



The Morning Email: Treasuries

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

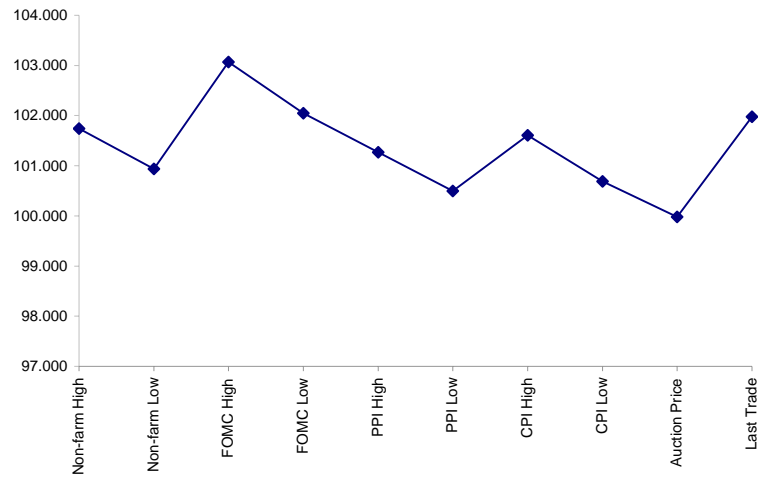
Economic Releases (32nds)

| | 5y | 10y | ZNZ8 | ZBZ8 | Date |
|---------------|----------|---------|---------|---------|-----------------|
| Non-farm High | 101.2375 | 103.255 | 117.240 | 120.080 | 9/5/2008 |
| Non-farm Low | 100.3000 | 102.260 | 116.200 | 119.010 | 9/5/2008 |
| FOMC High | 103.0225 | 105.165 | 118.225 | 122.270 | 9/16/2008 |
| FOMC Low | 102.0150 | 104.055 | 117.200 | 121.170 | 9/16/2008 |
| PPI High | 101.0860 | 100.080 | 112.090 | 114.210 | 10/15/2008 |
| PPI Low | 100.1600 | 99.045 | 111.160 | 114.220 | 10/15/2008 |
| CPI High | 101.1950 | 100.210 | 112.250 | 113.105 | 10/16/2008 |
| CPI Low | 100.2200 | 99.155 | 111.125 | 121.170 | 10/16/2008 |
| Auction Price | 99.3141 | 99.124 | na | na | |
| Last Trade | 101.3120 | 101.145 | 114.195 | 116.115 | 10/29/2008 5:53 |

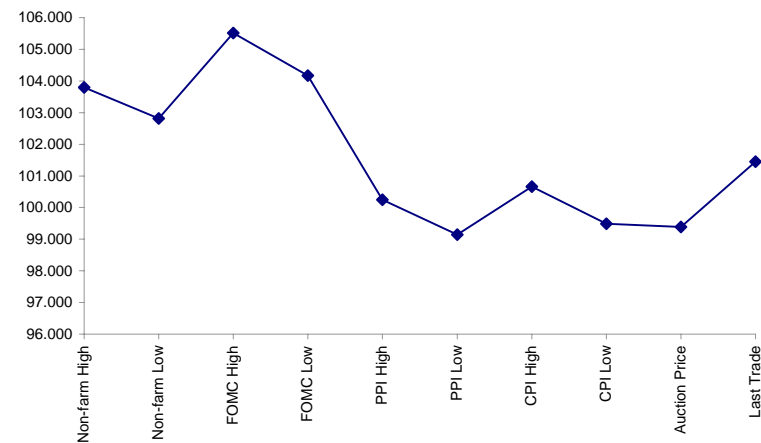
Auctions - 32nds

| | 2 y | 5y | 10y | 30y |
|---------------------|-----------|-----------|----------|----------|
| Auction Price | 99.776 | 99.314 | 99.124 | 98.074 |
| Auction Yield Stop | 1.6 | 3.129 | 4.075 | 4.609 |
| Actual Auction Date | 9/24/2008 | 9/25/2008 | 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) {Dec08 to Mch08 Futures roll: ZF = (); ZN = (); ZB = () [tics]}

