

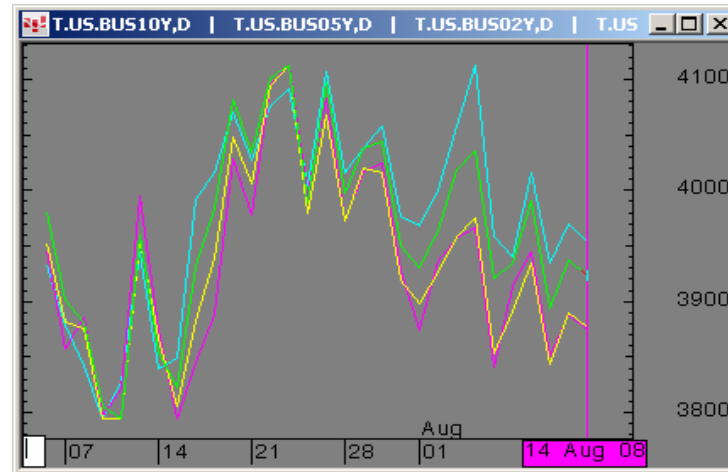


### The Morning Email: Treasuries

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#### Daily Yield Curve



} Scale is for 10yr

Source: CQG, Inc. © 2008 All rights reserved worldwide Thu Aug 14 2008



Want something added? Let me know: [jgoulding@ghco.com](mailto:jgoulding@ghco.com)

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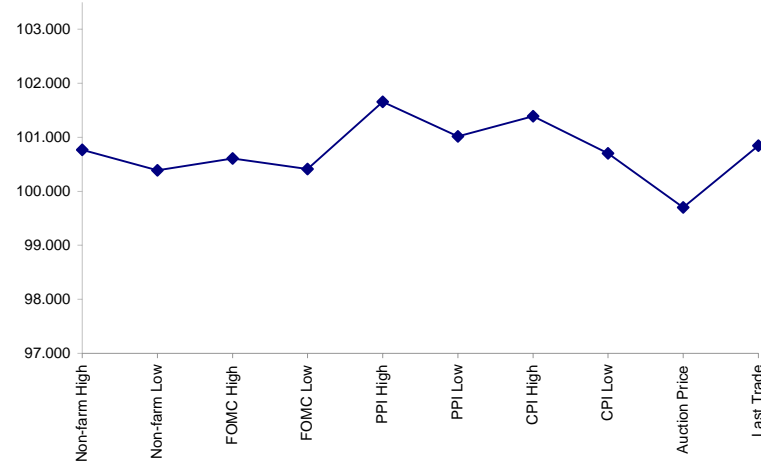
Economic Releases (32nds)

	5y	10y	ZNU8	ZBU8	Date
Non-farm High	100.2450	100.115	115.070	116.010	8/1/2008
Non-farm Low	100.1250	99.255	114.185	115.060	8/1/2008
FOMC High	100.1950	100.045	115.000	116.000	8/5/2008
FOMC Low	100.1325	99.245	114.200	115.085	8/5/2008
PPI High	101.2100	101.245	116.020	117.180	7/15/2008
PPI Low	101.0050	101.020	115.055	116.240	7/15/2008
CPI High	101.1250	101.115	115.230	117.000	7/16/2008
CPI Low	100.2250	100.075	114.230	115.100	7/16/2008
Auction Price	99.2252	99.124	na	na	
Last Trade	100.2700	100.175	115.155	116.090	8/14/2008 5:49

