

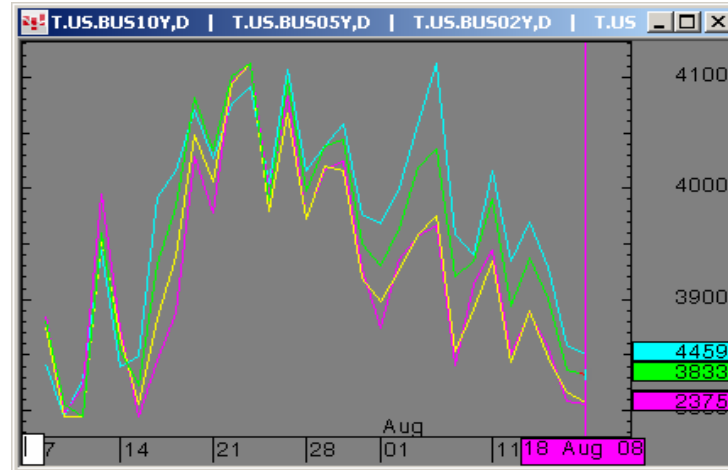


### The Morning Email: Treasuries

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#### Daily Yield Curve



Scale is for 10yr

Source: CQG, Inc. © 2008 All rights reserved worldwide Mon Aug 18 2008



Want something added? Let me know: [jgoulding@ghco.com](mailto:jgoulding@ghco.com)

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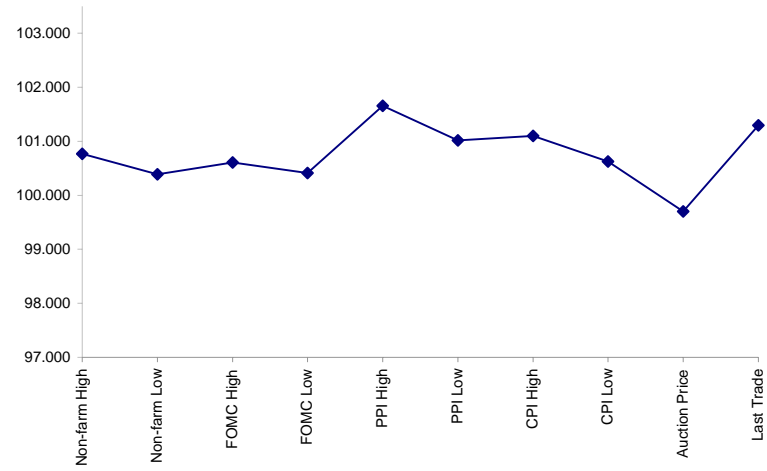
Economic Releases (32nds)

	5y	10y	ZNU8	ZBU8	Date
Non-farm High	100.2450	100.115	115.070	116.010	8/1/2008
Non-farm Low	100.1250	99.255	114.185	115.060	8/1/2008
FOMC High	100.1950	100.045	115.000	116.000	8/5/2008
FOMC Low	100.1325	99.245	114.200	115.085	8/5/2008
PPI High	101.2100	101.245	116.020	117.180	7/15/2008
PPI Low	101.0050	101.020	115.055	116.240	7/15/2008
CPI High	101.0325	101.010	115.305	117.055	8/14/2008
CPI Low	100.2000	100.090	115.060	115.310	8/14/2008
Auction Price	99.2252	99.124	na	na	
Last Trade	101.0950	101.115	116.075	117.220	8/18/2008 5:56

