



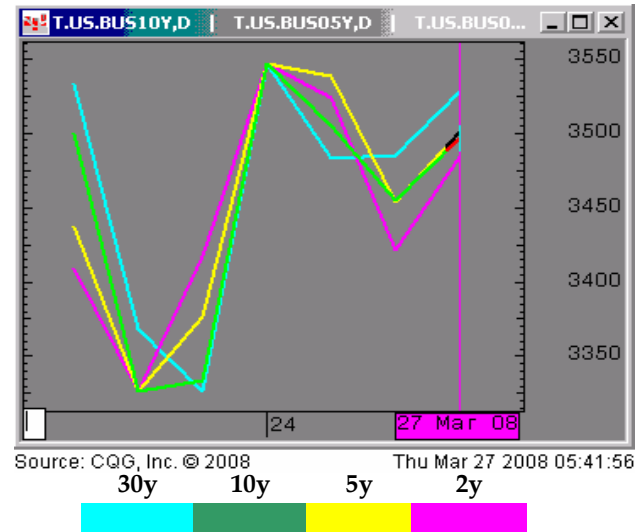
3/27/2008 5:48

The Morning Email: Treasuries

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

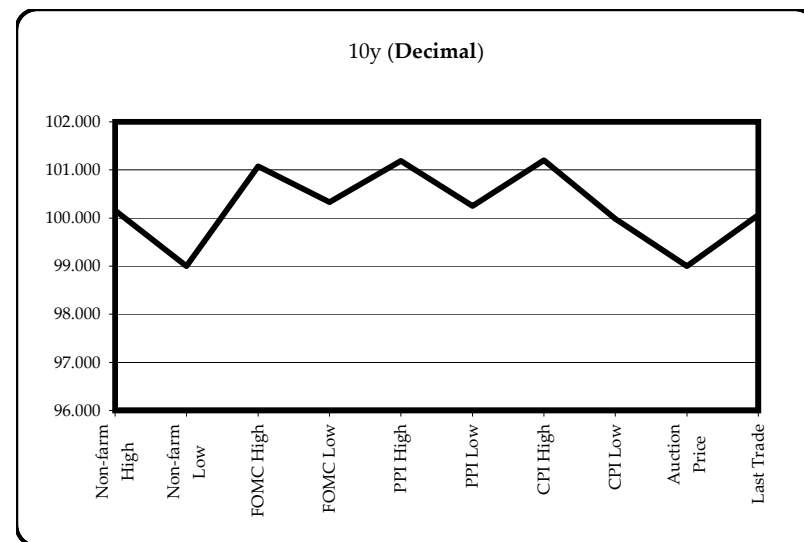
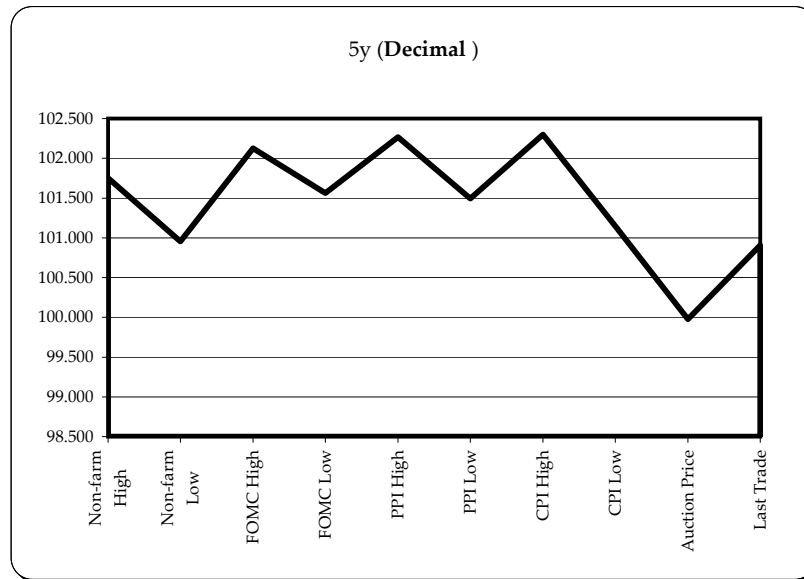


