



## The Morning Email: Treasuries

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

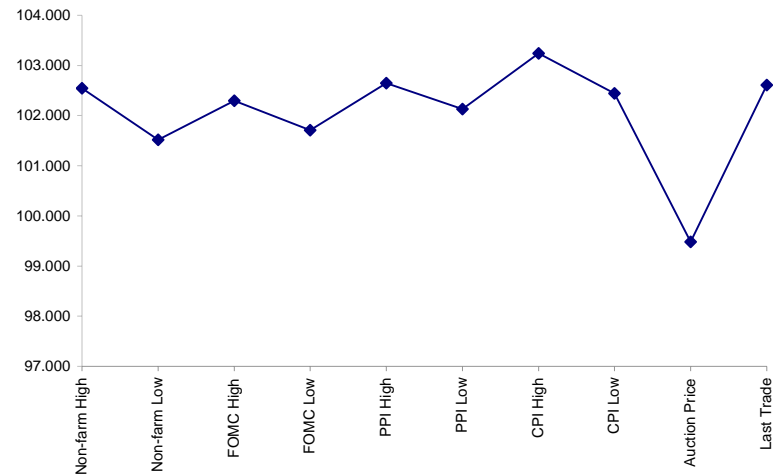
#### Economic Releases (32nds)

	5y	10y	ZNZ8	ZBZ8	Date
Non-farm High	102.1750	110.280	124.205	135.025	12/5/2008
Non-farm Low	101.1650	109.115	122.260	132.280	12/5/2008
FOMC High	102.0950	104.208	117.115	117.265	10/29/2008
FOMC Low	101.2275	103.223	116.035	115.295	10/29/2008
PPI High	102.2075	102.005	120.265	121.145	11/18/2008
PPI Low	102.0425	100.285	119.285	119.305	11/18/2008
CPI High	103.0775	103.125	121.215	123.145	11/19/2008
CPI Low	102.1425	101.315	120.210	121.205	11/19/2008
Auction Price	99.1539	99.233	na	na	
Last Trade	102.1950	110.225	127.185	134.305	12/12/2008 5:53

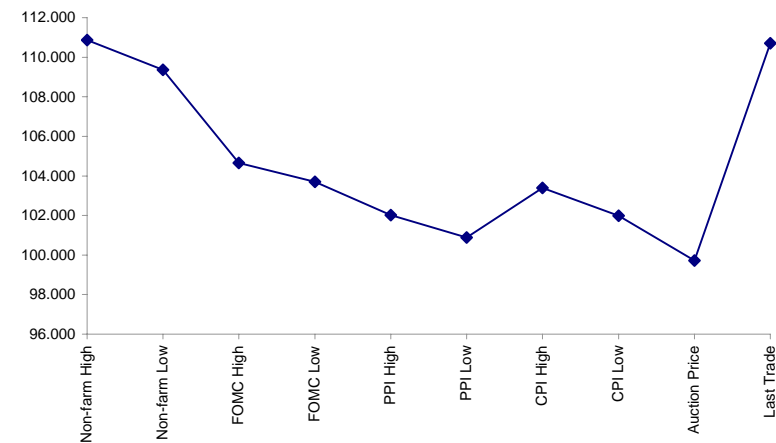
#### Auctions - 32nds

	2 y	3 y	5y	10y	30y
Auction Price	99.308	99.233	99.154	99.233	98.074
Auction Yield Stop	1.269	1.245	2.11	3.783	4.609
Actual Auction Date	11/24/2008	11/10/2008	11/25/2008	11/12/2008	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 Mch09 Futures roll: ZF = (91); ZN = (70 ); ZB = (32) [tics]}

## Quotes

		32 nds					
	Last	Net	High	Low	Open	Volume	Sym Name
TUAH9	108.140	0.037	108.177	108.105	108.115	10,065	2y Fut
FVAH9	118.250	0.177	118.295	118.085	118.127	22,032	5y Fut
TYAH9	127.185	0.240	125.135	124.045	124.085	75,401	10y Fut
USAH9	134.305	0.17	135.270	134.100	134.190	15,736	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	100.315	0.037	101.040	100.295	100.295	na	2y Cash
BUS05P	102.192	0.145	102.265	102.062	102.070	na	5y Cash
BUS10P	110.210	0.235	111.045	109.310	109.315	na	10y Cash
BUS30P	128.290	1.120	129.220	128.220	129.075	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	0.732	(0.049)	0.796	0.66	0.792	na	2y Yield
BUS05Y	1.448	(0.096)	1.563	1.39	1.55	na	5y Yield
BUS10Y	2.520	(0.082)	2.606	2.471	2.606	na	10y Yield
BUS30Y	3.007	(0.063)	3.066	2.971	3.063	na	30y Yield