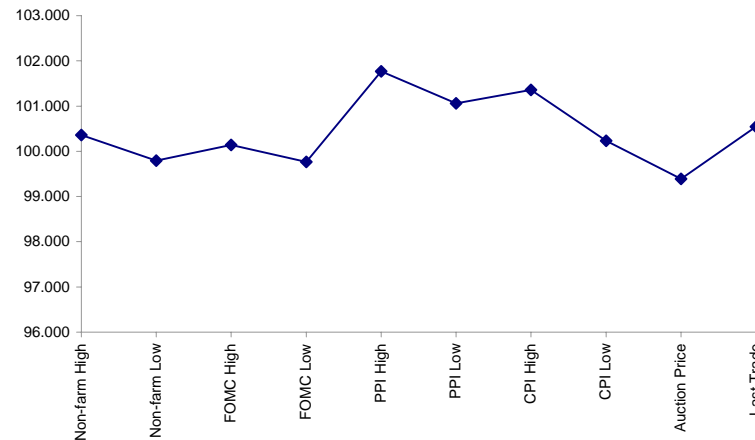
Auctions - 32nds

	2 y	5y	10y	30y
Auction Price	99.277	99.225	99.124	98.074
Auction Yield Stop	2.82	3.44	4.075	4.609
Actual Auction Date	7/23/2008	7/25/2008	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) {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	106.037	0.015	106.045	106.025	106.027	22,266	2y Fut
FVAU8	111.232	0.015	111.257	111.210	111.225	29,824	5y Fut
TYAU8	115.155	0.025	115.190	115.115	115.145	71,320	10y Fut
USAU8	116.090	0.07	116.155	116.030	116.055	16,602	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	100.170	0.007	100.180	100.162	100.170	na	2y Cash
BUS05P	100.262	0.012	100.285	100.237	100.262	na	5y Cash
BUS10P	100.175	0.010	100.215	100.135	100.170	na	10y Cash
BUS30P	99.015	0.040	99.095	98.255	98.280	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	2.463	(0.008)	2.5	2.446	2.5	na	2y Yield
BUS05Y	3.193	(0.005)	3.214	3.176	3.21	na	5y Yield
BUS10Y	3.931	(0.006)	3.952	3.916	3.943	na	10y Yield
BUS30Y	4.556	(0.008)	4.577	4.541	4.57	na	30y Yield

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
30y	16.06	5.09	\$1,592	10.19	n/a	30y
10y	8.18	#NUM!	#NUM!	#NUM!	n/a	10y
5y	4.53	1.50	\$469	6.00	n/a	5y
2y	1.90	0.61	\$191	2.44	n/a	2y
ZB	10.25	3.90	\$122	3.90	0.7937	ZB
ZN	6.65	#NUM!	#NUM!	#NUM!	0.8539	ZN
ZF	3.95	1.45	\$45	2.90	0.8912	ZF
ZT	1.81	0.62	\$19	2.47	0.9443	ZT

Yield Curve Spreads

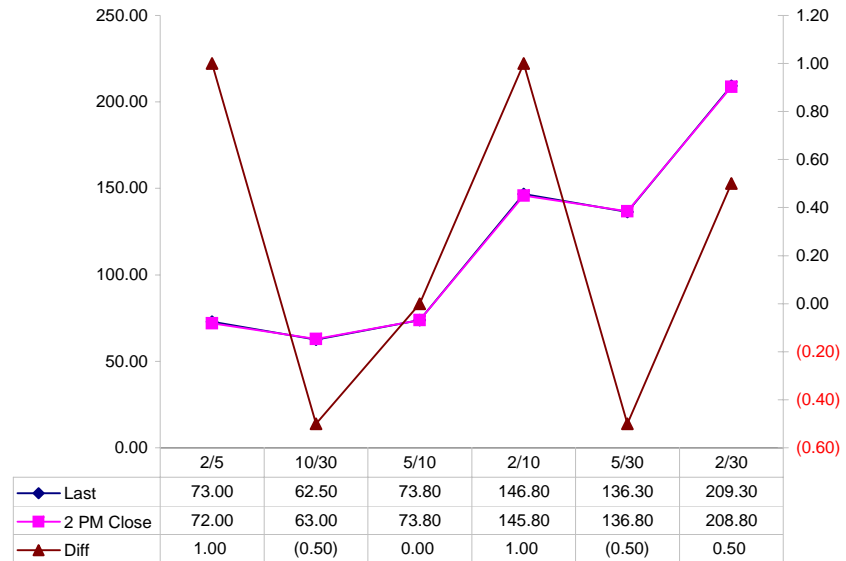
	Last	2pm close	Diff
2/5	73.00	72.00	1.00
10/30	62.50	63.00	(0.50)
5/10	73.80	73.80	0.00
2/10	146.80	145.80	1.00
5/30	136.30	136.80	(0.50)
2/30	209.30	208.80	0.50