Want something added? Let me know: jgoulding@ghco.com

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| 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 | 3/18/2008 |
| PPI Low | 101.1575 | 100.080 | 118.250 | 119.04 | 3/18/2008 |
| 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 | 100.2900 | 100.020 | 118.160 | 118.20 | 3/27/2008 5:48 |

| Auctions - 32nds | | | | |
|---------------------|-----------|-----------|----------|----------|
| | 2 y | 5y | 10y | 30y |
| Auction Price | 99.313 | 99.313 | 99.000 | 98.250 |
| Auction Yield Stop | 1.761 | 2.755 | 3.620 | 4.4449 |
| Actual Auction Date | 3/26/2008 | 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 | 107.025 | (0.005) | 107.067 | 107.020 | 107.062 | 14,099 | 2y Fut |
| FVAM8 | 113.222 | (0.042) | 114.017 | 113.207 | 114.007 | 42,751 | 5y Fut |
| TYAM8 | 118.160 | (0.055) | 118.310 | 118.135 | 118.290 | 78,283 | 10y Fut |
| USAM8 | 118.200 | (0.05) | 119.055 | 118.120 | 119.025 | 18,394 | 30y Fut |
| | Last | Net | High | Low | Open | Volume | SYM NAME |
| BUS02P | 100.020 | (0.210) | 100.062 | 100.020 | 100.055 | na | 2y Cash |
| BUS05P | 100.287 | (0.097) | 101.070 | 100.282 | 101.050 | na | 5y Cash |
| BUS10P | 100.010 | (0.105) | 100.115 | 100.000 | 100.100 | na | 10y Cash |
| BUS30P | 100.160 | (0.195) | 100.295 | 100.100 | 100.295 | na | 30y Cash |
| | Last | Net | High | Low | Open | Volume | SYM NAME |
| BUS02Y | 1.715 | 0.103 | 1.727 | 1.635 | 1.699 | na | 2y Yield |
| BUS05Y | 2.551 | 0.064 | 2.56 | 2.479 | 2.507 | na | 5y Yield |
| BUS10Y | 3.492 | 0.037 | 3.503 | 3.453 | 3.475 | na | 10y Yield |
| BUS30Y | 4.345 | 0.038 | 4.36 | 4.318 | 4.324 | na | 30y Yield |

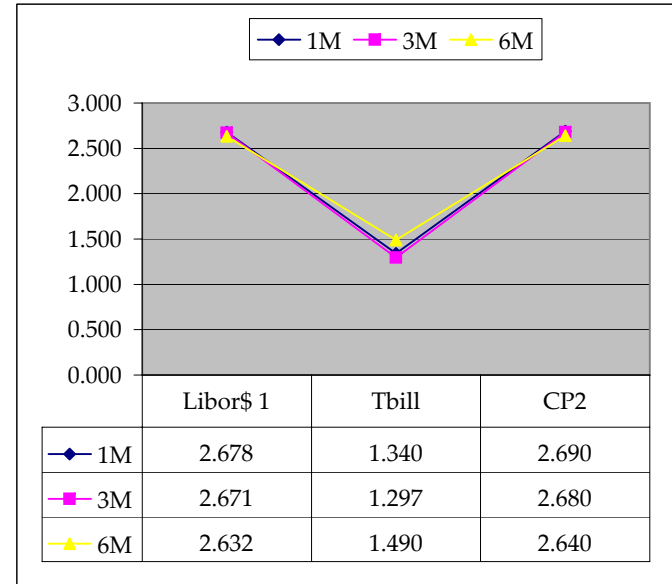
| | Libor\$ ¹ | Tbill | CP ² |
|----|----------------------|-------|-----------------|
| 1M | 2.678 | 1.340 | 2.690 |
| 3M | 2.671 | 1.297 | 2.680 |
| 6M | 2.632 | 1.490 | 2.640 |

| | Libor\$ ¹ | Repos |
|-------|----------------------|-------|
| 0/N | 2.948 | 0.800 |
| 1week | 2.928 | 1.000 |
| 2week | 2.840 | 0.900 |

| | TSY | Swap | ED Pks ³ | TSY - ED Pk ⁴ | Swap + TSY ⁵ |
|-----|-------|-------|---------------------|--------------------------|-------------------------|
| 2y | 1.718 | 83.25 | 2.922 | 1.204 | 2.55 |
| 5y | 2.554 | 86.50 | #VALUE! | #VALUE! | 3.42 |
| 10y | 3.496 | 65.00 | #VALUE! | #VALUE! | 4.15 |

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



| 2/5 | Rd/Blu Pk Difference | |
|-------|-----------------------|---------|
| 83.6 | #VALUE! | #VALUE! |
| 2/10 | Rd/Gld Pk Difference | |
| 177.8 | #VALUE! | #VALUE! |
| 5/10 | Blu/Gld Pk Difference | |
| 94.2 | #VALUE! | #VALUE! |

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/100 + TSY yield gives swap rate in basis points.

