

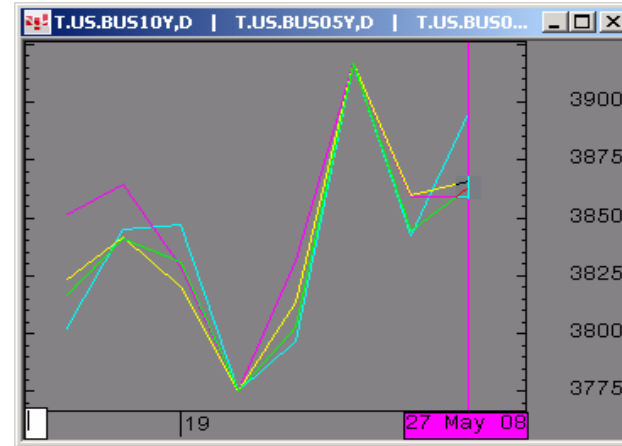


The Morning Email: Treasuries

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Daily Yield Curve



Scale is for 10yr

Source: CQG, Inc. © 2008 Tue May 27 2008 05:44:52



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

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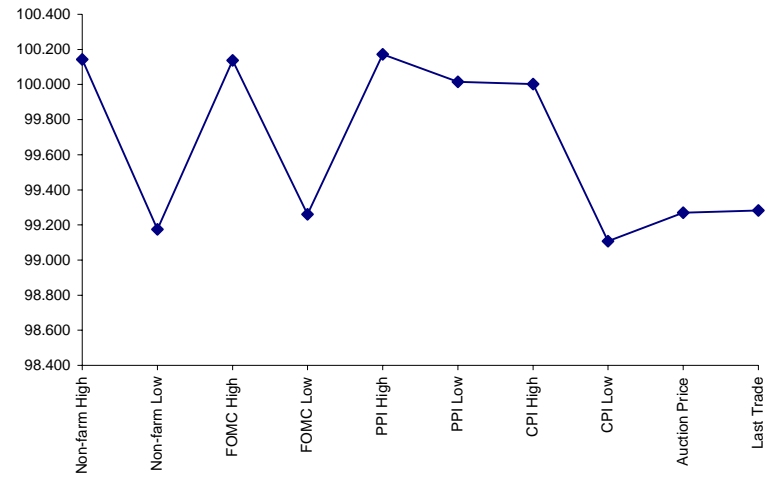
Economic Releases (32nds)

| | 5y | 10y | ZNM8 | ZBM8 | Date |
|---------------|----------|---------|---------|---------|----------------|
| Non-farm High | 100.1425 | 101.070 | 116.005 | 117.185 | 5/2/2008 |
| Non-farm Low | 99.1750 | 99.270 | 114.205 | 115.230 | 5/2/2008 |
| FOMC High | 100.1375 | 100.275 | 115.275 | 116.305 | 4/20/2008 |
| FOMC Low | 99.2600 | 100.020 | 114.300 | 115.220 | 4/20/2008 |
| PPI High | 100.1725 | 100.265 | 115.315 | 117.100 | 5/20/2008 |
| PPI Low | 100.0150 | 100.060 | 115.065 | 116.120 | 5/20/2008 |
| CPI High | 100.0025 | 100.050 | 115.070 | 116.150 | 5/14/2008 |
| CPI Low | 99.1075 | 99.055 | 114.100 | 115.040 | 5/14/2008 |
| Auction Price | 99.2700 | 99.157 | na | na | |
| Last Trade | 99.2820 | 100.020 | 115.080 | 116.095 | 5/27/2008 5:45 |

