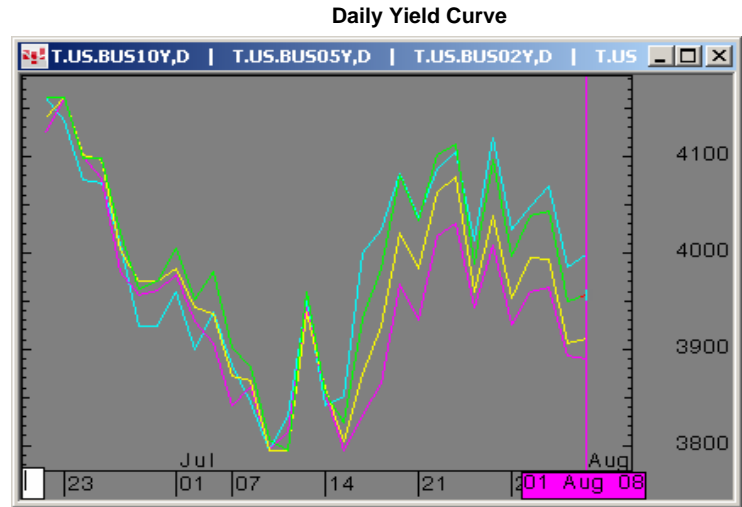




The Morning Email: Treasuries

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Scale is for 10yr

Source: CQG, Inc. © 2008 All rights reserved worldwide Fri Aug 01 2008



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

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Important Econ Releases, Highs & Lows

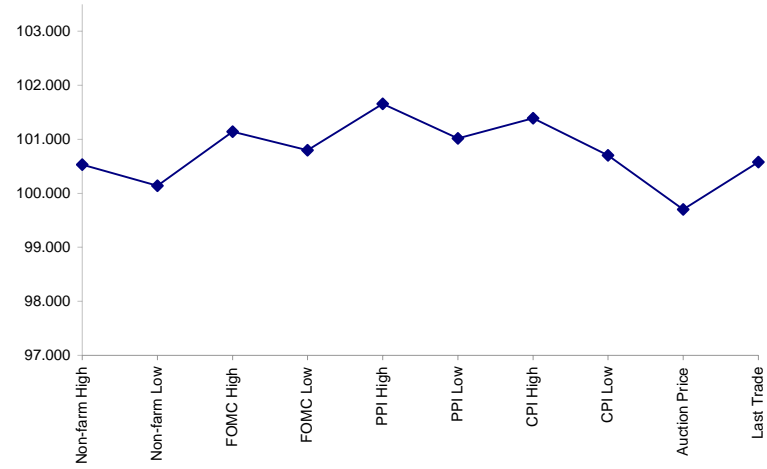
Economic Releases (32nds)

| | 5y | 10y | ZNU8 | ZBU8 | Date |
|---------------|----------|---------|---------|---------|---------------|
| Non-farm High | 100.1700 | 99.200 | 114.180 | 116.155 | 7/3/2008 |
| Non-farm Low | 100.0450 | 98.285 | 113.280 | 115.125 | 7/3/2008 |
| FOMC High | 101.0450 | 98.045 | 112.275 | 114.030 | 6/25/2008 |
| FOMC Low | 100.2550 | 97.165 | 112.025 | 113.095 | 6/25/2008 |
| PPI High | 101.2100 | 100.280 | 116.020 | 117.180 | 7/15/2008 |
| PPI Low | 101.0050 | 100.060 | 115.055 | 116.240 | 7/15/2008 |
| CPI High | 101.1250 | 100.155 | 115.230 | 117.000 | 7/16/2008 |
| CPI Low | 100.2250 | 99.120 | 114.230 | 115.100 | 7/16/2008 |
| Auction Price | 99.2252 | 99.157 | na | na | |
| Last Trade | 100.1850 | 99.105 | 114.305 | 115.230 | 8/1/2008 5:45 |

