



9/15/2008 5:46

## The Morning Email: Treasuries

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

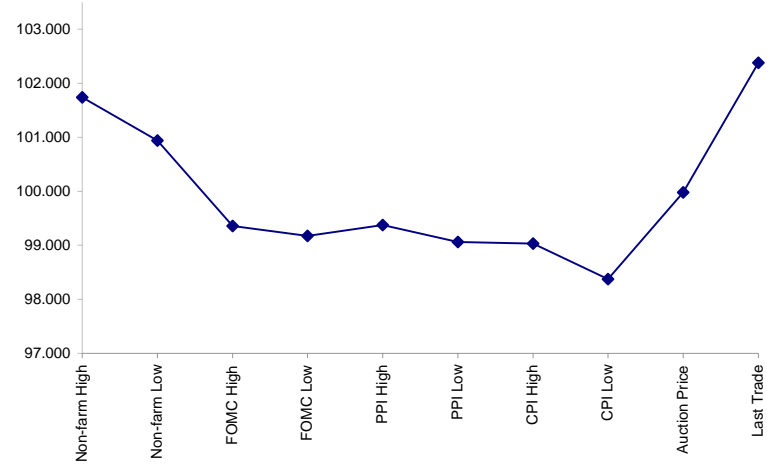
#### Economic Releases (32nds)

	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	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	102.1220	104.040	118.035	121.010	9/15/2008 5:46

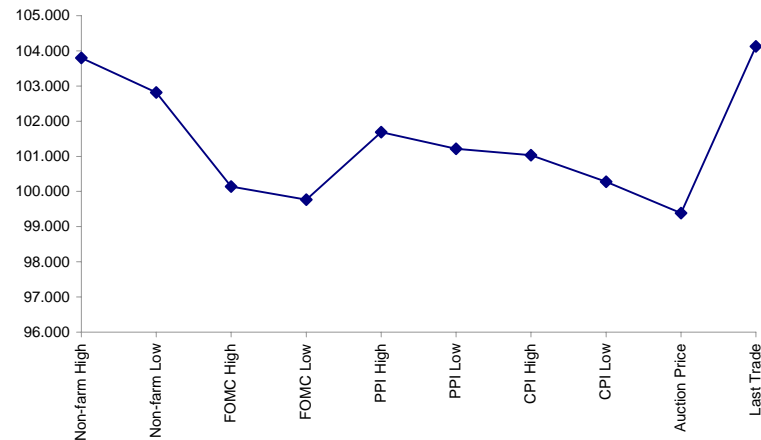
#### Auctions - 32nds

	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	107.060	0.252	107.092	106.255	106.255	130,564	2y Fut
FVAZ8	114.027	1.185	114.107	113.065	113.065	164,303	5y Fut
TYAZ8	118.035	2.040	118.160	116.280	117.100	283,864	10y Fut
USAZ8	121.010	2.14	121.140	119.135	119.275	60,723	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	101.010	0.230	101.045	100.232	100.245	na	2y Cash
BUS05P	102.117	1.175	102.202	101.220	101.250	na	5y Cash
BUS10P	104.035	1.240	104.155	103.080	103.080	na	10y Cash
BUS30P	105.155	2.105	106.055	104.065	106.055	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	1.832	(0.371)	2.224	1.771	2.224	na	2y Yield
BUS05Y	2.609	(0.334)	2.954	2.553	2.954	na	5y Yield
BUS10Y	3.504	(0.207)	3.724	3.46	3.724	na	10y Yield
BUS30Y	4.174	(0.136)	4.319	4.15	4.319	na	30y Yield

Duration, DV01s, Curve Spreads, CF

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
30y	16.42	5.56	\$1,739	11.13	n/a	30y
10y	8.15	2.72	\$851	5.45	n/a	10y
5y	4.57	1.54	\$480	6.14	n/a	5y
2y	1.93	0.64	\$201	2.57	n/a	2y
ZB	10.53	4.15	\$130	4.15	0.7943	ZB
ZN	6.32	2.44	\$76	4.88	0.8568	ZN
ZF	4.17	1.57	\$49	3.13	0.8844	ZF
ZT	1.96	0.69	\$22	2.77	0.9353	ZT

