



## The Morning Email: Treasuries

9/9/2008 5:53

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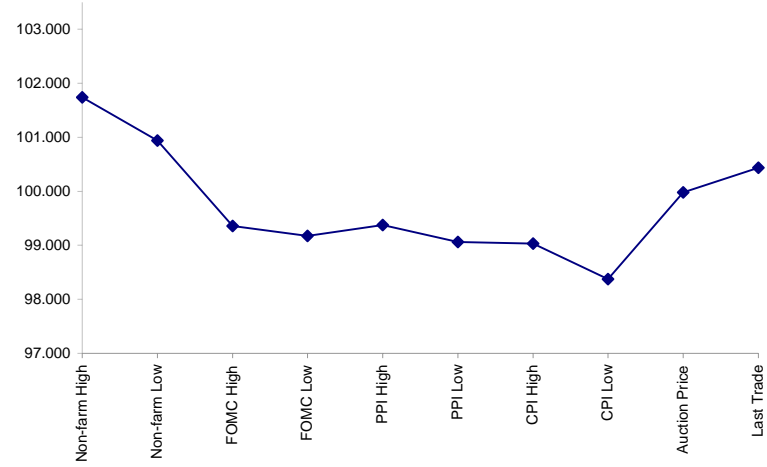
Economic Releases (32nds)

|               | 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     | 99.1150  | 100.045 | 116.048 | 116.275 | 8/5/2008      |
| FOMC Low      | 99.0550  | 99.245  | 115.248 | 116.030 | 8/5/2008      |
| PPI High      | 99.1200  | 101.220 | 117.263 | 118.305 | 8/15/2008     |
| PPI Low       | 99.0200  | 101.070 | 117.093 | 118.085 | 8/15/2008     |
| CPI High      | 99.0100  | 101.010 | 116.033 | 118.015 | 8/14/2008     |
| CPI Low       | 98.1200  | 100.090 | 116.108 | 116.265 | 8/14/2008     |
| Auction Price | 99.3140  | 99.124  | na      | na      |               |
| Last Trade    | 100.1400 | 102.115 | 115.305 | 118.295 | 9/9/2008 5:53 |

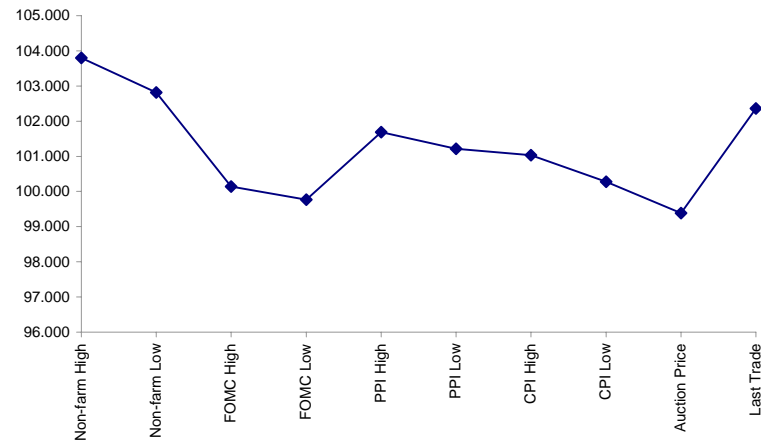
Auctions - 32nds

|                     | 2 y       | 5y        | 10y      | 30y      |
|---------------------|-----------|-----------|----------|----------|
| Auction Price       | 99.317    | 99.314    | 99.124   | 98.074   |
| Auction Yield Stop  | 2.38      | 3.129     | 4.075    | 4.609    |
| Actual Auction Date | 8/27/2008 | 8/28/2008 | 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) {Sep08 to Dec08 Futures roll: ZF = (14 3/4); ZN = (36 3/4); ZB = (27 1/2) [tics]}