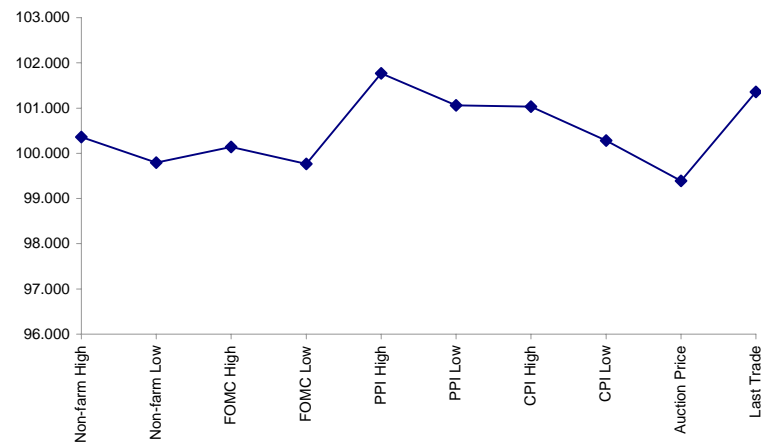
Auctions - 32nds

	2 y	5y	10y	30y
Auction Price	99.277	99.225	99.124	98.074
Auction Yield Stop	2.82	3.44	4.075	4.609
Actual Auction Date	7/23/2008	7/25/2008	8/6/2008	8/7/2008

5y (Decimal)



10y (Decimal)



Notes:

- 1) Cash and futures are adjusted for roll.
- 2) Release times are from release to 2pm cdt
- 3) {Jun08 to Sep08 Futures roll: ZF = (-27 3/4); ZN = (-49 1/2); ZB = (-30 1/2) [tics]}

Quotes

		32 nds					
	Last	Net	High	Low	Open	Volume	Sym Name
TUAU8	106.095	0.005	106.102	106.080	106.092	20,669	2y Fut
FVAU8	112.070	0.020	112.087	112.037	112.065	29,220	5y Fut
TYAU8	116.075	0.045	116.105	116.030	116.065	56,967	10y Fut
USAU8	117.220	0.07	117.245	117.140	117.190	13,210	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	100.225	0.005	100.227	100.212	100.225	na	2y Cash
BUS05P	101.092	0.022	101.107	101.060	101.085	na	5y Cash
BUS10P	101.110	0.020	101.130	101.060	101.110	na	10y Cash
BUS30P	100.195	0.040	100.225	100.090	100.100	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	2.379	0.000	2.408	2.367	2.408	na	2y Yield
BUS05Y	3.087	(0.014)	3.116	3.078	3.109	na	5y Yield
BUS10Y	3.833	(0.004)	3.859	3.825	3.848	na	10y Yield
BUS30Y	4.459	(0.007)	4.487	4.455	4.472	na	30y Yield

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
30y	16.17	5.21	\$1,629	10.42	n/a	30y
10y	8.19	2.66	\$830	5.31	n/a	10y
5y	4.52	1.50	\$470	6.02	n/a	5y
2y	1.89	0.61	\$190	2.43	n/a	2y
ZB	10.26	3.93	\$123	3.93	0.7937	ZB
ZN	6.65	2.49	\$78	4.98	0.8539	ZN
ZF	3.94	1.46	\$45	2.91	0.8912	ZF
ZT	1.80	0.62	\$19	2.46	0.9443	ZT

