



10/6/2008 5:52

The Morning Email: Treasuries

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Want something added? Let me know:
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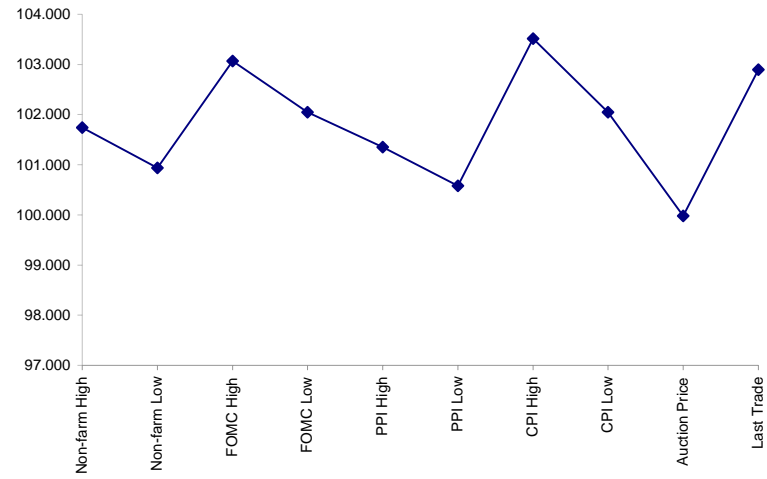
Economic Releases (32nds)

	5y	10y	ZNZ8	ZBZ8	Date
Non-farm High	101.2375	103.255	117.240	120.080	9/5/2008
Non-farm Low	100.3000	102.260	116.200	119.010	9/5/2008
FOMC High	103.0225	105.165	118.225	122.270	9/16/2008
FOMC Low	102.0150	104.055	117.200	121.170	9/16/2008
PPI High	101.1125	103.090	116.280	120.095	9/12/2008
PPI Low	100.1850	102.065	115.250	118.170	9/12/2008
CPI High	103.1650	106.105	119.115	123.265	9/16/2008
CPI Low	102.0150	104.055	117.200	121.170	9/16/2008
Auction Price	99.3141	99.124	na	na	
Last Trade	102.2870	104.015	116.260	120.220	10/6/2008 5:52

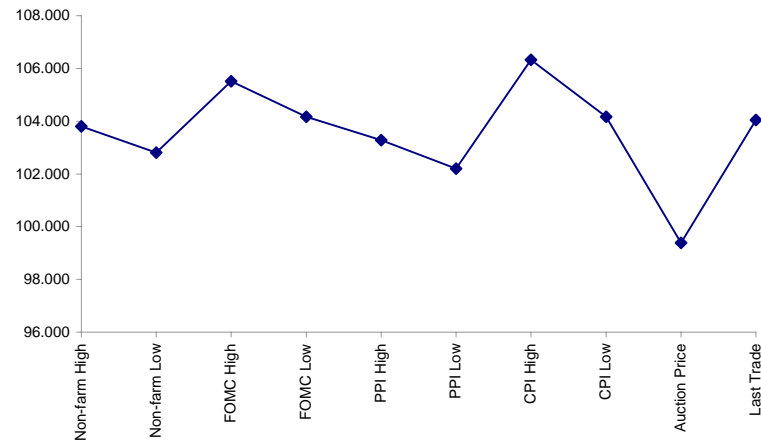
Auctions - 32nds

	2 y	5y	10y	30y
Auction Price	99.776	99.314	99.124	98.074
Auction Yield Stop	2.115	3.129	4.075	4.609
Actual Auction Date	9/24/2008	9/25/2008	8/6/2008	8/7/2008

5y (Decimal)



10y (Decimal)



Notes:

- 1) Cash and futures are adjusted for roll.
- 2) Release times are from release to 2pm cdt
- 3) {Dec08 to Mch08 Futures roll: ZF = (); ZN = (); ZB = () [tics]}

