



9/30/2008 5:47

The Morning Email: Treasuries

Table of Contents

- Pg 1** Important Econ Releases, Highs & Lows

- Pg 2** Quotes

- Pg 3** Duration, DV01s, Curve Spreads, CF

- Pg 4** Hedge Ratio's

- Pg 5** Treasury Closes: 2pm CT vs this Morning

- Pg 6** Cash Duration Matrix

- Pg 7** Tic for Tic & Box for Box Matrix

- Pg 8** Key Money Rate, Spreads, Swaps, Packs

- Pg 9** Libor, Fed Funds (OIS), Repo, SONIA & EONIA Rates

- Pg 10** Global 10yr Spreads over US Treasuries

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

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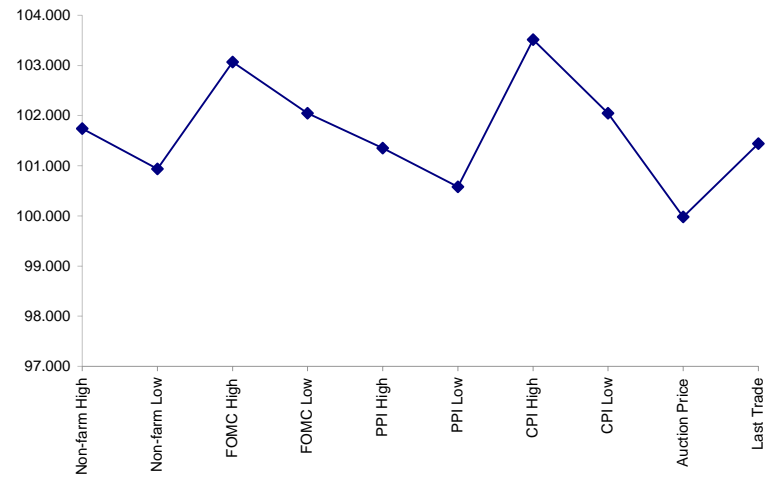
Economic Releases (32nds)

| | 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 | 101.1420 | 102.185 | 115.245 | 119.035 | 9/30/2008 5:47 |

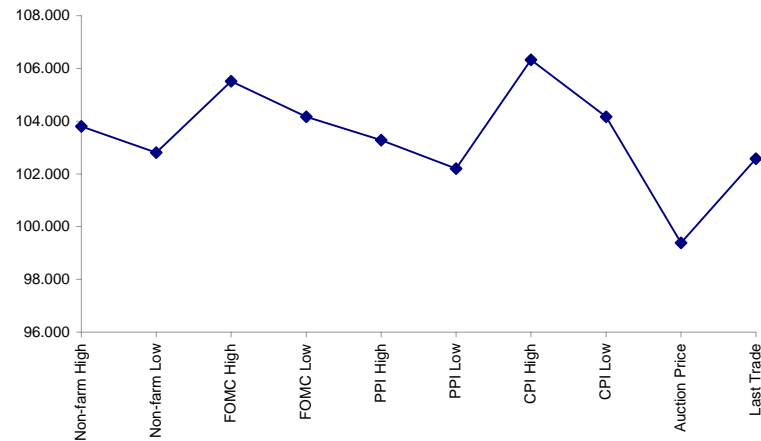
Auctions - 32nds

| | 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 | 107.025 | (0.080) | 107.135 | 107.017 | 107.090 | 26,603 | 2y Fut |
| FVAZ8 | 113.030 | (0.135) | 113.250 | 113.015 | 113.167 | 61,545 | 5y Fut |
| TYAZ8 | 115.245 | (0.260) | 116.255 | 115.240 | 116.195 | 91,989 | 10y Fut |
| USAZ8 | 119.035 | (0.22) | 120.010 | 119.020 | 119.310 | 22,172 | 30y Fut |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02P | 100.125 | (0.100) | 100.247 | 100.115 | 100.207 | na | 2y Cash |
| BUS05P | 101.147 | (0.230) | 102.080 | 101.125 | 102.010 | na | 5y Cash |
| BUS10P | 102.185 | (0.315) | 103.145 | 102.170 | 103.080 | na | 10y Cash |
| BUS30P | 105.050 | (1.140) | 106.045 | 105.020 | 106.040 | na | 30y Cash |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02Y | 1.797 | 0.131 | 1.825 | 1.598 | 1.717 | na | 2y Yield |
| BUS05Y | 2.808 | 0.153 | 2.832 | 2.637 | 2.725 | na | 5y Yield |
| BUS10Y | 3.684 | 0.119 | 3.695 | 3.565 | 3.617 | na | 10y Yield |
| BUS30Y | 4.192 | 0.081 | 4.201 | 4.117 | 4.149 | na | 30y Yield |

