3/20/2008 5:40

# The Morning Email: Treasuries

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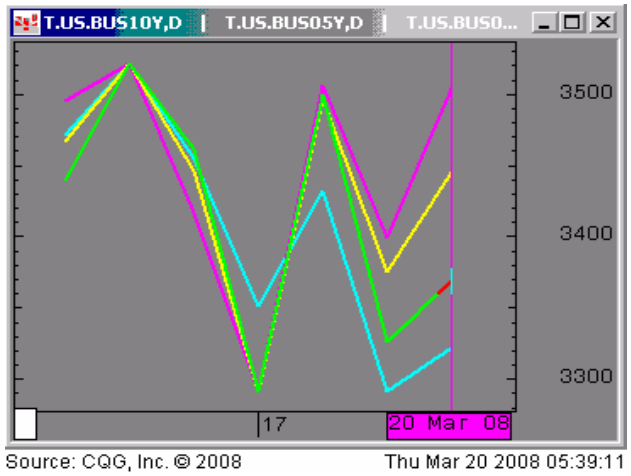
**Daily Yield Curve**




30y 10y 5y 2y

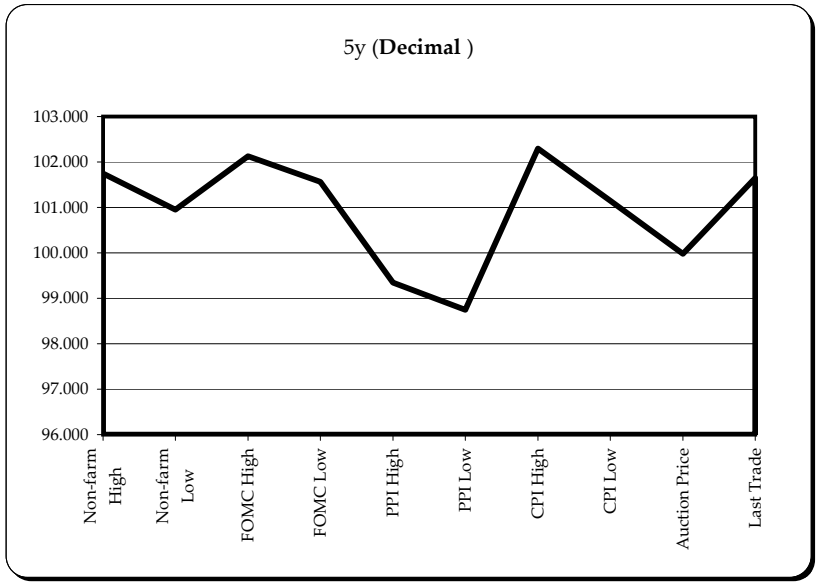
Want something added? Let me know: jgoulding@ghco.com

