



The Morning Email: Treasuries

10/21/2008 5:47

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

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Important Econ Releases, Highs & Lows

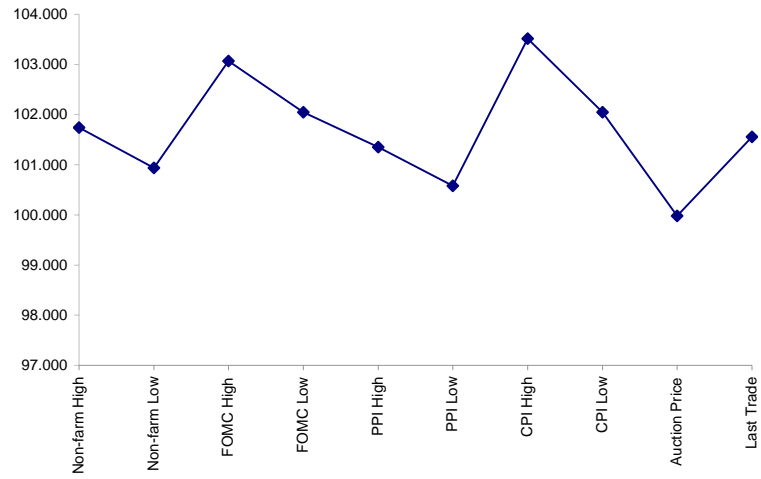
Economic Releases (32nds)

	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	101.1770	101.065	113.085	113.210	10/21/2008 5:47

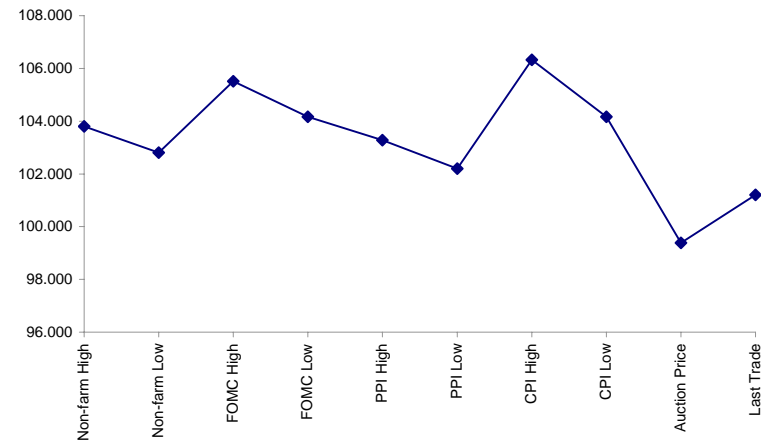
Auctions - 32nds

	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	107.037	0.017	107.052	107.025	107.045	8,057	2y Fut
FVAZ8	112.242	0.070	112.275	112.202	112.240	14,426	5y Fut
TYAZ8	113.085	0.080	113.155	113.010	113.060	53,452	10y Fut
USAZ8	113.210	0.06	114.010	113.170	113.240	6,509	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	100.190	0.017	100.202	100.170	100.175	na	2y Cash
BUS05P	101.180	0.027	101.200	101.132	101.152	na	5y Cash
BUS10P	101.060	0.040	101.090	100.300	101.035	na	10y Cash
BUS30P	103.245	0.020	104.010	103.200	103.310	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	1.684	(0.021)	1.737	1.659	1.725	na	2y Yield
BUS05Y	2.781	(0.017)	2.82	2.757	2.793	na	5y Yield
BUS10Y	3.845	(0.012)	3.895	3.807	3.84	na	10y Yield
BUS30Y	4.269	(0.006)	4.285	4.239	4.243	na	30y Yield

Duration, DV01s, Curve Spreads, CF

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
30y	16.21	5.43	\$1,696	10.85	n/a	30y
10y	8.01	2.62	\$817	5.23	n/a	10y
5y	4.55	1.50	\$468	5.99	n/a	5y
2y	1.89	0.61	\$191	2.44	n/a	2y
ZB	10.20	3.78	\$118	3.78	0.7943	ZB
ZN	6.42	2.29	\$72	4.58	0.8568	ZN
ZF	4.19	1.58	\$49	3.16	0.9042	ZF
ZT	1.89	0.65	\$20	2.61	0.9344	ZT

