

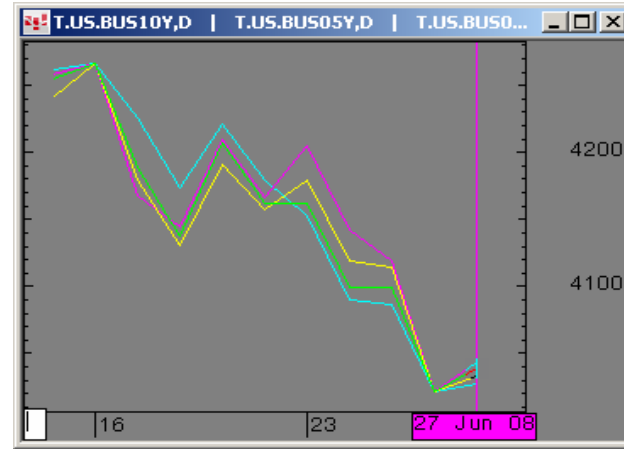


The Morning Email: Treasuries

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Daily Yield Curve



Scale is for 10yr

Source: CQG, Inc. © 2008 Fri Jun 27 2008 05:51:11



Want something added? Let me know: jgoulding@ghco.com

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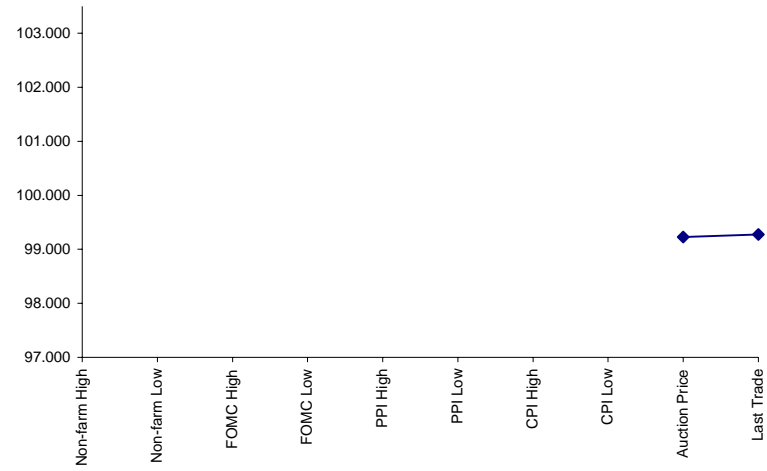
Economic Releases (32nds)

| | 5y | 10y | ZNU8 | ZBU8 | Date |
|---------------|---------|---------|---------|---------|----------------|
| Non-farm High | | 99.240 | 114.085 | 114.270 | 6/6/2008 |
| Non-farm Low | | 98.165 | 112.180 | 113.055 | 6/6/2008 |
| FOMC High | | 100.275 | 113.233 | 115.352 | 4/20/2008 |
| FOMC Low | | 100.020 | 112.241 | 114.267 | 4/20/2008 |
| PPI High | | 97.165 | 112.000 | 112.235 | 6/17/2008 |
| PPI Low | | 96.295 | 111.130 | 111.250 | 6/17/2008 |
| CPI High | | 97.200 | 111.300 | 112.210 | 6/13/2008 |
| CPI Low | | 96.300 | 111.025 | 111.260 | 6/13/2008 |
| Auction Price | 99.2252 | 99.157 | na | na | |
| Last Trade | 99.2770 | 98.220 | 113.195 | 114.315 | 6/27/2008 5:51 |

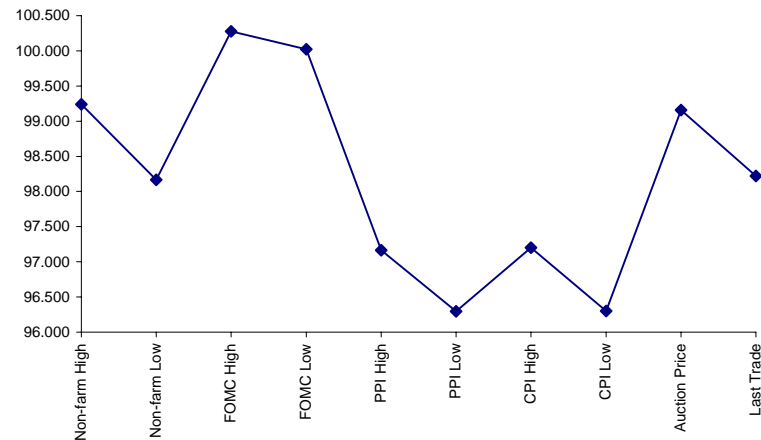
Auctions - 32nds

| | 2 y | 5y | 10y | 30y |
|---------------------|-----------|-----------|----------|------------|
| Auction Price | 99.291 | 99.225 | 99.157 | 96.120 |
| Auction Yield Stop | 2.922 | 3.44 | 3.937 | 4.599 |
| Actual Auction Date | 6/24/2008 | 6/26/2008 | 5/7/2008 | 5/8/2008 r |

