



12/18/2008 5:50

## The Morning Email: Treasuries

### Table of Contents

- Pg 1** Important Econ Releases, Highs & Lows
  
- Pg 2** Quotes
  
- Pg 3** Duration, DV01s, CFs
  
- Pg 4** Hedge Ratio's
  
- Pg 5** Treasury Closes: 2pm CT vs this Morning
  
- Pg 6** Cash Duration Matrix
  
- Pg 7** Tic for Tic & Box for Box Matrix
  
- Pg 8** Key Money Rate, Spreads, Swaps, Packs
  
- Pg 9** Libor, Fed Funds (OIS), Repo, SONIA & EONIA Rates
  
- Pg 10** Global 10yr Spreads over US Treasuries

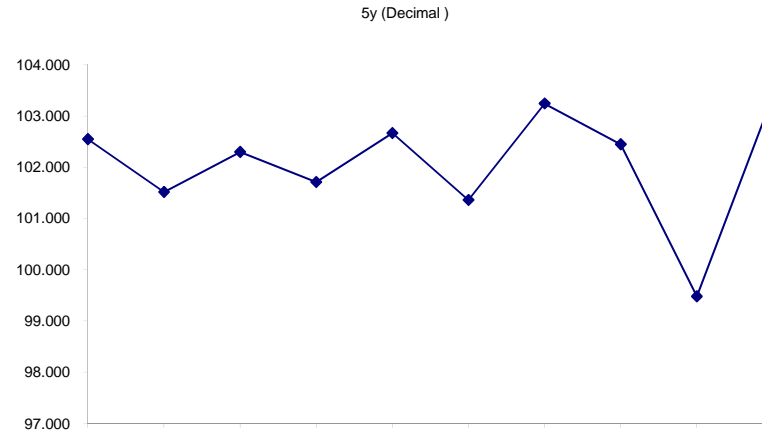
Want something added? Let me know:  
[jgoulding@ghco.com](mailto:jgoulding@ghco.com)

**Disclaimer:** All information within this newsletter is meant for internal use at GH Trader's LLC, only. 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.

**Important Econ Releases, Highs & Lows**

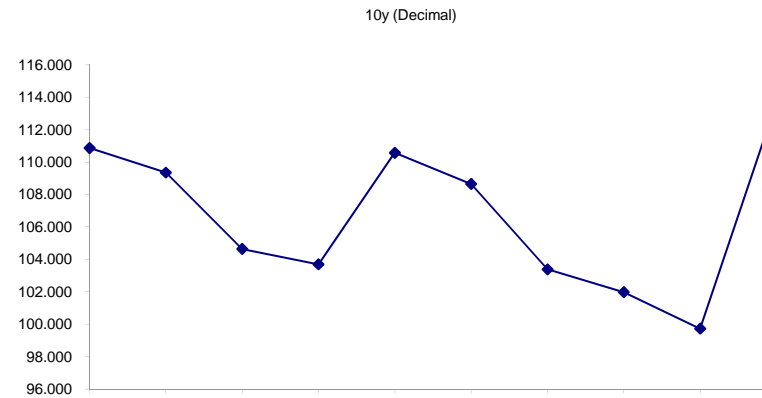
**Economic Releases (32nds)**

	5y	10y	ZNZ8	ZBZ8	Date
Non-farm High	102.1750	110.280	124.205	135.025	12/5/2008
Non-farm Low	101.1650	109.115	122.260	132.280	12/5/2008
FOMC High	102.0950	104.208	117.115	117.265	10/29/2008
FOMC Low	101.2275	103.223	116.035	115.295	10/29/2008
PPI High	102.2125	110.185	124.175	135.215	12/13/2008
PPI Low	101.1150	108.210	122.250	132.090	12/13/2008
CPI High	103.0775	103.125	121.215	123.145	11/19/2008
CPI Low	102.1425	101.315	120.210	121.205	11/19/2008
Auction Price	99.1539	99.233	0.000		
Last Trade	103.1270	113.230	130.020	139.130	12/18/2008



**Auctions - 32nds**

	2 y	3 y	5y	10y	30y
Auction Price	99.308	101.272	99.154	99.233	98.074
Auction Yield Stop	1.269	1.245	2.110	3.783	4.609
Actual Auction Date	11/24/2008	11/10/2008	11/25/2008	11/12/2008	8/7/2008