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
<b>30y</b>	17.85	7.38	\$2,308	14.77	n/a	<b>30y</b>
<b>10y</b>	8.34	2.96	\$925	5.92	n/a	<b>10y</b>
<b>5y</b>	4.71	1.58	\$494	6.32	n/a	<b>5y</b>
<b>3y</b>	2.84	0.91	\$285	3.65	n/a	<b>3y</b>
<b>2y</b>	1.93	0.63	\$195	2.50	n/a	<b>2y</b>
<b>ZB</b>	10.70	4.69	\$147	4.69	0.795	<b>ZB</b>
<b>ZN</b>	6.84	2.84	\$89	5.68	0.8357	<b>ZN</b>
<b>ZF</b>	4.16	1.67	\$52	3.35	0.8392	<b>ZF</b>
<b>ZT</b>	1.93	0.70	\$22	2.79	0.9152	<b>ZT</b>

DV01 32, said differently, is "how many TICS are in a basis point?".

Example, If **ZN** moves 1~basis point, then, it's moved 2.51 tics (Today, 12/01/08, the value in the box is 2.51).

Since ZN trades in half tics, then, 5.03 boxes = 1 basis point in ZN. (Again, today, 12/01/08, the value in the box is 5.03). 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.

#### 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

	ZB	ZN	ZF	ZT
ZB		1.651	2.804	3.434
ZN	0.606		1.698	2.080
ZF	0.357	0.589		1.225
ZT	0.291	0.481	0.816	

## US Treasuries v US Financial Futures

	2y	5y	10y	30y
ZB	1.33	3.37	6.31	15.74
ZN	2.20	5.56	10.42	25.99
ZF	3.74	9.45	17.69	44.14
ZT	4.58	11.57	21.67	54.07

## US Treasuries

	2y	5y	10y	30y
2y		2.528	4.736	11.815
5y	0.396		1.873	4.673
10y	0.211	0.534		2.495
30y	0.085	0.214	0.401	

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	1.250	11/30/10	100.2800	0.801	0.732	(0.069)	55.92	56.26			108.1000	108.1400	TUAH9
3y	1.125	12/15/11	100.0000	1.125	1.077	(0.048)			+7.00				
5y	2.000	11/30/13	102.0300	1.560	1.448	(0.112)	92.10	93.70			118.0725	118.2500	FVAH9
10y	3.750	11/15/18	109.185	2.646	2.520	(0.126)	191.28	130.75	Carry		123.310	127.185	TYAH9
30y	4.500	5/15/38	127.075	3.085	3.007	(0.078)	651.81	694.29			134.135	134.305	USAH9

Curve Spreads

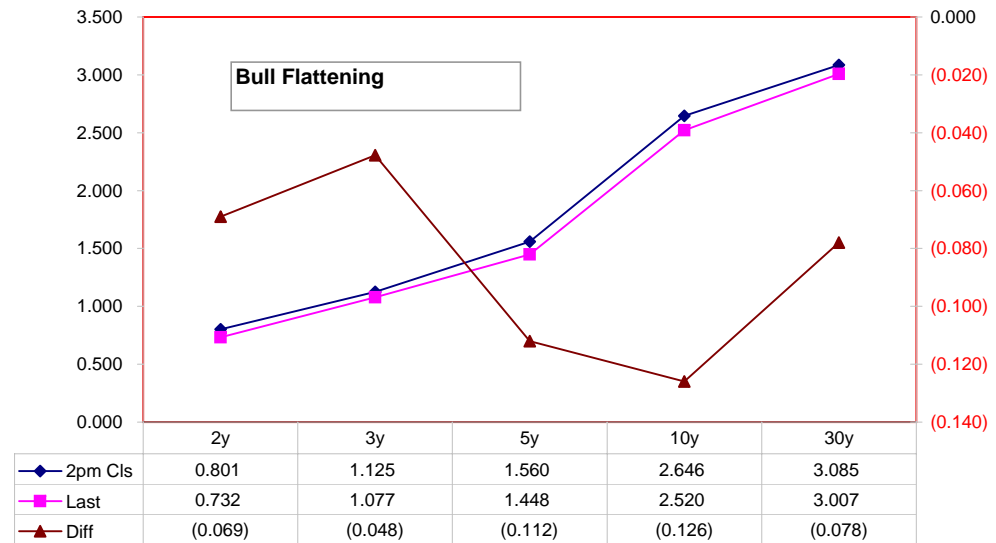
	Chng from		
	Close bps	Last bps	2pm Cls
2/3	32.4	34.5	2.1
2/5	75.9	71.6	(4.3)
3/5	43.5	37.1	(6.4)
2/10	184.5	178.8	(5.7)
3/10	152.1	144.3	(7.8)
5/10	108.6	107.2	(1.4)
2/30	228.4	227.5	(0.9)
3/30	196.0	193.0	(3.0)
5/30	152.5	155.9	3.4
10/30	43.9	48.7	4.8

O/N News:

--Auto bailout dead in the Senate

--Now, waiting for filing of bankruptcy and cascade of auto suppliers to follow or someone to swoop in and bail them out (like Obama).

