

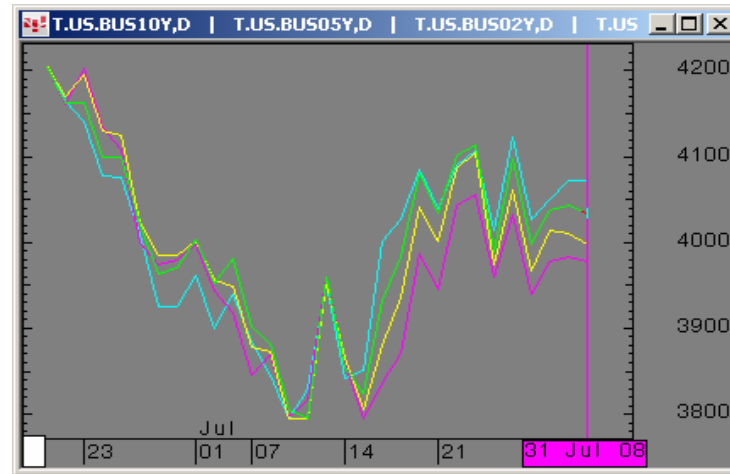


The Morning Email: Treasuries

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Daily Yield Curve



Scale is for 10yr

Source: CQG, Inc. © 2008 All rights reserved worldwide Thu Jul 31 2008



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

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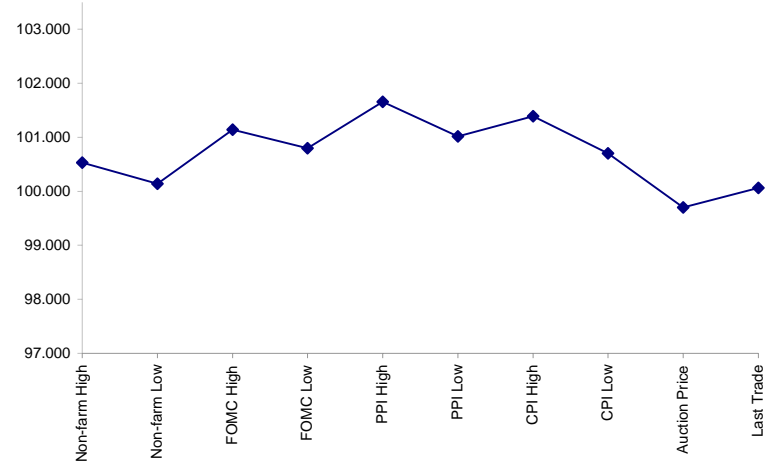
Economic Releases (32nds)

	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	100.0200	98.215	114.050	114.250	7/31/2008 6:04