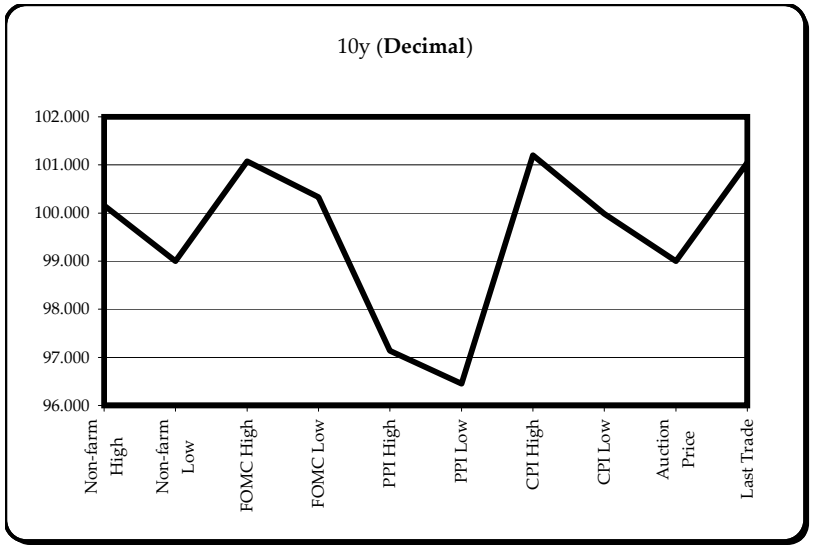
# Important Econ Releases, Highs & Lows



| Economic Releases - 32nds | | | | | |
|---|---|---|---|---|---|
| | 5y | 10y | ZNM8 | ZBM8 | Date |
| Non-farm High | 101.2400 | 100.050 | 117.290 | 118.12 | 3/7/2008 |
| Non-farm Low | 100.3050 | 99.000 | 116.235 | 116.05 | 3/7/2008 |
| FOMC High | 102.0400 | 101.025 | 119.210 | 120.03 | 3/18/2008 |
| FOMC Low | 101.1800 | 100.105 | 118.285 | 119.10 | 3/18/2008 |
| PPI High | 99.1100 | 97.045 | 114.218 | 115.10 | 2/26/2008 |
| PPI Low | 98.2400 | 96.145 | 113.242 | 114.18 | 2/26/2008 |
| CPI High | 102.0950 | 101.065 | 119.120 | 120.13 | 3/14/2008 |
| CPI Low | 101.0475 | 99.315 | 118.040 | 118.21 | 3/14/2008 |
| Auction Price | 99.3126 | 99.000 | | | |
| Last Trade | 101.2070 | 101.015 | 119.145 | 120.04 | 3/20/2008 5:40 |

| Auctions - 32nds | | | | |
|---|---|---|---|---|
| | 2 y | 5y | 10y | 30y |
| Auction Price | 99.292 | 99.313 | 99.000 | 98.250 |
| Auction Yield Stop | 2.045 | 2.755 | 3.620 | 4.4449 |
| Actual Auction Date | 2/27/2008 | 2/28/2008 | 2/6/2008 | 2/7/2008 |




Notes: Cash and futures are adjusted for roll.
Release times are from release to 2pm cdt
{Mch08 to Jun08 Futures roll: ZF = (-20); ZN = (-43); ZB = (-36) [tics]}

# Quotes

| | Last | Net | 32 nds High | Low | Open | Volume | SYM NAME |
|---|---|---|---|---|---|---|---|
| TUAM8 | 107.072 | (0.065) | 107.157 | 107.070 | 107.155 | 17,791 | 2y Fut |
| FVAM8 | 114.115 | (0.087) | 114.265 | 114.110 | 114.255 | 33,210 | 5y Fut |
| TYAM8 | 119.145 | (0.050) | 119.280 | 119.135 | 119.235 | 57,926 | 10y Fut |
| USAM8 | 120.040 | (0.02) | 120.180 | 120.020 | 120.125 | 12,750 | 30y Fut |
| | **Last** | **Net** | **High** | **Low** | **Open** | **Volume** | **SYM NAME** |
| BUS02P | 100.245 | (0.077) | 100.312 | 100.245 | 100.307 | na | 2y Cash |
| BUS05P | 101.205 | (0.135) | 102.000 | 101.200 | 101.315 | na | 5y Cash |
| BUS10P | 101.020 | (0.100) | 101.095 | 101.015 | 101.090 | na | 10y Cash |
| BUS30P | 102.090 | (0.215) | 102.220 | 102.085 | 102.220 | na | 30y Cash |
| | **Last** | **Net** | **High** | **Low** | **Open** | **Volume** | **SYM NAME** |
| BUS02Y | 1.589 | 0.128 | 1.605 | 1.47 | 1.507 | na | 2y Yield |
| BUS05Y | 2.391 | 0.086 | 2.402 | 2.315 | 2.34 | na | 5y Yield |
| BUS10Y | 3.369 | 0.043 | 3.378 | 3.337 | 3.345 | na | 10y Yield |
| BUS30Y | 4.234 | 0.033 | 4.242 | 4.21 | 4.216 | na | 30y Yield |

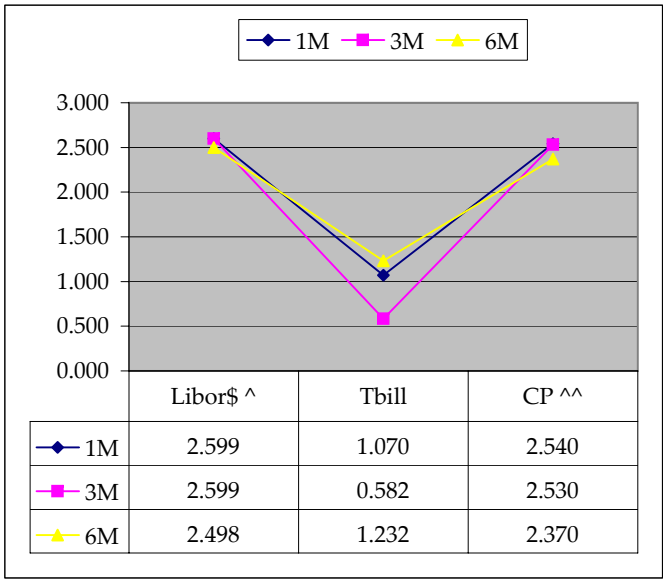
| | Libor$ ^ | Tbill | CP ^^ |
|---|---|---|---|
| 1M | 2.599 | 1.070 | 2.540 |
| 3M | 2.599 | 0.582 | 2.530 |
| 6M | 2.498 | 1.232 | 2.370 |