**Notes:**

- 1) Cash and futures are adjusted for roll.
- 2) Release times are from release to 2pm cdt
- 3) {Dec08 to Mch09 Futures roll: ZF = (91); ZN = (70 ); ZB = (32) [tics]}

## Quotes

		32 nds					
	Last	Net	High	Low	Open	Volume	Sym Name
TUAH9	108.2120	0.002	108.2320	108.1720	108.1950	5,383	2y Fut
FVAH9	119.2600	0.032	119.2870	119.1770	119.2300	12,372	5y Fut
TYAH9	127.1950	0.020	127.2650	127.1000	127.2050	35,009	10y Fut
USAH9	139.1850	0.065	139.2650	139.0450	139.1050	6,770	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	100.3120	0.200	101.0070	100.3000	100.3170	na	2y Cash
BUS03P	100.1150	0.500	100.1320	100.0920	100.1200	na	3y Cash
BUS05P	103.0450	7.200	103.0620	102.2850	103.0100	na	5y Cash
BUS10P	114.1350	23.000	114.1700	113.2250	113.2250	na	10y Cash
BUS30P	138.1800	103.500	139.0300	137.2000	137.2000	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	0.742	0.400	0.827	0.697	0.709	na	2y Yield
BUS03Y	0.986	0.000	1.120	0.875	0.982	na	3y Yield
BUS05Y	1.337	(4.400)	1.396	1.321	1.371	na	5y Yield
BUS10Y	2.130	(7.400)	2.216	2.008	2.201	na	10y Yield
BUS30Y	2.609	(3.700)	2.664	2.565	2.665	na	30y Yield

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
<b>30y</b>	18.30	8.39	\$2,622	16.78	n/a	<b>30y</b>
<b>10y</b>	8.37	3.17	\$992	6.35	n/a	<b>10y</b>
<b>5y</b>	4.70	1.59	\$496	6.34	n/a	<b>5y</b>
<b>3y</b>	2.83	0.94	\$295	3.77	n/a	<b>3y</b>
<b>2y</b>	1.92	0.63	\$197	2.52	n/a	<b>2y</b>
<b>ZB</b>	10.87	5.28	\$165	5.28	#N/A	<b>ZB</b>
<b>ZN</b>	6.85	2.96	\$93	5.92	#N/A	<b>ZN</b>
<b>ZF</b>	4.15	1.67	\$52	3.35	#N/A	<b>ZF</b>
<b>ZT</b>	1.92	0.71	\$22	2.84	#N/A	<b>ZT</b>

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

Example, If **ZN** moves 1~basis point, then, it's moved 2.51 tics (Today, 12/01/08, the value in the box is 2.51).

Since ZN trades in half tics, then, 5.03 boxes = 1 basis point in ZN. (Again, today, 12/01/08, the value in the box is 5.03). 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.

#### 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

	ZB	ZN	ZF	ZT
ZB		1.783	3.157	3.842
ZN	0.561		1.771	2.155
ZF	0.317	0.565		1.217
ZT	0.260	0.464	0.822	

## US Treasuries vs US Financial Futures

	2y	3y	5y	10y
ZB	1.19	1.80	3.00	6.01
ZN	2.12	3.22	5.36	10.71
ZF	3.76	5.70	9.48	18.97
ZT	4.58	6.93	11.54	23.08

## US Treasuries

	2y	3y	5y	10y
2y		1.515	2.522	5.045
3y	0.594		1.683	3.367
5y	0.397	0.601		2.001
10y	0.198	0.300	0.500	

