



## The Morning Email: Treasuries

8/29/2008 5:52

### Table of Contents

- Pg 1** Important Econ Releases, Highs & Lows
  
- Pg 2** Quotes
  
- Pg 3** Duration, DV01s, Curve Spreads, CF
  
- Pg 4** Hedge Ratio's
  
- Pg 5** Treasury Closes: 2pm CT vs this Morning
  
- Pg 6** Cash Duration Matrix
  
- Pg 7** Tic for Tic & Box for Box Matrix
  
- Pg 8** Key Money Rate, Spreads, Swaps, Packs
  
- Pg 9** Libor, Fed Funds (OIS), Repo, SONIA & EONIA Rates

Roll to December  
Treasury Futures

**Pg 10** Global 10yr Spreads over US Treasuries

**NEW**

Want something added? Let me know:  
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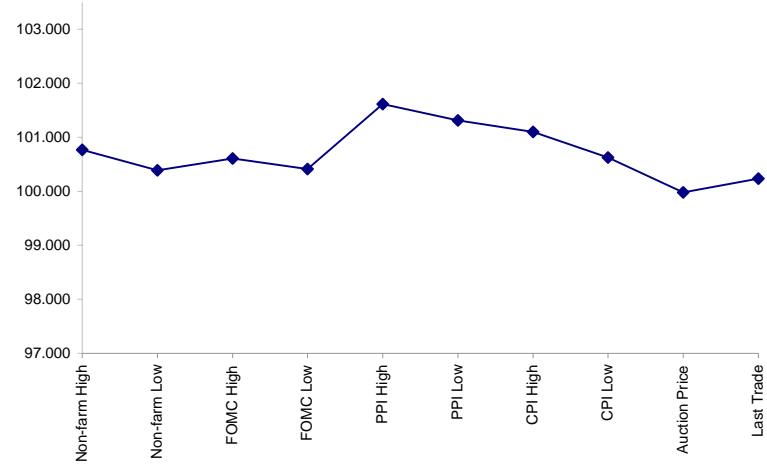
Economic Releases (32nds)

	5y	10y	ZNZ8	ZBZ8	Date
Non-farm High	100.2450	100.115	116.118	116.285	8/1/2008
Non-farm Low	100.1250	99.255	115.225	116.015	8/1/2008
FOMC High	100.1950	100.045	116.048	116.275	8/5/2008
FOMC Low	100.1325	99.245	115.248	116.030	8/5/2008
PPI High	101.1975	101.220	117.263	118.305	8/15/2008
PPI Low	101.1000	101.070	117.093	118.085	8/15/2008
CPI High	101.0325	101.010	116.033	118.015	8/14/2008
CPI Low	100.2000	100.090	116.108	116.265	8/14/2008
Auction Price	99.3140	99.124	na	na	
Last Trade	100.0750	101.245	115.240	118.005	8/29/2008 5:52

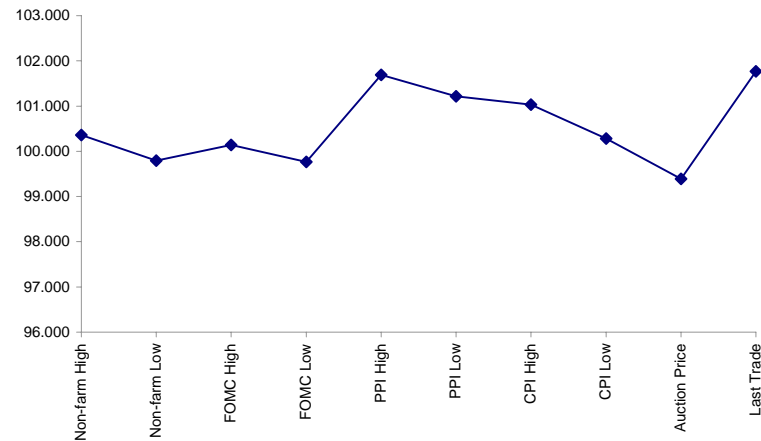
Auctions - 32nds

	2 y	5y	10y	30y
Auction Price	99.317	99.314	99.124	98.074
Auction Yield Stop	2.38	3.129	4.075	4.609
Actual Auction Date	8/27/2008	8/28/2008	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) {Sep08 to Dec08 Futures roll: ZF = (14 3/4); ZN = (36 3/4); ZB = (27 1/2) [tics]}