| | Libor$ ^ | Repos |
|---|---|---|
| 0/N | 2.648 | 0.200 |
| 1week | 2.686 | 0.900 |
| 2week | 2.648 | 1.000 |

| | TSY | Swap | ED Pks ^^^ |
|---|---|---|---|
| 2y | 1.587 | 79.25 | 2.678 |
| 5y | 2.393 | 82.00 | 4.151 |
| 10y | 3.369 | 59.25 | 4.594 |

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

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




| | Libor$ ^ | Tbill | CP ^^ |
|---|---|---|---|
| 1M | 2.599 | 1.070 | 2.540 |
| 3M | 2.599 | 0.582 | 2.530 |
| 6M | 2.498 | 1.232 | 2.370 |

| 2/5 | Rd/Blu Pk | Difference |
|---|---|---|
| 80.6 | 147.3 | 66.7 |
| **2/10** | **Rd/Gld Pk** | **Difference** |
| 178.2 | 191.6 | 13.4 |
| **5/10** | **Blu/Gld Pk** | **Difference** |
| 97.6 | 44.3 | -53.3 |

Notes

^Quoted in US Dollars
^^CP = Commercial Paper
^^^ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
Lastly, SYM = Symbol

# Duration, DV01s, Curve Spreads, CF



| | M Duration | DV01 32 | DV01 $ | DV01 Box | CF |
|---|---|---|---|---|---|
| 30y | 16.68 | 5.48 | $1,713 | 10.97 | n/a |
| 10y | 8.30 | 2.69 | $842 | 5.39 | n/a |
| 5y | 4.60 | 1.51 | $472 | 6.04 | n/a |
| 2y | 1.90 | 0.61 | $192 | 2.45 | n/a |
| ZB | 10.46 | 4.10 | $128 | 4.10 | 0.7765 |
| ZN | 6.67 | 2.63 | $82 | 5.27 | 0.8210 |
| ZF | 4.06 | 1.51 | $47 | 3.01 | 0.8694 |
| ZT | 1.91 | 0.66 | $21 | 2.65 | 0.9286 |

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

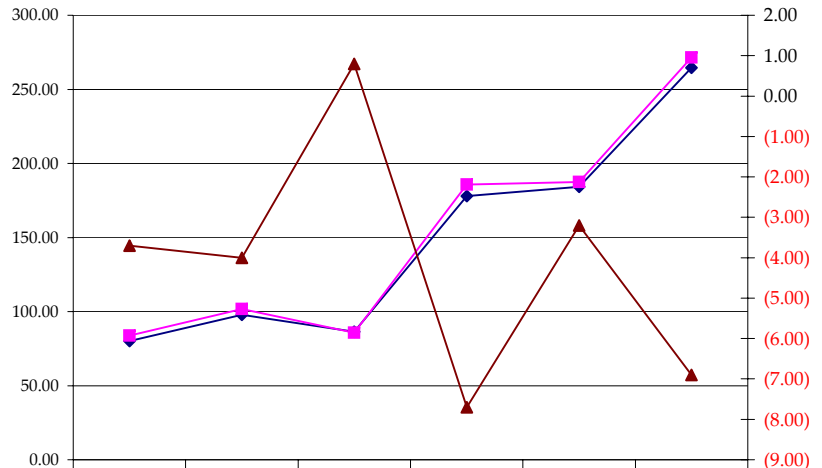
Example, If **ZN** moves 1~basis point, then, it's moved 2.08 tics (Today, 10/25/07, the value in the box is 2.08).

Since ZN trades in half tics, then, 4.17 boxes = 1 basis point in ZN. (Again, today, 10/25/07, the value in the box is 4.17). 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.

