



## The Morning Email: Treasuries

10/31/2008 6:05

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Want something added? Let me know:  
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### Important Econ Releases, Highs & Lows

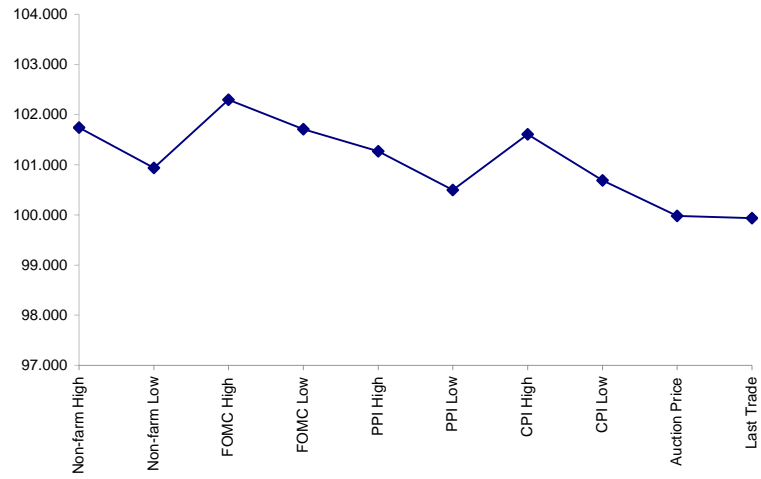
#### Economic Releases (32nds)

	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	102.0950	101.310	115.055	116.265	10/29/2008
FOMC Low	101.2275	100.315	113.295	114.295	10/29/2008
PPI High	101.0860	100.080	112.090	114.210	10/15/2008
PPI Low	100.1600	99.045	111.160	114.220	10/15/2008
CPI High	101.1950	100.210	112.250	113.105	10/16/2008
CPI Low	100.2200	99.155	111.125	121.170	10/16/2008
Auction Price	99.3141	99.124	na	na	
Last Trade	99.3000	100.270	114.025	114.140	10/31/2008 6:05

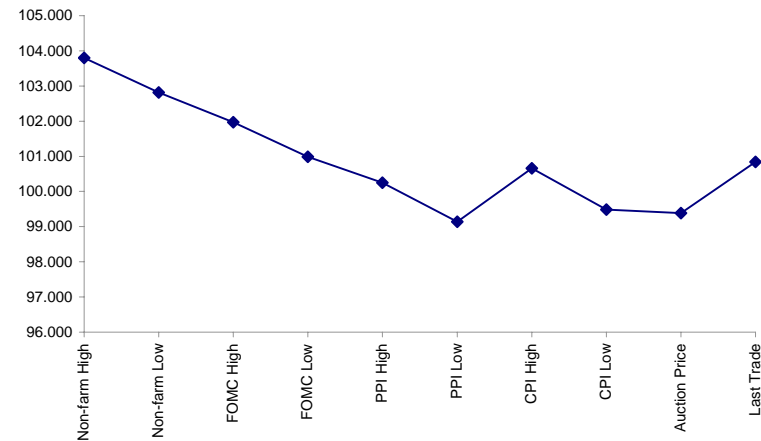
#### Auctions - 32nds

	2 y	5y	10y	30y
Auction Price	99.257	99.314	99.124	98.074
Auction Yield Stop	1.6	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	107.192	0.020	107.220	107.167	107.167	15,123	2y Fut
FVAZ8	113.232	0.110	113.262	113.125	113.125	27,660	5y Fut
TYAZ8	114.025	0.160	114.065	113.115	113.120	51,298	10y Fut
USAZ8	114.140	0.04	114.210	113.225	113.225	8,282	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	99.295	0.012	100.002	99.275	99.275	na	2y Cash
BUS05P	99.302	(1.187)	100.017	99.220	99.220	na	5y Cash
BUS10P	100.260	0.160	100.315	100.110	100.110	na	10y Cash
BUS30P	103.260	0.310	104.020	103.020	103.020	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	1.533	(0.023)	1.589	1.489	1.581	na	2y Yield
BUS05Y	2.760	(0.026)	2.855	2.733	2.855	na	5y Yield
BUS10Y	3.895	(0.066)	3.968	3.876	3.968	na	10y Yield
BUS30Y	4.267	(0.061)	4.337	4.246	4.337	na	30y Yield