Yield Curve Spreads

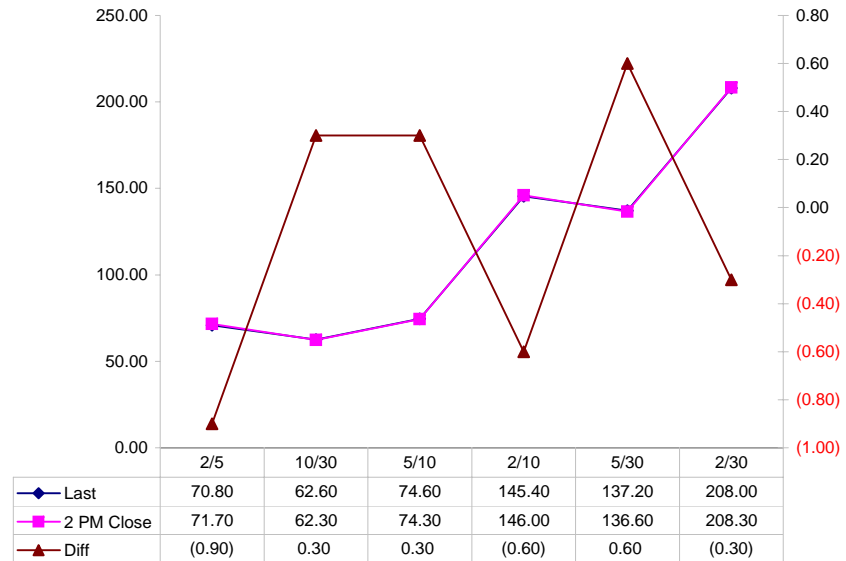
	Last	2pm close	Diff
2/5	70.80	71.70	(0.90)
10/30	62.60	62.30	0.30
5/10	74.60	74.30	0.30
2/10	145.40	146.00	(0.60)
5/30	137.20	136.60	0.60
2/30	208.00	208.30	(0.30)

DV01 32, said differently, is "how many TICS are in a basis point?".

Example, If ZN moves 1-basis point, then, it's moved 2.38 tics (Today, 06/25/08, the value in the box is 2.38).

Since ZN trades in half tics, then, 4.80 boxes = 1 basis point in ZN. (Again, today, 08/07/08, the value in the box is 4.80). Of course the values will be different as you look at this. But, they won't be that much different. So, I think you can get the idea I'm trying to get across.

Curve Spreads vs 2pm close



Notes

CF = Conversion Factor

MDuration = Modified Macaulay Duration

MDuration & DV01s for Futures are based on proxy issue (CTD)

DV01 Box = Dollar Value of 1 basis point move per Box

## US Financial Futures / Eurex Bond

	ZB	ZN	ZF	ZT
<b>Bund (U)</b>	1.033	1.660	2.770	3.180
<b>Bobl (U)</b>	0.563	0.948	1.550	2.000
<b>Shatz (U)</b>	0.248	0.431	0.599	0.686

## US Financial Futures

	ZB	ZN	ZF	ZT
<b>ZB</b>		1.592	2.726	3.221
<b>ZN</b>	0.628		1.713	2.024
<b>ZF</b>	0.367	0.584		1.182
<b>ZT</b>	0.303	0.482	0.826	

## Eurex Bonds

	Bund (H)	Bobl (H)	Shatz (H)
<b>Bund (H)</b>		1.8	4.6
<b>Bobl (H)</b>	0.6		2.6
<b>Shatz (H)</b>	0.2	0.4	

## US Treasuries v US Financial Futures

	2y	5y	10y	30y
<b>ZB</b>	1.53	3.79	6.70	13.14
<b>ZN</b>	2.44	6.04	10.66	20.91
<b>ZF</b>	4.18	10.34	18.26	35.82
<b>ZT</b>	4.94	12.22	21.57	42.33

## US Treasuries v Eurex Bonds

	2y	5y	10y	30y
<b>Bund (U)</b>	1.5	3.7	6.6	12.8
<b>Bobl (U)</b>	2.8	6.7	12.0	23.3
<b>Shatz (U)</b>	7.2	17.1	30.7	59.7

## US Treasuries

	2y	5y	10y	30y
<b>2y</b>		2.473	4.365	8.565
<b>5y</b>	0.388		1.765	3.464
<b>10y</b>	0.220	0.566		1.962
<b>30y</b>	0.112	0.289	0.510	

Note: If you are looking at a matrix with Eurex products then those ratios are pulled from Bloomberg and are static. Meaning, I only update them once in a while but always on rolls. I calculate the other matrices, with US products, everyday