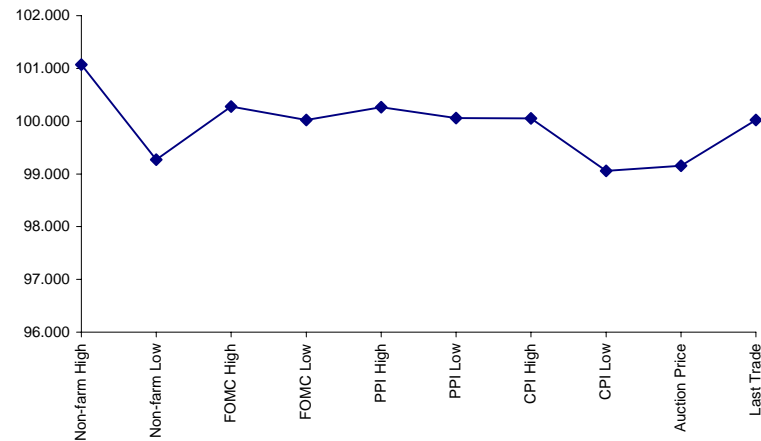
Auctions - 32nds

| | 2 y | 5y | 10y | 30y |
|---------------------|-----------|-----------|----------|------------|
| Auction Price | 99.258 | 99.270 | 99.157 | 96.120 |
| Auction Yield Stop | 2.225 | 3.159 | 3.937 | 4.599 |
| Actual Auction Date | 4/23/2008 | 4/24/2008 | 5/7/2008 | 5/8/2008 r |

5y (Decimal)



10y (Decimal)



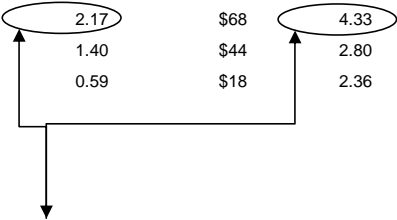
Notes:

- 1) Cash and futures are adjusted for roll.
- 2) Release times are from release to 2pm cdt
- 3) {Mch08 to Jun08 Futures roll: ZF = (-20); ZN = (-43); ZB = (-36) [tics]}

Quotes

| | | 32 nds | | | | | |
|--------|---------|---------|---------|---------|---------|---------|-----------|
| | Last | Net | High | Low | Open | Volume | Sym Name |
| TUAM8 | 106.035 | 0.015 | 106.037 | 106.000 | 106.025 | 42,252 | 2y Fut |
| FVAM8 | 111.237 | 0.025 | 111.250 | 111.180 | 111.220 | 73,249 | 5y Fut |
| TYAM8 | 115.080 | (0.025) | 115.120 | 115.025 | 115.100 | 111,688 | 10y Fut |
| USAM8 | 116.095 | (0.13) | 116.225 | 116.045 | 116.220 | 21,982 | 30y Fut |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02P | 99.127 | (0.002) | 99.130 | 99.097 | 99.115 | na | 2y Cash |
| BUS05P | 99.280 | (0.015) | 99.292 | 99.220 | 99.272 | na | 5y Cash |
| BUS10P | 100.010 | (0.050) | 100.070 | 99.290 | 100.060 | na | 10y Cash |
| BUS30P | 96.070 | (0.170) | 96.250 | 96.020 | 96.235 | na | 30y Cash |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02Y | 2.435 | (0.004) | 2.506 | 2.435 | 2.473 | na | 2y Yield |
| BUS05Y | 3.149 | 0.009 | 3.198 | 3.14 | 3.172 | na | 5y Yield |
| BUS10Y | 3.865 | 0.021 | 3.888 | 3.837 | 3.841 | na | 10y Yield |
| BUS30Y | 4.609 | 0.036 | 4.625 | 4.552 | 4.615 | na | 30y Yield |

| | M Duration | DV01 32 | DV01 \$ | DV01 Box | CF | |
|-----|------------|---------|---------|----------|--------|-----|
| 30y | 16.07 | 5.01 | \$1,566 | 10.02 | n/a | 30y |
| 10y | 8.06 | 2.53 | \$790 | 5.05 | n/a | 10y |
| 5y | 4.46 | 1.46 | \$455 | 5.82 | n/a | 5y |
| 2y | 1.87 | 0.60 | \$186 | 2.38 | n/a | 2y |
| ZB | 10.15 | 3.84 | \$120 | 3.84 | 0.7765 | ZB |
| ZN | 5.81 | 2.17 | \$68 | 4.33 | 0.8448 | ZN |
| ZF | 3.86 | 1.40 | \$44 | 2.80 | 0.8809 | ZF |
| ZT | 1.72 | 0.59 | \$18 | 2.36 | 0.9336 | ZT |



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

Example, If ZN moves 1-basis point, then, it's moved 2.59 tics (Today, 03/29/08, the value in the box is 2.59).