## Quotes

|        |         | 32 nds  |         |         |         |         |           |
|--------|---------|---------|---------|---------|---------|---------|-----------|
|        | Last    | Net     | High    | Low     | Open    | Volume  | Sym Name  |
| TUAZ8  | 106.035 | (0.052) | 106.082 | 106.027 | 106.075 | 60,604  | 2y Fut    |
| FVAZ8  | 112.037 | (0.122) | 112.137 | 112.017 | 112.132 | 67,705  | 5y Fut    |
| TYAZ8  | 115.305 | (0.150) | 116.120 | 115.270 | 116.115 | 133,242 | 10y Fut   |
| USAZ8  | 118.295 | (0.11)  | 119.145 | 118.260 | 119.115 | 24,505  | 30y Fut   |
|        | Last    | Net     | High    | Low     | Open    | Volume  | Sym Name  |
| BUS02P | 100.010 | (0.025) | 100.050 | 100.005 | 100.045 | na      | 2y Cash   |
| BUS05P | 100.140 | (0.052) | 100.225 | 100.122 | 100.217 | na      | 5y Cash   |
| BUS10P | 102.110 | (0.055) | 102.220 | 102.090 | 102.220 | na      | 10y Cash  |
| BUS30P | 103.180 | (0.040) | 103.305 | 103.160 | 103.260 | na      | 30y Cash  |
|        | Last    | Net     | High    | Low     | Open    | Volume  | Sym Name  |
| BUS02Y | 2.359   | 0.045   | 2.376   | 2.302   | 2.314   | na      | 2y Yield  |
| BUS05Y | 3.028   | 0.046   | 3.045   | 2.991   | 2.994   | na      | 5y Yield  |
| BUS10Y | 3.713   | 0.027   | 3.727   | 3.682   | 3.689   | na      | 10y Yield |
| BUS30Y | 4.285   | 0.008   | 4.292   | 4.262   | 4.269   | na      | 30y Yield |

|     | M Duration | DV01 32 | DV01 \$ | DV01 Box | CF     |     |
|-----|------------|---------|---------|----------|--------|-----|
| 30y | 16.31      | 5.42    | \$1,695 | 10.85    | n/a    | 30y |
| 10y | 8.14       | 2.67    | \$836   | 5.35     | n/a    | 10y |
| 5y  | 4.57       | 1.51    | \$471   | 6.03     | n/a    | 5y  |
| 2y  | 1.90       | 0.64    | \$200   | 2.56     | n/a    | 2y  |
| ZB  | 10.46      | 4.02    | \$126   | 4.02     | 0.7943 | ZB  |
| ZN  | 6.32       | 2.41    | \$75    | 4.83     | 0.8568 | ZN  |
| ZF  | 4.17       | 1.54    | \$48    | 3.08     | 0.8844 | ZF  |
| ZT  | 1.97       | 0.69    | \$22    | 2.75     | 0.9353 | ZT  |

Yield Curve Spreads

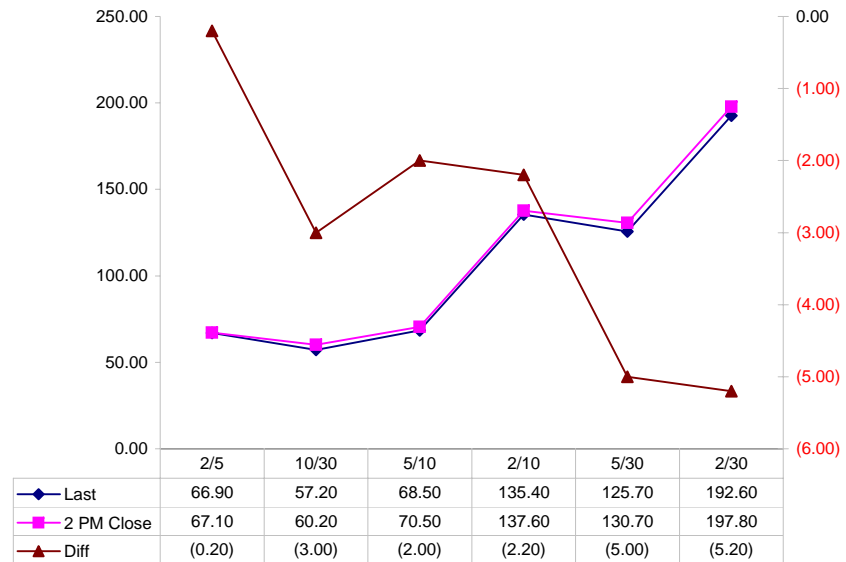
|       | Last   | 2pm close | Diff   |
|-------|--------|-----------|--------|
| 2/5   | 66.90  | 67.10     | (0.20) |
| 10/30 | 57.20  | 60.20     | (3.00) |
| 5/10  | 68.50  | 70.50     | (2.00) |
| 2/10  | 135.40 | 137.60    | (2.20) |
| 5/30  | 125.70 | 130.70    | (5.00) |
| 2/30  | 192.60 | 197.80    | (5.20) |