Quotes

| | | 32 nds | | | | | |
|--------|---------|---------|---------|---------|---------|--------|-----------|
| | Last | Net | High | Low | Open | Volume | Sym Name |
| TUAZ8 | 107.190 | 0.055 | 107.207 | 107.145 | 107.145 | 14,709 | 2y Fut |
| FVAZ8 | 113.220 | 0.067 | 113.252 | 113.130 | 113.130 | 21,489 | 5y Fut |
| TYAZ8 | 114.195 | 0.085 | 114.255 | 114.100 | 114.100 | 43,545 | 10y Fut |
| USAZ8 | 116.115 | 0.00 | 116.180 | 115.315 | 115.315 | 8,467 | 30y Fut |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02P | 99.265 | (0.307) | 99.287 | 99.252 | 99.252 | na | 2y Cash |
| BUS05P | 101.305 | 0.060 | 102.020 | 101.267 | 101.295 | na | 5y Cash |
| BUS10P | 101.140 | 0.065 | 101.190 | 101.065 | 101.120 | na | 10y Cash |
| BUS30P | 105.145 | 0.125 | 105.195 | 105.020 | 105.110 | na | 30y Cash |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02Y | 1.572 | (0.001) | 1.644 | 1.473 | 1.505 | na | 2y Yield |
| BUS05Y | 2.693 | (0.036) | 2.735 | 2.671 | 2.735 | na | 5y Yield |
| BUS10Y | 3.818 | (0.021) | 3.855 | 3.373 | 3.839 | na | 10y Yield |
| BUS30Y | 4.173 | (0.021) | 4.206 | 4.166 | 4.19 | na | 30y Yield |

| | M Duration | DV01 32 | DV01 \$ | DV01 Box | CF | |
|-----|------------|---------|---------|----------|--------|-----|
| 30y | 16.31 | 5.56 | \$1,736 | 11.11 | n/a | 30y |
| 10y | 7.99 | 2.62 | \$818 | 5.23 | n/a | 10y |
| 5y | 4.53 | 1.50 | \$468 | 5.98 | n/a | 5y |
| 2y | 1.96 | 0.63 | \$196 | 2.51 | n/a | 2y |
| ZB | 10.18 | 3.78 | \$118 | 3.78 | 0.7943 | ZB |
| ZN | 6.46 | 2.42 | \$76 | 4.84 | 0.9328 | ZN |
| ZF | 4.17 | 1.58 | \$49 | 3.16 | 0.9042 | ZF |
| ZT | 1.87 | 0.65 | \$20 | 2.59 | 0.9344 | ZT |

Yield Curve Spreads

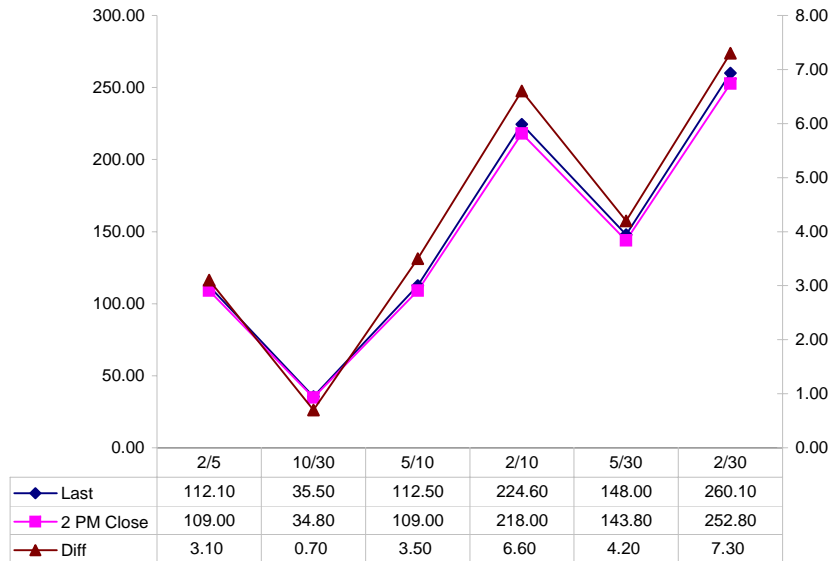
| | Last | 2pm close | Diff |
|-------|--------|-----------|------|
| 2/5 | 112.10 | 109.00 | 3.10 |
| 10/30 | 35.50 | 34.80 | 0.70 |
| 5/10 | 112.50 | 109.00 | 3.50 |
| 2/10 | 224.60 | 218.00 | 6.60 |
| 5/30 | 148.00 | 143.80 | 4.20 |
| 2/30 | 260.10 | 252.80 | 7.30 |

