



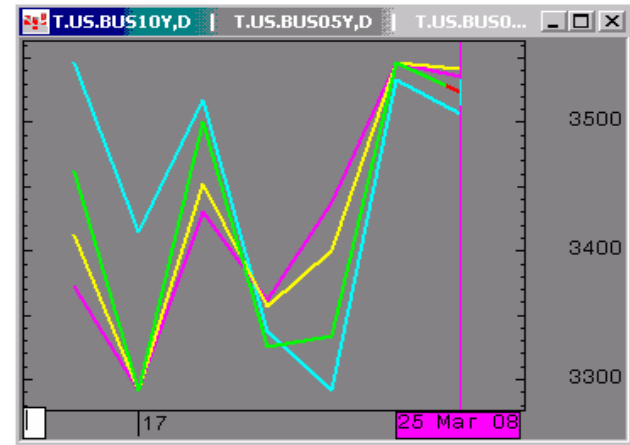
## The Morning Email: Treasuries

3/25/2008 5:44

### Table of Contents

- Pg 1 Important Econ Releases, Highs & Lows
- Pg 2 Quotes
- Pg 3 Duration, DV01s, Curve Spreads, CF
- Pg 4 Hedge Ratio's
- Pg 5 Closes: 2pm CST vs this Morning
- Pg 6 Cash Duration Matrix
- Pg 7 Tic for Tic & Box for Box Matrix

### Daily Yield Curve



Source: CQG, Inc. © 2008

Tue Mar 25 2008 05:43:35

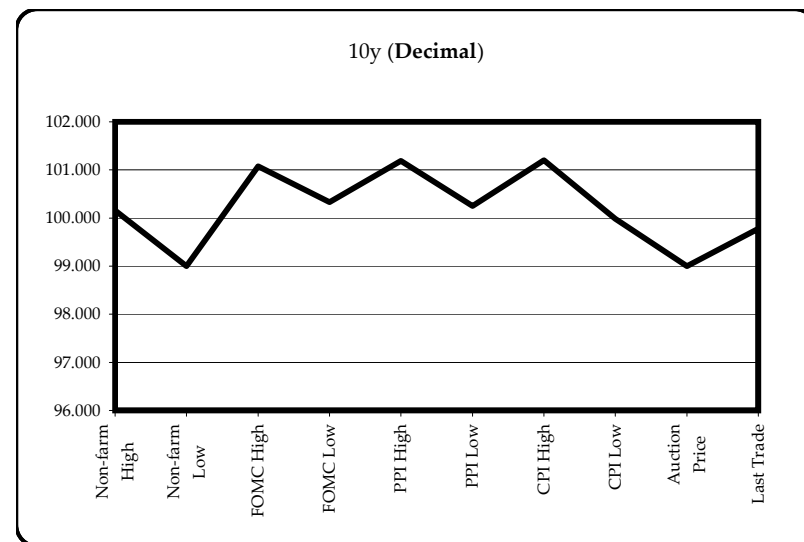
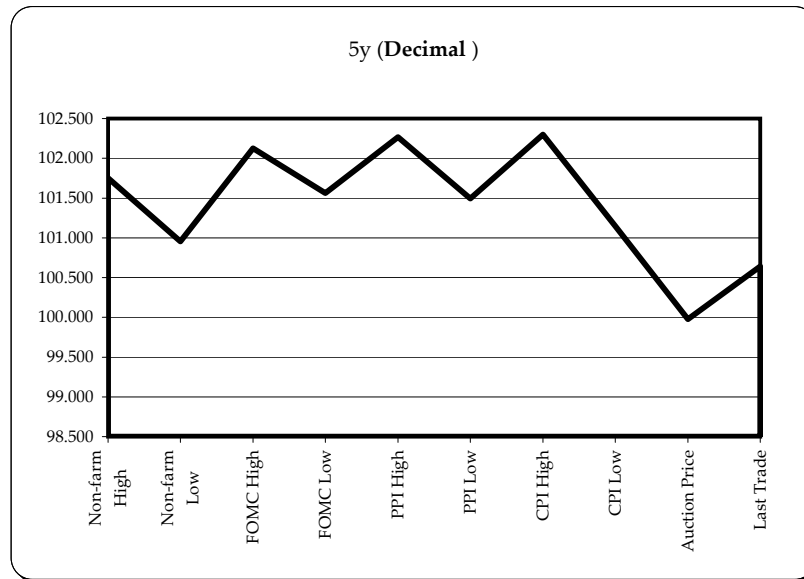
30y 10y 5y 2y

