furnish a flight-to-quality bid. In London, the intermediate sector of the curve underperformed, with the 10-year lagging both the five and 30-year sector of the curve. This was partly on the back of selling of the 10-year note by leveraged accounts.. Source - MNI]

## Today

### Econ Releases for today & this week

Date	ET	Release	For	Briefing.com	Consensus	Prior
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	JSM 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 downturn than up tick.  
Source: MNI

### Upcoming Speakers/Events

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

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	7.69
5y	4.40
3y	2.56
2y	1.88
ZB	9.69
ZN	5.75
ZF	3.83
ZT	1.80

**DV01s (32nds)**

30y	4.63
10y	2.44
5y	1.40
3y	0.81
2y	0.60
ZB	3.50
ZN	1.98
ZF	1.29
ZT	1.18

**DV01s (\$s)**

30y	\$1,448
10y	\$763
5y	\$438
3y	\$254
2y	\$188
ZB	\$109
ZN	\$62
ZF	\$40
ZT	\$37

**Yield Curve Spreads**

2/3	-5.70
3/5	-4.30
2/5	-10.00
5/10	1.10
2/10	-8.90
10/30	10.50
5/30	11.60
2/30	1.60

**Fly's**

2/3/5	-1.40
2/5/10	-11.10
2/10/30	-19.40
5/10/30	-9.40

**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	0.369	0.337
ZN	1.765		0.651	0.595
ZF	2.710	1.535		0.914
ZT	0.675	1.191	1.828	

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	4.01	6.98	13.26
ZN	3.04	4.10	7.08	12.33	23.40
ZF	4.66	6.30	10.87	18.92	35.93
ZT	5.10	6.89	11.89	20.71	39.31

## 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		1.352	2.332	4.061	7.711	
3y	0.740		1.725	3.004	5.704	
5y	0.429	0.580		1.742	3.307	
10y	0.246	0.333	0.574		1.899	
30y	0.130	0.175	0.302	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	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	Net	
ZF	15,412	(23,371)	7,960	As of	1/23/2007
ZN	(5,794)	(9,681)	15,476		
ZB	(10,360)	(5,407)	15,767		

\*\*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	99.2650	4.966
3y	4.625	11/15/09	99.0850	4.907
5y	4.750	1/31/12	99.1625	4.862
10y	4.625	11/15/16	98.025	4.873
30y	4.500	2/15/36	92.22	4.980

## GHCO

CF Basis*	Basis	32nds
5y	0.42	32.902
10y	1.45	36.882
30y	5.31	177.718
		ZF 104.1100
		ZN 106.1450
		ZB 109.16

## Curve Spreads bps

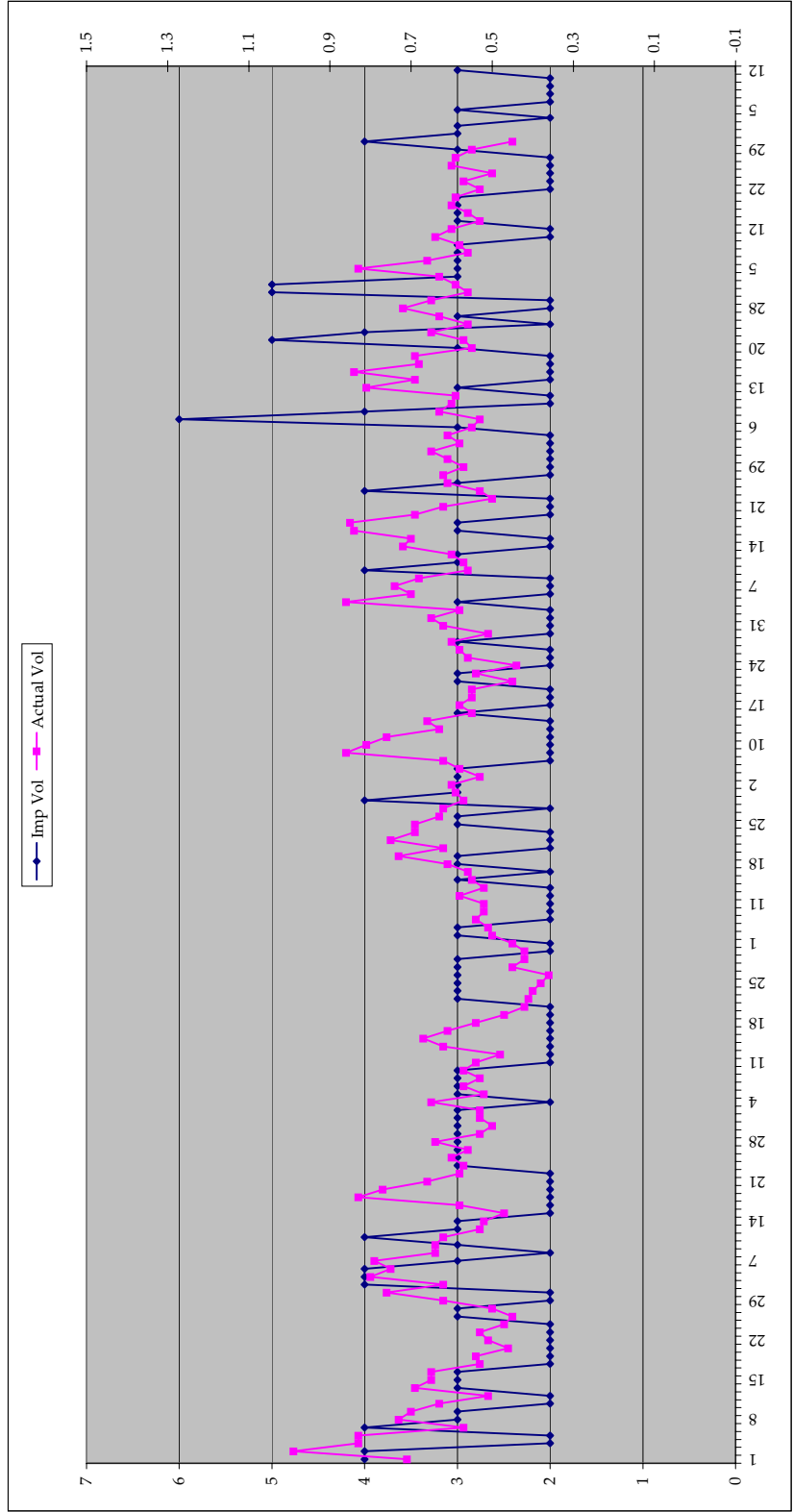
2/3	(0.059)
3/5	(0.045)
2/5	(0.104)
5/10	0.011
2/10	(0.093)
10/30	0.107
5/30	0.118
2/30	0.014

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