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
30y	16.19	5.43	\$1,698	10.87	n/a	30y
10y	7.97	2.59	\$811	5.19	n/a	10y
5y	4.60	1.52	\$474	6.07	n/a	5y
2y	1.95	0.62	\$195	2.50	n/a	2y
ZB	10.19	3.81	\$119	3.81	0.7943	ZB
ZN	6.44	2.40	\$75	4.79	0.9328	ZN
ZF	4.16	1.58	\$49	3.16	0.9042	ZF
ZT	1.86	0.65	\$20	2.58	0.9344	ZT

Yield Curve Spreads

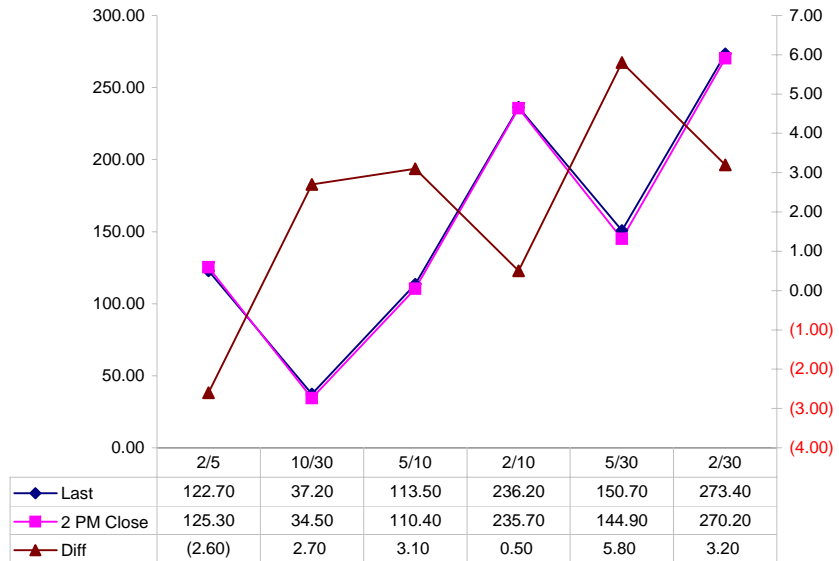
	Last	2pm close	Diff
2/5	122.70	125.30	(2.60)
10/30	37.20	34.50	2.70
5/10	113.50	110.40	3.10
2/10	236.20	235.70	0.50
5/30	150.70	144.90	5.80
2/30	273.40	270.20	3.20

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

Example, If ZN moves 1~basis point, then, it's moved 2.38 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
<b>Bund (U)</b>	0.932	1.559	2.499	2.834
<b>Bobl (U)</b>	0.531	0.883	1.360	1.570
<b>Shatz (U)</b>	0.204	0.339	0.610	0.693

## US Financial Futures

	ZB	ZN	ZF	ZT
<b>ZB</b>		1.589	2.411	2.951
<b>ZN</b>	0.629		1.517	1.857
<b>ZF</b>	0.415	0.659		1.224
<b>ZT</b>	0.339	0.539	0.817	

## Eurex Bonds

	Bund (H)	Bobl (H)	Shatz (H)
<b>Bund (H)</b>		1.8	4.1
<b>Bobl (H)</b>	0.6		2.3
<b>Shatz (H)</b>	0.2	0.4	

## US Treasuries v US Financial Futures

	2y	5y	10y	30y
<b>ZB</b>	1.64	3.98	6.81	14.26
<b>ZN</b>	2.60	6.33	10.82	22.67
<b>ZF</b>	3.95	9.60	16.42	34.38
<b>ZT</b>	4.83	11.75	20.10	41.45