Since ZN trades in half tics, then, 5.17 boxes = 1 basis point in ZN. (Again, today, 03/28/08, the value in the box is 5.17). 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

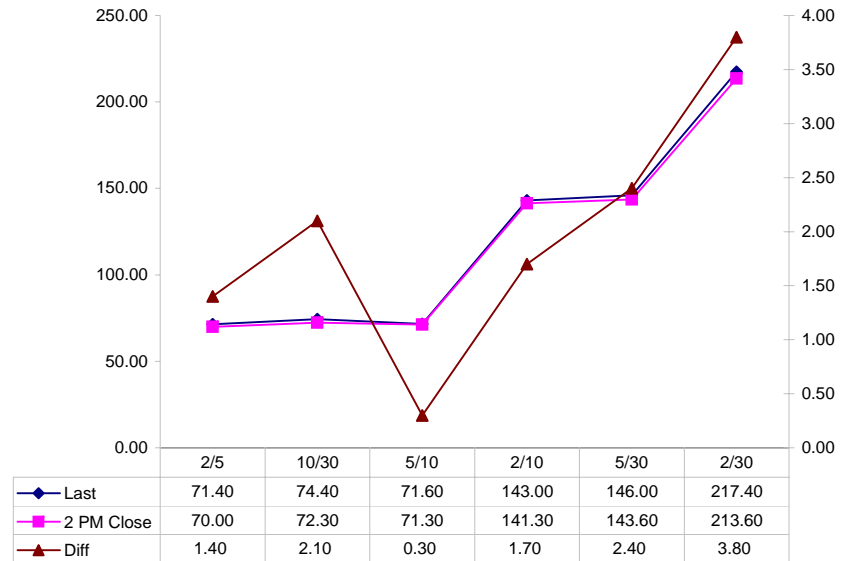
MDuration & DV01s for Futures are based on proxy issue (CTD)

DV01 Box = Dollar Value of 1 basis point move per Box

Yield Curve Spreads

| | Last | 2pm close | Diff |
|-------|--------|-----------|------|
| 2/5 | 71.40 | 70.00 | 1.40 |
| 10/30 | 74.40 | 72.30 | 2.10 |
| 5/10 | 71.60 | 71.30 | 0.30 |
| 2/10 | 143.00 | 141.30 | 1.70 |
| 5/30 | 146.00 | 143.60 | 2.40 |
| 2/30 | 217.40 | 213.60 | 3.80 |

Curve Spreads vs 2pm close



US Financial Futures / Eurex Bond

| | ZB | ZN | ZF | ZT |
|------------------|-------|-------|-------|-------|
| Bund (M) | 1.070 | 1.871 | 2.898 | 3.335 |
| Bobl (M) | 0.588 | 1.028 | 1.593 | 1.833 |
| Shatz (M) | 0.239 | 0.418 | 0.647 | 0.745 |

US Financial Futures

| | ZB | ZN | ZF | ZT |
|-----------|-------|-------|-------|-------|
| ZB | | 1.773 | 2.748 | 3.253 |
| ZN | 0.564 | | 1.550 | 1.834 |
| ZF | 0.364 | 0.645 | | 1.184 |
| ZT | 0.307 | 0.545 | 0.845 | |

Eurex Bonds

| | Bund (H) | Bobl (H) | Shatz (H) |
|------------------|----------|----------|-----------|
| Bund (H) | | 1.8 | 4.5 |
| Bobl (H) | 0.5 | | 2.5 |
| Shatz (H) | 0.2 | 0.4 | |