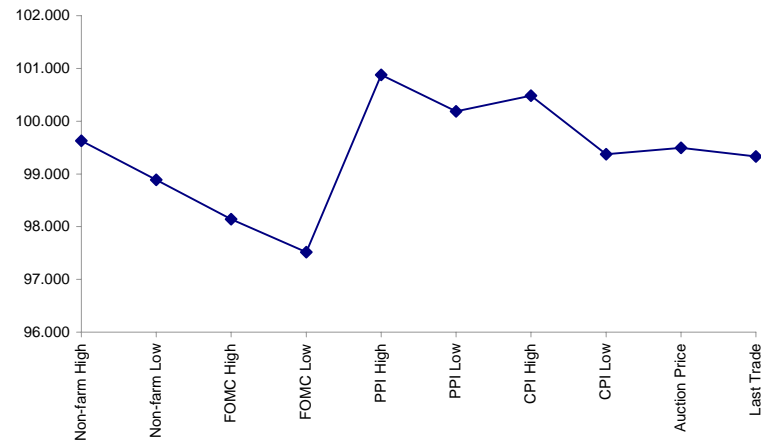
Auctions - 32nds

| | 2 y | 5y | 10y | 30y |
|---------------------|-----------|-----------|----------|------------|
| Auction Price | 99.277 | 99.225 | 99.157 | 96.120 |
| Auction Yield Stop | 2.82 | 3.44 | 3.937 | 4.599 |
| Actual Auction Date | 7/23/2008 | 7/25/2008 | 5/7/2008 | 5/8/2008 r |

5y (Decimal)



10y (Decimal)



Notes:

- 1) Cash and futures are adjusted for roll.
- 2) Release times are from release to 2pm cdt
- 3) {Jun08 to Sep08 Futures roll: ZF = (-27 3/4); ZN = (-49 1/2); ZB = (-30 1/2) [tics]}

Quotes

| | | 32 nds | | | | | |
|--------|---------|---------|---------|---------|---------|--------|-----------|
| | Last | Net | High | Low | Open | Volume | Sym Name |
| TUAU8 | 106.012 | 0.012 | 106.020 | 106.000 | 106.012 | 14,259 | 2y Fut |
| FVAU8 | 111.137 | 0.032 | 111.160 | 111.120 | 111.147 | 21,617 | 5y Fut |
| TYAU8 | 114.305 | 0.040 | 115.025 | 114.285 | 115.010 | 47,795 | 10y Fut |
| USAU8 | 115.230 | 0.07 | 115.275 | 115.205 | 115.265 | 8,619 | 30y Fut |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02P | 100.145 | 0.002 | 100.150 | 100.135 | 100.145 | na | 2y Cash |
| BUS05P | 100.185 | (0.005) | 100.202 | 100.170 | 100.195 | na | 5y Cash |
| BUS10P | 99.100 | (0.010) | 99.125 | 99.080 | 99.115 | na | 10y Cash |
| BUS30P | 96.215 | (0.035) | 96.240 | 96.180 | 96.200 | na | 30y Cash |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02Y | 2.512 | (0.005) | 2.536 | 2.499 | 2.536 | na | 2y Yield |
| BUS05Y | 3.245 | 0.006 | 3.262 | 3.235 | 3.252 | na | 5y Yield |
| BUS10Y | 3.956 | 0.006 | 3.972 | 3.946 | 3.956 | na | 10y Yield |
| BUS30Y | 4.581 | 0.011 | 4.593 | 4.574 | 4.58 | na | 30y Yield |

| | M Duration | DV01 32 | DV01 \$ | DV01 Box | CF | |
|-----|------------|---------|---------|----------|--------|-----|
| 30y | 15.92 | 5.03 | \$1,572 | 10.06 | n/a | 30y |
| 10y | 8.00 | 2.56 | \$802 | 5.13 | n/a | 10y |
| 5y | 4.56 | 1.50 | \$470 | 6.02 | n/a | 5y |
| 2y | 1.92 | 0.62 | \$193 | 2.48 | n/a | 2y |
| ZB | 10.17 | 3.88 | \$121 | 3.88 | 0.7771 | ZB |
| ZN | 6.40 | 2.39 | \$75 | 4.79 | 0.8478 | ZN |
| ZF | 3.98 | 1.46 | \$46 | 2.92 | 0.8912 | ZF |
| ZT | 1.84 | 0.63 | \$20 | 2.51 | 0.9443 | ZT |