Quotes

		32 nds					
	Last	Net	High	Low	Open	Volume	Sym Name
TUAZ8	107.205	0.095	107.212	107.165	107.167	20,909	2y Fut
FVAZ8	114.092	0.217	114.105	113.305	113.305	38,637	5y Fut
TYAZ8	116.260	0.255	116.315	116.120	116.140	82,452	10y Fut
USAZ8	120.220	1.02	121.180	120.050	120.100	18,967	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	101.002	0.072	101.007	100.285	100.290	na	2y Cash
BUS05P	102.280	0.180	102.287	102.165	102.230	na	5y Cash
BUS10P	104.010	0.235	104.030	103.185	103.270	na	10y Cash
BUS30P	108.135	1.105	108.190	107.270	107.270	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	1.474	(0.109)	1.602	1.466	1.602	na	2y Yield
BUS05Y	2.503	(0.114)	2.645	2.499	2.645	na	5y Yield
BUS10Y	3.508	(0.078)	3.614	3.501	3.614	na	10y Yield
BUS30Y	4.006	(0.070)	4.097	3.996	4.097	na	30y Yield

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
30y	16.57	5.79	\$1,809	11.58	n/a	30y
10y	8.09	2.71	\$847	5.42	n/a	10y
5y	4.60	1.52	\$473	6.06	n/a	5y
2y	1.94	0.63	\$196	2.51	n/a	2y
ZB	10.47	4.13	\$129	4.13	0.7943	ZB
ZN	6.26	2.41	\$75	4.82	0.8568	ZN
ZF	4.11	1.55	\$49	3.11	0.8826	ZF
ZT	1.94	0.67	\$21	2.68	0.9344	ZT

Yield Curve Spreads

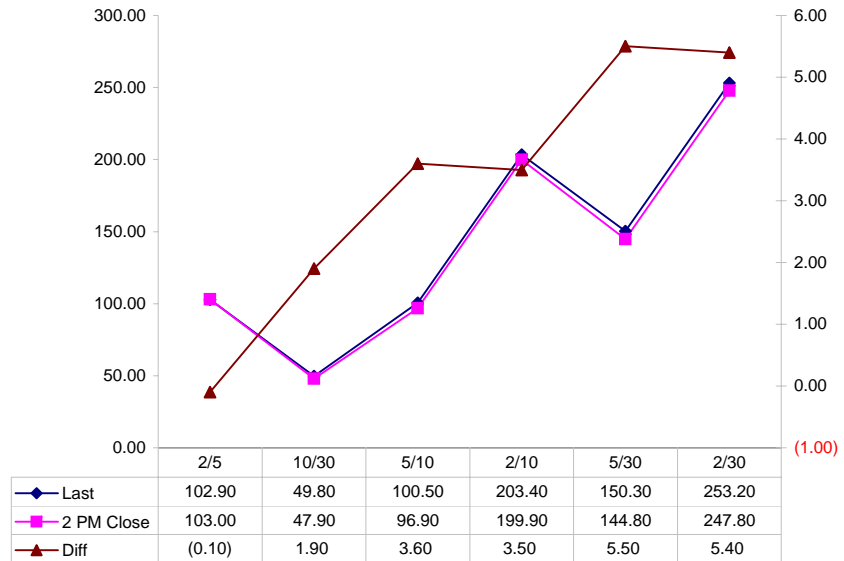
	Last	2pm close	Diff
2/5	102.90	103.00	(0.10)
10/30	49.80	47.90	1.90
5/10	100.50	96.90	3.60
2/10	203.40	199.90	3.50
5/30	150.30	144.80	5.50
2/30	253.20	247.80	5.40

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, 4.80 boxes = 1 basis point in ZN. (Again, today, 08/07/08, the value in the box is 4.80). 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.

Curve Spreads vs 2pm close



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 (U)	0.932	1.559	2.499	2.834
Bobl (U)	0.531	0.883	1.360	1.570
Shatz (U)	0.204	0.339	0.610	0.693

US Financial Futures

	ZB	ZN	ZF	ZT
ZB		1.714	2.660	3.082
ZN	0.583		1.552	1.798
ZF	0.376	0.644		1.159
ZT	0.324	0.556	0.863	

Eurex Bonds

	Bund (H)	Bobl (H)	Shatz (H)
Bund (H)		1.8	4.1
Bobl (H)	0.6		2.3
Shatz (H)	0.2	0.4	