Yield Curve Spreads

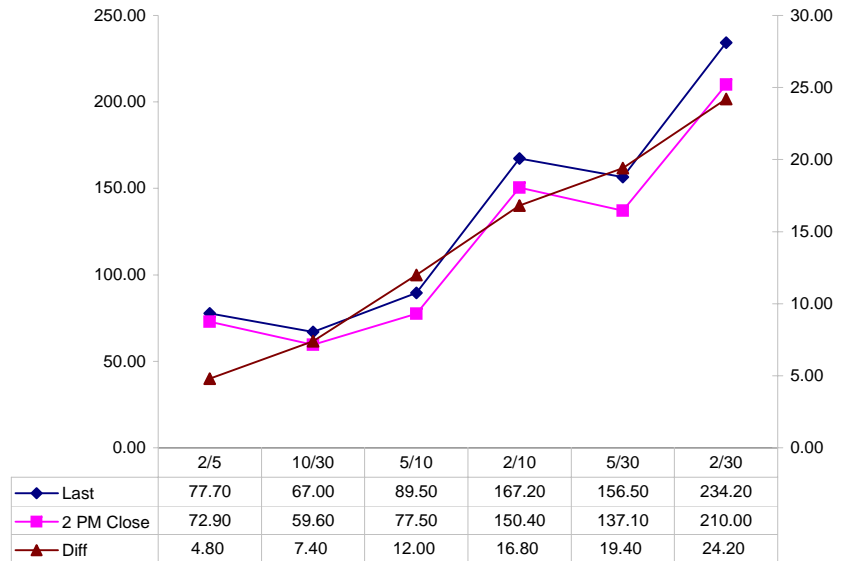
	Last	2pm close	Diff
2/5	77.70	72.90	4.80
10/30	67.00	59.60	7.40
5/10	89.50	77.50	12.00
2/10	167.20	150.40	16.80
5/30	156.50	137.10	19.40
2/30	234.20	210.00	24.20

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 Treasuries v US Financial Futures**

	2y	5y	10y	30y
<b>ZB</b>	1.48	3.66	6.56	13.40
<b>ZN</b>	2.53	6.23	11.17	22.82
<b>ZF</b>	3.93	9.71	17.40	35.54
<b>ZT</b>	4.45	10.99	19.69	40.21

**US Financial Futures**

	ZB	ZN	ZF	ZT
<b>ZB</b>		1.703	2.652	3.001
<b>ZN</b>	0.587		1.558	1.762
<b>ZF</b>	0.377	0.642		1.131
<b>ZT</b>	0.320	0.546	0.850	

**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

**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**

	2y	5y	10y	30y
<b>2y</b>		2.468	4.423	9.032
<b>5y</b>	0.405		1.792	3.660
<b>10y</b>	0.226	0.558		2.042
<b>30y</b>	0.111	0.273	0.490	

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

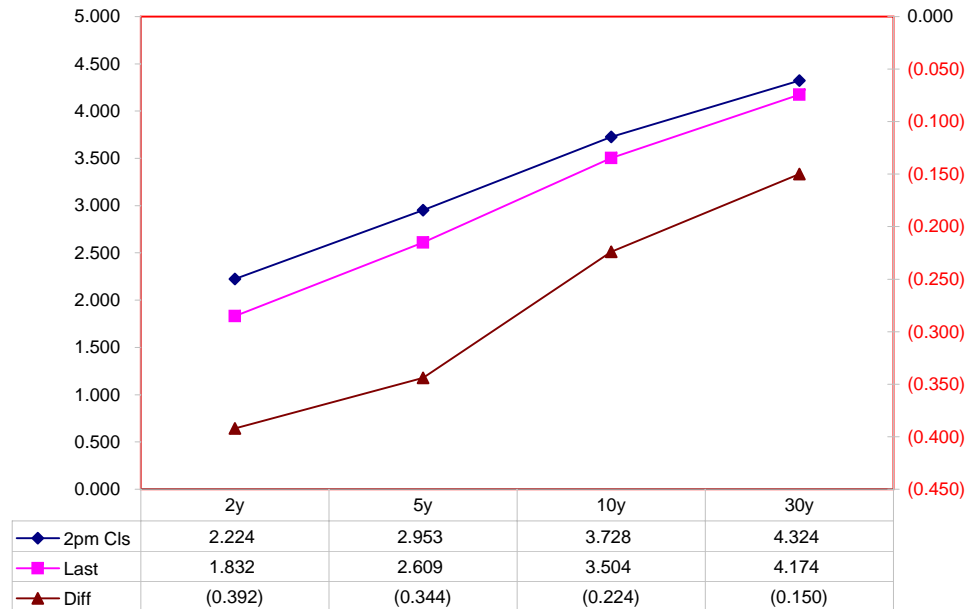
	Cpn	Mty	Close 32	Close	Last	Chng	Basis		Cash	Futrues	Close 32	Last	
						from 2pm	Close	Last	Roll	Roll			
2y	2.375	8/31/10	100.0925	2.224	1.832	(0.392)	24.55	25.12		0.052	106.1300	107.0600	TUAZ8
5y	3.125	8/31/13	100.2525	2.953	2.609	(0.344)	41.41	47.52		0.155	112.1600	114.0270	FVAZ8
10y	4.000	8/15/18	102.075	3.728	3.504	(0.224)	91.49	93.72		1.005	115.315	118.035	TYAZ8
30y	4.500	5/15/38	102.295	4.324	4.174	(0.150)	279.13	295.18		0.295	118.190	121.010	USAZ8