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>	1.033	1.660	2.770	3.180
<b>Bobl (U)</b>	0.563	0.948	1.550	2.000
<b>Shatz (U)</b>	0.248	0.431	0.599	0.686

## US Financial Futures

	ZB	ZN	ZF	ZT
<b>ZB</b>		#NUM!	#NUM!	#NUM!
<b>ZN</b>	#NUM!		#NUM!	#NUM!
<b>ZF</b>	#NUM!	#NUM!		1.175
<b>ZT</b>	#NUM!	#NUM!	0.831	

## Eurex Bonds

	Bund (H)	Bobl (H)	Shatz (H)
<b>Bund (H)</b>		1.8	4.6
<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>	#NUM!	#NUM!	#NUM!	#NUM!
<b>ZN</b>	#NUM!	#NUM!	#NUM!	#NUM!
<b>ZF</b>	4.20	10.33	#NUM!	35.08
<b>ZT</b>	4.94	12.14	#NUM!	41.21

## US Treasuries v Eurex Bonds

	2y	5y	10y	30y
<b>Bund (U)</b>	1.5	3.7	6.6	12.8
<b>Bobl (U)</b>	2.8	6.7	12.0	23.3
<b>Shatz (U)</b>	7.2	17.1	30.7	59.7

## US Treasuries

	2y	5y	10y	30y
<b>2y</b>		2.457	#NUM!	8.343
<b>5y</b>	0.391		#NUM!	3.396
<b>10y</b>	#NUM!	#NUM!		#NUM!
<b>30y</b>	0.115	0.294	#NUM!	

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

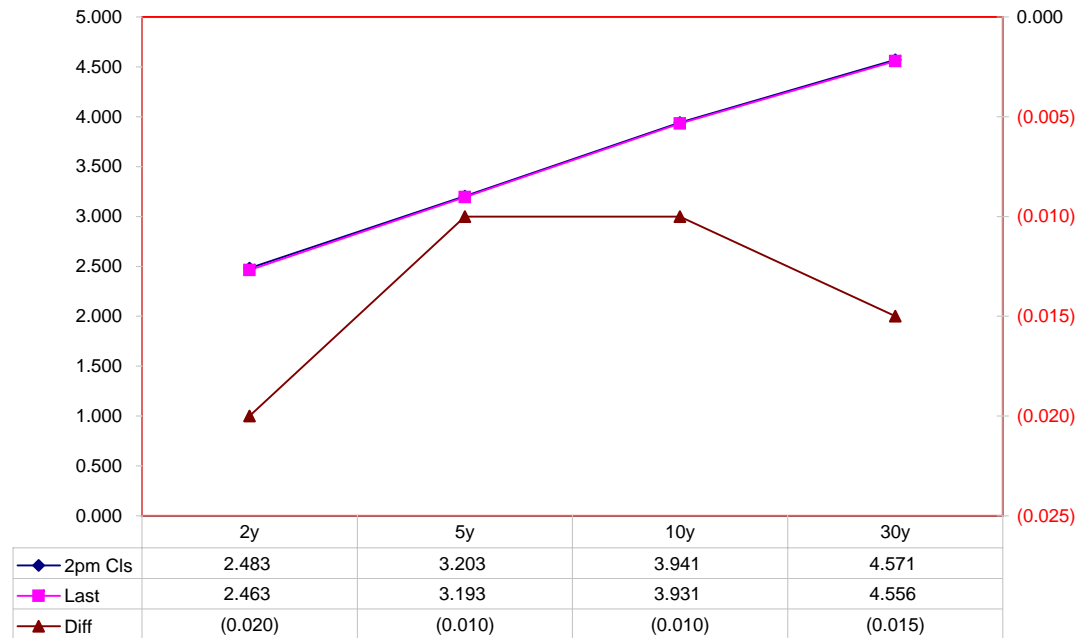
Closes: 2pm CT vs this Morning

	Cpn	Mty	Close 32	Close	Last	Diff	Basis			Close 32	Last	
							Close	Last	Roll			
2y	2.750	7/31/10	100.1625	2.483	2.463	(0.020)	10.82	10.44		106.0250	106.0370	TUAU8
5y	3.375	7/31/13	100.2500	3.203	3.193	(0.010)	40.30	40.78		111.2150	111.2320	FVAU8
10y	4.000	8/15/18	100.155	3.941	3.931	(0.010)	62.05	61.91		115.130	115.155	TYAU8
30y	4.500	5/15/38	98.270	4.571	4.556	(0.015)	214.80	217.14		116.025	116.090	USAU8