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.

| 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                  | 102.0850 | 101.060 | 119.150 | 120.03 | 2/26/2008      |
| PPI Low                   | 101.1575 | 100.080 | 118.250 | 119.04 | 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                | 100.2050 | 99.250  | 118.045 | 118.13 | 3/25/2008 5:44 |

| 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]}

|        | Last    | Net     | 32 nds  |         |         | Volume | SYM NAME  |
|--------|---------|---------|---------|---------|---------|--------|-----------|
|        |         |         | High    | Low     | Open    |        |           |
| TUAM8  | 106.242 | (0.007) | 106.290 | 106.240 | 106.250 | 26,646 | 2y Fut    |
| FVAM8  | 113.097 | (0.037) | 113.190 | 113.092 | 113.095 | 63,329 | 5y Fut    |
| TYAM8  | 118.045 | (0.025) | 118.140 | 117.300 | 117.310 | 92,594 | 10y Fut   |
| USAM8  | 118.125 | (0.13)  | 118.210 | 118.050 | 118.055 | 28,068 | 30y Fut   |
|        | Last    | Net     | High    | Low     | Open    | Volume | SYM NAME  |
| BUS02P | 100.120 | 0.010   | 100.150 | 100.122 | 100.125 | na     | 2y Cash   |
| BUS05P | 100.200 | 0.017   | 100.260 | 100.202 | 100.210 | na     | 5y Cash   |
| BUS10P | 99.240  | 0.070   | 100.035 | 99.205  | 99.205  | na     | 10y Cash  |
| BUS30P | 100.150 | 0.095   | 100.310 | 100.170 | 100.195 | na     | 30y Cash  |
|        | Last    | Net     | High    | Low     | Open    | Volume | SYM NAME  |
| BUS02Y | 1.798   | (0.012) | 1.827   | 1.748   | 1.827   | na     | 2y Yield  |
| BUS05Y | 2.611   | (0.008) | 2.631   | 2.57    | 2.631   | na     | 5y Yield  |
| BUS10Y | 3.524   | (0.023) | 3.556   | 3.483   | 3.556   | na     | 10y Yield |
| BUS30Y | 4.341   | (0.022) | 4.356   | 4.311   | 4.349   | na     | 30y Yield |

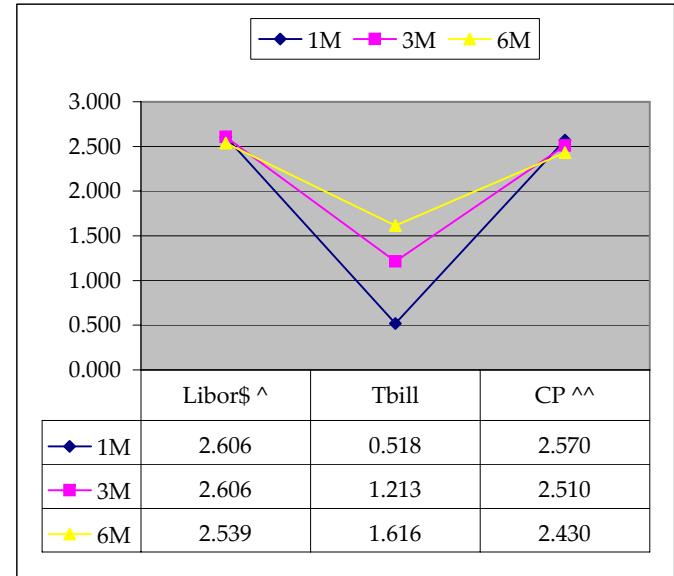
|    | Libor\$ ^ | Tbill | CP ^^ |
|----|-----------|-------|-------|
| 1M | 2.606     | 0.518 | 2.570 |
| 3M | 2.606     | 1.213 | 2.510 |
| 6M | 2.539     | 1.616 | 2.430 |

|       | Libor\$ ^ | Repos |
|-------|-----------|-------|
| 0/N   | 2.749     | 0.400 |
| 1week | 2.763     | 0.900 |
| 2week | 2.716     | 1.200 |

|     | TSY   | Swap  | ED Pks ^^^ |
|-----|-------|-------|------------|
| 2y  | 1.796 | 82.75 | 3.046      |
| 5y  | 2.610 | 85.50 |            |
| 10y | 3.526 | 62.25 |            |