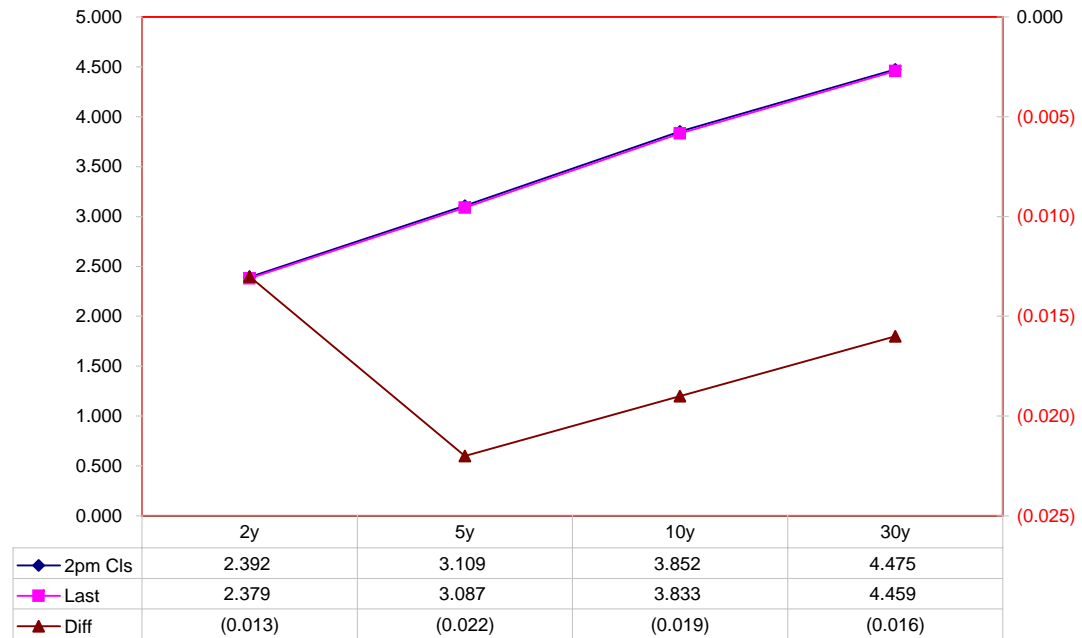
Closes: 2pm CT vs this Morning

	Cpn	Mty	Close 32	Close	Last	Diff	Basis			Close 32	Last	
							Close	Last	Roll			
2y	2.750	7/31/10	101.2175	2.392	2.379	(0.013)	41.48	10.46		106.0975	106.0950	TUAU8
5y	3.375	7/31/13	101.0675	3.109	3.087	(0.022)	40.23	41.20		112.0500	112.0700	FVAU8
10y	4.000	8/15/18	101.070	3.852	3.833	(0.019)	66.76	67.42		116.030	116.075	TYAU8
30y	4.500	5/15/38	100.130	4.475	4.459	(0.016)	229.08	232.93		117.155	117.220	USAU8

Curve Spreads

	Close bps	Last bps
2/5	71.7	70.8
5/10	74.3	74.6
10/30	62.3	62.6
2/10	146.0	145.4
5/30	136.6	137.2
2/30	208.3	208.0

US Treasuries Last v 2pm Close



Notes:

Basis = (Cash Decimal - (Futures Decimal \* CF))\*32

MDuration for Curve Spreads:

Longer duration minus shorter duration

32 = price is quoted in 32nds

Cash Duration Matrix

**What is this? (1):**  
 2yr cash has X% duration of 5yr cash.

**Cash Duration Matrix**

	2	5	10	30
2	100%			
5	42%	100%		
10	23%	55%	100%	
30	12%	28%	50%	100%

**What is this? (2):**  
 - 2yr cash has DV01 of X\$.  
 - Multiply the 2yr DV01 by the percent duration to come up with what the 2yrs DV01 SHOULD be compared to the 5yr.

**Cash Matrix [DV01 x Duration]**

	2	5	10	30
2	\$190			
5	\$196	\$470		
10	\$191	\$459	\$830	
30	\$186	\$446	\$808	\$1,616

**What is this? (3):**  
 - Now you can see the over/under value, based on the DV01, from contract to contract. In this example we are looking at the 2yr compared to the 5yr.