5y (Decimal)



10y (Decimal)



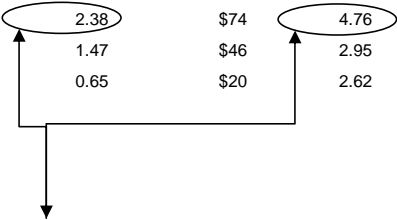
Notes:

- 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 | 105.142 | (0.017) | 105.185 | 105.122 | 105.170 | 60,375 | 2y Fut |
| FVAU8 | 110.102 | 0.000 | 110.160 | 110.065 | 110.107 | 79,787 | 5y Fut |
| TYAU8 | 113.195 | (0.015) | 113.275 | 113.165 | 113.205 | 99,189 | 10y Fut |
| USAU8 | 114.315 | (0.01) | 115.035 | 114.265 | 114.315 | 18,614 | 30y Fut |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02P | 100.112 | (0.022) | 100.150 | 100.097 | 100.132 | na | 2y Cash |
| BUS05P | 99.277 | (0.210) | 100.017 | 99.242 | 99.245 | na | 5y Cash |
| BUS10P | 98.205 | (0.030) | 98.270 | 98.195 | 98.230 | na | 10y Cash |
| BUS30P | 96.120 | (0.010) | 96.160 | 96.055 | 96.160 | na | 30y Cash |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02Y | 2.686 | 0.032 | 2.726 | 2.626 | 2.65 | na | 2y Yield |
| BUS05Y | 3.401 | 0.017 | 3.432 | 3.36 | 3.377 | na | 5y Yield |
| BUS10Y | 4.039 | 0.018 | 4.051 | 4.014 | 4.021 | na | 10y Yield |
| BUS30Y | 4.596 | 0.005 | 4.617 | 4.589 | 4.6 | na | 30y Yield |

| | M Duration | DV01 32 | DV01 \$ | DV01 Box | CF | |
|-----|------------|---------|---------|----------|--------|-----|
| 30y | 15.99 | 5.02 | \$1,568 | 10.04 | n/a | 30y |
| 10y | 8.08 | 2.56 | \$801 | 5.13 | n/a | 10y |
| 5y | 4.56 | 1.49 | \$466 | 5.96 | n/a | 5y |
| 2y | 1.93 | 0.62 | \$194 | 2.48 | n/a | 2y |
| ZB | 10.24 | 3.86 | \$121 | 3.86 | 0.7771 | ZB |
| ZN | 6.47 | 2.38 | \$74 | 4.76 | 0.8478 | ZN |
| ZF | 4.06 | 1.47 | \$46 | 2.95 | 0.8928 | ZF |
| ZT | 1.93 | 0.65 | \$20 | 2.62 | 0.9488 | ZT |



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, 4.75 boxes = 1 basis point in ZN. (Again, today, 06/25/08, the value in the box is 4.75). 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

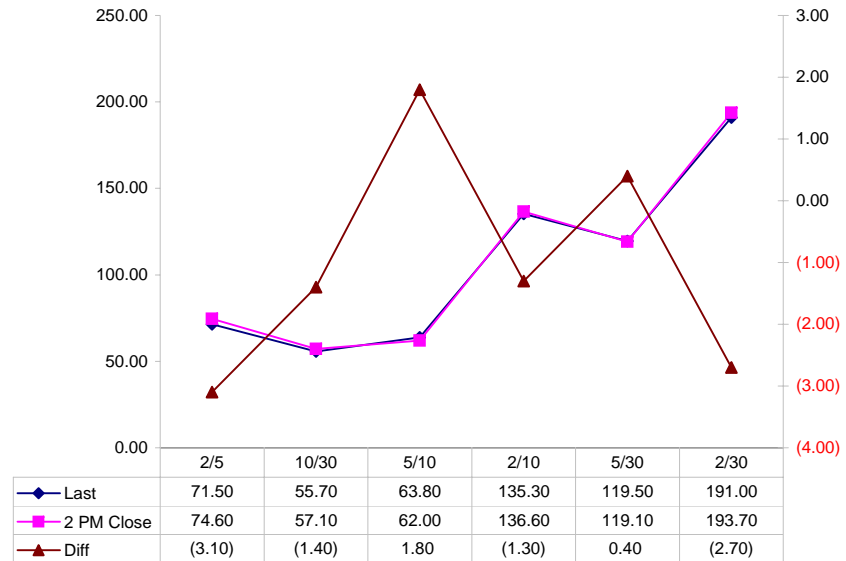
MDuration & DV01s for Futures are based on proxy issue (CTD)