Curve Spreads			
	Close bps	Last bps	Chng from
			2pm Cls
2/5	72.9	77.7	4.8
5/10	77.5	89.5	12.0
10/30	59.6	67.0	7.4
2/10	150.4	167.2	16.8
5/30	137.1	156.5	19.4
2/30	210.0	234.2	24.2

	Last	Chng on Day
Emini SP	1210.50	(48.00)
Crude Oil	97.62	(3.56)
Gold	779.40	14.90
EURUSD	142.12	(0.16)
USDJPY	105.28	(2.71)

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

**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%	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	\$201			
5	\$202	\$480		
10	\$201	\$477	\$851	
30	\$204	\$484	\$863	\$1,739

**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	(\$2)			
10	(\$1)	\$3		
30	(\$3)	(\$4)	(\$11)	

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	-0.86%			
10	-0.30%	0.56%		
30	-1.62%	-0.77%	-1.33%	

## Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.93	2.22	3.94	8.04
ZF	0.41	0.98	1.74	3.55
ZN	0.26	0.63	1.12	2.28
ZB	0.15	0.37	0.66	1.34

	2y	5y	10y	30y
2y		2.39	4.24	8.67
5y	0.42		1.77	3.62
10y	0.24	0.56		2.04
30y	0.12	0.28	0.49	

	ZT	ZF	ZN	ZB
ZT		2.26	3.52	6.00
ZF	0.44		1.56	2.65
ZN	0.28	0.64		1.70
ZB	0.17	0.38	0.59	

## Box for Box Matrix

	2y	5y	10y	30y
ZT	0.93	2.22	7.87	16.08
ZF	0.41	0.98	3.48	7.11
ZN	0.53	1.26	1.12	2.28
ZB	0.62	0.74	1.31	1.34

	2y	5y	10y	30y
2y		2.39	2.12	4.33
5y	0.42		0.44	1.81
10y	0.47	2.25		2.04
30y	0.23	0.55	0.49	

	ZT	ZF	ZN	ZB
ZT		2.26	7.05	12.00
ZF	0.44		1.56	5.30
ZN	0.14	0.64		1.70
ZB	0.08	0.19	0.59	



	Libor\$ <sup>1</sup>	Repo Rt <sup>6</sup>
0/N	2.146	2.150
1week	2.340	2.000
2week	2.391	2.000

	Libor\$ <sup>1</sup>	Tbill	CP <sup>2</sup>
1M	2.488	1.321	2.510
3M	2.819	1.508	2.780
6M	3.089	1.825	3.050

	TSY	Swp	Swp Rate <sup>5</sup>	ED Pks <sup>3</sup>	TSY - ED Pk <sup>4</sup>
2y	1.831	106.25	2.89	3.148	1.318
5y	2.609	100.00	3.61	4.282	1.673
10y	3.503	67.50	4.18	#VALUE!	#VALUE!