**Cash Matrix [DV01 over / (under) valued]**

	2	5	10	30
2				
5	(\$6)			
10	(\$1)	\$11		
30	\$4	\$24	\$22	

Or you can look at the over/under value as a percentage instead of dollar terms

**Cash Matrix [DV01 over / (under) as %]**

	2	5	10	30
2				
5	-2.98%			
10	-0.57%	2.48%		
30	2.19%	5.32%	2.77%	

## Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.99	2.44	4.31	8.40
ZF	0.42	1.03	1.83	3.55
ZN	0.25	0.62	1.10	2.15
ZB	0.15	0.38	0.68	1.32

	2y	5y	10y	30y
2y		2.47	4.37	8.50
5y	0.40		1.77	3.44
10y	0.23	0.57		1.95
30y	0.12	0.29	0.51	

	ZT	ZF	ZN	ZB
ZT		2.36	3.91	6.38
ZF	0.42		1.66	2.70
ZN	0.26	0.60		1.63
ZB	0.16	0.37	0.61	

## Box for Box Matrix

	2y	5y	10y	30y
ZT	0.99	2.44	8.63	16.80
ZF	0.42	1.03	3.65	7.11
ZN	0.51	1.25	1.10	2.15
ZB	0.62	0.77	1.35	1.32

	2y	5y	10y	30y
2y		2.47	2.18	4.25
5y	0.40		0.44	1.72
10y	0.46	2.27		1.95
30y	0.24	0.58	0.51	

	ZT	ZF	ZN	ZB
ZT		2.36	7.83	12.77
ZF	0.42		1.66	5.40
ZN	0.13	0.60		1.63
ZB	0.08	0.19	0.61	



	Libor\$ <sup>1</sup>	Repo Rt <sup>6</sup>
0/N	2.253	2.100
1week	2.398	2.050
2week	2.439	2.000

	Libor\$ <sup>1</sup>	Tbill	CP <sup>2</sup>
1M	2.466	1.707	2.490
3M	2.809	1.858	2.780
6M	3.118	1.980	3.050

	TSY	Swp	Swp Rate <sup>5</sup>	ED Pks <sup>3</sup>	TSY - ED Pk <sup>4</sup>
2y	2.378	99.50	3.37	3.837	1.459
5y	3.090	101.00	4.10		#VALUE!
10y	3.833	75.00	4.58		#VALUE!

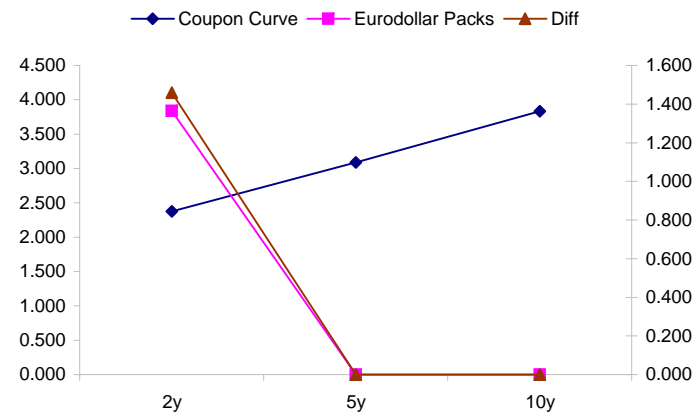
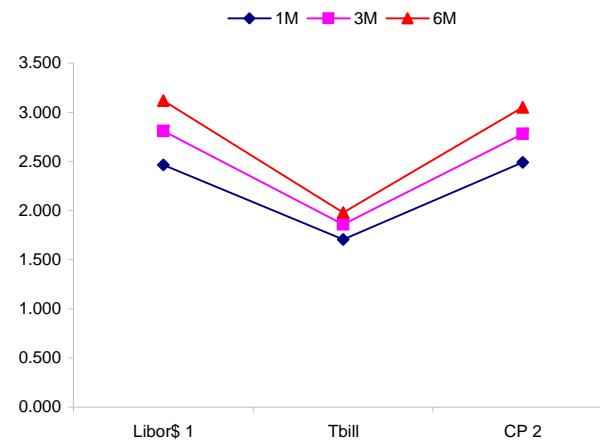
<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>
71.2	#VALUE!	#VALUE!
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>
145.5	#VALUE!	#VALUE!
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>
74.3	#VALUE!	#VALUE!