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>  | 0.975 | 1.620 | 2.499 | 2.889 |
| <b>Bobl (U)</b>  | 0.531 | 0.882 | 1.360 | 1.570 |
| <b>Shatz (U)</b> | 0.204 | 0.339 | 0.523 | 0.605 |

## US Financial Futures

|           | ZB    | ZN    | ZF    | ZT    |
|-----------|-------|-------|-------|-------|
| <b>ZB</b> |       | 1.667 | 2.615 | 2.922 |
| <b>ZN</b> | 0.600 |       | 1.568 | 1.753 |
| <b>ZF</b> | 0.382 | 0.638 |       | 1.117 |
| <b>ZT</b> | 0.329 | 0.549 | 0.861 |       |

## Eurex Bonds

|                  | Bund (H) | Bobl (H) | Shatz (H) |
|------------------|----------|----------|-----------|
| <b>Bund (H)</b>  |          | 1.8      | 4.8       |
| <b>Bobl (H)</b>  | 0.6      |          | 2.6       |
| <b>Shatz (H)</b> | 0.2      | 0.4      |           |

## US Treasuries v US Financial Futures

|           | 2y   | 5y    | 10y   | 30y   |
|-----------|------|-------|-------|-------|
| <b>ZB</b> | 1.52 | 3.71  | 6.64  | 13.48 |
| <b>ZN</b> | 2.54 | 6.19  | 11.08 | 22.48 |
| <b>ZF</b> | 3.99 | 9.71  | 17.38 | 35.25 |
| <b>ZT</b> | 4.45 | 10.85 | 19.42 | 39.39 |

## US Treasuries v Eurex Bonds

|                  | 2y  | 5y   | 10y  | 30y  |
|------------------|-----|------|------|------|
| <b>Bund (U)</b>  | 1.5 | 3.7  | 6.8  | 13.6 |
| <b>Bobl (U)</b>  | 2.8 | 6.9  | 12.4 | 25.0 |
| <b>Shatz (U)</b> | 7.3 | 17.8 | 32.4 | 65.0 |

## US Treasuries

|            | 2y    | 5y    | 10y   | 30y   |
|------------|-------|-------|-------|-------|
| <b>2y</b>  |       | 2.435 | 4.360 | 8.844 |
| <b>5y</b>  | 0.411 |       | 1.790 | 3.632 |
| <b>10y</b> | 0.229 | 0.559 |       | 2.028 |
| <b>30y</b> | 0.113 | 0.275 | 0.493 |       |

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

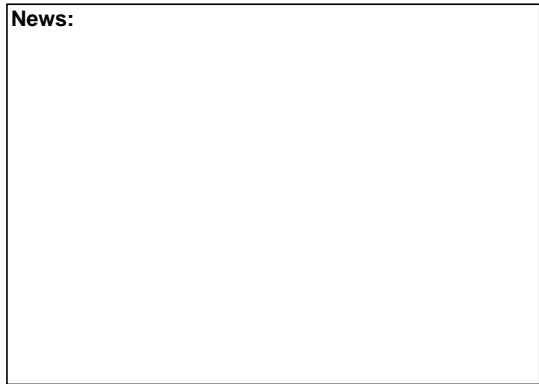
|     | Cpn   | Mty     | Close 32 | Close | Last  | Chng     | Basis  |        | Cash | Futrues | Close 32 | Last     |       |
|-----|-------|---------|----------|-------|-------|----------|--------|--------|------|---------|----------|----------|-------|
|     |       |         |          |       |       | from 2pm | Close  | Last   | Roll | Roll    |          |          |       |
| 2y  | 2.375 | 8/31/10 | 100.0525 | 2.289 | 2.359 | 0.070    | 24.53  | 25.19  |      | 0.095   | 106.0875 | 106.0350 | TUAZ8 |
| 5y  | 3.125 | 8/31/13 | 100.2425 | 2.960 | 3.028 | 0.068    | 40.41  | 41.04  |      | 0.170   | 112.1600 | 112.0370 | FVAZ8 |
| 10y | 4.000 | 8/15/18 | 102.245  | 3.665 | 3.713 | 0.048    | 96.49  | 96.34  |      | 1.007   | 116.135  | 115.305  | TYAZ8 |
| 30y | 4.500 | 5/15/38 | 103.285  | 4.267 | 4.285 | 0.018    | 293.45 | 290.79 |      | 0.272   | 119.080  | 118.295  | USAZ8 |