Yield Curve Spreads

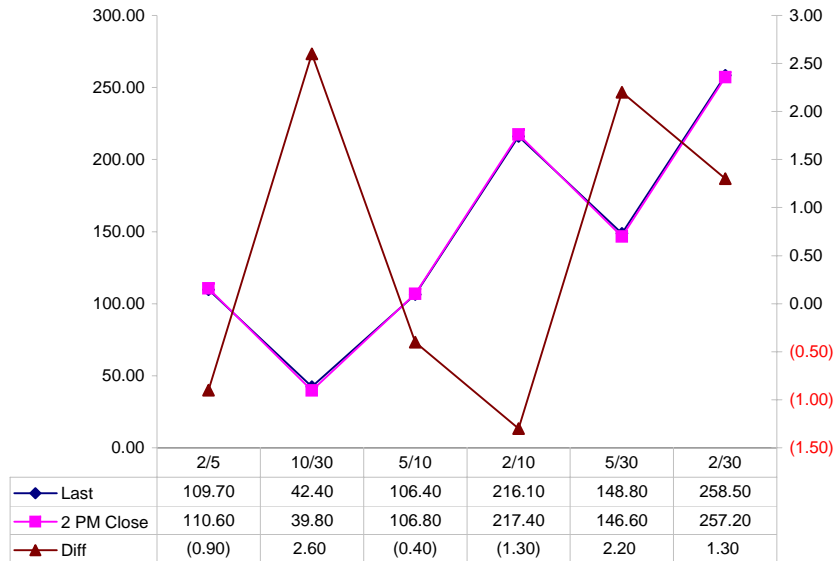
	Last	2pm close	Diff
2/5	109.70	110.60	(0.90)
10/30	42.40	39.80	2.60
5/10	106.40	106.80	(0.40)
2/10	216.10	217.40	(1.30)
5/30	148.80	146.60	2.20
2/30	258.50	257.20	1.30

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		1.652	2.396	2.895
ZN	0.605		1.450	1.753
ZF	0.417	0.689		1.208
ZT	0.345	0.571	0.828	

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	1.61	4.02	6.91	14.35
ZN	2.67	6.64	11.42	23.69
ZF	3.87	9.64	16.56	34.37
ZT	4.67	11.64	20.01	40.87

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		2.492	4.284	8.888
5y	0.412		1.765	3.662
10y	0.233	0.582		2.075
30y	0.113	0.280	0.482	

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

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	100.1750	1.712	1.684	(0.028)	13.91	16.16			107.0450	107.0370	TUAZ8
5y	3.125	9/30/13	101.1300	2.818	2.781	(0.037)	-11.48	-12.83			112.1750	112.2420	FVAZ8
10y	4.000	8/15/18	100.295	3.886	3.845	(0.041)	130.88	133.03			113.005	113.085	TYAZ8
30y	4.500	5/15/38	103.190	4.284	4.269	(0.015)	430.50	428.63			113.155	113.210	USAZ8

Curve Spreads

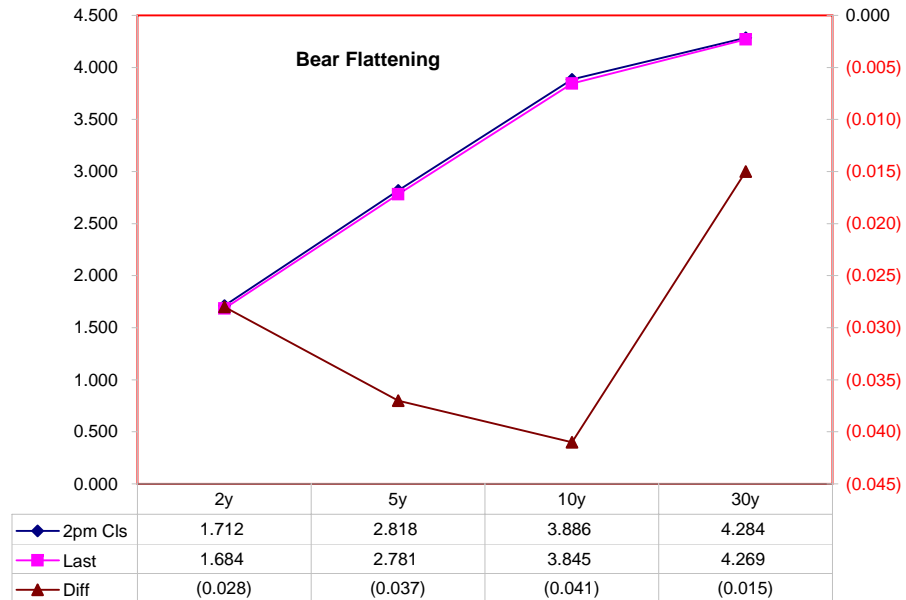
	Chng from		
	Close bps	Last bps	2pm Cls
2/5	110.6	109.7	(0.9)
5/10	106.8	106.4	(0.4)
10/30	39.8	42.4	2.6
2/10	217.4	216.1	(1.3)
5/30	146.6	148.8	2.2
2/30	257.2	258.5	1.3