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

Yield Curve Spreads

| | Last | 2pm close | Diff |
|-------|--------|-----------|--------|
| 2/5 | 71.50 | 74.60 | (3.10) |
| 10/30 | 55.70 | 57.10 | (1.40) |
| 5/10 | 63.80 | 62.00 | 1.80 |
| 2/10 | 135.30 | 136.60 | (1.30) |
| 5/30 | 119.50 | 119.10 | 0.40 |
| 2/30 | 191.00 | 193.70 | (2.70) |

Curve Spreads vs 2pm close



US Financial Futures / Eurex Bond

| | ZB | ZN | ZF | ZT |
|------------------|-------|-------|-------|-------|
| Bund (U) | 1.033 | 1.681 | 2.900 | 3.500 |
| Bobl (U) | 0.563 | 0.948 | 1.550 | 2.000 |
| Shatz (U) | 0.248 | 0.431 | 0.700 | 0.800 |

US Financial Futures

| | ZB | ZN | ZF | ZT |
|-----------|-------|-------|-------|-------|
| ZB | | 1.623 | 2.620 | 2.953 |
| ZN | 0.616 | | 1.614 | 1.820 |
| ZF | 0.382 | 0.620 | | 1.127 |
| ZT | 0.331 | 0.537 | 0.867 | |

Eurex Bonds

| | Bund (H) | Bobl (H) | Shatz (H) |
|------------------|----------|----------|-----------|
| Bund (H) | | 1.8 | 4.3 |
| Bobl (H) | 0.6 | | 2.4 |
| Shatz (H) | 0.2 | 0.4 | |

US Treasuries v US Financial Futures

| | 2y | 5y | 10y | 30y |
|-----------|------|-------|-------|-------|
| ZB | 1.61 | 3.86 | 6.39 | 12.99 |
| ZN | 2.61 | 6.26 | 10.37 | 21.08 |
| ZF | 4.21 | 10.11 | 16.74 | 34.02 |
| ZT | 4.74 | 11.40 | 18.88 | 38.36 |

US Treasuries v Eurex Bonds

| | 2y | 5y | 10y | 30y |
|------------------|-----|------|------|------|
| Bund (U) | 1.5 | 3.6 | 6.3 | 12.2 |
| Bobl (U) | 2.7 | 6.3 | 11.2 | 21.8 |
| Shatz (U) | 6.6 | 15.3 | 27.1 | 52.5 |

US Treasuries

| | 2y | 5y | 10y | 30y |
|------------|-------|-------|-------|-------|
| 2y | | 2.402 | 3.979 | 8.086 |
| 5y | 0.439 | | 1.745 | 3.547 |
| 10y | 0.251 | 0.604 | | 2.032 |
| 30y | 0.124 | 0.297 | 0.492 | |