Curve Spreads

	Close bps	Last bps
2/5	72.0	73.0
5/10	73.8	73.8
10/30	63.0	62.5
2/10	145.8	146.8
5/30	136.8	136.3
2/30	208.8	209.3

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	23%	55%	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	\$191			
5	\$196	\$469		
10	#NUM!	#NUM!	#NUM!	
30	#NUM!	#NUM!	#NUM!	#NUM!

**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	#NUM!	#NUM!	#NUM!	
30	#NUM!	#NUM!	#NUM!	#NUM!

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	-2.71%			
10	#NUM!	#NUM!	#NUM!	
30	#NUM!	#NUM!	#NUM!	#NUM!

## Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.99	2.43	#NUM!	#NUM!
ZF	0.42	1.03	#NUM!	#NUM!
ZN	0.26	0.63	#NUM!	#NUM!
ZB	0.16	0.38	#NUM!	#NUM!

	2y	5y	10y	30y
2y		2.46	#NUM!	#NUM!
5y	0.41		#NUM!	#NUM!
10y	#NUM!	#NUM!		#NUM!
30y	#NUM!	#NUM!	#NUM!	

	ZT	ZF	ZN	ZB
ZT		2.35	3.87	6.31
ZF	0.43		1.65	2.69
ZN	0.26	0.61		1.63
ZB	0.16	0.37	0.61	

## Box for Box Matrix

	2y	5y	10y	30y
ZT	0.99	2.43	#NUM!	#NUM!
ZF	0.42	1.03	#NUM!	#NUM!
ZN	0.51	1.25	#NUM!	#NUM!
ZB	0.63	0.77	#NUM!	#NUM!

	2y	5y	10y	30y
2y		2.46	#NUM!	#NUM!
5y	0.41		#NUM!	#NUM!
10y	#NUM!	#NUM!		#NUM!
30y	#NUM!	#NUM!	#NUM!	

	ZT	ZF	ZN	ZB
ZT		2.35	7.74	12.62
ZF	0.43		1.65	5.37
ZN	0.13	0.61		1.63
ZB	0.08	0.19	0.61	



	Libor\$ <sup>1</sup>	Repo Rt <sup>6</sup>
0/N	2.175	#VALUE!
1week	2.399	#VALUE!
2week	2.439	#VALUE!

	Libor\$ <sup>1</sup>	Tbill	CP <sup>2</sup>
1M	2.466	1.792	2.490
3M	2.807	1.848	2.780
6M	3.104	1.991	3.050

	TSY	Swp	Swp Rate <sup>5</sup>	ED Pks <sup>3</sup>	TSY - ED Pk <sup>4</sup>
2y	2.465	94.25	3.41	3.918	1.453
5y	3.193	98.25	4.18		#VALUE!
10y	3.933	72.00	4.65		#VALUE!