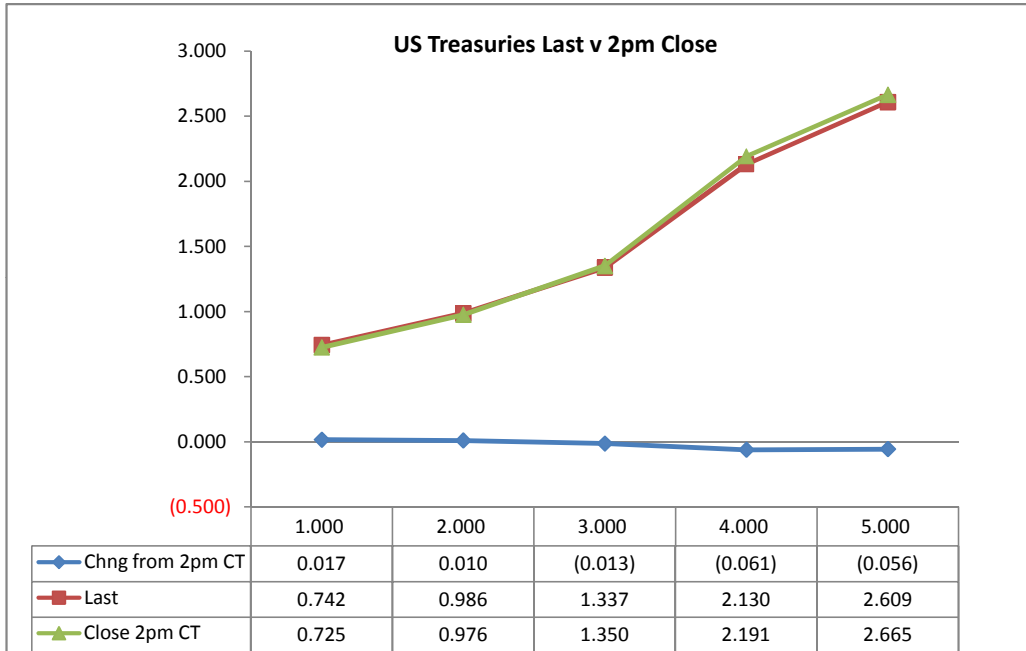
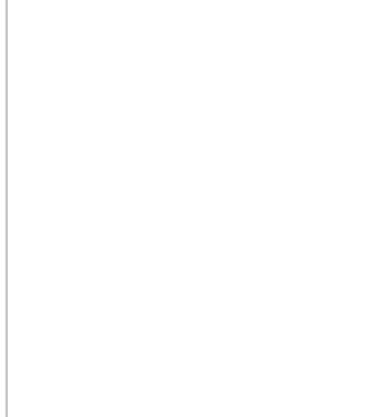
Note: If you are looking at a matrix with Eurex products then those ratios are pulled from Bloomberg and are static. Meaning, I only update them once in a while but always on rolls. I calculate the other matrixes, with US products, everyday

Treasury Closes: 2pm CT vs this Morning

	Cpn	Mty	Close 32	Close	Last	Chng	Basis		Cash	Futrues	Close 32	Last	
						from 2pm	Close	Last	Roll	Roll			
2y	1.250	11/30/10	101.0050	0.725	0.742	0.017	50.58	48.87			108.2075	108.2120	TUAH9
3y	1.125	12/15/11	100.1400	0.976	0.986	0.010							
5y	2.000	11/30/13	103.0325	1.350	1.337	(0.013)	84.48	83.01			119.2275	119.2600	FVAH9
10y	3.750	11/15/18	113.2600	2.191	2.130	(0.061)	231.09	248.92			127.1750	127.195	TYAH9
30y	#N/A	5/15/38	137.0750	2.665	2.609	(0.056)	846.59	883.13			139.1100	139.185	USAH9

Curve Spreads			
	Close bps		Chng from 2pm CIs
	Last bps		
2/3	25.1	24.5	(0.6)
2/5	62.5	59.6	(2.9)
3/5	37.4	35.1	(2.3)
2/10	146.6	138.8	(7.8)
3/10	121.5	114.3	(7.2)
5/10	84.1	79.2	(4.9)
2/30	194.0	186.8	(7.2)
3/30	168.9	162.3	(6.6)
5/30	131.5	127.2	(4.3)
10/30	47.4	48.0	0.6

O/N News:



	Last	Chng on Day
Emini SP	906.75	3.75
Crude Oil	45.07	0.46
Gold	87.50	6.50
EURUSD	146.00	1.80
USDJPY	88.65	1.39



Notes:

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

MDuration for Curve Spreads:

Longer duration minus shorter duration

32 = price is quoted in 32nds

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

**Cash Duration Matrix**

	2	5	10	30
2	100%	0%		
5	41%	100%		
10	23%	56%	100%	0%
30	11%	26%	46%	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	\$197			
5	\$203	\$496		
10	\$228	\$557	\$992	
30	\$275	\$674	\$1,200	\$2,622