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, 4.80 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 |
|------------------|-------|-------|-------|-------|
| Bund (U) | 0.932 | 1.559 | 2.499 | 2.834 |
| Bobl (U) | 0.531 | 0.883 | 1.360 | 1.570 |
| Shatz (U) | 0.204 | 0.339 | 0.610 | 0.693 |

US Financial Futures

| | ZB | ZN | ZF | ZT |
|-----------|-------|-------|-------|-------|
| ZB | | 1.562 | 2.391 | 2.916 |
| ZN | 0.640 | | 1.531 | 1.867 |
| ZF | 0.418 | 0.653 | | 1.220 |
| ZT | 0.343 | 0.536 | 0.820 | |

Eurex Bonds

| | Bund (H) | Bobl (H) | Shatz (H) |
|------------------|----------|----------|-----------|
| Bund (H) | | 1.8 | 4.1 |
| Bobl (H) | 0.6 | | 2.3 |
| Shatz (H) | 0.2 | 0.4 | |

US Treasuries v US Financial Futures

| | 2y | 5y | 10y | 30y |
|-----------|------|-------|-------|-------|
| ZB | 1.66 | 4.03 | 6.92 | 14.70 |
| ZN | 2.59 | 6.29 | 10.82 | 22.96 |
| ZF | 3.97 | 9.63 | 16.56 | 35.15 |
| ZT | 4.84 | 11.74 | 20.19 | 42.19 |

US Treasuries v Eurex Bonds

| | 2y | 5y | 10y | 30y |
|------------------|-----|------|------|------|
| Bund (U) | 1.6 | 3.9 | 7.1 | 14.7 |
| Bobl (U) | 2.9 | 6.9 | 12.6 | 25.9 |
| Shatz (U) | 6.7 | 16.0 | 29.1 | 59.8 |

US Treasuries

| | 2y | 5y | 10y | 30y |
|------------|-------|-------|-------|-------|
| 2y | | 2.428 | 4.175 | 8.861 |
| 5y | 0.423 | | 1.767 | 3.750 |
| 10y | 0.240 | 0.582 | | 2.123 |
| 30y | 0.113 | 0.274 | 0.471 | |