	Last	Chng on Day
Emini SP	983.75	(6.75)
Crude Oil	74.00	(0.39)
Gold	783.70	(6.30)
EURUSD	132.28	(1.19)
USDJPY	101.27	(0.62)

News:

-S.Korea injects 150 bil into banking system as USD's dry-up.
 -ING get 13.4 bil from Netherlands
 -LIBOR is narrowing! (Bullish stocks and bearish Treasuries)
 -Markets begin to concentrate on Europe's and China's slowing growth, and paying a bit less attention to the US.

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	\$191			
5	\$198	\$476		
10	\$193	\$464	\$817	
30	\$198	\$476	\$838	\$1,696

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	(\$7)			
10	(\$2)	\$12		
30	(\$7)	(\$0)	(\$21)	

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	-3.68%			
10	-1.24%	2.53%		
30	-3.71%	-0.02%	-2.49%	

Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.93	2.33	4.00	8.31
ZF	0.39	0.96	1.66	3.44
ZN	0.27	0.66	1.14	2.37
ZB	0.16	0.40	0.69	1.43

	2y	5y	10y	30y
2y		2.49	4.28	8.89
5y	0.40		1.72	3.57
10y	0.23	0.58		2.07
30y	0.11	0.28	0.48	

	ZT	ZF	ZN	ZB
ZT		2.42	3.51	5.79
ZF	0.41		1.45	2.40
ZN	0.29	0.69		1.65
ZB	0.17	0.42	0.61	

Box for Box Matrix

	2y	5y	10y	30y
ZT	0.93	2.33	8.01	16.61
ZF	0.39	0.96	3.31	6.87
ZN	0.53	1.33	1.14	2.37
ZB	0.65	0.80	1.38	1.43

	2y	5y	10y	30y
2y		2.49	2.14	4.44
5y	0.40		0.43	1.78
10y	0.47	2.33		2.07
30y	0.23	0.56	0.48	

	ZT	ZF	ZN	ZB
ZT		2.42	7.01	11.58
ZF	0.41		1.45	4.79
ZN	0.14	0.69		1.65
ZB	0.09	0.21	0.61	

	Libor\$ ¹	Repo Rt ⁶
0/N	1.281	#VALUE!
1week	2.438	#VALUE!
2week	2.769	#VALUE!

	Libor\$ ¹	Tbill	CP ²
1M	3.528	0.415	4.030
3M	3.834	1.297	4.430
6M	3.700	1.720	4.340

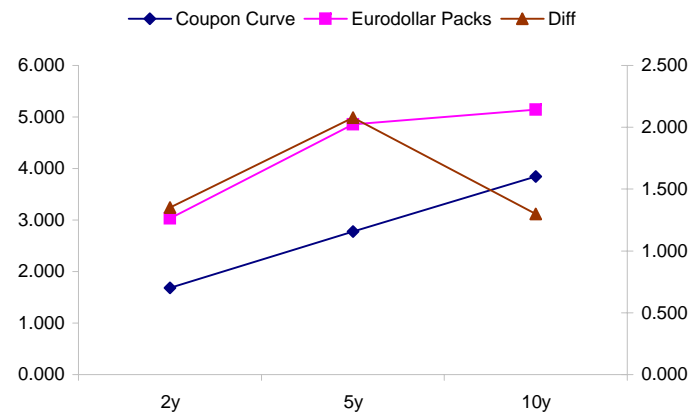
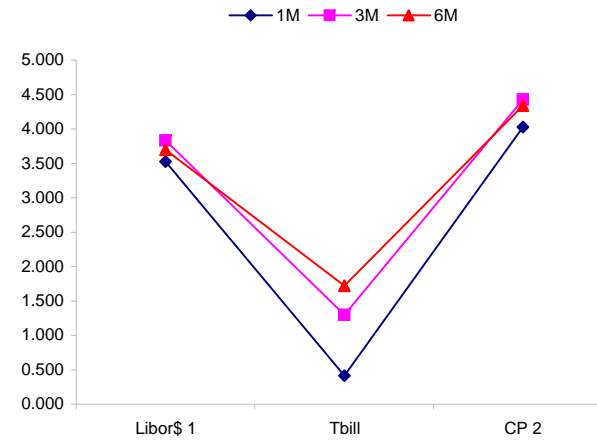
	TSY	Swp	Swp Rate ⁵	ED Pks ³	TSY - ED Pk ⁴
2y	1.683	107.00	2.75	3.033	1.350
5y	2.779	98.25	3.76	4.856	2.077
10y	3.845	44.50	4.29	5.145	1.300