US Treasuries Last v 2pm Close



	Last	Chng on Day
Emini SP	837.00	(37.50)
Crude Oil	45.44	(2.54)
Gold	816.40	(10.20)
EURUSD	133.35	(0.20)
USDJPY	90.42	(1.06)

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	41%	100%		
10	23%	57%	100%	
30	11%	26%	47%	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	\$195			
5	\$203	\$494		
10	\$214	\$523	\$925	
30	\$250	\$609	\$1,078	\$2,308

**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	(\$7)			
10	(\$19)	(\$29)		
30	(\$55)	(\$115)	(\$153)	

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	-3.61%			
10	-8.93%	-5.52%		
30	-21.85%	-18.92%	-14.18%	

## Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.90	2.27	4.25	10.60
ZF	0.37	0.94	1.77	4.41
ZN	0.22	0.56	1.04	2.60
ZB	0.13	0.34	0.63	1.57

	2y	5y	10y	30y
2y		2.53	4.74	11.82
5y	0.40		1.87	4.67
10y	0.21	0.53		2.49
30y	0.08	0.21	0.40	

	ZT	ZF	ZN	ZB
ZT		2.40	4.08	6.73
ZF	0.42		1.70	2.80
ZN	0.25	0.59		1.65
ZB	0.15	0.36	0.61	

## Box for Box Matrix

	2y	5y	10y	30y
ZT	0.90	2.27	8.49	21.19
ZF	0.37	0.94	3.54	8.83
ZN	0.44	1.11	1.04	2.60
ZB	0.53	0.67	1.26	1.57

	2y	5y	10y	30y
2y		2.53	2.37	5.91
5y	0.40		0.47	2.34
10y	0.42	2.14		2.49
30y	0.17	0.43	0.40	

	ZT	ZF	ZN	ZB
ZT		2.40	8.15	13.46
ZF	0.42		1.70	5.61
ZN	0.12	0.59		1.65
ZB	0.07	0.18	0.61	



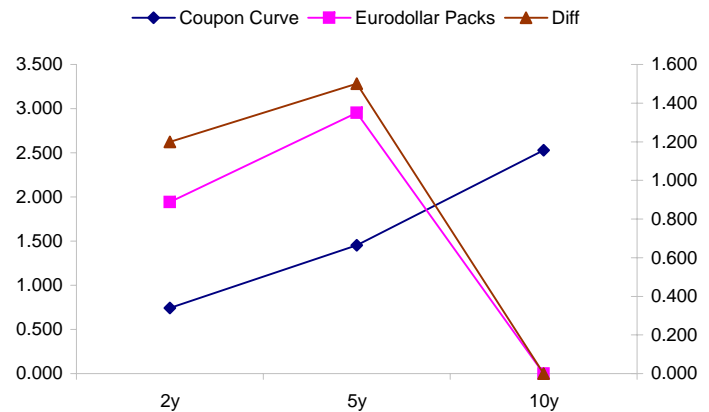
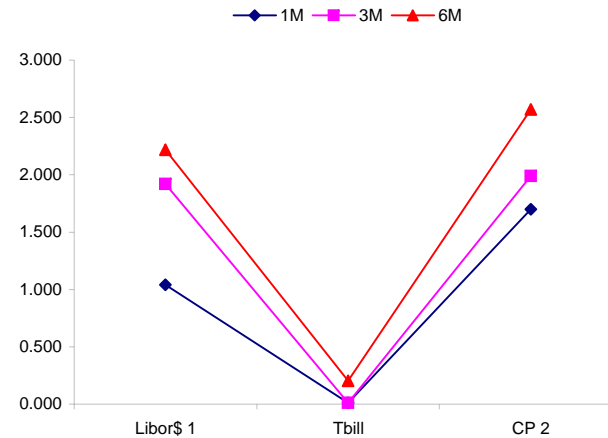
	Libor\$ <sup>1</sup>	Repo Rt <sup>6</sup>			
0/N	0.119	#VALUE!			
1week	0.363	#VALUE!			
2week	0.488	#VALUE!			
	Libor\$ <sup>1</sup>	Tbill	CP <sup>2</sup>		
1M	1.040	0.012	1.700		
3M	1.921	0.010	1.990		
6M	2.220	0.203	2.570		
	TSY	Swp	Swp Rate <sup>5</sup>	ED Pks <sup>3</sup>	TSY - ED Pk <sup>4</sup>
2y	0.742	105.00	1.79	1.942	1.200
5y	1.452	86.75	2.32	2.953	1.500
10y	2.528	18.25	2.71	#VALUE!	#VALUE!