| | M Duration | DV01 32 | DV01 \$ | DV01 Box | CF | |
|-----|------------|---------|---------|----------|--------|-----|
| 30y | 16.36 | 5.54 | \$1,730 | 11.07 | n/a | 30y |
| 10y | 8.09 | 2.67 | \$834 | 5.34 | n/a | 10y |
| 5y | 4.60 | 1.51 | \$472 | 6.05 | n/a | 5y |
| 2y | 1.95 | 0.63 | \$196 | 2.51 | n/a | 2y |
| ZB | 10.38 | 3.97 | \$124 | 3.97 | 0.7943 | ZB |
| ZN | 6.26 | 2.39 | \$75 | 4.78 | 0.8568 | ZN |
| ZF | 4.12 | 1.54 | \$48 | 3.07 | 0.8826 | ZF |
| ZT | 1.95 | 0.67 | \$21 | 2.68 | 0.9344 | ZT |

Yield Curve Spreads

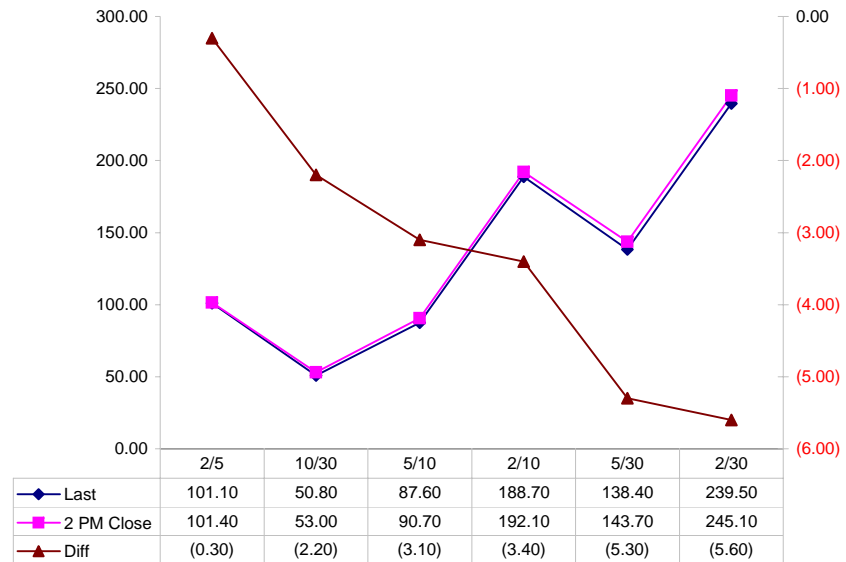
| | Last | 2pm close | Diff |
|-------|--------|-----------|--------|
| 2/5 | 101.10 | 101.40 | (0.30) |
| 10/30 | 50.80 | 53.00 | (2.20) |
| 5/10 | 87.60 | 90.70 | (3.10) |
| 2/10 | 188.70 | 192.10 | (3.40) |
| 5/30 | 138.40 | 143.70 | (5.30) |
| 2/30 | 239.50 | 245.10 | (5.60) |

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 | | 1.661 | 2.584 | 2.961 |
| ZN | 0.602 | | 1.555 | 1.782 |
| ZF | 0.387 | 0.643 | | 1.146 |
| ZT | 0.338 | 0.561 | 0.873 | |

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 | 1.58 | 3.87 | 6.72 | 13.94 |
| ZN | 2.62 | 6.43 | 11.16 | 23.16 |
| ZF | 4.08 | 10.00 | 17.36 | 36.02 |
| ZT | 4.67 | 11.45 | 19.89 | 40.70 |

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 | | 2.451 | 4.258 | 8.833 |
| 5y | 0.419 | | 1.785 | 3.703 |
| 10y | 0.235 | 0.576 | | 2.074 |
| 30y | 0.113 | 0.277 | 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 matrices, with US products, everyday