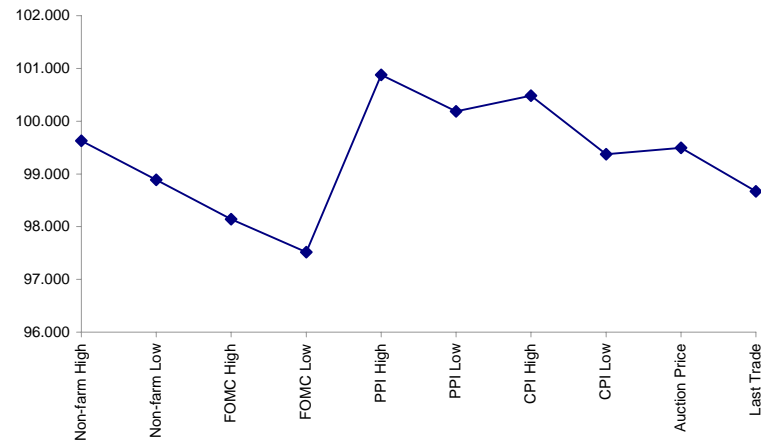
Auctions - 32nds

	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	105.260	0.015	105.280	105.247	105.262	28,476	2y Fut
FVAU8	110.285	0.020	111.002	110.250	110.285	41,746	5y Fut
TYAU8	114.050	0.015	114.105	113.310	114.040	78,588	10y Fut
USAU8	114.250	(0.01)	115.005	114.185	114.260	14,840	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	100.075	0.002	100.092	100.065	100.080	na	2y Cash
BUS05P	100.017	0.015	100.060	99.310	100.027	na	5y Cash
BUS10P	98.215	0.020	98.250	98.160	98.190	na	10y Cash
BUS30P	95.225	0.020	95.285	95.145	95.280	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	2.617	(0.013)	2.65	2.593	2.65	na	2y Yield
BUS05Y	3.362	(0.006)	3.386	3.331	3.375	na	5y Yield
BUS10Y	4.038	(0.006)	4.066	4.022	4.054	na	10y Yield
BUS30Y	4.641	(0.001)	4.664	4.63	4.649	na	30y Yield

Duration, DV01s, Curve Spreads, CF

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
30y	15.86	4.96	\$1,550	9.92	n/a	30y
10y	8.00	2.55	\$796	5.09	n/a	10y
5y	4.56	1.50	\$468	5.99	n/a	5y
2y	1.93	0.62	\$194	2.48	n/a	2y
ZB	10.15	3.85	\$120	3.85	0.7771	ZB
ZN	6.39	2.37	\$74	4.74	0.8478	ZN
ZF	3.98	1.45	\$45	2.90	0.8912	ZF
ZT	1.85	0.63	\$20	2.51	0.9443	ZT

Yield Curve Spreads

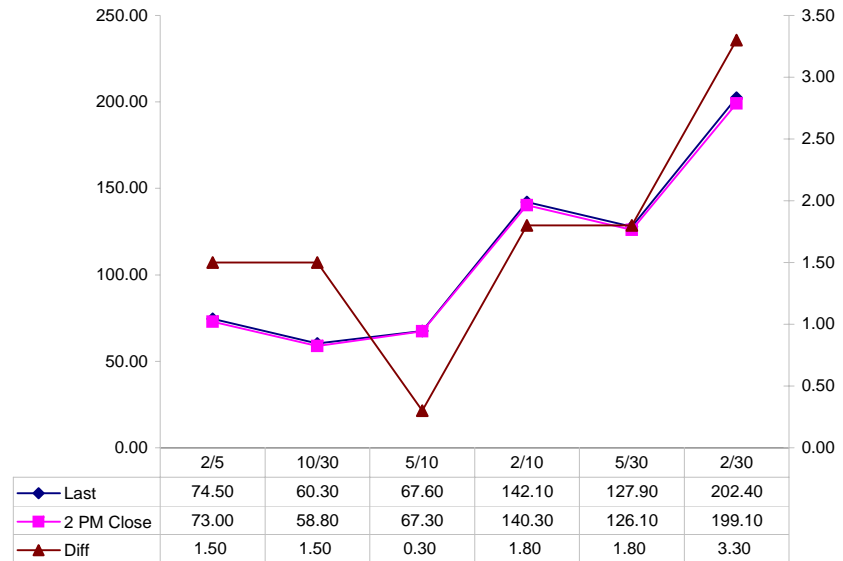
	Last	2pm close	Diff
2/5	74.50	73.00	1.50
10/30	60.30	58.80	1.50
5/10	67.60	67.30	0.30
2/10	142.10	140.30	1.80
5/30	127.90	126.10	1.80
2/30	202.40	199.10	3.30

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	2.618	3.025
ZN	0.624		1.632	1.886
ZF	0.382	0.613		1.156
ZT	0.323	0.518	0.845	

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	1.63	3.94	6.70	13.05
ZN	2.62	6.32	10.74	20.93
ZF	4.27	10.32	17.54	34.17
ZT	4.93	11.92	20.27	39.49

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		2.417	4.108	8.004
5y	0.398		1.700	3.311
10y	0.234	0.588		1.948
30y	0.120	0.302	0.495	