US Treasuries v US Financial Futures

| | 2y | 5y | 10y | 30y |
|-----------|------|-------|-------|-------|
| ZB | 1.55 | 3.79 | 6.58 | 13.05 |
| ZN | 2.75 | 6.72 | 11.67 | 23.14 |
| ZF | 4.26 | 10.41 | 18.08 | 35.85 |
| ZT | 5.04 | 12.32 | 21.40 | 42.44 |

US Treasuries v Eurex Bonds

| | 2y | 5y | 10y | 30y |
|------------------|-----|------|------|------|
| Bund (M) | 1.5 | 3.6 | 6.2 | 12.3 |
| Bobl (M) | 2.7 | 6.5 | 11.2 | 22.4 |
| Shatz (M) | 6.7 | 16.0 | 27.6 | 54.9 |

US Treasuries

| | 2y | 5y | 10y | 30y |
|------------|-------|-------|-------|-------|
| 2y | | 2.443 | 4.243 | 8.413 |
| 5y | 0.409 | | 1.737 | 3.444 |
| 10y | 0.236 | 0.576 | | 1.983 |
| 30y | 0.119 | 0.290 | 0.504 | |

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

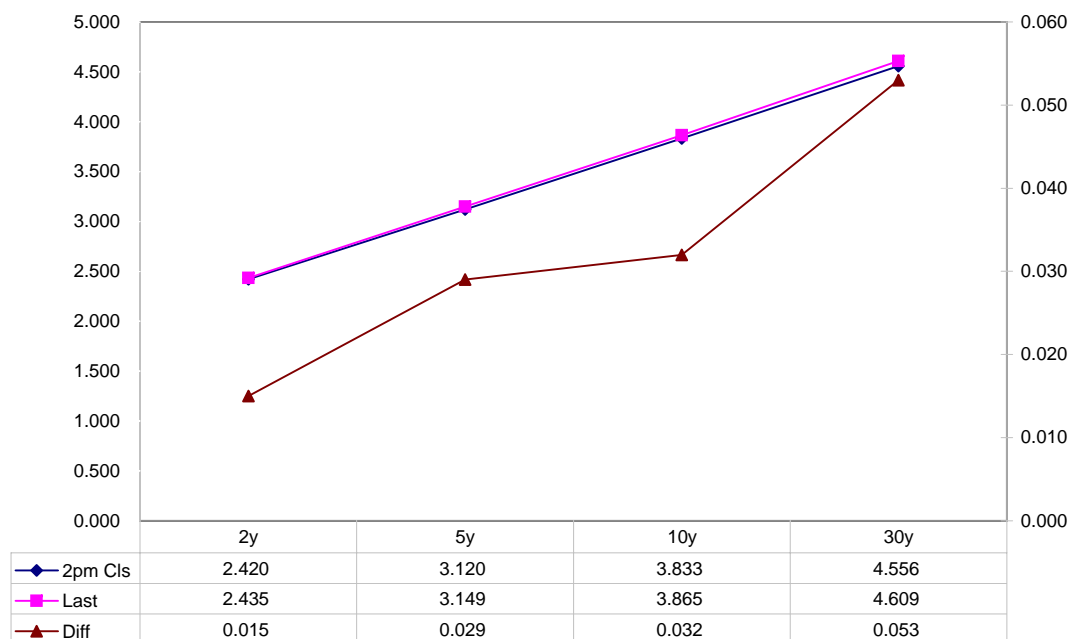
Closes: 2pm CT vs this Morning

| | Cpn | Mty | Close 32 | Close | Last | Diff | Basis | | | Close 32 | Last | |
|-----|-------|---------|----------|-------|-------|-------|--------|--------|------|----------|----------|-------|
| | | | | | | | Close | Last | Roll | | | |
| 2y | 2.125 | 4/30/10 | 99.1425 | 2.420 | 2.435 | 0.015 | 10.961 | 10.961 | na | 106.0400 | 106.0350 | TUAM8 |
| 5y | 3.125 | 4/30/13 | 100.0075 | 3.120 | 3.149 | 0.029 | 47.13 | 46.37 | na | 111.2800 | 111.2370 | FVAM8 |
| 10y | 3.875 | 5/15/18 | 100.110 | 3.833 | 3.865 | 0.032 | 88.20 | 86.38 | na | 115.165 | 115.080 | TYAM8 |
| 30y | 4.375 | 5/15/37 | 97.020 | 4.556 | 4.609 | 0.053 | 202.28 | 189.76 | na | 116.275 | 116.095 | USAM8 |