Curve Spreads

|       | Chng from |          |         |
|-------|-----------|----------|---------|
|       | Close bps | Last bps | 2pm Cls |
| 2/5   | 67.1      | 66.9     | (0.2)   |
| 5/10  | 70.5      | 68.5     | (2.0)   |
| 10/30 | 60.2      | 57.2     | (3.0)   |
| 2/10  | 137.6     | 135.4    | (2.2)   |
| 5/30  | 130.7     | 125.7    | (5.0)   |
| 2/30  | 197.8     | 192.6    | (5.2)   |

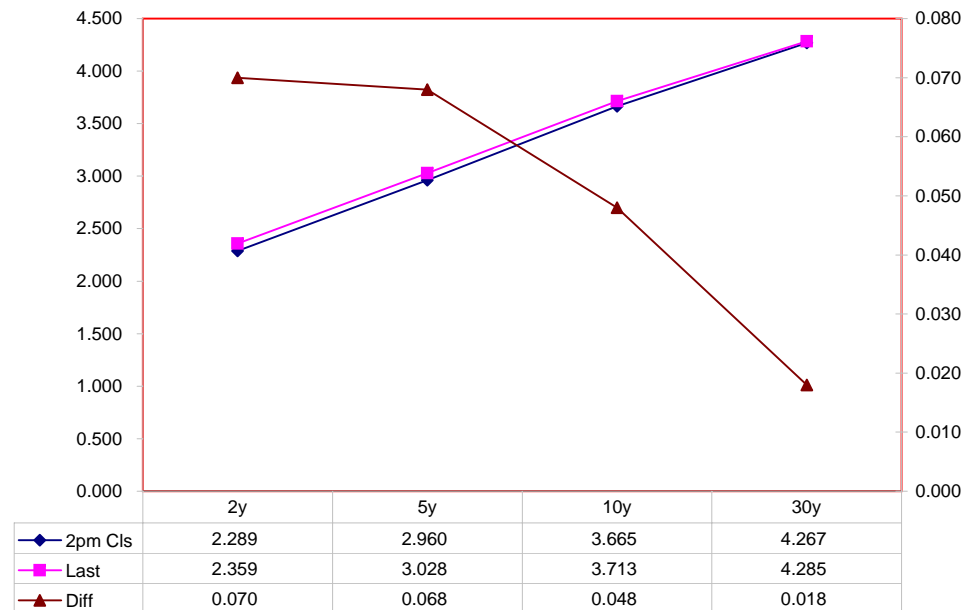
|           | Last    | Chng on Day |
|-----------|---------|-------------|
| Emini SP  | 1272.25 | 5.25        |
| Crude Oil | 105.11  | (1.23)      |
| Gold      | 807.90  | 5.40        |
| EURUSD    | 141.84  | 0.53        |
| USDJPY    | 108.10  | (0.19)      |

News:



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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 | 23%  | 56%  | 100% |      |
| 30 | 12%  | 28%  | 50%  | 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  | \$200 |       |       |         |
| 5  | \$196 | \$471 |       |         |
| 10 | \$195 | \$469 | \$836 |         |
| 30 | \$198 | \$475 | \$846 | \$1,695 |

**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 | \$5 | \$2   |        |    |
| 30 | \$2 | (\$4) | (\$10) |    |

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  | 1.90% |        |        |    |
| 10 | 2.33% | 0.42%  |        |    |
| 30 | 1.08% | -0.81% | -1.22% |    |

## Tic for Tic Matrix

|    | 2y   | 5y   | 10y  | 30y  |
|----|------|------|------|------|
| ZT | 0.93 | 2.19 | 3.88 | 7.88 |
| ZF | 0.42 | 0.98 | 1.74 | 3.52 |
| ZN | 0.26 | 0.62 | 1.11 | 2.25 |
| ZB | 0.16 | 0.37 | 0.66 | 1.35 |

|     | 2y   | 5y   | 10y  | 30y  |
|-----|------|------|------|------|
| 2y  |      | 2.36 | 4.18 | 8.49 |
| 5y  | 0.42 |      | 1.77 | 3.60 |
| 10y | 0.24 | 0.56 |      | 2.03 |
| 30y | 0.12 | 0.28 | 0.49 |      |

|    | ZT   | ZF   | ZN   | ZB   |
|----|------|------|------|------|
| ZT |      | 2.23 | 3.51 | 5.84 |
| ZF | 0.45 |      | 1.57 | 2.62 |
| ZN | 0.29 | 0.64 |      | 1.67 |
| ZB | 0.17 | 0.38 | 0.60 |      |