US Treasuries v US Financial Futures

	2y	5y	10y	30y
ZB	1.52	3.76	6.55	14.01
ZN	2.60	6.45	11.23	24.01
ZF	4.03	10.01	17.44	37.26
ZT	4.67	11.60	20.20	42.64

US Treasuries v Eurex Bonds

	2y	5y	10y	30y
Bund (U)	1.6	3.9	7.1	14.7
Bobl (U)	2.9	6.9	12.6	25.9
Shatz (U)	6.7	16.0	29.1	59.8

US Treasuries

	2y	5y	10y	30y
2y		2.483	4.324	9.240
5y	0.414		1.790	3.825
10y	0.231	0.574		2.137
30y	0.108	0.269	0.468	

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 matrices, with US products, everyday

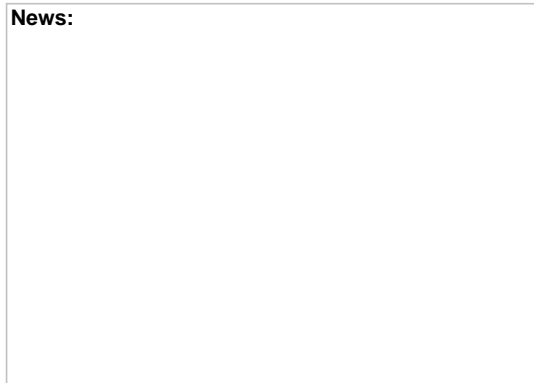
Treasury Closes: 2pm CT vs this Morning

	Cpn	Mty	Close 32	Close	Last	Chng	Basis		Cash	Futrues	Close 32	Last	
						from 2pm	Close	Last	Roll	Roll			
2y	2.000	9/30/10	100.2200	1.647	1.474	(0.173)	12.10	13.96			107.1125	107.2050	TUAZ8
5y	3.125	9/30/13	102.0250	2.677	2.503	(0.174)	57.59	64.86			113.1975	114.0920	FVAZ8
10y	4.000	8/15/18	102.290	3.646	3.508	(0.138)	112.56	126.78			116.000	116.260	TYAZ8
30y	4.500	5/15/38	106.120	4.125	4.006	(0.119)	363.02	402.91			119.205	120.220	USAZ8

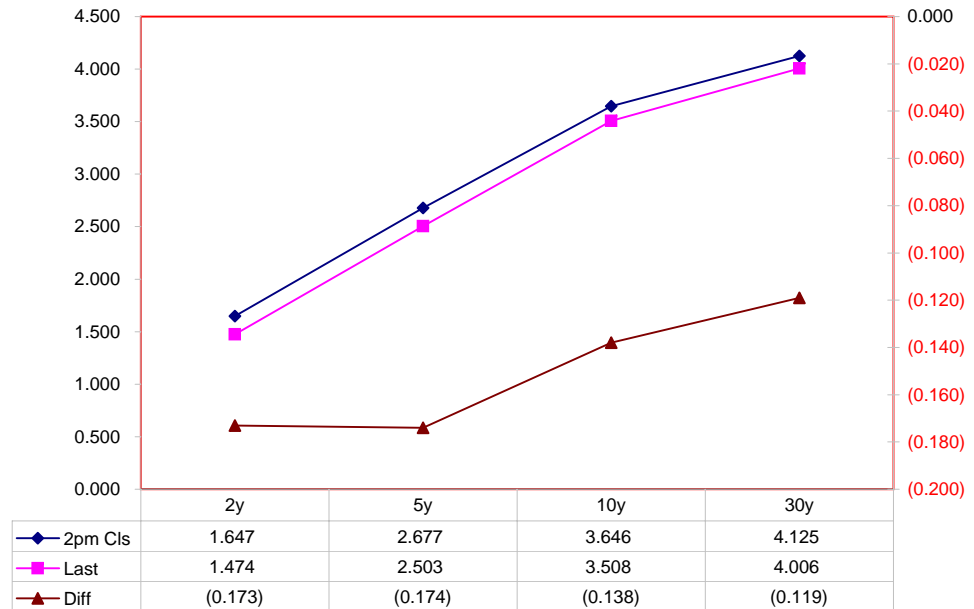
Curve Spreads			
	Close bps	Last bps	Chng from
			2pm Cls
2/5	103.0	102.9	(0.1)
5/10	96.9	100.5	3.6
10/30	47.9	49.8	1.9
2/10	199.9	203.4	3.5
5/30	144.8	150.3	5.5
2/30	247.8	253.2	5.4