Curve Spreads

| | Close bps | Last bps |
|-------|-----------|----------|
| 2/5 | 70.0 | 71.4 |
| 5/10 | 71.3 | 71.6 |
| 10/30 | 72.3 | 74.4 |
| 2/10 | 141.3 | 143.0 |
| 5/30 | 143.6 | 146.0 |
| 2/30 | 213.6 | 217.4 |

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

Cash Duration Matrix

| | 2 | 5 | 10 | 30 |
|----|------|------|------|------|
| 2 | 100% | | | |
| 5 | 42% | 100% | | |
| 10 | 23% | 54% | 100% | |
| 30 | 12% | 28% | 51% | 100% |

What is this? (1):
 2yr cash has X% duration of 5yr cash .

Cash Matrix [DV01 x Duration]

| | 2 | 5 | 10 | 30 |
|----|-------|-------|-------|---------|
| 2 | \$186 | | | |
| 5 | \$191 | \$455 | | |
| 10 | \$187 | \$446 | \$821 | |
| 30 | \$182 | \$434 | \$798 | \$1,566 |

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 over / (under) valued]

| | 2 | 5 | 10 | 30 |
|----|-------|------|------|----|
| 2 | | | | |
| 5 | (\$5) | | | |
| 10 | (\$1) | \$8 | | |
| 30 | \$4 | \$20 | \$22 | |

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) as %]

| | 2 | 5 | 10 | 30 |
|----|--------|-------|-------|----|
| 2 | | | | |
| 5 | -2.45% | | | |
| 10 | -0.63% | 1.87% | | |
| 30 | 2.15% | 4.72% | 2.80% | |

Or you can look at the over/under value as a percentage instead of dollar terms.

Tic for Tic Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|------|
| ZT | 1.01 | 2.46 | 4.45 | 8.49 |
| ZF | 0.43 | 1.04 | 1.88 | 3.59 |
| ZN | 0.28 | 0.67 | 1.21 | 2.31 |
| ZB | 0.16 | 0.38 | 0.68 | 1.30 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.44 | 4.41 | 8.41 |
| 5y | 0.41 | | 1.80 | 3.44 |
| 10y | 0.23 | 0.55 | | 1.91 |
| 30y | 0.12 | 0.29 | 0.52 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|------|
| ZT | | 2.37 | 3.67 | 6.51 |
| ZF | 0.42 | | 1.55 | 2.75 |
| ZN | 0.27 | 0.65 | | 1.77 |
| ZB | 0.15 | 0.36 | 0.56 | |

Box for Box Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|-------|
| ZT | 1.01 | 2.46 | 8.90 | 16.98 |
| ZF | 0.43 | 1.04 | 3.76 | 7.17 |
| ZN | 0.55 | 1.34 | 1.21 | 2.31 |
| ZB | 0.62 | 0.76 | 1.37 | 1.30 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.44 | 2.20 | 4.21 |
| 5y | 0.41 | | 0.45 | 1.72 |
| 10y | 0.45 | 2.22 | | 1.91 |
| 30y | 0.24 | 0.58 | 0.52 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|-------|
| ZT | | 2.37 | 7.34 | 13.01 |
| ZF | 0.42 | | 1.55 | 5.50 |
| ZN | 0.14 | 0.65 | | 1.77 |
| ZB | 0.08 | 0.18 | 0.56 | |

| | Libor\$ ¹ | Repo Rt ⁶ |
|-------|----------------------|----------------------|
| 0/N | 2.166 | #VALUE! |
| 1week | 2.309 | #VALUE! |
| 2week | 2.350 | #VALUE! |

| | Libor\$ ¹ | Tbill | CP ² |
|----|----------------------|-------|-----------------|
| 1M | 2.379 | 1.946 | 2.350 |
| 3M | 2.644 | 1.850 | 2.610 |
| 6M | 2.849 | 1.931 | 2.720 |