Yield Curve Spreads

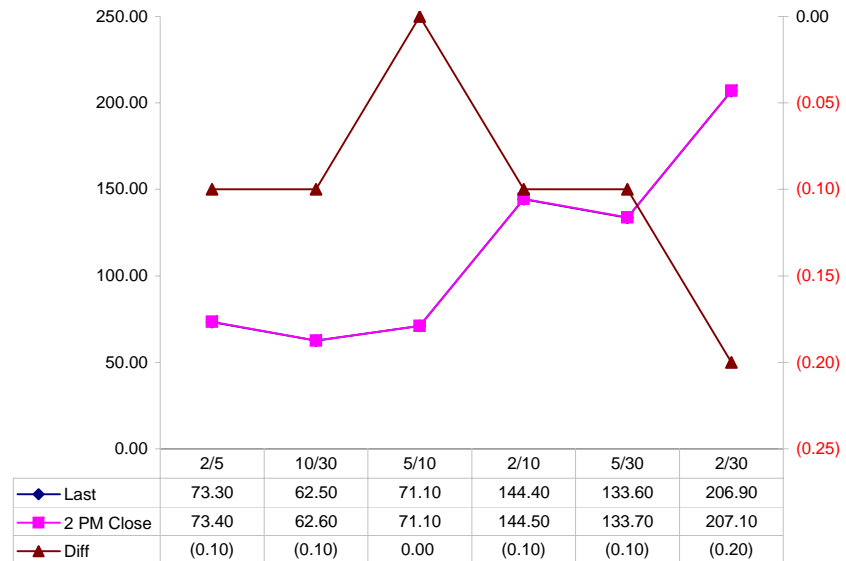
| | Last | 2pm close | Diff |
|-------|--------|-----------|--------|
| 2/5 | 73.30 | 73.40 | (0.10) |
| 10/30 | 62.50 | 62.60 | (0.10) |
| 5/10 | 71.10 | 71.10 | 0.00 |
| 2/10 | 144.40 | 144.50 | (0.10) |
| 5/30 | 133.60 | 133.70 | (0.10) |
| 2/30 | 206.90 | 207.10 | (0.20) |

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, 4.75 boxes = 1 basis point in ZN. (Again, today, 06/25/08, the value in the box is 4.75). 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) | 1.033 | 1.681 | 2.900 | 3.500 |
| Bobl (U) | 0.563 | 0.948 | 1.550 | 2.000 |
| Shatz (U) | 0.248 | 0.431 | 0.700 | 0.800 |

US Financial Futures

| | ZB | ZN | ZF | ZT |
|-----------|-------|-------|-------|-------|
| ZB | | 1.604 | 2.631 | 3.059 |
| ZN | 0.624 | | 1.641 | 1.907 |
| ZF | 0.380 | 0.609 | | 1.162 |
| ZT | 0.319 | 0.512 | 0.840 | |

Eurex Bonds

| | Bund (H) | Bobl (H) | Shatz (H) |
|------------------|----------|----------|-----------|
| Bund (H) | | 1.8 | 4.3 |
| Bobl (H) | 0.6 | | 2.4 |
| Shatz (H) | 0.2 | 0.4 | |

US Treasuries v US Financial Futures

| | 2y | 5y | 10y | 30y |
|-----------|------|-------|-------|-------|
| ZB | 1.61 | 3.92 | 6.69 | 13.11 |
| ZN | 2.59 | 6.29 | 10.72 | 21.02 |
| ZF | 4.24 | 10.32 | 17.59 | 34.49 |
| ZT | 4.93 | 11.99 | 20.45 | 40.10 |

US Treasuries v Eurex Bonds

| | 2y | 5y | 10y | 30y |
|------------------|-----|------|------|------|
| Bund (U) | 1.5 | 3.6 | 6.3 | 12.2 |
| Bobl (U) | 2.7 | 6.3 | 11.2 | 21.8 |
| Shatz (U) | 6.6 | 15.3 | 27.1 | 52.5 |

US Treasuries

| | 2y | 5y | 10y | 30y |
|------------|-------|-------|-------|-------|
| 2y | | 2.431 | 4.144 | 8.127 |
| 5y | 0.396 | | 1.705 | 3.343 |
| 10y | 0.232 | 0.587 | | 1.961 |
| 30y | 0.118 | 0.299 | 0.491 | |