<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>	
109.6	182.3	72.7	Red pack / Blue pack is a 2/5 proxy
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>	
216.3	211.3	-5.0	Red pack / Gold pack is a 2/10 proxy
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>	
106.7	29.0	-77.7	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:

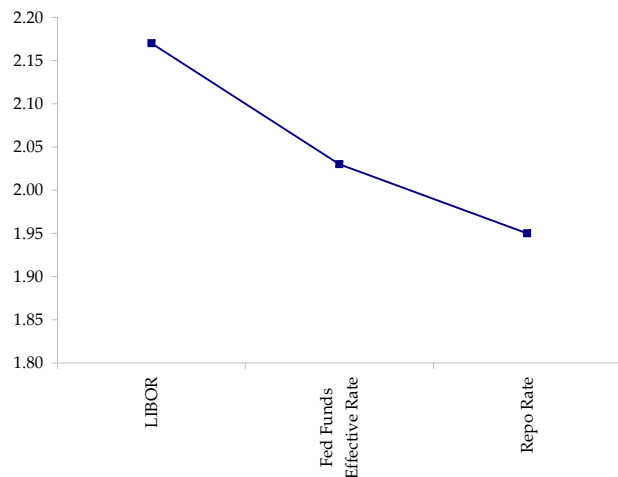
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight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



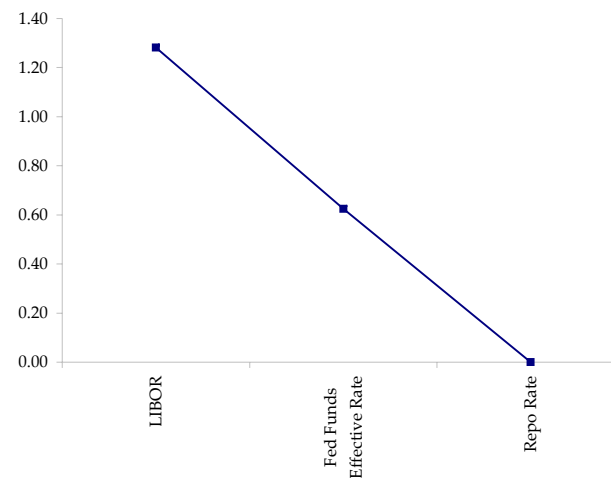
	Last	Chng	Term	Asset Type
USDLIBON	1.281	(0.2313)	Overnight	LIBOR
TUSFFRON	0.625	0.0000	Overnight	Fed Funds Effective Rate
TUSRPOON	#VALUE!	#VALUE!	Overnight	Repo Rate
TEONIA01M	3.511	(0.0170)	1 month	Euribor OIS Rate
TEONIA03M	3.346	(0.0040)	3 month	Euribor OIS Rate
TSONIA01M	4.145	(0.0260)	1 month	Sterling OIS Rate
TSONIA03M	4.021	0.0150	3 month	Sterling OIS Rate
TUSOIS01M	1.123	0.0040	1 month	USD OIS Rate
TUSOIS03M	1.126	(0.0070)	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	10/9/2008	10/15/2008	10/20/2008	Last
Australia	201.6	195.3	211.6	217.1	181.6	205.3	129.9	135.8	138.2	138.1
France	53.2	58.9	60.8	87.6	73.6	65.4	39.9	31.9	32.2	35.3
Germany	34	40	40.7	56.7	47	36.2	10.2	11.7	12.7	15.1
Japan	-234.4	-227	-213.4	-192.4	-228.1	-213.2	-231.3	-242.5	-227.8	-228.2
U.K.	82.9	76.4	83	99.6	83.5	76.3	56.8	71.5	73.6	74.7