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

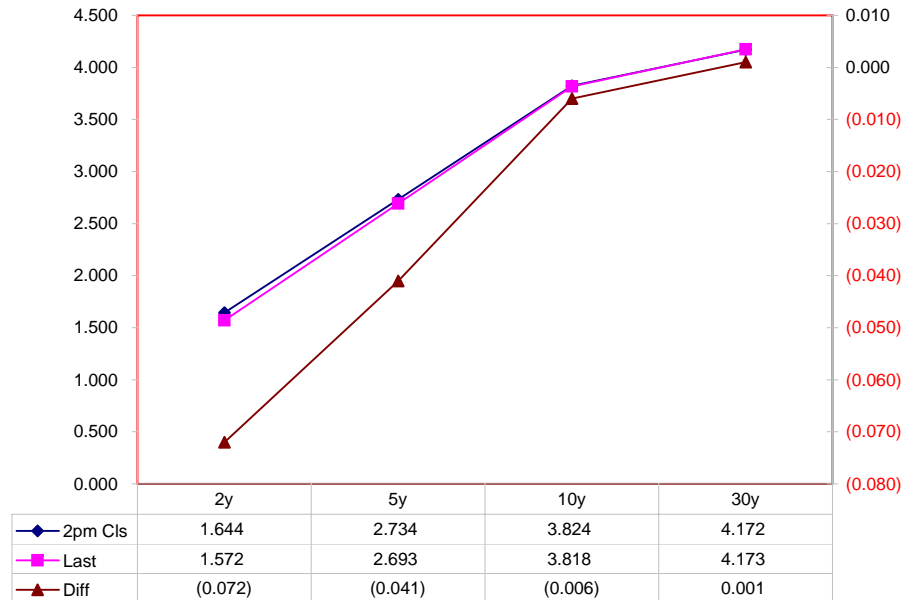
| | Cpn | Mty | Close 32 | Close | Last | Chng | Basis | | Cash | Futrues | Close 32 | Last | |
|-----|-------|----------|----------|-------|-------|----------|---------|---------|-------|---------|----------|----------|-------|
| | | | | | | from 2pm | Close | Last | Roll | Roll | | | |
| 2y | 1.500 | 10/31/10 | 99.2300 | 1.644 | 1.572 | (0.072) | -20.77 | -21.94 | +6.50 | | 107.1325 | 107.1900 | TUAZ8 |
| 5y | 3.125 | 9/30/13 | 101.2525 | 2.734 | 2.693 | (0.041) | -26.13 | -26.28 | +6.00 | | 113.1525 | 113.2200 | FVAZ8 |
| 10y | 4.000 | 8/15/18 | 101.135 | 3.824 | 3.818 | (0.006) | -168.08 | -174.54 | | | 114.115 | 114.195 | TYAZ8 |
| 30y | 4.500 | 5/15/38 | 105.170 | 4.172 | 4.173 | 0.001 | 419.42 | 420.92 | | | 116.115 | 116.115 | USAZ8 |

| Curve Spreads | | | |
|---------------|-----------|----------|-----------|
| | Close bps | Last bps | Chng from |
| | | | 2pm Cls |
| 2/5 | 109.0 | 112.1 | 3.1 |
| 5/10 | 109.0 | 112.5 | 3.5 |
| 10/30 | 34.8 | 35.5 | 0.7 |
| 2/10 | 218.0 | 224.6 | 6.6 |
| 5/30 | 143.8 | 148.0 | 4.2 |
| 2/30 | 252.8 | 260.1 | 7.3 |

| | Last | Chng on Day |
|-----------|--------|-------------|
| Emini SP | 934.75 | (4.00) |
| Crude Oil | 65.88 | 3.15 |
| Gold | 750.60 | 10.10 |
| EURUSD | 128.32 | 1.47 |
| USDJPY | 97.02 | (1.05) |

News:

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 | 41% | 100% | | |
| 10 | 23% | 57% | 100% | |
| 30 | 11% | 28% | 49% | 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 | \$189 | | | |
| 5 | \$197 | \$476 | | |
| 10 | \$192 | \$463 | \$818 | |
| 30 | \$199 | \$482 | \$851 | \$1,736 |

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 | (\$8) | | | |
| 10 | (\$2) | \$12 | | |
| 30 | (\$10) | (\$6) | (\$33) | |

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 | -3.85% | | | |
| 10 | -1.27% | 2.68% | | |
| 30 | -5.12% | -1.33% | -3.90% | |

Tic for Tic Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|------|
| ZT | 0.89 | 2.24 | 3.85 | 8.18 |
| ZF | 0.38 | 0.96 | 1.66 | 3.51 |
| ZN | 0.25 | 0.63 | 1.08 | 2.30 |
| ZB | 0.16 | 0.40 | 0.69 | 1.47 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.51 | 4.32 | 9.17 |
| 5y | 0.40 | | 1.72 | 3.65 |
| 10y | 0.23 | 0.58 | | 2.12 |
| 30y | 0.11 | 0.27 | 0.47 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|------|
| ZT | | 2.33 | 3.56 | 5.56 |
| ZF | 0.43 | | 1.53 | 2.39 |
| ZN | 0.28 | 0.65 | | 1.56 |
| ZB | 0.18 | 0.42 | 0.64 | |