## US Treasuries v Eurex Bonds

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

## US Treasuries

	2y	5y	10y	30y
<b>2y</b>		2.429	4.157	8.704
<b>5y</b>	0.412		1.711	3.583
<b>10y</b>	0.241	0.584		2.094
<b>30y</b>	0.115	0.279	0.478	

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

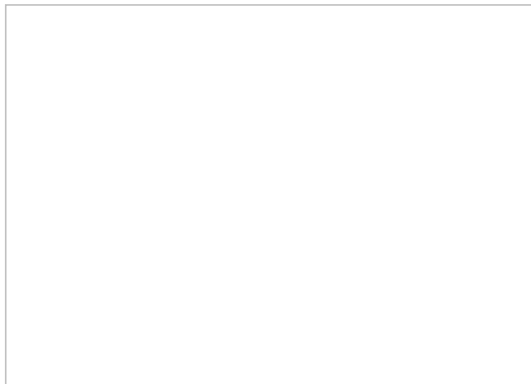
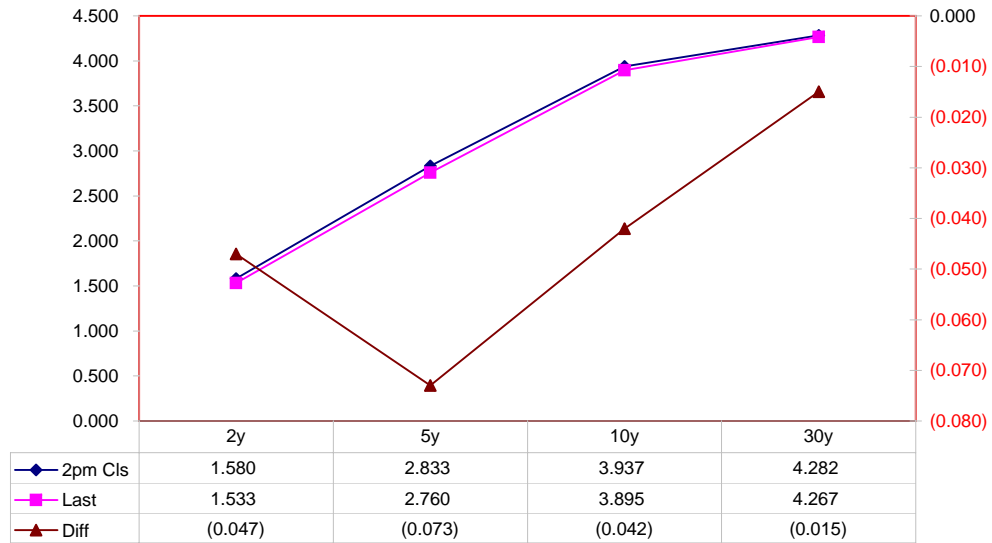
	Cpn	Mty	Close 32	Close	Last	Chng	Basis		Cash	Futrues	Close 32	Last	
						from 2pm	Close	Last	Roll	Roll			
2y	1.500	10/31/10	99.2700	1.580	1.533	(0.047)	-20.97	-19.83			107.1775	107.1920	TUAZ8
5y	2.750	10/31/13	99.1975	2.833	2.760	(0.073)	-93.37	-92.56	+4.00		113.1275	113.2320	FVAZ8
10y	4.000	8/15/18	100.160	3.937	3.895	(0.042)	-174.26	-178.19			113.185	114.025	TYAZ8
30y	4.500	5/15/38	103.200	4.282	4.267	(0.015)	410.45	414.77			114.100	114.140	USAZ8

Curve Spreads

	Close bps	Last bps	Chng from
			2pm Cls
2/5	125.3	122.7	(2.6)
5/10	110.4	113.5	3.1
10/30	34.5	37.2	2.7
2/10	235.7	236.2	0.5
5/30	144.9	150.7	5.8
2/30	270.2	273.4	3.2

	Last	Chng on Day
Emini SP	946.00	(15.50)
Crude Oil	63.92	(2.04)
Gold	729.90	(8.60)
EURUSD	127.69	(1.48)
USDJPY	97.65	(0.97)