"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



|  | 2/5   | Rd/Blu Pk Difference  |
|--|-------|-----------------------|
|  | 81.4  | #VALUE! #VALUE!       |
|  | 2/10  | Rd/Gld Pk Difference  |
|  | 173.0 | #VALUE! #VALUE!       |
|  | 5/10  | Blu/Gld Pk Difference |
|  | 91.6  | #VALUE! #VALUE!       |

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

|     | M Duration | DV01 32 | DV01 \$ | DV01 Box | CF     |
|-----|------------|---------|---------|----------|--------|
| 30y | 16.54      | 5.34    | \$1,670 | 10.69    | n/a    |
| 10y | 8.27       | 2.65    | \$828   | 5.30     | n/a    |
| 5y  | 4.58       | 1.49    | \$466   | 5.96     | n/a    |
| 2y  | 1.88       | 0.61    | \$189   | 2.42     | n/a    |
| ZB  | 10.37      | 3.95    | \$123   | 3.95     | 0.7765 |
| ZN  | 6.64       | 2.59    | \$81    | 5.17     | 0.8210 |
| ZF  | 4.04       | 1.48    | \$46    | 2.97     | 0.8694 |
| ZT  | 1.90       | 0.66    | \$21    | 2.62     | 0.9286 |

| Yield Curve Spreads |        |           |      |
|---------------------|--------|-----------|------|
|                     | Last   | 2pm close | Diff |
| 2/5                 | 81.30  | 80.90     | 0.40 |
| 5/10                | 91.30  | 91.30     | 0.00 |
| 10/30               | 81.70  | 79.30     | 2.40 |
| 2/10                | 172.60 | 172.20    | 0.40 |
| 5/30                | 173.00 | 170.60    | 2.40 |
| 2/30                | 254.30 | 251.50    | 2.80 |

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.

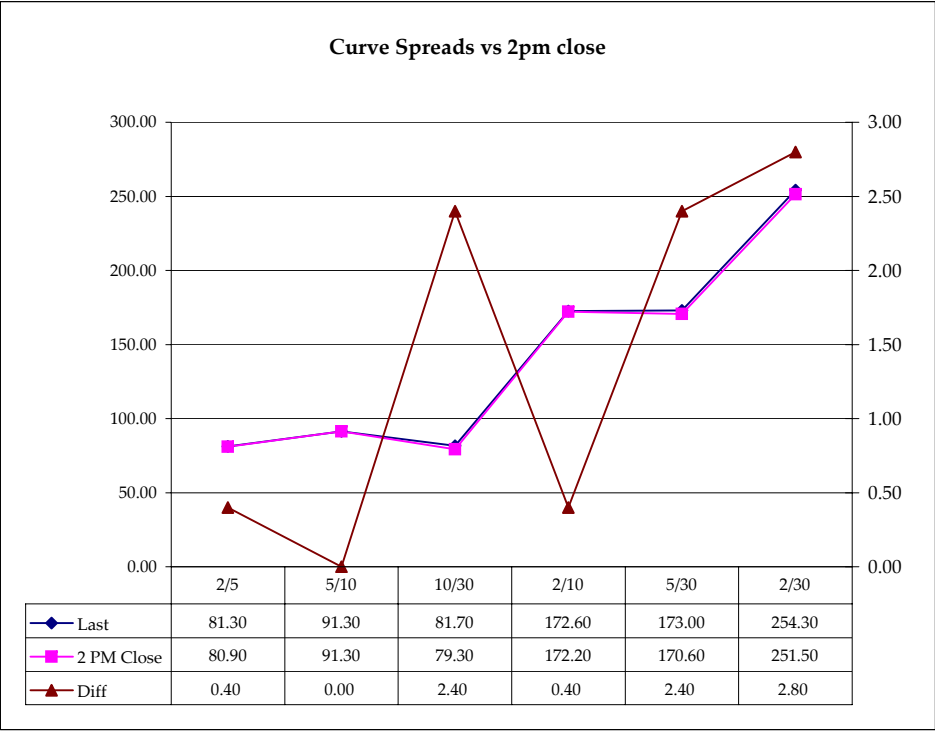
**Notes**

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    |
|-----------|-------|-------|-------|-------|
| 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 |       | 1.527 | 2.660 | 3.010 |
| ZN | 0.655 |       | 1.684 | 1.132 |
| ZF | 0.376 | 0.574 |       | 1.132 |
| ZT | 0.332 | 0.507 | 0.884 |       |