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

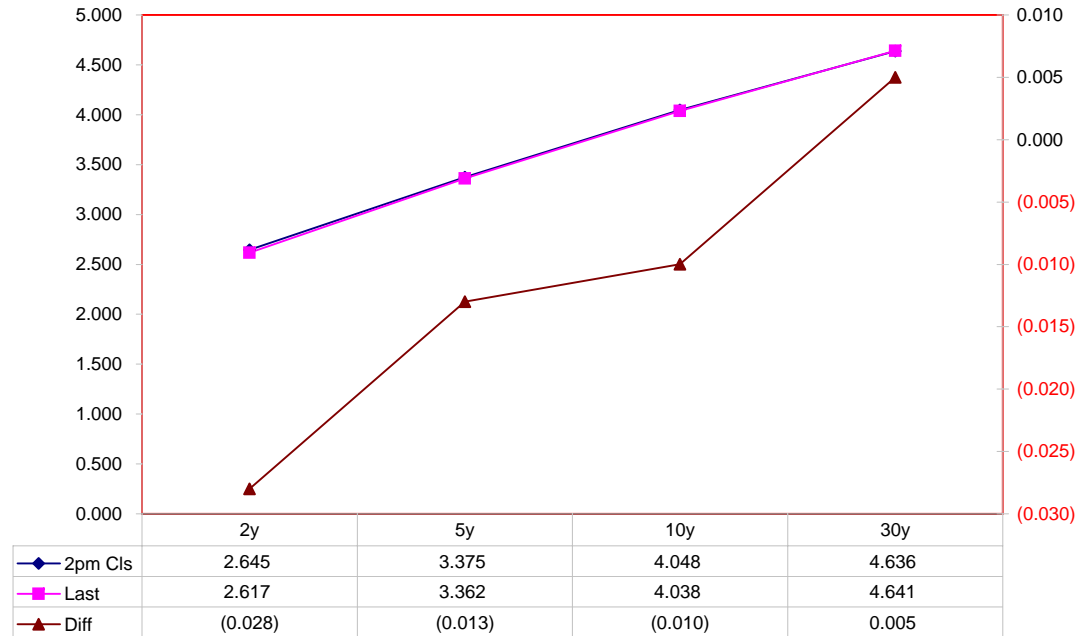
Closes: 2pm CT vs this Morning

	Cpn	Mty	Close 32	Close	Last	Diff	Basis			Close 32	Last	
							Close	Last	Roll			
2y	2.750	7/31/10	100.0650	2.645	2.617	(0.028)	10.28	10.30		105.2475	105.2600	TUAU8
5y	3.375	7/31/13	100.0000	3.375	3.362	(0.013)	39.36	39.58		110.2650	110.2850	FVAU8
10y	3.875	5/15/18	98.195	4.048	4.038	(0.010)	59.76	60.49	+2.50	114.035	114.050	TYAU8
30y	4.375	5/15/37	95.265	4.636	4.641	0.005	211.05	208.21	+0.50	114.265	114.250	USAU8

Curve Spreads

	Close bps	Last bps
2/5	73.0	74.5
5/10	67.3	67.6
10/30	58.8	60.3
2/10	140.3	142.1
5/30	126.1	127.9
2/30	199.1	202.4

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	\$194			
5	\$198	\$468		
10	\$192	\$454	\$796	
30	\$189	\$446	\$782	\$1,550

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	(\$4)			
10	\$2	\$14		
30	\$5	\$22	\$14	

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	-2.26%			
10	0.78%	3.11%		
30	2.56%	4.93%	1.76%	

Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.99	2.38	4.05	7.90
ZF	0.43	1.03	1.75	3.42
ZN	0.26	0.63	1.07	2.09
ZB	0.16	0.39	0.66	1.29

	2y	5y	10y	30y
2y		2.42	4.11	8.00
5y	0.41		1.70	3.31
10y	0.24	0.59		1.95
30y	0.12	0.30	0.51	