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

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

**Cash Duration Matrix**

	2	5	10	30
2	100%			
5	41%	100%		
10	23%	58%	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	\$189			
5	\$192	\$474		
10	\$189	\$468	\$811	
30	\$195	\$482	\$836	\$1,698

**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	(\$4)			
10	(\$1)	\$6		
30	(\$7)	(\$8)	(\$26)	

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	-1.83%			
10	-0.51%	1.34%		
30	-3.55%	-1.75%	-3.05%	

## Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.89	2.24	3.84	8.03
ZF	0.38	0.96	1.64	3.44
ZN	0.25	0.63	1.08	2.27
ZB	0.16	0.40	0.68	1.43

	2y	5y	10y	30y
2y		2.51	4.30	9.01
5y	0.40		1.71	3.58
10y	0.23	0.58		2.09
30y	0.11	0.28	0.48	

	ZT	ZF	ZN	ZB
ZT		2.34	3.54	5.63
ZF	0.43		1.52	2.41
ZN	0.28	0.66		1.59
ZB	0.18	0.41	0.63	

## Box for Box Matrix

	2y	5y	10y	30y
ZT	0.89	2.24	7.67	16.07
ZF	0.38	0.96	3.28	6.88
ZN	0.50	1.27	1.08	2.27
ZB	0.63	0.80	1.36	1.43

	2y	5y	10y	30y
2y		2.51	2.15	4.50
5y	0.40		0.43	1.79
10y	0.46	2.34		2.09
30y	0.22	0.56	0.48	

	ZT	ZF	ZN	ZB
ZT		2.34	7.09	11.27
ZF	0.43		1.52	4.82
ZN	0.14	0.66		1.59
ZB	0.09	0.21	0.63	



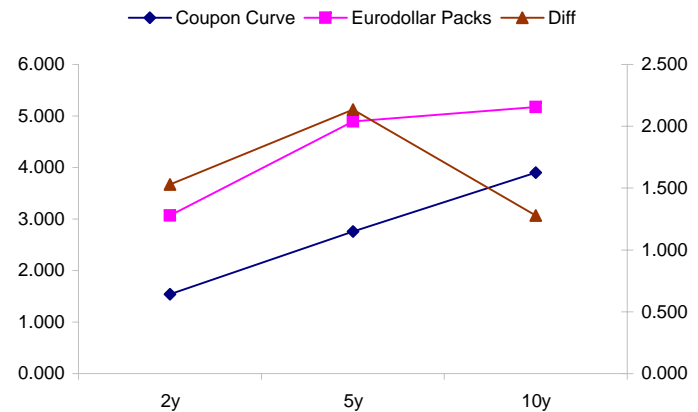
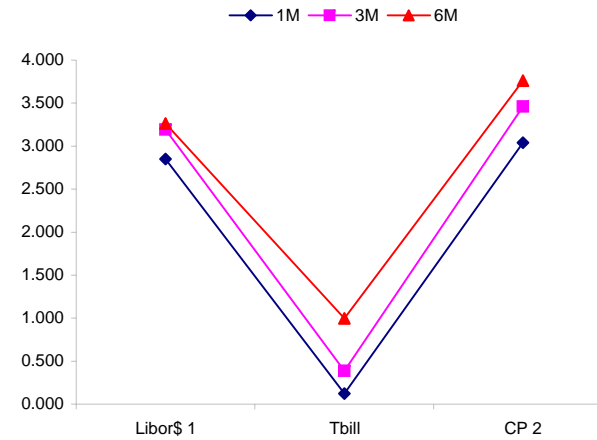
	Libor\$ <sup>1</sup>	Repo Rt <sup>6</sup>			
0/N	0.731	#VALUE!			
1week	1.638	#VALUE!			
2week	2.056	#VALUE!			
	Libor\$ <sup>1</sup>	Tbill	CP <sup>2</sup>		
1M	2.850	0.124	3.040		
3M	3.193	0.388	3.460		
6M	3.265	0.998	3.760		
	TSY	Swp	Swp Rate <sup>5</sup>	ED Pks <sup>3</sup>	TSY - ED Pk <sup>4</sup>
2y	1.540	114.75	2.69	3.070	1.530
5y	2.760	100.50	3.77	4.895	2.135
10y	3.899	46.25	4.36	5.177	1.278