	Last	Chng on Day
Emini SP	1082.75	(25.50)
Crude Oil	90.23	(3.65)
Gold	856.90	23.70
EURUSD	135.83	(1.93)
USDJPY	103.16	(2.20)

News:



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

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

Cash Duration Matrix

	2	5	10	30
2	100%			
5	42%	100%		
10	24%	57%	100%	
30	12%	28%	49%	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	\$196			
5	\$205	\$486		
10	\$203	\$481	\$847	
30	\$212	\$502	\$884	\$1,809

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				
5	(\$9)			
10	(\$7)	\$5		
30	(\$16)	(\$16)	(\$37)	

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				
5	-4.42%			
10	-3.39%	1.08%		
30	-7.44%	-3.16%	-4.20%	

Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.93	2.32	4.04	8.63
ZF	0.40	1.00	1.74	3.73
ZN	0.26	0.64	1.12	2.40
ZB	0.15	0.38	0.66	1.40

	2y	5y	10y	30y
2y		2.48	4.32	9.24
5y	0.40		1.74	3.72
10y	0.23	0.57		2.14
30y	0.11	0.27	0.47	

	ZT	ZF	ZN	ZB
ZT		2.32	3.60	6.16
ZF	0.43		1.55	2.66
ZN	0.28	0.64		1.71
ZB	0.16	0.38	0.58	

Box for Box Matrix

	2y	5y	10y	30y
ZT	0.93	2.32	8.08	17.27
ZF	0.40	1.00	3.49	7.45
ZN	0.52	1.29	1.12	2.40
ZB	0.61	0.75	1.31	1.40

	2y	5y	10y	30y
2y		2.48	2.16	4.62
5y	0.40		0.44	1.86
10y	0.46	2.30		2.14
30y	0.22	0.54	0.47	

	ZT	ZF	ZN	ZB
ZT		2.32	7.19	12.33
ZF	0.43		1.55	5.32
ZN	0.14	0.64		1.71
ZB	0.08	0.19	0.58	

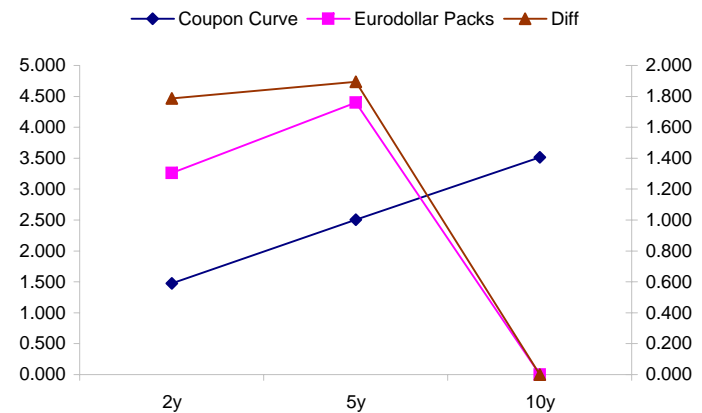
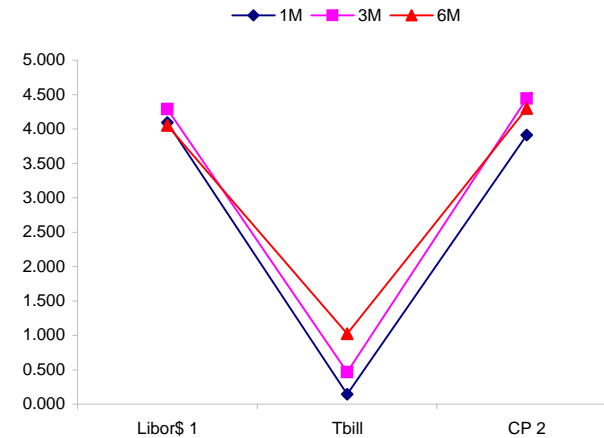
	Libor\$ ¹	Repo Rt ⁶			
0/N	2.369	0.150			
1week	3.938	0.500			
2week	4.008	1.000			
	Libor\$ ¹	Tbill	CP ²		
1M	4.093	0.142	3.910		
3M	4.289	0.464	4.440		
6M	4.053	1.021	4.300		
	TSY	Swp	Swp Rate ⁵	ED Pks ³	TSY - ED Pk ⁴
2y	1.473	150.25	2.98	3.259	1.786
5y	2.505	116.50	3.67	4.399	1.894
10y	3.512	66.00	4.17	#VALUE!	#VALUE!