## 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 | 1.53 | 3.77  | 6.71  | 13.53 |
| ZN | 2.34 | 5.76  | 10.24 | 20.66 |
| ZF | 4.08 | 10.03 | 17.84 | 35.99 |
| ZT | 4.62 | 11.35 | 20.19 | 40.73 |

## 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 |

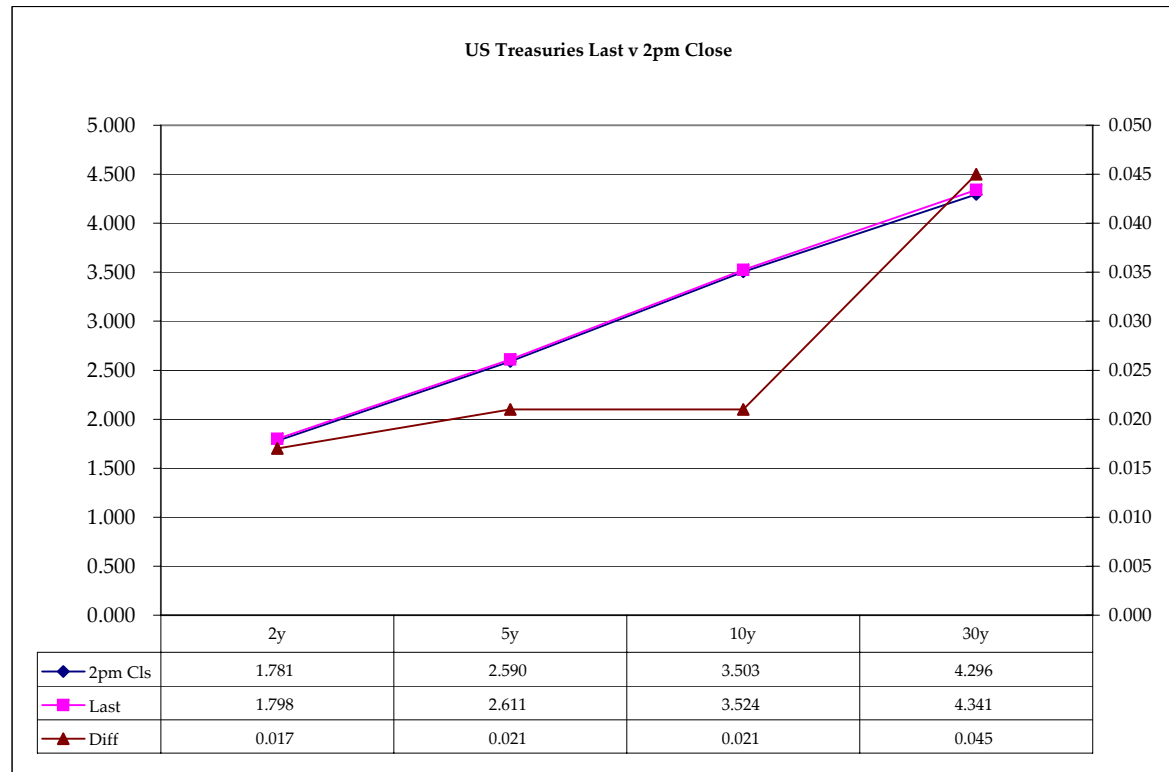
## US Treasuries

|     | 2y    | 5y    | 10y   | 30y   |
|-----|-------|-------|-------|-------|
| 2y  |       | 2.460 | 4.374 | 8.823 |
| 5y  | 0.407 |       | 1.778 | 3.587 |
| 10y | 0.229 | 0.562 |       | 2.017 |
| 30y | 0.113 | 0.279 | 0.496 |       |