<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>	
122.0	182.5	60.5	Red pack / Blue pack is a 2/5 proxy
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>	
235.9	210.6	-25.2	Red pack / Gold pack is a 2/10 proxy
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>	
113.9	28.2	-85.7	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:**

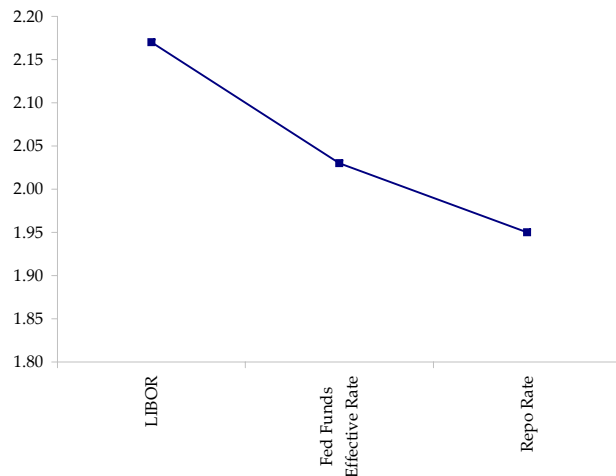
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight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



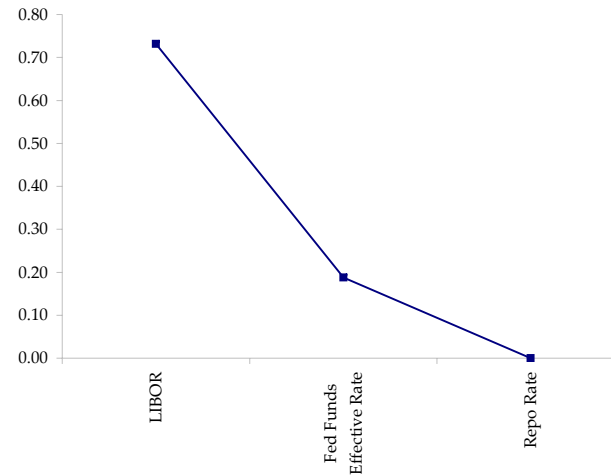
	Last	Chng	Term	Asset Type
USDLIBON	0.731	0.0000	Overnight	LIBOR
TUSFFRON	0.188	(0.1875)	Overnight	Fed Funds Effective Rate
TUSRPOON	#VALUE!	#VALUE!	Overnight	Repo Rate
TEONIA01M	3.140	(0.0890)	1 month	Euribor OIS Rate
TEONIA03M	2.903	(0.0800)	3 month	Euribor OIS Rate
TSONIA01M	3.889	(0.0700)	1 month	Sterling OIS Rate
TSONIA03M	3.564	(0.0530)	3 month	Sterling OIS Rate
TUSOIS01M	0.617	(0.0400)	1 month	USD OIS Rate
TUSOIS03M	0.615	(0.0120)	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	10/24/2008	10/30/2008	Last
Australia	201.6	195.3	211.6	217.1	181.6	205.3	129.9	135.8	120.8	134.5	126.4
France	53.2	58.9	60.8	87.6	73.6	65.4	39.9	31.9	31.4	18.2	21.4
Germany	34	40	40.7	56.7	47	36.2	10.2	11.7	3.5	-16.5	-15.1
Japan	-234.4	-227	-213.4	-192.4	-228.1	-213.2	-231.3	-242.5	-224.2	-245	-240.6
U.K.	82.9	76.4	83	99.6	83.5	76.3	56.8	71.5	64.6	49	52.9

Global 10y Note spreads over US 10y