**Yield Curve Spreads**

| | Last | 2pm close | Diff |
|---|---|---|---|
| 2/5 | 80.20 | 83.90 | (3.70) |
| 5/10 | 97.80 | 101.80 | (4.00) |
| 10/30 | 86.50 | 85.70 | 0.80 |
| 2/10 | 178.00 | 185.70 | (7.70) |
| 5/30 | 184.30 | 187.50 | (3.20) |
| 2/30 | 264.50 | 271.40 | (6.90) |

**Curve Spreads vs 2pm close**




| | 2/5 | 5/10 | 10/30 | 2/10 | 5/30 | 2/30 |
|---|---|---|---|---|---|---|
| Last | 80.20 | 97.80 | 86.50 | 178.00 | 184.30 | 264.50 |
| 2 PM Close | 83.90 | 101.80 | 85.70 | 185.70 | 187.50 | 271.40 |
| Diff | (3.70) | (4.00) | 0.80 | (7.70) | (3.20) | (6.90) |

**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

# Hedge Ratio's



### US Financial Futures / Eurex Bond

| | ZB | ZN | ZF | ZT |
|---|---|---|---|---|
| Bund (H) | 1.000 | 1.600 | 2.800 | 3.238 |
| Bobl (H) | 0.600 | 0.923 | 1.587 | 1.787 |
| Shatz (H) | 0.248 | 0.383 | 0.658 | 0.741 |

### US Financial Futures

| | ZB | ZN | ZF | ZT |
|---|---|---|---|---|
| ZB | | 1.557 | 2.721 | 3.091 |
| ZN | 0.642 | | 1.694 | 1.136 |
| ZF | 0.368 | 0.572 | | 1.136 |
| ZT | 0.324 | 0.504 | 0.880 | |

### Eurex Bonds

| | Bund (H) | Bobl (H) | Shatz (H) |
|---|---|---|---|
| Bund (H) | | 1.8 | 4.4 |
| Bobl (H) | 0.6 | | 2.4 |
| Shatz (H) | 0.2 | 0.4 | |

### US Treasuries v US Financial Futures

| | 2y | 5y | 10y | 30y |
|---|---|---|---|---|
| ZB | 1.50 | 3.68 | 6.57 | 13.37 |
| ZN | 2.33 | 5.74 | 10.23 | 20.83 |
| ZF | 4.07 | 10.03 | 17.87 | 36.39 |
| ZT | 4.62 | 11.39 | 20.30 | 41.34 |

### US Treasuries v Eurex Bonds

| | 2y | 5y | 10y | 30y |
|---|---|---|---|---|
| Bund (H) | 1.4 | 3.4 | 6.1 | 12.0 |
| Bobl (H) | 2.6 | 6.2 | 11.1 | 21.7 |
| Shatz (H) | 6.2 | 15.0 | 26.6 | 52.1 |

### US Treasuries

| | 2y | 5y | 10y | 30y |
|---|---|---|---|---|
| 2y | | 2.465 | 4.393 | 8.945 |
| 5y | 0.406 | | 1.783 | 3.629 |
| 10y | 0.228 | 0.561 | | 2.036 |
| 30y | 0.112 | 0.276 | 0.491 | |