<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>	
71.0	101.1	30.0	Red pack / Blue pack is a 2/5 proxy
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>	
178.6	#VALUE!	#VALUE!	Red pack / Gold pack is a 2/10 proxy
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>	
107.6	#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:**

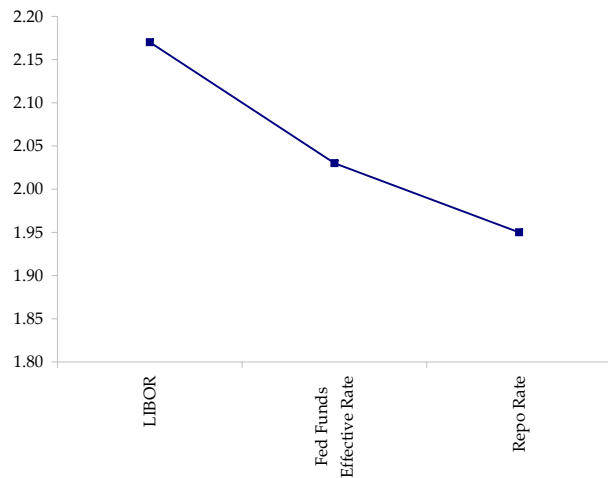
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight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



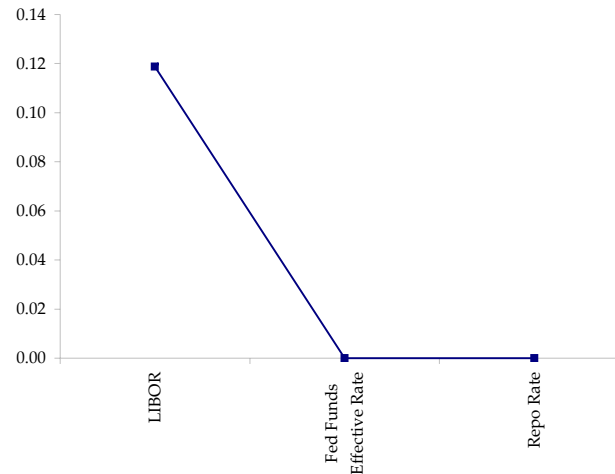
	Last	Chng	Term	Asset Type
USDLIBON	0.119	0.0038	Overnight	LIBOR
TUSFFRON	#VALUE!	#VALUE!	Overnight	Fed Funds Effective Rate
TUSRPOON	#VALUE!	#VALUE!	Overnight	Repo Rate
TEONIA01M	2.173	(0.0090)	1 month	Euribor OIS Rate
TEONIA03M	2.000	(0.0060)	3 month	Euribor OIS Rate
TSONIA01M	1.677	(0.0080)	1 month	Sterling OIS Rate
TSONIA03M	1.444	0.0060	3 month	Sterling OIS Rate
TUSOIS01M	0.225	(0.0070)	1 month	USD OIS Rate
TUSOIS03M	0.261	(0.0020)	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	9/2/2008	9/8/2008	9/17/2008	9/19/2008	9/29/2008	10/15/2008	10/24/2008	11/6/2008	11/18/2008	11/25/2008	12/4/2008	12/11/2008	Last
Australia	195.3	211.6	217.1	181.6	205.3	135.8	120.8	143.5	138.9	157.4	170.5	165.6	165.3
France	58.9	60.8	87.6	73.6	65.4	31.9	31.4	35	44.4	67.3	96.3	101	94.0
Germany	40	40.7	56.7	47	36.2	11.7	3.5	-2.1	12.1	26.4	55.8	59.8	58.3
Japan	-227	-213.4	-192.4	-228.1	-213.2	-242.5	-224.2	-220.5	-193.6	-170.1	-118	-119.7	-117.7
U.K.	76.4	83	99.6	83.5	76.3	71.5	64.6	62.6	63.8	76.4	87	97.3	106.9

Global 10y Note spreads over US 10y