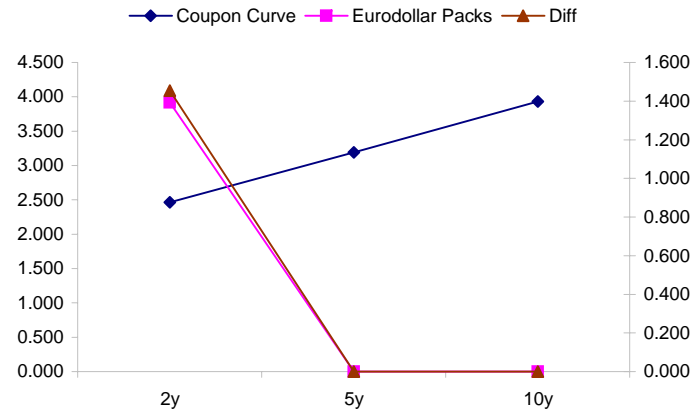
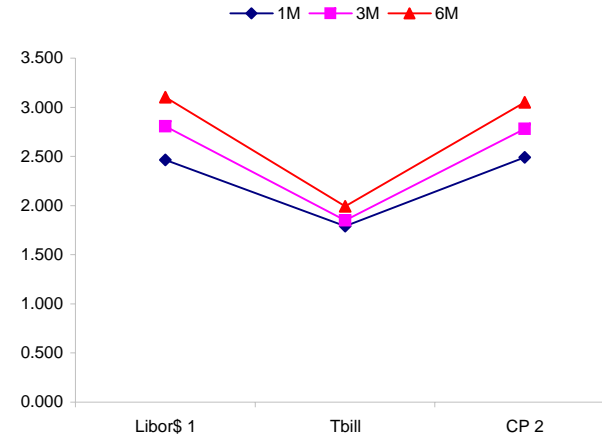
<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>
72.8	#VALUE!	#VALUE!
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>
146.8	#VALUE!	#VALUE!
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>
74.1	#VALUE!	#VALUE!

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:**

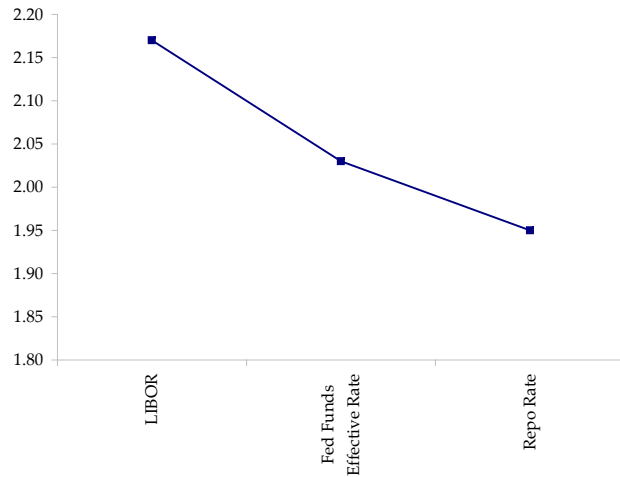
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight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



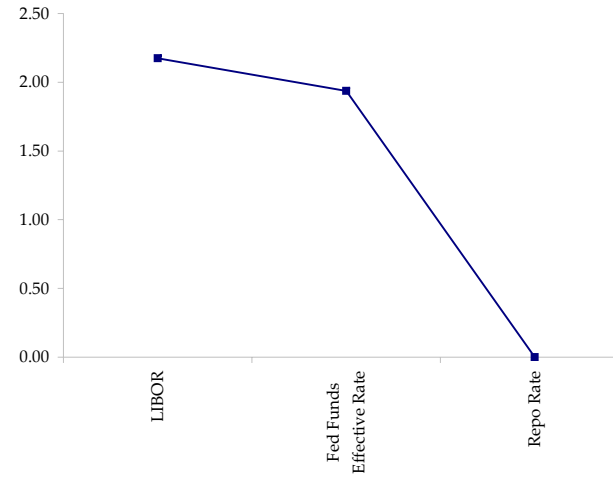
	Last	Chng	Term	Asset Type
USDLIBON	2.175	(0.0088)	Overnight	LIBOR
TUSFFRON	1.938	0.0000	Overnight	Fed Funds Effective Rate
TUSRPOON	#VALUE!	#VALUE!	Overnight	Repo Rate
TEONIA01M	4.306	(0.0010)	1 month	Euribor OIS Rate
TEONIA03M	4.326	(0.0050)	3 month	Euribor OIS Rate
TSONIA01M	5.025	(0.0010)	1 month	Sterling OIS Rate
TSONIA03M	5.012	(0.0020)	3 month	Sterling OIS Rate
TUSOIS01M	2.015	0.0010	1 month	USD OIS Rate
TUSOIS03M	2.040	(0.0010)	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.