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

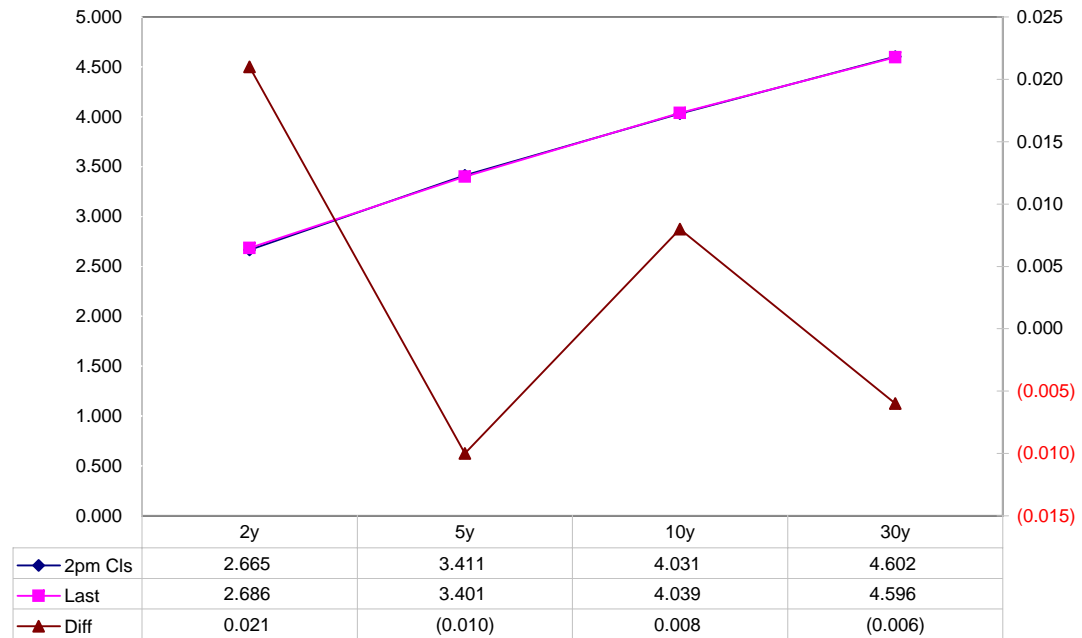
Closes: 2pm CT vs this Morning

| | Cpn | Mty | Close 32 | Close | Last | Diff | Basis | | | Close 32 | Last | |
|-----|-------|---------|----------|-------|-------|---------|--------|--------|--------------|----------|----------|-------|
| | | | | | | | Close | Last | Roll | | | |
| 2y | 2.875 | 6/30/10 | 100.1300 | 2.665 | 2.686 | 0.021 | 9.61 | 9.76 | | 105.1625 | 105.1420 | TUAU8 |
| 5y | 3.375 | 6/30/13 | 99.2675 | 3.411 | 3.401 | (0.010) | 42.94 | 43.94 | +0.75 - 1.00 | 110.1025 | 110.1020 | FVAU8 |
| 10y | 3.875 | 5/15/18 | 98.235 | 4.031 | 4.039 | 0.008 | 76.05 | 75.82 | | 113.210 | 113.195 | TYAU8 |
| 30y | 4.375 | 5/15/37 | 96.110 | 4.602 | 4.596 | (0.006) | 223.27 | 227.16 | | 115.000 | 114.315 | USAU8 |

Curve Spreads

| | Close bps | Last bps |
|-------|-----------|----------|
| 2/5 | 74.6 | 71.5 |
| 5/10 | 62.0 | 63.8 |
| 10/30 | 57.1 | 55.7 |
| 2/10 | 136.6 | 135.3 |
| 5/30 | 119.1 | 119.5 |
| 2/30 | 193.7 | 191.0 |

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

| | 2 | 5 | 10 | 30 |
|----|------|------|------|------|
| 2 | 100% | | | |
| 5 | 42% | 100% | | |
| 10 | 24% | 56% | 100% | |
| 30 | 12% | 29% | 51% | 100% |

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

Cash Matrix [DV01 x Duration]

| | 2 | 5 | 10 | 30 |
|----|-------|-------|-------|---------|
| 2 | \$194 | | | |
| 5 | \$197 | \$466 | | |
| 10 | \$192 | \$453 | \$801 | |
| 30 | \$189 | \$448 | \$793 | \$1,568 |

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 over / (under) valued]

| | 2 | 5 | 10 | 30 |
|----|-------|------|-----|----|
| 2 | | | | |
| 5 | (\$3) | | | |
| 10 | \$2 | \$13 | | |
| 30 | \$5 | \$18 | \$9 | |

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) as %]

| | 2 | 5 | 10 | 30 |
|----|--------|-------|-------|----|
| 2 | | | | |
| 5 | -1.63% | | | |
| 10 | 1.24% | 2.93% | | |
| 30 | 2.38% | 4.08% | 1.12% | |

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

Tic for Tic Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|------|
| ZT | 0.95 | 2.28 | 3.92 | 7.67 |
| ZF | 0.42 | 1.01 | 1.74 | 3.40 |
| ZN | 0.26 | 0.63 | 1.08 | 2.11 |
| ZB | 0.16 | 0.39 | 0.66 | 1.30 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.40 | 4.13 | 8.09 |
| 5y | 0.42 | | 1.72 | 3.37 |
| 10y | 0.24 | 0.58 | | 1.96 |
| 30y | 0.12 | 0.30 | 0.51 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|------|
| ZT | | 2.25 | 3.64 | 5.91 |
| ZF | 0.44 | | 1.61 | 2.62 |
| ZN | 0.27 | 0.62 | | 1.62 |
| ZB | 0.17 | 0.38 | 0.62 | |