<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>	
103.2	114.0		Red pack / Blue pack is a 2/5 proxy
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>	
203.9	#VALUE!	#VALUE!	Red pack / Gold pack is a 2/10 proxy
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>	
100.7	#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:

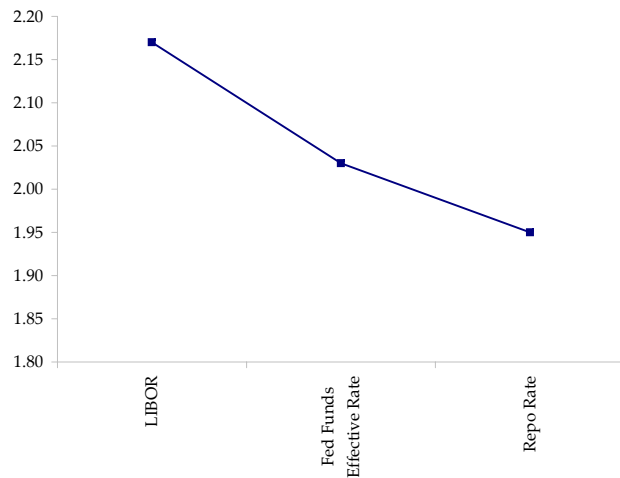
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight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



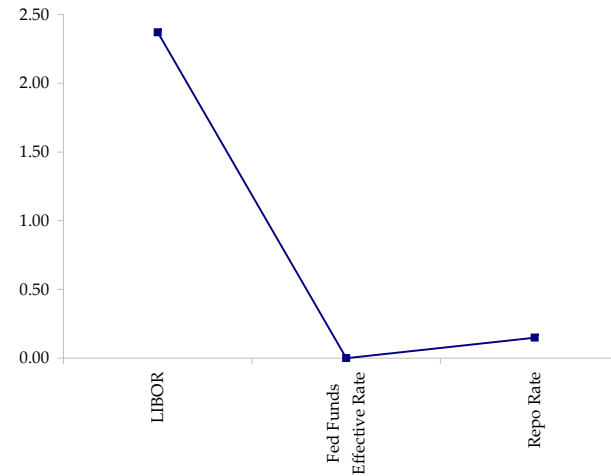
	Last	Chng	Term	Asset Type
USDLIBON	2.369	0.3725	Overnight	LIBOR
TUSFFRON	#VALUE!	#VALUE!	Overnight	Fed Funds Effective Rate
TUSRPOON	0.150	0.0000	Overnight	Repo Rate
TEONIA01M	4.104	(0.0510)	1 month	Euribor OIS Rate
TEONIA03M	3.916	(0.0810)	3 month	Euribor OIS Rate
TSONIA01M	4.628	0.0020	1 month	Sterling OIS Rate
TSONIA03M	4.530	(0.0160)	3 month	Sterling OIS Rate
TUSOIS01M	1.450	(0.0800)	1 month	USD OIS Rate
TUSOIS03M	1.402	(0.0700)	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	8/25/2008	9/2/2008	9/8/2008	9/17/2008	9/19/2008	9/29/2008	9/30/2008	10/3/2008	Last
Australia	201.6	195.3	211.6	217.1	181.6	205.3	154.9	167.1	171.1
France	53.2	58.9	60.8	87.6	73.6	65.4	54.2	57.4	60.7
Germany	34	40	40.7	56.7	47	36.2	19.7	31.4	31.1
Japan	-234.4	-227	-213.4	-192.4	-228.1	-213.2	-236.1	-217.9	-217.0
U.K.	82.9	76.4	83	99.6	83.5	76.3	61.6	77.7	86.4

Global 10y Note spreads over US 10y