## Box for Box Matrix

|    | 2y   | 5y   | 10y  | 30y   |
|----|------|------|------|-------|
| ZT | 0.93 | 2.19 | 7.77 | 15.76 |
| ZF | 0.42 | 0.98 | 3.48 | 7.05  |
| ZN | 0.53 | 1.25 | 1.11 | 2.25  |
| ZB | 0.64 | 0.75 | 1.33 | 1.35  |

|     | 2y   | 5y   | 10y  | 30y  |
|-----|------|------|------|------|
| 2y  |      | 2.36 | 2.09 | 4.24 |
| 5y  | 0.42 |      | 0.44 | 1.80 |
| 10y | 0.48 | 2.26 |      | 2.03 |
| 30y | 0.24 | 0.56 | 0.49 |      |

|    | ZT   | ZF   | ZN   | ZB    |
|----|------|------|------|-------|
| ZT |      | 2.23 | 7.01 | 11.69 |
| ZF | 0.45 |      | 1.57 | 5.23  |
| ZN | 0.14 | 0.64 |      | 1.67  |
| ZB | 0.09 | 0.19 | 0.60 |       |



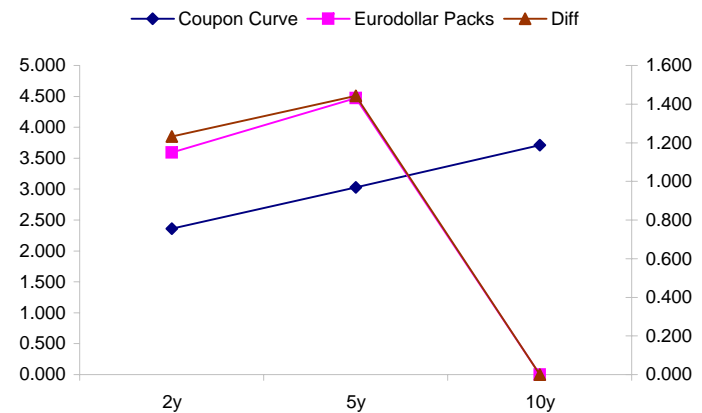
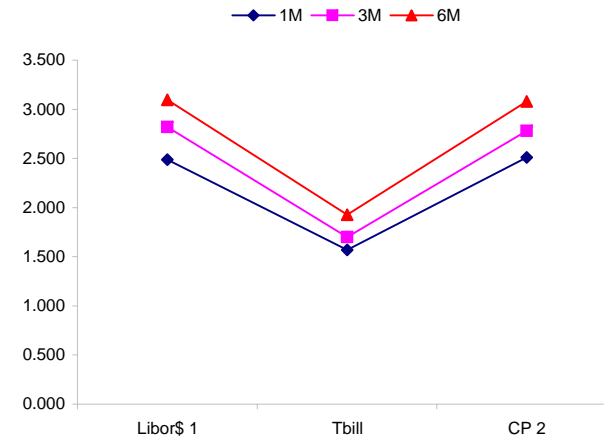
|       | Libor\$ <sup>1</sup> | Repo Rt <sup>6</sup> |                       |                     |                          |
|-------|----------------------|----------------------|-----------------------|---------------------|--------------------------|
| 0/N   | 2.135                | #VALUE!              |                       |                     |                          |
| 1week | 2.353                | #VALUE!              |                       |                     |                          |
| 2week | 2.398                | #VALUE!              |                       |                     |                          |
|       | Libor\$ <sup>1</sup> | Tbill                | CP <sup>2</sup>       |                     |                          |
| 1M    | 2.489                | 1.570                | 2.510                 |                     |                          |
| 3M    | 2.818                | 1.700                | 2.780                 |                     |                          |
| 6M    | 3.097                | 1.927                | 3.080                 |                     |                          |
|       | TSY                  | Swp                  | Swp Rate <sup>5</sup> | ED Pks <sup>3</sup> | TSY - ED Pk <sup>4</sup> |
| 2y    | 2.358                | 88.25                | 3.24                  | 3.590               | 1.232                    |
| 5y    | 3.028                | 84.25                | 3.87                  | 4.471               | 1.443                    |
| 10y   | 3.713                | 60.25                | 4.32                  | #VALUE!             | #VALUE!                  |

| <u>2/5</u>  | <u>Rd/Blu Pk</u>  | <u>Diff</u> |                                       |
|-------------|-------------------|-------------|---------------------------------------|
| 66.9        | 88.0              | 21.1        | Red pack / Blue pack is a 2/5 proxy   |
| <u>2/10</u> | <u>Rd/Gld Pk</u>  | <u>Diff</u> |                                       |
| 135.5       | #VALUE!           | #VALUE!     | Red pack / Gold pack is a 2/10 proxy  |
| <u>5/10</u> | <u>Blu/Gld Pk</u> | <u>Diff</u> |                                       |
| 68.6        | #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:**