Box for Box Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|-------|
| ZT | 0.95 | 2.28 | 7.84 | 15.34 |
| ZF | 0.42 | 1.01 | 3.48 | 6.80 |
| ZN | 0.52 | 1.25 | 1.08 | 2.11 |
| ZB | 0.64 | 0.77 | 1.33 | 1.30 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.40 | 2.07 | 4.04 |
| 5y | 0.42 | | 0.43 | 1.68 |
| 10y | 0.48 | 2.32 | | 1.96 |
| 30y | 0.25 | 0.59 | 0.51 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|-------|
| ZT | | 2.25 | 7.28 | 11.81 |
| ZF | 0.44 | | 1.61 | 5.24 |
| ZN | 0.14 | 0.62 | | 1.62 |
| ZB | 0.08 | 0.19 | 0.62 | |

| | Libor\$ ¹ | Repo Rt ⁶ | | | |
|-------|----------------------|----------------------|-----------------------|---------------------|--------------------------|
| 0/N | 2.498 | 1.930 | | | |
| 1week | 2.469 | 1.800 | | | |
| 2week | 2.470 | 2.000 | | | |
| | Libor\$ ¹ | Tbill | CP ² | | |
| 1M | 2.471 | 1.386 | 2.590 | | |
| 3M | 2.791 | 1.725 | 2.830 | | |
| 6M | 3.154 | 2.163 | 3.180 | | |
| | TSY | Swp | Swp Rate ⁵ | ED Pks ³ | TSY - ED Pk ⁴ |
| 2y | 2.693 | 94.00 | 3.63 | 4.324 | 1.631 |
| 5y | 3.404 | 94.25 | 4.35 | 5.100 | 1.696 |
| 10y | 4.039 | 72.25 | 4.76 | 5.231 | 1.192 |

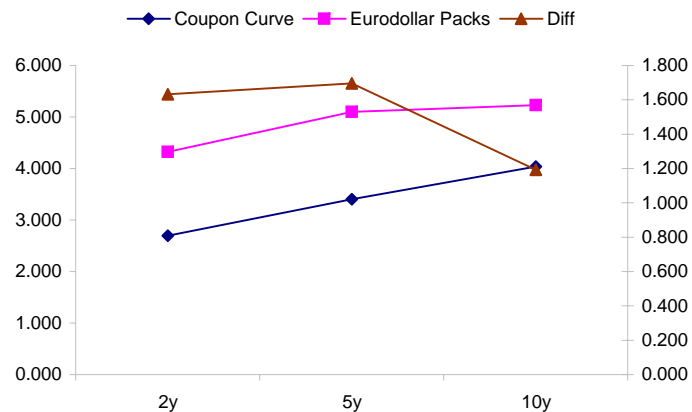
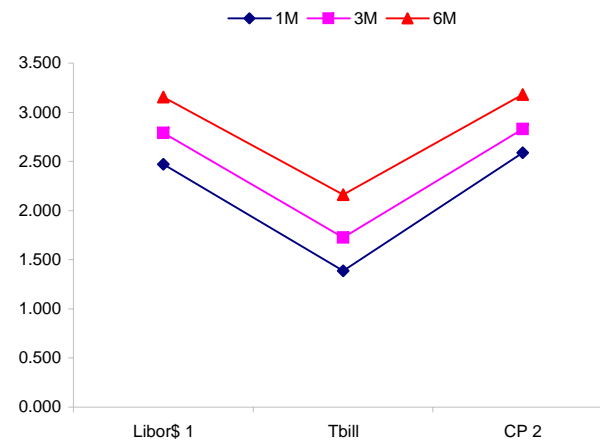
| <u>2/5</u> | <u>Rd/Blu Pk</u> | <u>Diff</u> |
|-------------|-------------------|-------------|
| 71.1 | 77.5 | 6.4 |
| <u>2/10</u> | <u>Rd/Gld Pk</u> | <u>Diff</u> |
| 134.6 | 90.7 | -43.9 |
| <u>5/10</u> | <u>Blu/Gld Pk</u> | <u>Diff</u> |
| 63.5 | 13.1 | -50.4 |

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 | 2.498 | 0.3000 | Overnight | LIBOR |
| TUSFFRON | 1.813 | (0.2187) | Overnight | Fed Funds Effective Rate |
| TUSRPOON | 1.930 | 0.0000 | Overnight | Repo Rate |
| TEONIA01M | 4.177 | 0.0000 | 1 month | Euribor OIS Rate |
| TEONIA03M | 4.261 | (0.0060) | 3 month | Euribor OIS Rate |
| TSONIA01M | 5.057 | 0.0000 | 1 month | Sterling OIS Rate |
| TSONIA03M | 5.146 | 0.0090 | 3 month | Sterling OIS Rate |
| TUSOIS01M | 2.014 | (0.0040) | 1 month | USD OIS Rate |
| TUSOIS03M | 2.082 | 0.0120 | 3 month | USD OIS Rate |