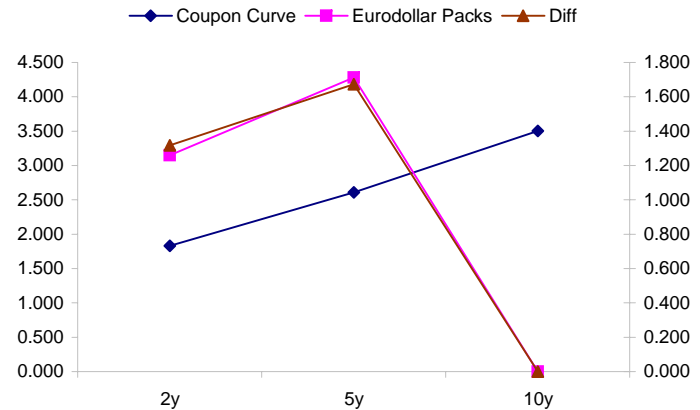
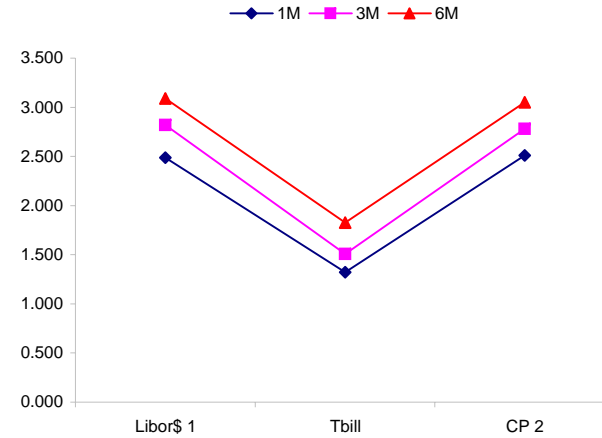
<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>
77.8	113.3	35.5
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>
167.3	#VALUE!	#VALUE!
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>
89.5	#VALUE!	#VALUE!

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

**Notes:**

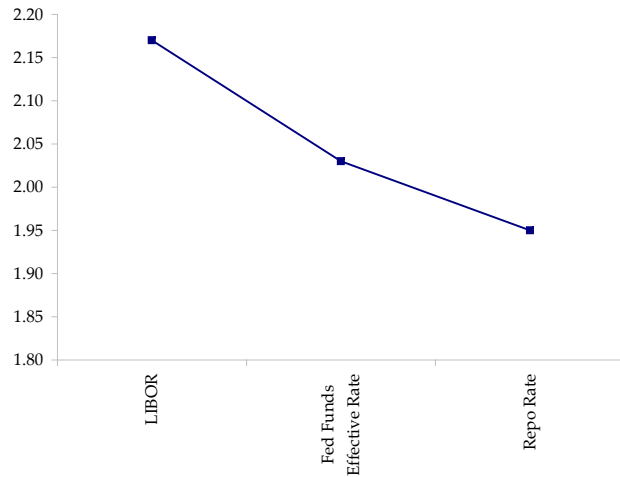
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight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



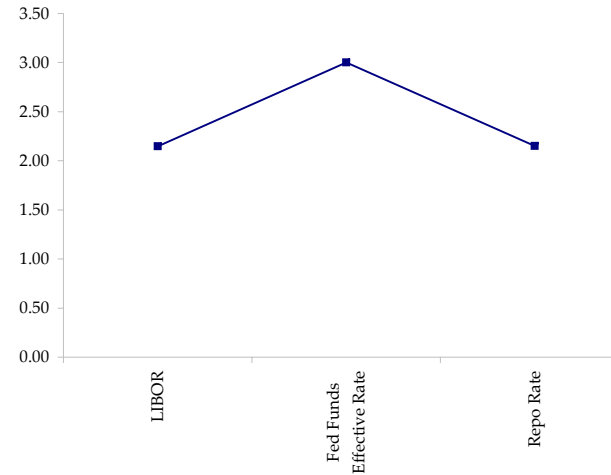
	Last	Chng	Term	Asset Type
USDLIBON	2.146	0.0000	Overnight	LIBOR
TUSFFRON	3.000	1.9062	Overnight	Fed Funds Effective Rate
TUSRPOON	2.150	0.0000	Overnight	Repo Rate
TEONIA01M	4.283	(0.0210)	1 month	Euribor OIS Rate
TEONIA03M	4.267	(0.0550)	3 month	Euribor OIS Rate
TSONIA01M	5.062	0.0440	1 month	Sterling OIS Rate
TSONIA03M	4.893	(0.0650)	3 month	Sterling OIS Rate
TUSOIS01M	1.783	(0.1900)	1 month	USD OIS Rate
TUSOIS03M	1.762	(0.1930)	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	9/9/2008	9/10/2008	9/12/2008	Last
Australia	201.6	195.3	211.6	203.9	199.9	195.7	193.1
France	53.2	58.9	60.8	68.4	66.8	67.1	67.8
Germany	34	40	40.7	45.2	43.1	44.1	45.3
Japan	-234.4	-227	-213.4	-209.1	-214.1	-220.1	-200.2
U.K.	82.9	76.4	83	84.3	81	86.2	86.4

Global 10y Note spreads over US 10y