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

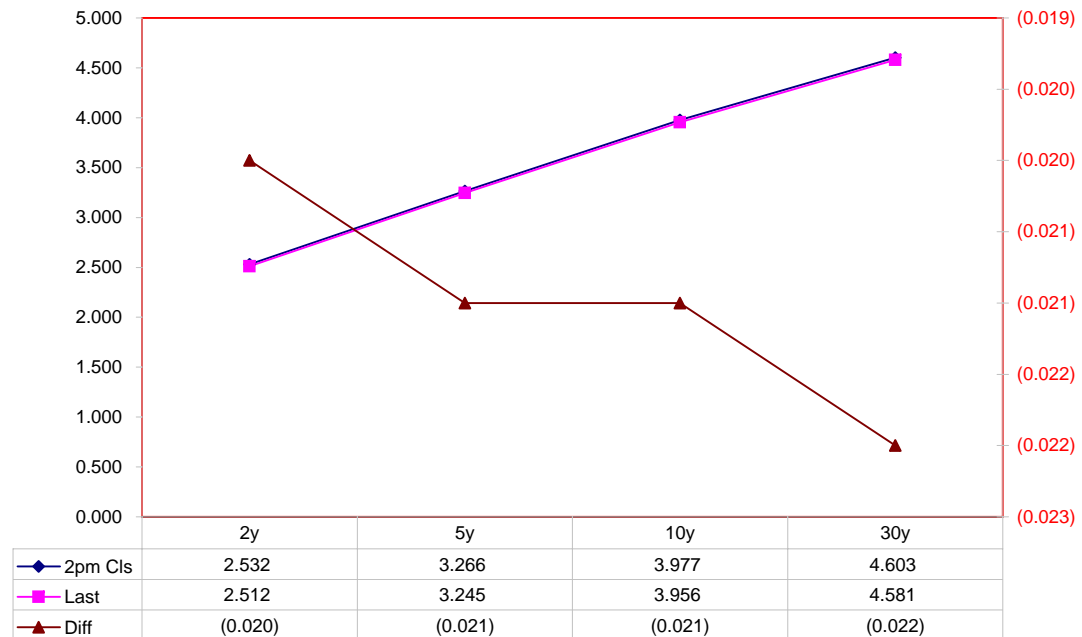
Closes: 2pm CT vs this Morning

| | Cpn | Mty | Close 32 | Close | Last | Diff | Basis | | | Close 32 | Last | |
|-----|-------|---------|----------|-------|-------|---------|--------|--------|-------|----------|----------|-------|
| | | | | | | | Close | Last | Roll | | | |
| 2y | 2.750 | 7/31/10 | 100.1350 | 2.532 | 2.512 | (0.020) | 10.43 | 10.30 | | 106.0000 | 106.0120 | TUAU8 |
| 5y | 3.375 | 7/31/13 | 100.1600 | 3.266 | 3.245 | (0.021) | 40.88 | 40.75 | | 111.1075 | 111.1370 | FVAU8 |
| 10y | 3.875 | 5/15/18 | 99.055 | 3.977 | 3.956 | (0.021) | 58.26 | 59.87 | +2.50 | 114.265 | 114.305 | TYAU8 |
| 30y | 4.375 | 5/15/37 | 96.110 | 4.603 | 4.581 | (0.022) | 210.84 | 215.40 | +0.50 | 115.160 | 115.230 | USAU8 |

Curve Spreads

| | Close bps | Last bps |
|-------|-----------|----------|
| 2/5 | 73.4 | 73.3 |
| 5/10 | 71.1 | 71.1 |
| 10/30 | 62.6 | 62.5 |
| 2/10 | 144.5 | 144.4 |
| 5/30 | 133.7 | 133.6 |
| 2/30 | 207.1 | 206.9 |

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% | 57% | 100% | |
| 30 | 12% | 29% | 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 | \$193 | | | |
| 5 | \$198 | \$470 | | |
| 10 | \$193 | \$457 | \$802 | |
| 30 | \$190 | \$450 | \$790 | \$1,572 |

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 | (\$5) | | | |
| 10 | \$1 | \$13 | | |
| 30 | \$3 | \$20 | \$12 | |

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 | -2.56% | | | |
| 10 | 0.29% | 2.92% | | |
| 30 | 1.76% | 4.43% | 1.47% | |

Tic for Tic Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|------|
| ZT | 0.99 | 2.40 | 4.09 | 8.02 |
| ZF | 0.42 | 1.03 | 1.76 | 3.45 |
| ZN | 0.26 | 0.63 | 1.07 | 2.10 |
| ZB | 0.16 | 0.39 | 0.66 | 1.30 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.43 | 4.14 | 8.13 |
| 5y | 0.41 | | 1.70 | 3.34 |
| 10y | 0.24 | 0.59 | | 1.96 |
| 30y | 0.12 | 0.30 | 0.51 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|------|
| ZT | | 2.32 | 3.81 | 6.19 |
| ZF | 0.43 | | 1.64 | 2.66 |
| ZN | 0.26 | 0.61 | | 1.62 |
| ZB | 0.16 | 0.38 | 0.62 | |