Treasury Closes: 2pm CT vs this Morning

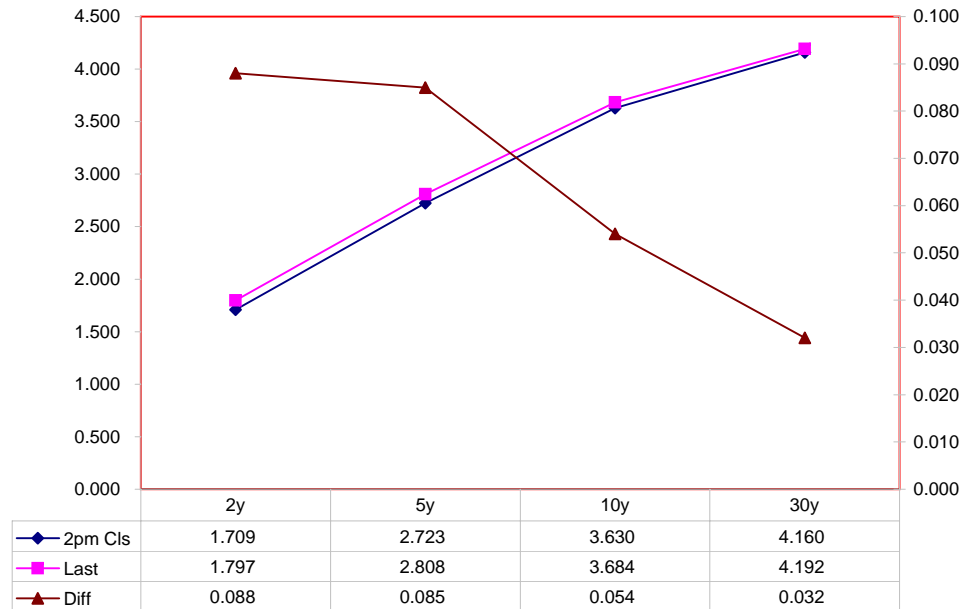
| | Cpn | Mty | Close 32 | Close | Last | Chng | Basis | | Cash | Futrues | Close 32 | Last | |
|-----|-------|---------|----------|-------|-------|----------|--------|--------|------|---------|----------|----------|-------|
| | | | | | | from 2pm | Close | Last | Roll | Roll | | | |
| 2y | 2.000 | 9/30/10 | 100.1825 | 1.709 | 1.797 | 0.088 | 8.82 | 10.98 | | 0.180 | 107.1075 | 107.0250 | TUAZ8 |
| 5y | 3.125 | 9/30/13 | 101.2775 | 2.723 | 2.808 | 0.085 | 53.93 | 52.07 | | 0.260 | 113.1625 | 113.0300 | FVAZ8 |
| 10y | 4.000 | 8/15/18 | 103.015 | 3.630 | 3.684 | 0.054 | 101.21 | 108.48 | | 1.002 | 116.185 | 115.245 | TYAZ8 |
| 30y | 4.500 | 5/15/38 | 105.240 | 4.160 | 4.192 | 0.032 | 338.26 | 337.53 | | 0.302 | 119.265 | 119.035 | USAZ8 |

| Curve Spreads | | | |
|---------------|-----------|----------|---------|
| | Chng from | | |
| | Close bps | Last bps | 2pm Cls |
| 2/5 | 101.4 | 101.1 | (0.3) |
| 5/10 | 90.7 | 87.6 | (3.1) |
| 10/30 | 53.0 | 50.8 | (2.2) |
| 2/10 | 192.1 | 188.7 | (3.4) |
| 5/30 | 143.7 | 138.4 | (5.3) |
| 2/30 | 245.1 | 239.5 | (5.6) |

| | Last | Chng on Day |
|-----------|---------|-------------|
| Emini SP | 1149.00 | 30.25 |
| Crude Oil | 98.56 | 2.19 |
| Gold | 897.80 | 3.40 |
| EURUSD | 143.41 | (0.97) |
| USDJPY | 105.22 | 1.02 |

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 | \$203 | \$480 | | |
| 10 | \$201 | \$475 | \$834 | |
| 30 | \$206 | \$487 | \$855 | \$1,730 |

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 | (\$8) | | | |
| 10 | (\$5) | \$5 | | |
| 30 | (\$10) | (\$7) | (\$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 | -3.71% | | | |
| 10 | -2.61% | 1.14% | | |
| 30 | -5.03% | -1.37% | -2.48% | |