**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	\$197			
5	(\$6)	\$496		
10	(\$31)	(\$62)	\$992	
30	(\$79)	(\$178)	(\$208)	\$2,622

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	0.0%			
5	-3.0%	0.0%		
10	-13.7%	-11.0%	0.0%	
30	-28.6%	-26.5%	-17.3%	0.0%

## Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.89	2.23	4.47	11.81
ZF	0.38	0.95	1.90	5.01
ZN	0.21	0.54	1.07	2.83
ZB	0.12	0.30	0.60	1.59

	2y	5y	10y	30y
2y		2.52	5.04	13.34
5y	0.40		2.00	5.29
10y	0.20	0.50		2.64
30y	0.07	0.19	0.38	

	ZT	ZF	ZN	ZB
ZT		2.35	4.17	7.43
ZF	0.42		1.77	3.16
ZN	0.24	0.56		1.78
ZB	0.13	0.32	0.56	

## Box for Box Matrix

	2y	5y	10y	30y
ZT	0.89	2.23	8.93	23.61
ZF	0.38	0.95	3.79	10.03
ZN	0.42	1.07	1.07	2.83
ZB	0.48	0.60	1.20	1.59

	2y	5y	10y	30y
2y		2.52	2.52	6.67
5y	0.40		0.50	2.64
10y	0.40	2.00		2.64
30y	0.15	0.38	0.38	

	ZT	ZF	ZN	ZB
ZT		2.35	8.34	14.87
ZF	0.42		1.77	6.31
ZN	0.12	0.56		1.78
ZB	0.07	0.16	0.56	



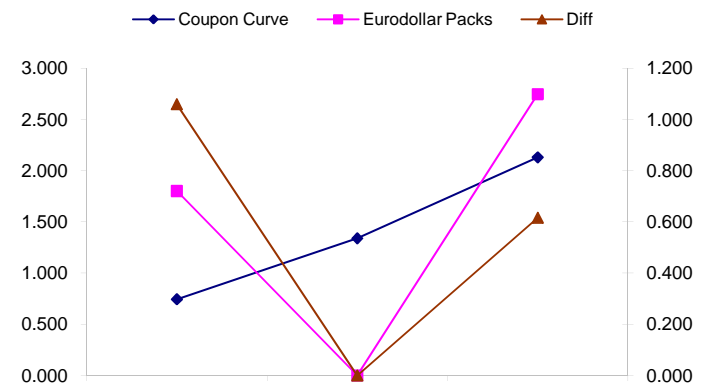
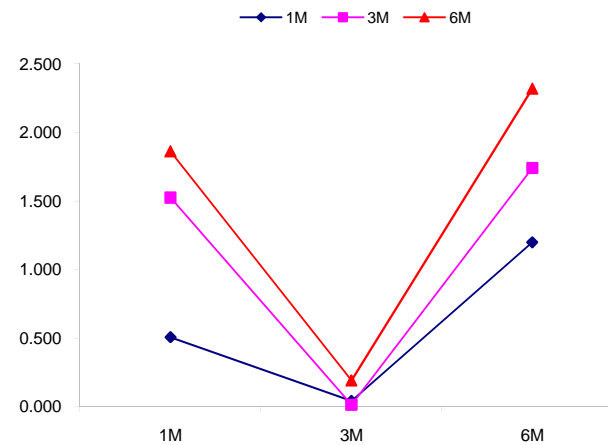
	Libor\$ <sup>1</sup>	Repo Rt <sup>6</sup>			
0/N	0.113	#VALUE!			
1week	0.261	#VALUE!			
2week	0.591	#VALUE!			
	Libor\$ <sup>1</sup>	Tbill	CP <sup>2</sup>		
1M	0.508	0.043	1.200		
3M	1.525	0.015	1.740		
6M	1.864	0.192	2.320		
	TSY	Swp	Swp Rate <sup>5</sup>	ED Pks <sup>3</sup>	TSY - ED Pk <sup>4</sup>
2y	0.742	78.50	1.53	1.801	1.060
5y	1.337	70.00	2.04		#VALUE!
10y	2.130	17.25	2.30	2.746	0.616