Box for Box Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|-------|
| ZT | 0.89 | 2.24 | 7.71 | 16.36 |
| ZF | 0.38 | 0.96 | 3.31 | 7.03 |
| ZN | 0.50 | 1.26 | 1.08 | 2.30 |
| ZB | 0.64 | 0.81 | 1.38 | 1.47 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.51 | 2.16 | 4.59 |
| 5y | 0.40 | | 0.43 | 1.82 |
| 10y | 0.46 | 2.33 | | 2.12 |
| 30y | 0.22 | 0.55 | 0.47 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|-------|
| ZT | | 2.33 | 7.12 | 11.13 |
| ZF | 0.43 | | 1.53 | 4.78 |
| ZN | 0.14 | 0.65 | | 1.56 |
| ZB | 0.09 | 0.21 | 0.64 | |

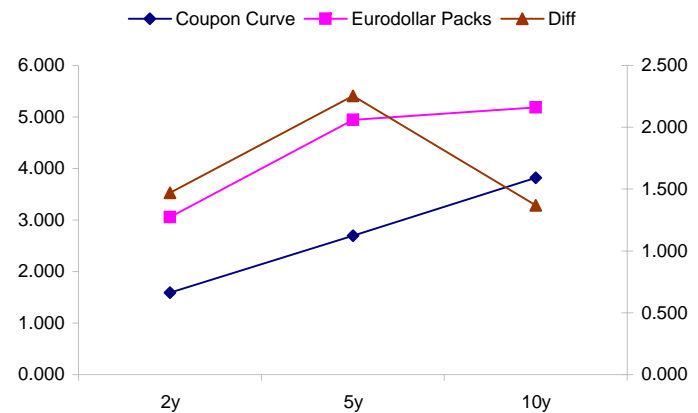
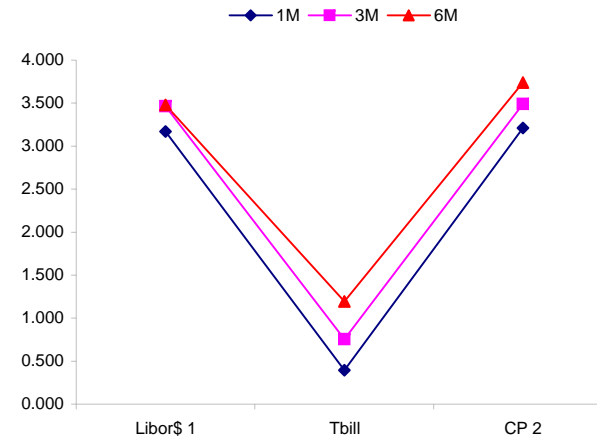
| | Libor\$ ¹ | Repo Rt ⁶ | | | |
|-------|----------------------|----------------------|-----------------------|---------------------|--------------------------|
| 0/N | 1.235 | #VALUE! | | | |
| 1week | 2.091 | #VALUE! | | | |
| 2week | 2.433 | #VALUE! | | | |
| | Libor\$ ¹ | Tbill | CP ² | | |
| 1M | 3.171 | 0.395 | 3.210 | | |
| 3M | 3.465 | 0.754 | 3.490 | | |
| 6M | 3.480 | 1.195 | 3.740 | | |
| | TSY | Swp | Swp Rate ⁵ | ED Pks ³ | TSY - ED Pk ⁴ |
| 2y | 1.588 | 119.50 | 2.78 | 3.058 | 1.471 |
| 5y | 2.693 | 111.50 | 3.81 | 4.947 | 2.254 |
| 10y | 3.818 | 53.00 | 4.35 | 5.188 | 1.370 |

| <u>2/5</u> | <u>Rd/Blu Pk</u> | <u>Diff</u> | |
|-------------|-------------------|-------------|---------------------------------------|
| 110.5 | 188.8 | 78.3 | Red pack / Blue pack is a 2/5 proxy |
| <u>2/10</u> | <u>Rd/Gld Pk</u> | <u>Diff</u> | |
| 223.1 | 213.0 | -10.1 | Red pack / Gold pack is a 2/10 proxy |
| <u>5/10</u> | <u>Blu/Gld Pk</u> | <u>Diff</u> | |
| 112.6 | 24.2 | -88.4 | 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:

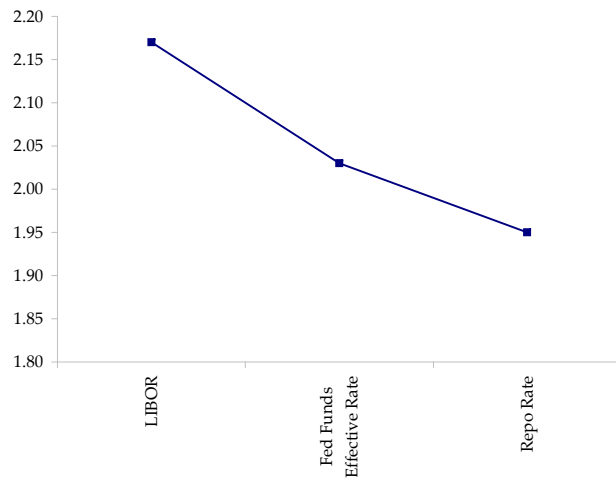
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight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



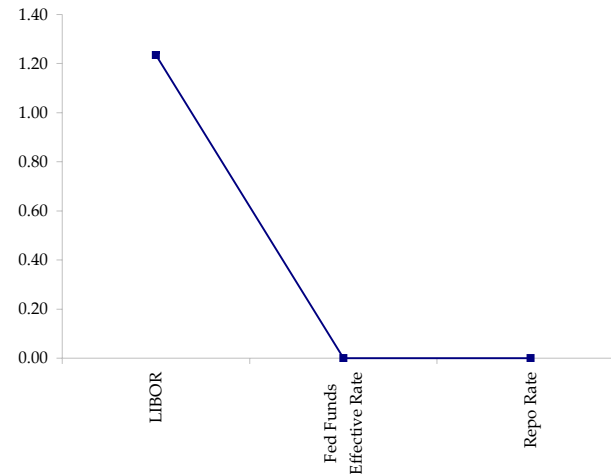
| | Last | Chng | Term | Asset Type |
|-----------|---------|---------|-----------|--------------------------|
| USDLIBON | 1.235 | 0.0000 | Overnight | LIBOR |
| TUSFFRON | #VALUE! | #VALUE! | Overnight | Fed Funds Effective Rate |
| TUSRPOON | #VALUE! | #VALUE! | Overnight | Repo Rate |
| TEONIA01M | 3.265 | 0.0020 | 1 month | Euribor OIS Rate |
| TEONIA03M | 3.024 | 0.0000 | 3 month | Euribor OIS Rate |
| TSONIA01M | 3.977 | 0.0100 | 1 month | Sterling OIS Rate |
| TSONIA03M | 3.643 | 0.0110 | 3 month | Sterling OIS Rate |
| TUSOIS01M | 0.892 | 0.0210 | 1 month | USD OIS Rate |
| TUSOIS03M | 0.845 | 0.2970 | 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 | 8/25/2008 | 9/2/2008 | 9/8/2008 | 9/17/2008 | 9/19/2008 | 9/29/2008 | 10/9/2008 | 10/15/2008 | 10/24/2008 | 10/28/2008 | Last |
|-----------|-----------|----------|----------|-----------|-----------|-----------|-----------|------------|------------|------------|--------|
| Australia | 201.6 | 195.3 | 211.6 | 217.1 | 181.6 | 205.3 | 129.9 | 135.8 | 120.8 | 141.8 | 141.8 |
| France | 53.2 | 58.9 | 60.8 | 87.6 | 73.6 | 65.4 | 39.9 | 31.9 | 31.4 | 25.1 | 20.1 |
| Germany | 34 | 40 | 40.7 | 56.7 | 47 | 36.2 | 10.2 | 11.7 | 3.5 | -10 | -9.2 |
| Japan | -234.4 | -227 | -213.4 | -192.4 | -228.1 | -213.2 | -231.3 | -242.5 | -224.2 | -229.7 | -234.8 |
| U.K. | 82.9 | 76.4 | 83 | 99.6 | 83.5 | 76.3 | 56.8 | 71.5 | 64.6 | 54.9 | 55.6 |

Global 10y Note spreads over US 10y