Tic for Tic Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|------|
| ZT | 0.93 | 2.29 | 3.98 | 8.25 |
| ZF | 0.41 | 1.00 | 1.74 | 3.60 |
| ZN | 0.26 | 0.64 | 1.12 | 2.32 |
| ZB | 0.16 | 0.39 | 0.67 | 1.39 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.45 | 4.26 | 8.83 |
| 5y | 0.41 | | 1.74 | 3.60 |
| 10y | 0.23 | 0.58 | | 2.07 |
| 30y | 0.11 | 0.28 | 0.48 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|------|
| ZT | | 2.29 | 3.56 | 5.92 |
| ZF | 0.44 | | 1.56 | 2.58 |
| ZN | 0.28 | 0.64 | | 1.66 |
| ZB | 0.17 | 0.39 | 0.60 | |

Box for Box Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|-------|
| ZT | 0.93 | 2.29 | 7.96 | 16.51 |
| ZF | 0.41 | 1.00 | 3.47 | 7.20 |
| ZN | 0.52 | 1.29 | 1.12 | 2.32 |
| ZB | 0.63 | 0.77 | 1.34 | 1.39 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.45 | 2.13 | 4.42 |
| 5y | 0.41 | | 0.43 | 1.80 |
| 10y | 0.47 | 2.30 | | 2.07 |
| 30y | 0.23 | 0.55 | 0.48 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|-------|
| ZT | | 2.29 | 7.13 | 11.84 |
| ZF | 0.44 | | 1.56 | 5.17 |
| ZN | 0.14 | 0.64 | | 1.66 |
| ZB | 0.08 | 0.19 | 0.60 | |

| | Libor\$ ¹ | Repo Rt ⁶ |
|-------|----------------------|----------------------|
| 0/N | #VALUE! | #VALUE! |
| 1week | #VALUE! | #VALUE! |
| 2week | #VALUE! | #VALUE! |

| | Libor\$ ¹ | Tbill | CP ² |
|----|----------------------|-------|-----------------|
| 1M | #VALUE! | 0.060 | #VALUE! |
| 3M | 3.883 | 0.578 | #VALUE! |
| 6M | 3.834 | 1.491 | #VALUE! |

| | TSY | Swp | Swp Rate ⁵ | ED Pks ³ | TSY - ED Pk ⁴ |
|-----|-------|--------|-----------------------|---------------------|--------------------------|
| 2y | 1.792 | 147.50 | 3.27 | 3.559 | 1.768 |
| 5y | 2.806 | 110.75 | 3.91 | | #VALUE! |
| 10y | 3.684 | 67.75 | 4.36 | | #VALUE! |

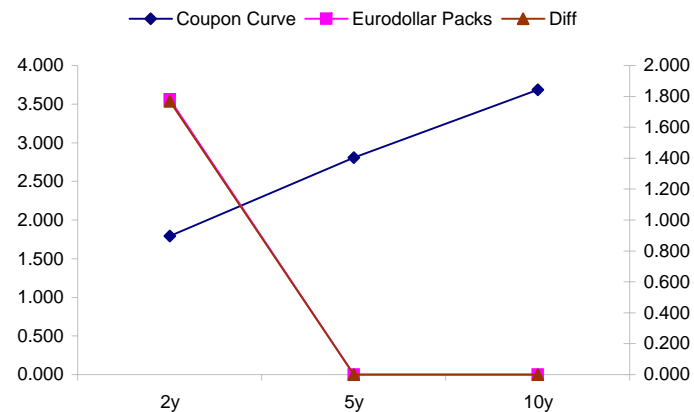
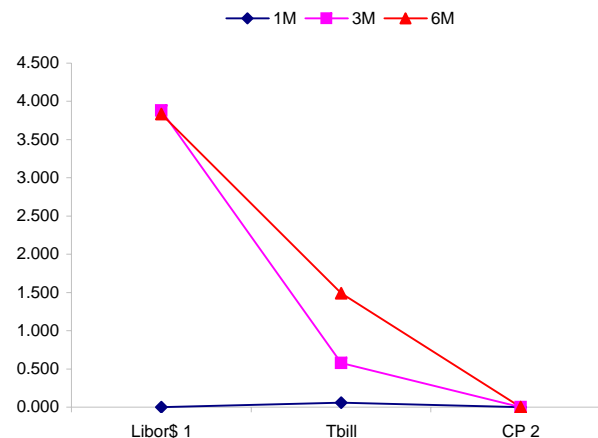
| <u>2/5</u> | <u>Rd/Blu Pk</u> | <u>Diff</u> |
|-------------|-------------------|-------------|
| 101.4 | #VALUE! | #VALUE! |
| <u>2/10</u> | <u>Rd/Gld Pk</u> | <u>Diff</u> |
| 189.2 | #VALUE! | #VALUE! |
| <u>5/10</u> | <u>Blu/Gld Pk</u> | <u>Diff</u> |
| 87.8 | #VALUE! | #VALUE! |