<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>	
59.6	#VALUE!	#VALUE!	Red pack / Blue pack is a 2/5 proxy
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>	
138.8	94.4	-44.3	Red pack / Gold pack is a 2/10 proxy
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>	
79.2	#VALUE!	#VALUE!	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:**

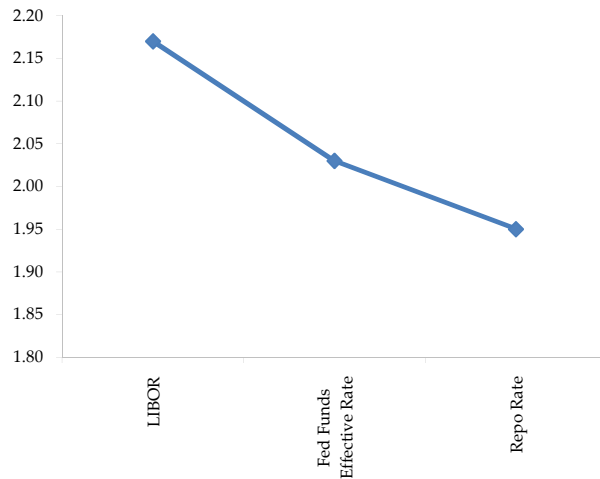
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight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



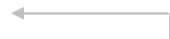
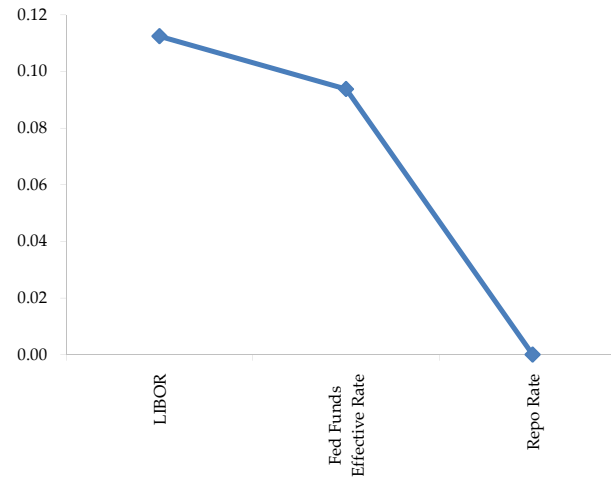
	Last	Chng	Term	Asset Type
USDLIBON	0.113	(0.0200)	Overnight	LIBOR
TUSFFRON	0.094	0.0000	Overnight	Fed Funds Effective Rate
TUSRPOON	#VALUE!	#VALUE!	Overnight	Repo Rate
TEONIA01M	2.067	(0.0400)	1 month	Euribor OIS Rate
TEONIA03M	1.884	(0.0400)	3 month	Euribor OIS Rate
TSONIA01M	1.508	(0.0540)	1 month	Sterling OIS Rate
TSONIA03M	1.208	(0.0930)	3 month	Sterling OIS Rate
TUSOIS01M	0.167	(0.0770)	1 month	USD OIS Rate
TUSOIS03M	0.196	(0.0410)	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.

The best time to view this page is on the closing email I send in the afternoon. The Fed Funds effective rate and the repo rate rarely update until after I send the morning email.

Global 10yr Spreads over US Treasuries

Country	9/2/2008	9/8/2008	9/17/2008	9/19/2008	9/29/2008	10/15/2008	10/24/2008	11/6/2008	11/18/2008	11/25/2008	12/15/2008	Last
Australia	195.3	211.6	217.1	181.6	205.3	135.8	120.8	143.5	138.9	157.4	190.5	#N/A
France	58.9	60.8	87.6	73.6	65.4	31.9	31.4	35	44.4	67.3	128.7	#N/A
Germany	40	40.7	56.7	47	36.2	11.7	3.5	-2.1	12.1	26.4	80.8	#N/A
Japan	-227	-213.4	-192.4	-228.1	-213.2	-242.5	-224.2	-220.5	-193.6	-170.1	-90	#N/A
U.K.	76.4	83	99.6	83.5	76.3	71.5	64.6	62.6	63.8	76.4	103.1	#N/A

Global 10y Note spreads over US 10y