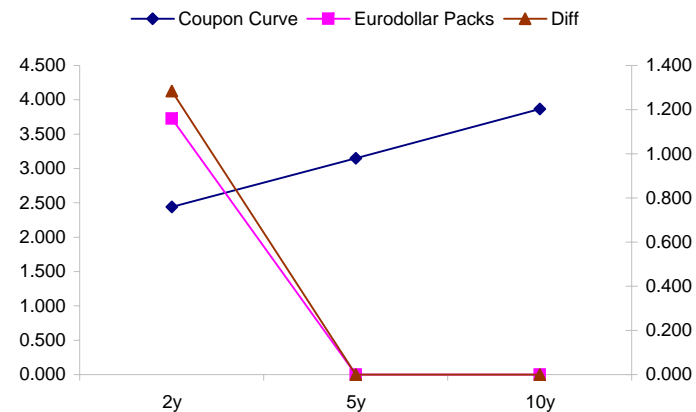
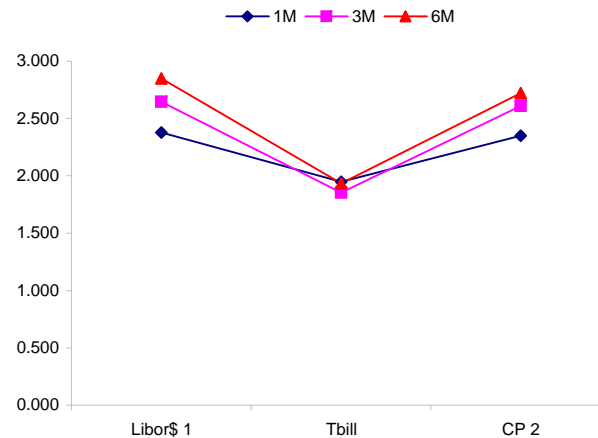
| | TSY | Swp | Swp Rate ⁵ | ED Pks ³ | TSY - ED Pk ⁴ |
|-----|-------|-------|-----------------------|---------------------|--------------------------|
| 2y | 2.443 | 81.50 | 3.26 | 3.727 | 1.284 |
| 5y | 3.151 | 81.25 | 3.96 | | #VALUE! |
| 10y | 3.867 | 62.00 | 4.49 | | #VALUE! |

| <u>2/5</u> | <u>Rd/Blu Pk</u> | <u>Diff</u> |
|-------------|-------------------|-------------|
| 70.8 | #VALUE! | #VALUE! |
| <u>2/10</u> | <u>Rd/Gld Pk</u> | <u>Diff</u> |
| 142.4 | #VALUE! | #VALUE! |
| <u>5/10</u> | <u>Blu/Gld Pk</u> | <u>Diff</u> |
| 71.7 | #VALUE! | #VALUE! |

"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 | 2.166 | 0.0538 | Overnight | LIBOR |
| TUSFFRON | 1.969 | 0.0000 | Overnight | Fed Funds Effective Rate |
| TUSRPOON | #VALUE! | #VALUE! | Overnight | Repo Rate |
| TEONIA01M | 4.049 | 0.0060 | 1 month | Euribor OIS Rate |
| TEONIA03M | 4.078 | 0.0020 | 3 month | Euribor OIS Rate |
| TSONIA01M | 5.043 | 0.0010 | 1 month | Sterling OIS Rate |
| TSONIA03M | 5.071 | 0.0010 | 3 month | Sterling OIS Rate |
| TUSOIS01M | 1.999 | 0.0090 | 1 month | USD OIS Rate |
| TUSOIS03M | 1.992 | 0.0040 | 3 month | USD OIS Rate |