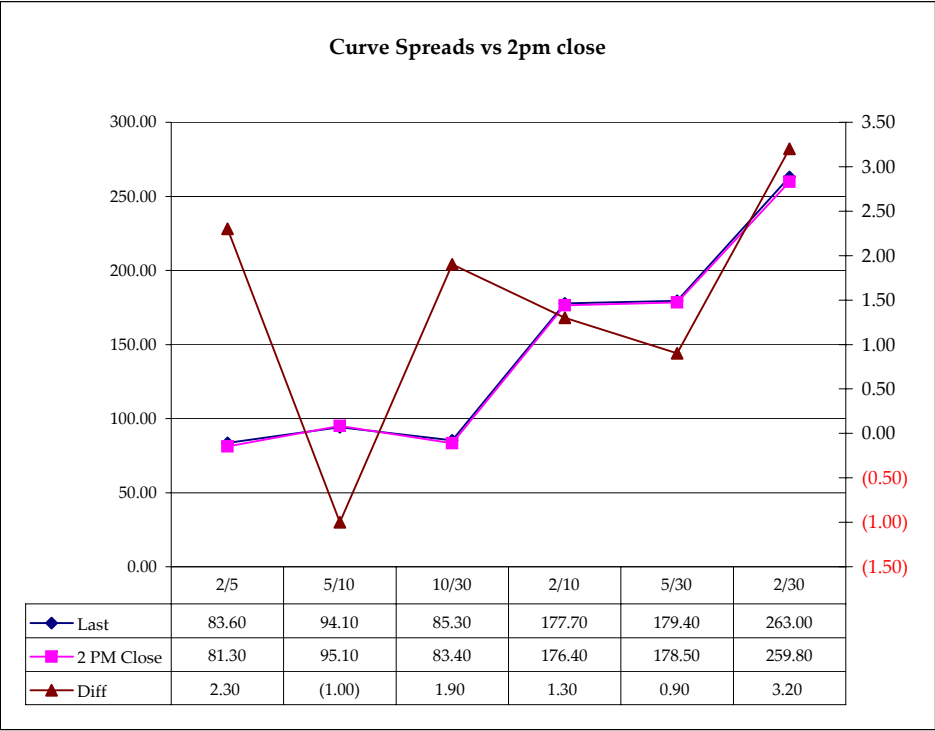
| | M Duration | DV01 32 | DV01 \$ | DV01 Box | CF |
|-----|------------|---------|---------|----------|--------|
| 30y | 16.54 | 5.35 | \$1,671 | 10.69 | n/a |
| 10y | 8.26 | 2.66 | \$830 | 5.31 | n/a |
| 5y | 4.57 | 1.49 | \$466 | 5.97 | n/a |
| 2y | 1.95 | 0.62 | \$195 | 2.50 | n/a |
| ZB | 10.40 | 4.02 | \$126 | 4.02 | 0.7765 |
| ZN | 6.63 | 2.59 | \$81 | 5.17 | 0.8210 |
| ZF | 4.04 | 1.49 | \$47 | 2.98 | 0.8694 |
| ZT | 1.89 | 0.66 | \$20 | 2.62 | 0.9303 |

| Yield Curve Spreads | | | |
|---------------------|--------|-----------|--------|
| | Last | 2pm close | Diff |
| 2/5 | 83.60 | 81.30 | 2.30 |
| 5/10 | 94.10 | 95.10 | (1.00) |
| 10/30 | 85.30 | 83.40 | 1.90 |
| 2/10 | 177.70 | 176.40 | 1.30 |
| 5/30 | 179.40 | 178.50 | 0.90 |
| 2/30 | 263.00 | 259.80 | 3.20 |

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 Treasuries v US Financial Futures

| | 2y | 5y | 10y | 30y |
|----|------|-------|-------|-------|
| ZB | 1.55 | 3.71 | 6.61 | 13.30 |
| ZN | 2.41 | 5.77 | 10.27 | 20.67 |
| ZF | 4.19 | 10.02 | 17.83 | 35.89 |
| ZT | 4.76 | 11.39 | 20.26 | 40.79 |

US Financial Futures

| | ZB | ZN | ZF | ZT |
|----|-------|-------|-------|-------|
| ZB | | 1.554 | 2.697 | 3.066 |
| ZN | 0.644 | | 1.680 | 1.137 |
| ZF | 0.371 | 0.576 | | 1.137 |
| ZT | 0.326 | 0.507 | 0.880 | |

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 |

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

| | 2y | 5y | 10y | 30y |
|-----|-------|-------|-------|-------|
| 2y | | 2.392 | 4.256 | 8.568 |
| 5y | 0.418 | | 1.779 | 3.582 |
| 10y | 0.235 | 0.562 | | 2.013 |
| 30y | 0.117 | 0.279 | 0.497 | |