Red pack / Blue pack is a 2/5 proxy  
 Red pack / Gold pack is a 2/10 proxy  
 Blue pack / Gold pack is a 5/10 proxy

"Swap spreads are essentially a measure of the difference between buying a safe government bond and making a riskier loan to a bank"  
 --WSJ

**Notes:**

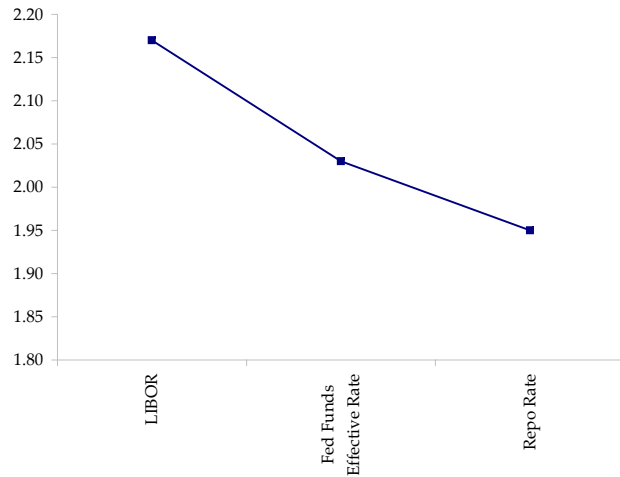
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight General Collateral



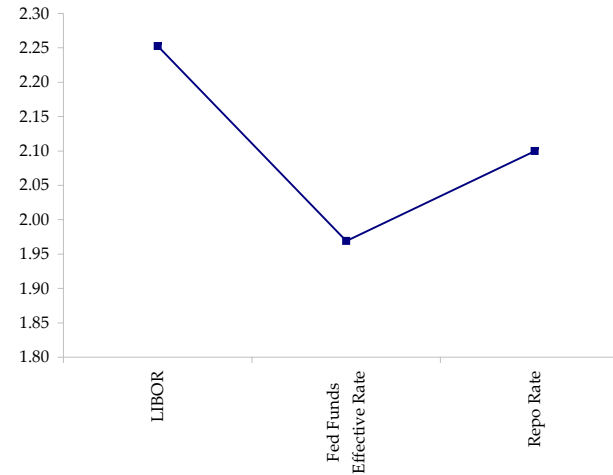
	Last	Chng	Term	Asset Type
USDLIBON	2.253	0.0000	Overnight	LIBOR
TUSFFRON	1.969	0.0000	Overnight	Fed Funds Effective Rate
TUSRPOON	2.100	0.0000	Overnight	Repo Rate
TEONIA01M	4.303	(0.0010)	1 month	Euribor OIS Rate
TEONIA03M	4.321	(0.0020)	3 month	Euribor OIS Rate
TSOIA01M	5.021	(0.0040)	1 month	Sterling OIS Rate
TSOIA03M	4.996	(0.0080)	3 month	Sterling OIS Rate
TUSOIS01M	2.013	0.0020	1 month	USD OIS Rate
TUSOIS03M	2.033	(0.0010)	3 month	USD OIS Rate

Example, below

Overnight Rates -EXAMPLE



Overnight Rates



←  
A 'normal' lending curve looks like the chart to the left. That is, the Libor should be a bit higher than Fed Funds Effective rate (FFER), and the FFER should be a bit higher than the Repo Rate.