	ZT	ZF	ZN	ZB
ZT		2.31	3.77	6.12
ZF	0.43		1.63	2.65
ZN	0.27	0.61		1.62
ZB	0.16	0.38	0.62	

Box for Box Matrix

	2y	5y	10y	30y
ZT	0.99	2.38	8.11	15.79
ZF	0.43	1.03	3.51	6.83
ZN	0.52	1.26	1.07	2.09
ZB	0.64	0.78	1.32	1.29

	2y	5y	10y	30y
2y		2.42	2.05	4.00
5y	0.41		0.42	1.66
10y	0.49	2.35		1.95
30y	0.25	0.60	0.51	

	ZT	ZF	ZN	ZB
ZT		2.31	7.55	12.25
ZF	0.43		1.63	5.30
ZN	0.13	0.61		1.62
ZB	0.08	0.19	0.62	

	Libor\$ ¹	Repo Rt ⁶
0/N	2.323	#VALUE!
1week	2.435	#VALUE!
2week	2.448	#VALUE!

	Libor\$ ¹	Tbill	CP ²
1M	2.461	1.670	2.490
3M	2.791	1.705	2.800
6M	3.084	1.903	3.130

	TSY	Swp	Swp Rate ⁵	ED Pks ³	TSY - ED Pk ⁴
2y	2.624	87.75	3.50	4.125	1.501
5y	3.361	88.00	4.24		#VALUE!
10y	4.040	67.50	4.72		#VALUE!

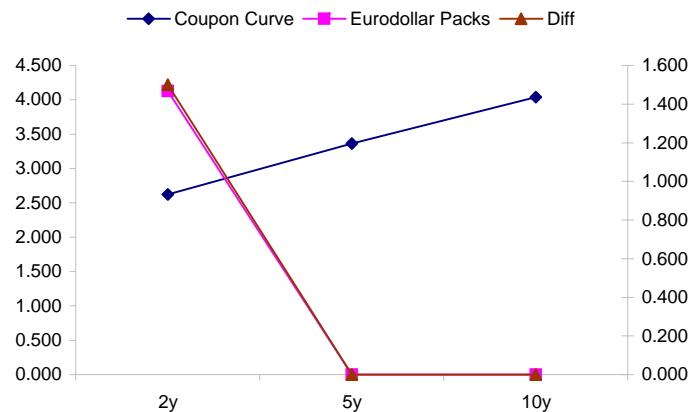
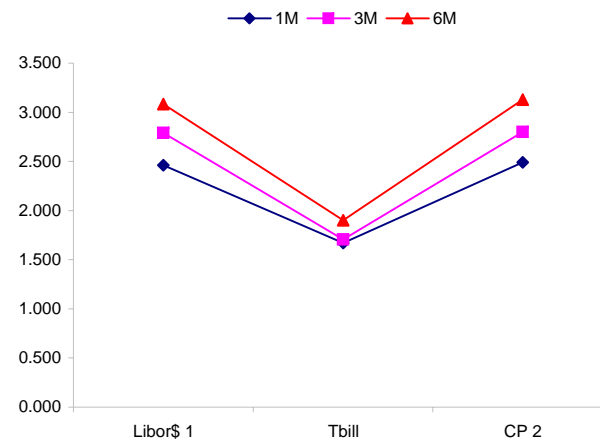
<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>
73.7	#VALUE!	#VALUE!
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>
141.6	#VALUE!	#VALUE!
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>
67.9	#VALUE!	#VALUE!

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	2.323	(0.0275)	Overnight	LIBOR
TUSFFRON	2.000	0.0312	Overnight	Fed Funds Effective Rate
TUSRPOON	#VALUE!	#VALUE!	Overnight	Repo Rate
TEONIA01M	4.291	0.0020	1 month	Euribor OIS Rate
TEONIA03M	4.341	0.0010	3 month	Euribor OIS Rate
TSONIA01M	5.067	(0.0090)	1 month	Sterling OIS Rate
TSONIA03M	5.122	(0.0130)	3 month	Sterling OIS Rate
TUSOIS01M	2.013	(0.0040)	1 month	USD OIS Rate
TUSOIS03M	2.066	0.0060	3 month	USD OIS Rate