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 | 1.750 | 3/31/10 | 100.0125 | 1.730 | 1.715 | (0.015) | | | +2.75 | FVAM8 | 113.263 | 113.222 |
| 5y | 2.750 | 2/28/13 | 100.3050 | 2.543 | 2.551 | 0.008 | 63.93 | 65.95 | +2.75 / -2.50 | TYAM8 | 118.210 | 118.160 |
| 10y | 3.500 | 2/15/18 | 100.015 | 3.494 | 3.492 | (0.002) | 84.16 | 88.77 | | USAM8 | 118.26 | 118.200 |
| 30y | 4.375 | 5/15/37 | 100.25 | 4.328 | 4.345 | 0.017 | 272.75 | 268.41 | | | | |

| Curve Spreads | | |
|---------------|-----------|----------|
| | Close bps | Last bps |
| 2/5 | 81.3 | 83.6 |
| 5/10 | 95.1 | 94.1 |
| 10/30 | 83.4 | 85.3 |
| 2/10 | 176.4 | 177.7 |
| 5/30 | 178.5 | 179.4 |
| 2/30 | 259.8 | 263.0 |



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 | 43% | 100% | | |
| 10 | 24% | 55% | 100% | |
| 30 | 12% | 28% | 50% | 125% |
| Cash Matrix [DV01 x Duration] | | | | |
| | 2 | 5 | 10 | 30 |
| 2 | \$195 | | | |
| 5 | \$199 | \$466 | | |
| 10 | \$196 | \$459 | \$830 | |
| 30 | \$197 | \$462 | \$835 | \$1,671 |
| Cash Matrix [DV01 over / (under) valued] | | | | |
| | 2 | 5 | 10 | 30 |
| 2 | | | | |
| 5 | (\$4) | | | |
| 10 | (\$1) | \$7 | | |
| 30 | (\$2) | \$5 | (\$5) | |
| Cash Matrix [DV01 over / (under) as %] | | | | |
| | 2 | 5 | 10 | 30 |
| 2 | | | | |
| 5 | -1.89% | | | |
| 10 | -0.36% | 1.56% | | |
| 30 | -0.92% | 0.99% | -0.56% | |

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.

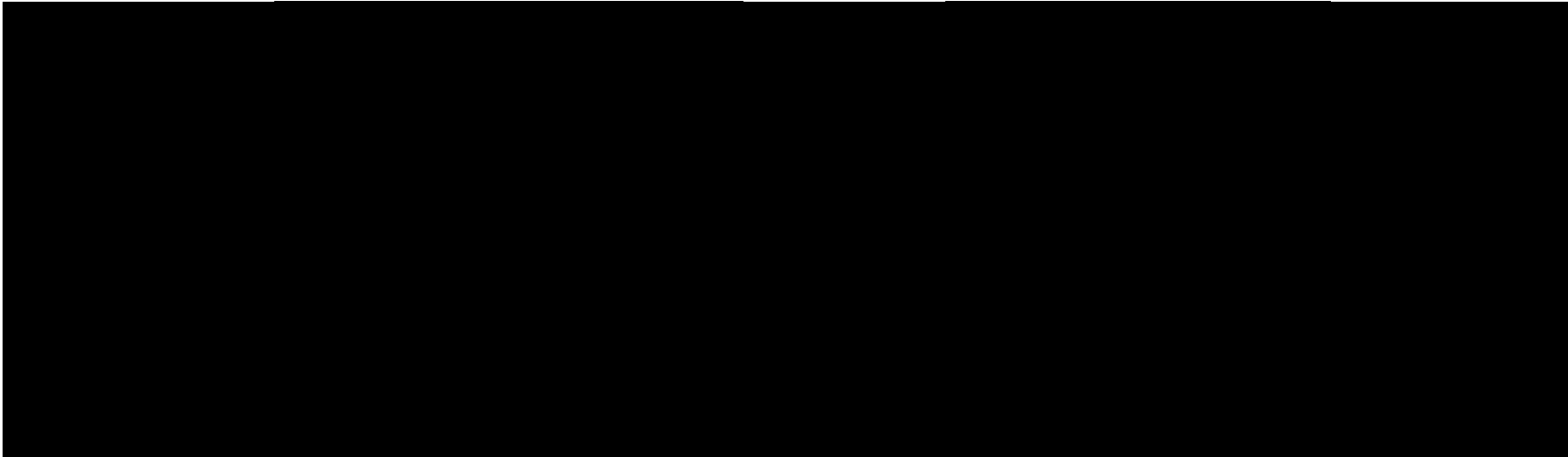
Or you can look at the over/under value as a percentage instead of dollar terms.

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