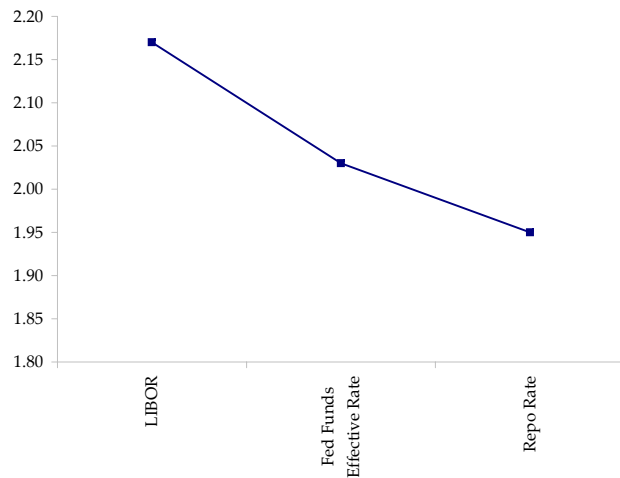
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight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



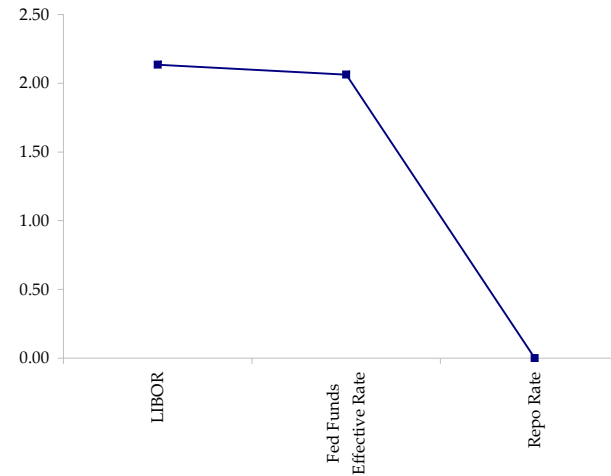
|           | Last    | Chng     | Term      | Asset Type               |
|-----------|---------|----------|-----------|--------------------------|
| USDLIBON  | 2.135   | (0.0113) | Overnight | LIBOR                    |
| TUSFFRON  | 2.063   | 0.2187   | Overnight | Fed Funds Effective Rate |
| TUSRPOON  | #VALUE! | #VALUE!  | Overnight | Repo Rate                |
| TEONIA01M | 4.307   | 0.0060   | 1 month   | Euribor OIS Rate         |
| TEONIA03M | 4.327   | 0.0000   | 3 month   | Euribor OIS Rate         |
| TSONIA01M | 5.031   | 0.0080   | 1 month   | Sterling OIS Rate        |
| TSONIA03M | 4.955   | 0.0030   | 3 month   | Sterling OIS Rate        |
| TUSOIS01M | 2.015   | 0.0020   | 1 month   | USD OIS Rate             |
| TUSOIS03M | 2.023   | 0.0030   | 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   | 8/20/2008 | 8/25/2008 | 8/28/2008 | 9/2/2008 | 9/3/2008 | 9/4/2008 | 9/5/2008 | 9/8/2008 | Last   |
|-----------|-----------|-----------|-----------|----------|----------|----------|----------|----------|--------|
| Australia | 207       | 201.6     | 198.4     | 195.3    | 200.8    | 213.5    | 198.9    | 211.6    | 205.97 |
| France    | 49.8      | 53.2      | 57.3      | 58.9     | 64.4     | 61.7     | 62.2     | 60.8     | 59.81  |
| Germany   | 33.4      | 34        | 37.8      | 40       | 44.3     | 41.1     | 39.3     | 40.7     | 36.03  |
| Japan     | -236.2    | -234.4    | -235.9    | -227     | -223.7   | -212.7   | -220.6   | -213.4   | -222.8 |
| U.K.      | 77.1      | 82.9      | 69.9      | 76.4     | 80.2     | 81.1     | 74.1     | 83       | 77.23  |

Global 10y Note spreads over US 10y