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

|     | Cpn   | Mty     | Close 32 | Close | Last  | Diff  | Basis  |        | Roll |       | Close 32 | Last    |
|-----|-------|---------|----------|-------|-------|-------|--------|--------|------|-------|----------|---------|
|     |       |         |          |       |       |       | Close  | Last   |      |       |          |         |
| 2y  | 2.000 | 2/28/10 | 100.1325 | 1.781 | 1.798 | 0.017 |        |        |      | FVAM8 | 113.135  | 113.097 |
| 5y  | 2.750 | 2/28/13 | 100.2350 | 2.590 | 2.611 | 0.021 | 68.01  | 68.32  |      | TYAM8 | 118.070  | 118.045 |
| 10y | 3.500 | 2/15/18 | 99.310   | 3.503 | 3.524 | 0.021 | 93.16  | 89.21  |      | USAM8 | 118.26   | 118.125 |
| 30y | 4.375 | 5/15/37 | 101.10   | 4.296 | 4.341 | 0.045 | 290.14 | 275.23 |      |       |          |         |

| Curve Spreads |           |          |
|---------------|-----------|----------|
|               | Close bps | Last bps |
| 2/5           | 80.9      | 81.3     |
| 5/10          | 91.3      | 91.3     |
| 10/30         | 79.3      | 81.7     |
| 2/10          | 172.2     | 172.6    |
| 5/30          | 170.6     | 173.0    |
| 2/30          | 251.5     | 254.3    |



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%    | 125%    |
| Cash Matrix [DV01 x Duration]            |        |       |        |         |
|  | 2      | 5     | 10     | 30      |
| 2  | \$189  |       |        |         |
| 5  | \$192  | \$466 |        |         |
| 10                                       | \$189  | \$458 | \$828  |         |
| 30                                       | \$190  | \$462 | \$834  | \$1,670 |
| Cash Matrix [DV01 over / (under) valued] |        |       |        |         |
|  | 2      | 5     | 10     | 30      |
| 2  |        |       |        |         |
| 5  | (\$2)  |       |        |         |
| 10                                       | \$1    | \$7   |        |         |
| 30                                       | (\$1)  | \$4   | (\$6)  |         |
| Cash Matrix [DV01 over / (under) as %]   |        |       |        |         |
|  | 2      | 5     | 10     | 30      |
| 2  |        |       |        |         |
| 5  | -1.19% |       |        |         |
| 10                                       | 0.36%  | 1.57% |        |         |
| 30                                       | -0.42% | 0.78% | -0.78% |         |

**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.

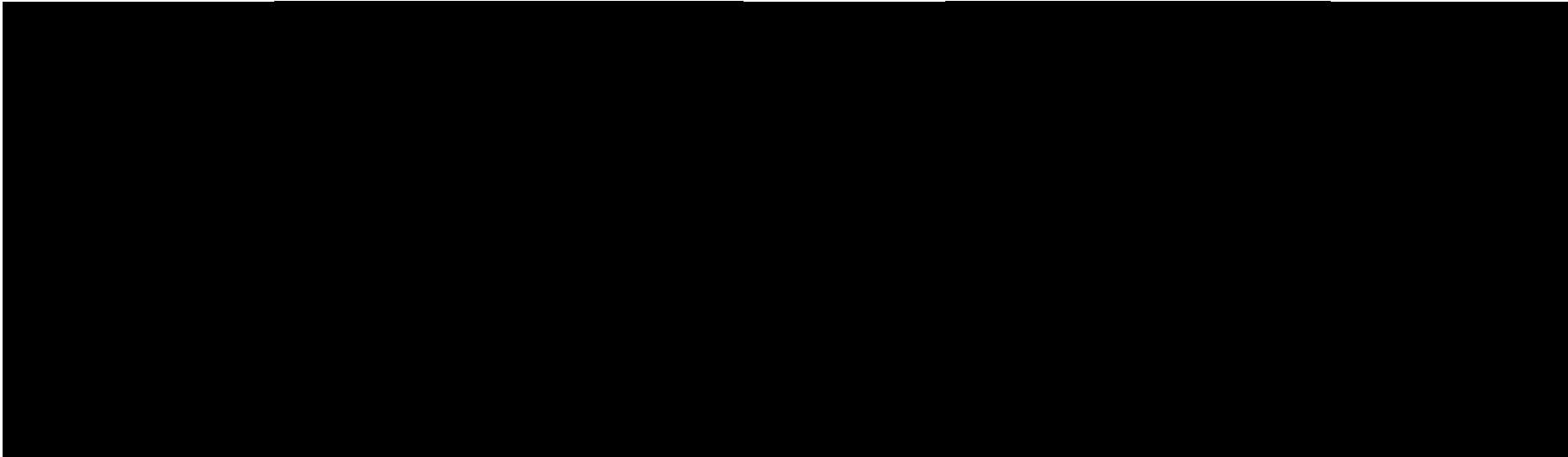
Or you can look at the over/under value as a percentage instead of dollar terms.

**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