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:

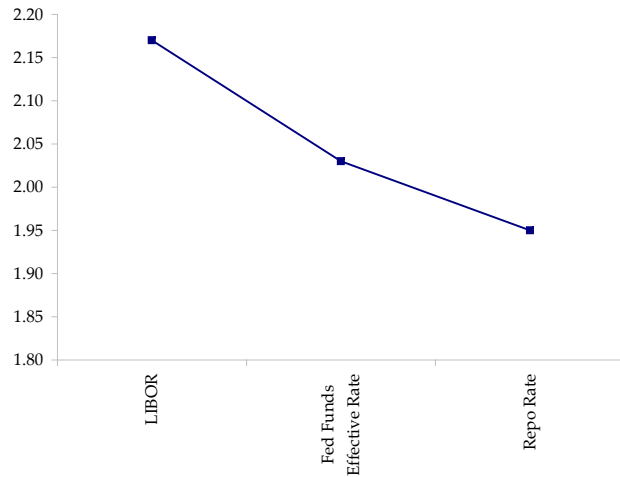
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight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



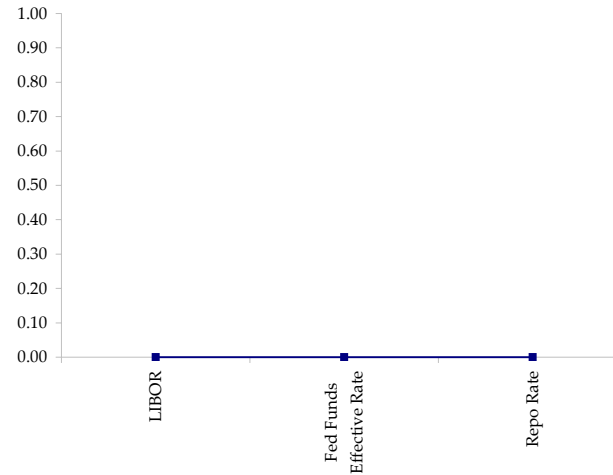
| | Last | Chng | Term | Asset Type |
|-----------|---------|----------|-----------|--------------------------|
| USDLIBON | #VALUE! | #VALUE! | Overnight | LIBOR |
| TUSFFRON | #VALUE! | #VALUE! | Overnight | Fed Funds Effective Rate |
| TUSRPOON | #VALUE! | #VALUE! | Overnight | Repo Rate |
| TEONIA01M | 4.064 | (0.0380) | 1 month | Euribor OIS Rate |
| TEONIA03M | 4.040 | (0.0330) | 3 month | Euribor OIS Rate |
| TSOIA01M | 4.888 | 0.0210 | 1 month | Sterling OIS Rate |
| TSOIA03M | 4.702 | (0.0210) | 3 month | Sterling OIS Rate |
| TUSOIS01M | 1.633 | 0.0070 | 1 month | USD OIS Rate |
| TUSOIS03M | 1.591 | 0.0440 | 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 | 9/22/2008 | 9/23/2008 | 9/29/2008 | Last |
|-----------|-----------|----------|----------|-----------|-----------|-----------|-----------|-----------|--------|
| Australia | 201.6 | 195.3 | 211.6 | 217.1 | 181.6 | 199.9 | 194.1 | 205.3 | 208.2 |
| France | 53.2 | 58.9 | 60.8 | 87.6 | 73.6 | 66.3 | 65.8 | 65.4 | 70.6 |
| Germany | 34 | 40 | 40.7 | 56.7 | 47 | 40.2 | 40.7 | 36.2 | 39.1 |
| Japan | -234.4 | -227 | -213.4 | -192.4 | -228.1 | -236.8 | -236.1 | -213.2 | -224.0 |
| U.K. | 82.9 | 76.4 | 83 | 99.6 | 83.5 | 84.3 | 83 | 76.3 | 73.9 |

Global 10y Note spreads over US 10y