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 CST vs this Morning

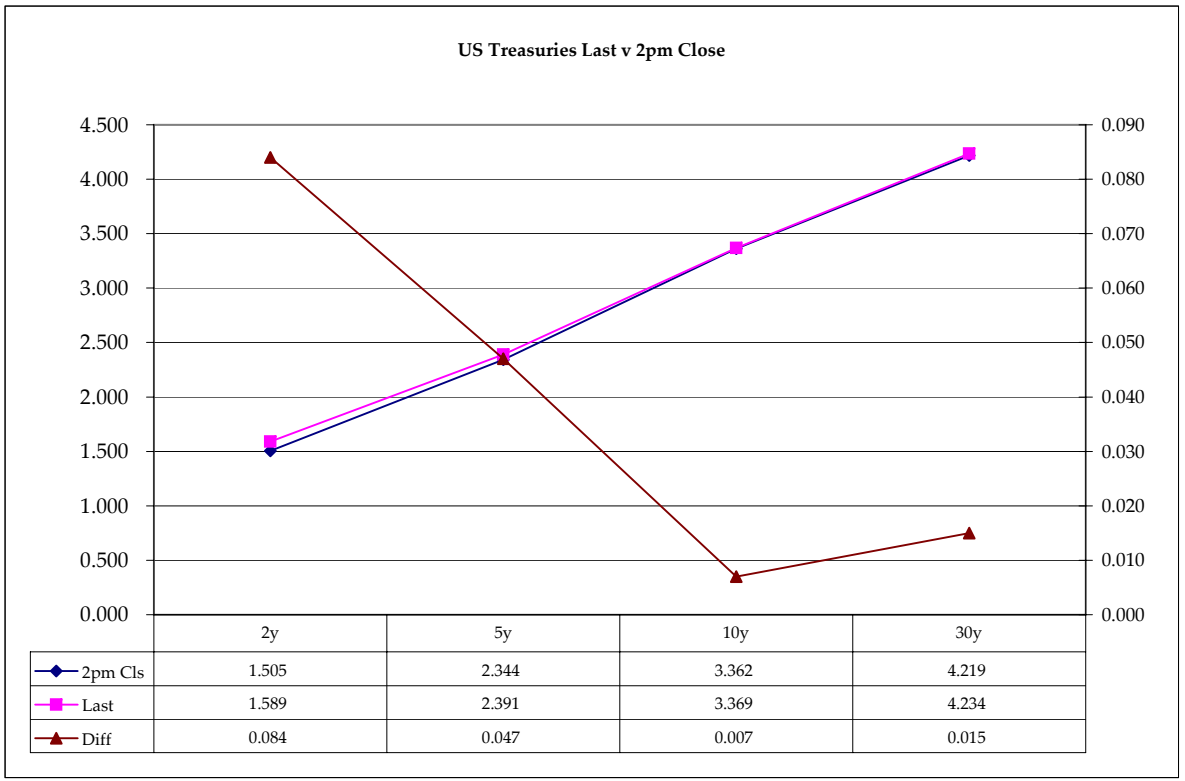


| | Cpn | Mty | Close 32 | Close | Last | Diff | Basis Close | Basis Last | Roll |
|---|---|---|---|---|---|---|---|---|---|
| 2y | 2.000 | 2/28/10 | 100.3025 | 1.505 | 1.589 | 0.084 | | | |
| 5y | 2.750 | 2/28/13 | 101.2825 | 2.344 | 2.391 | 0.047 | 71.07 | 71.13 | |
| 10y | 3.500 | 2/15/18 | 101.050 | 3.362 | 3.369 | 0.007 | 94.21 | 95.23 | |
| 30y | 4.375 | 5/15/37 | 102.21 | 4.219 | 4.234 | 0.015 | 298.86 | 289.63 | |

| | Close 32 | Last | |
|---|---|---|---|
| FVAM8 | 114.203 | 114.115 | **June 08 Contracts** |
| TYAM8 | 119.200 | 119.145 | |
| USAM8 | 120.05 | 120.040 | |
| FVar1 | | #NAME? | **Roll: 1/4 tic spreads** |
| TYar1 | | #VALUE! | |
| USar1 | | #VALUE! | |
| FVH8 | | 115.150 | **March 08 Contracts** |
| TYAH8 | | #VALUE! | |
| USAH8 | | #VALUE! | |

**Curve Spreads**

| | Close bps | Last bps |
|---|---|---|
| 2/5 | 83.9 | 80.2 |
| 5/10 | 101.8 | 97.8 |
| 10/30 | 85.7 | 86.5 |
| 2/10 | 185.7 | 178.0 |
| 5/30 | 187.5 | 184.3 |
| 2/30 | 271.4 | 264.5 |




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



| Cash Duration Matrix | | | | |
|---|---|---|---|---|
| | 2 | 5 | 10 | 30 |
| 2 | 100% | | | |
| 5 | 41% | 100% | | |
| 10 | 23% | 55% | 100% | |
| 30 | 11% | 28% | 50% | 124% |

| Cash Matrix [DV01 x Duration] | | | | |
|---|---|---|---|---|
| | 2 | 5 | 10 | 30 |
| 2 | $192 | | | |
| 5 | $195 | $472 | | |
| 10 | $193 | $466 | $842 | |
| 30 | $195 | $472 | $852 | $1,713 |

| Cash Matrix [DV01 over / (under) valued] | | | | |
|---|---|---|---|---|
| | 2 | 5 | 10 | 30 |
| 2 | | | | |
| 5 | ($3) | | | |
| 10 | ($1) | $6 | | |
| 30 | ($3) | $0 | ($11) | |

| Cash Matrix [DV01 over / (under) as %] | | | | |
|---|---|---|---|---|
| | 2 | 5 | 10 | 30 |
| 2 | | | | |
| 5 | -1.76% | | | |
| 10 | -0.53% | 1.25% | | |
| 30 | -1.76% | 0.00% | -1.24% | |

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

**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.

**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.

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

**Tic for Tic Matrix**

2y 5y 10y 30y

**Box for Box Matrix**

2y 5y 10y 30y

This page needs to be updated now that the CME has changed the tic size. I'll get to this in the next few days.
Thanks,
Jim