Box for Box Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|-------|
| ZT | 0.99 | 2.40 | 8.18 | 16.04 |
| ZF | 0.42 | 1.03 | 3.52 | 6.90 |
| ZN | 0.52 | 1.26 | 1.07 | 2.10 |
| ZB | 0.64 | 0.77 | 1.32 | 1.30 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.43 | 2.07 | 4.06 |
| 5y | 0.41 | | 0.43 | 1.67 |
| 10y | 0.48 | 2.35 | | 1.96 |
| 30y | 0.25 | 0.60 | 0.51 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|-------|
| ZT | | 2.32 | 7.63 | 12.38 |
| ZF | 0.43 | | 1.64 | 5.33 |
| ZN | 0.13 | 0.61 | | 1.62 |
| ZB | 0.08 | 0.19 | 0.62 | |

| | Libor\$ ¹ | Repo Rt ⁶ |
|-------|----------------------|----------------------|
| 0/N | 2.208 | #VALUE! |
| 1week | 2.414 | #VALUE! |
| 2week | 2.443 | #VALUE! |

| | Libor\$ ¹ | Tbill | CP ² |
|----|----------------------|-------|-----------------|
| 1M | 2.460 | 1.530 | 2.490 |
| 3M | 2.794 | 1.697 | 2.800 |
| 6M | 3.075 | 1.885 | 3.130 |

| | TSY | Swp | Swp Rate ⁵ | ED Pks ³ | TSY - ED Pk ⁴ |
|-----|-------|-------|-----------------------|---------------------|--------------------------|
| 2y | 2.515 | 91.00 | 3.42 | 4.010 | 1.496 |
| 5y | 3.245 | 92.00 | 4.16 | | #VALUE! |
| 10y | 3.956 | 71.00 | 4.67 | | #VALUE! |

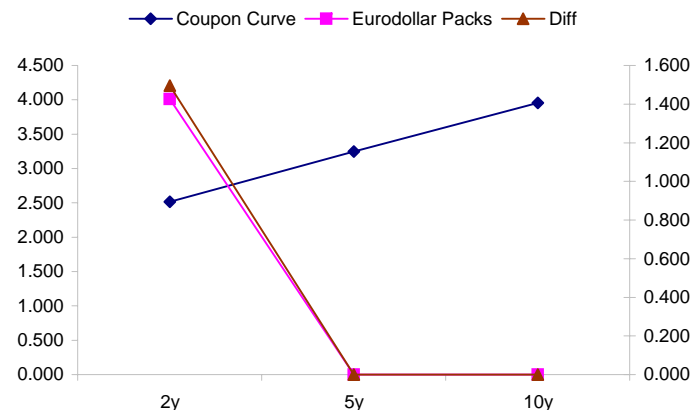
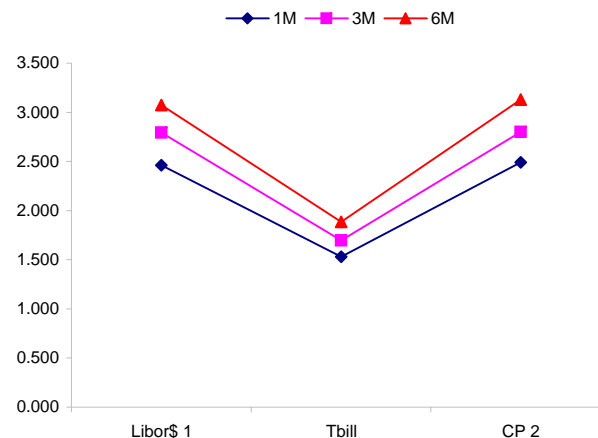
| <u>2/5</u> | <u>Rd/Blu Pk</u> | <u>Diff</u> |
|-------------|-------------------|-------------|
| 73.0 | #VALUE! | #VALUE! |
| <u>2/10</u> | <u>Rd/Gld Pk</u> | <u>Diff</u> |
| 144.1 | #VALUE! | #VALUE! |
| <u>5/10</u> | <u>Blu/Gld Pk</u> | <u>Diff</u> |
| 71.1 | #VALUE! | #VALUE! |

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 | 2.208 | (0.1150) | Overnight | LIBOR |
| TUSFFRON | 2.125 | 0.0000 | Overnight | Fed Funds Effective Rate |
| TUSRPOON | #VALUE! | #VALUE! | Overnight | Repo Rate |
| TEONIA01M | 4.293 | 0.0010 | 1 month | Euribor OIS Rate |
| TEONIA03M | 4.348 | 0.0010 | 3 month | Euribor OIS Rate |
| TSONIA01M | 5.078 | 0.0090 | 1 month | Sterling OIS Rate |
| TSONIA03M | 5.141 | 0.0130 | 3 month | Sterling OIS Rate |
| TUSOIS01M | 2.019 | 0.0000 | 1 month | USD OIS Rate |
| TUSOIS03M | 2.062 | 0.0060 | 3 month | USD OIS Rate |