## Quotes

		32 nds					
	Last	Net	High	Low	Open	Volume	Sym Name
TUAZ8	106.035	0.005	106.047	106.022	106.035	29,235	2y Fut
FVAZ8	111.317	0.017	112.010	111.290	112.000	44,794	5y Fut
TYAZ8	115.240	0.020	115.260	115.200	115.260	83,740	10y Fut
USAZ8	118.005	0.03	118.020	117.260	118.020	16,675	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	100.000	(0.005)	100.005	99.307	100.005	na	2y Cash
BUS05P	100.072	(1.080)	100.085	100.035	100.067	na	5y Cash
BUS10P	101.240	(0.005)	101.250	101.175	101.240	na	10y Cash
BUS30P	101.315	0.000	102.005	101.210	101.210	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	2.372	0.012	2.404	2.347	2.384	na	2y Yield
BUS05Y	3.074	0.030	3.118	3.057	3.086	na	5y Yield
BUS10Y	3.785	0.003	3.815	3.774	3.789	na	10y Yield
BUS30Y	4.376	0.000	4.434	4.373	4.381	na	30y Yield

Duration, DV01s, Curve Spreads, CF

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
30y	16.23	5.31	\$1,660	10.62	n/a	30y
10y	8.16	2.66	\$832	5.32	n/a	10y
5y	4.59	1.51	\$472	6.05	n/a	5y
2y	1.93	0.65	\$202	2.59	n/a	2y
ZB	10.47	4.01	\$125	4.01	0.7943	ZB
ZN	6.34	2.41	\$75	4.82	0.8568	ZN
ZF	4.20	1.54	\$48	3.09	0.8844	ZF
ZT	2.00	0.70	\$22	2.79	0.9353	ZT

Yield Curve Spreads

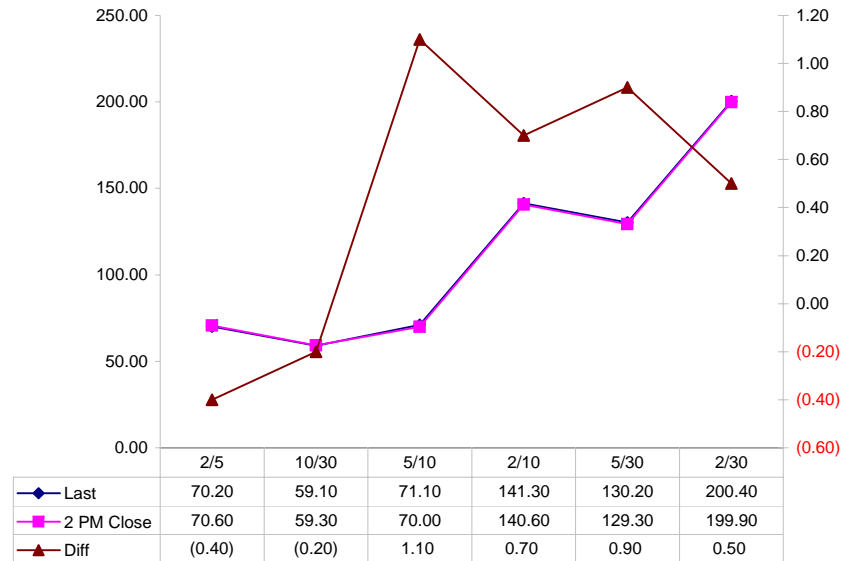
	Last	2pm close	Diff
2/5	70.20	70.60	(0.40)
10/30	59.10	59.30	(0.20)
5/10	71.10	70.00	1.10
2/10	141.30	140.60	0.70
5/30	130.20	129.30	0.90
2/30	200.40	199.90	0.50

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>	0.975	1.620	2.499	2.889
<b>Bobl (U)</b>	0.531	0.882	1.360	1.570
<b>Shatz (U)</b>	0.204	0.339	0.523	0.605

## US Financial Futures

	ZB	ZN	ZF	ZT
<b>ZB</b>		1.662	2.595	2.876
<b>ZN</b>	0.602		1.562	1.731
<b>ZF</b>	0.385	0.640		1.108
<b>ZT</b>	0.335	0.556	0.868	

## Eurex Bonds

	Bund (H)	Bobl (H)	Shatz (H)
<b>Bund (H)</b>		1.8	4.8
<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>	1.55	3.74	6.64	13.25
<b>ZN</b>	2.57	6.21	11.03	22.02
<b>ZF</b>	4.02	9.70	17.23	34.38
<b>ZT</b>	4.45	10.75	19.10	38.11

## US Treasuries v Eurex Bonds

	2y	5y	10y	30y
<b>Bund (U)</b>	1.5	3.7	6.8	13.6
<b>Bobl (U)</b>	2.8	6.9	12.4	25.0
<b>Shatz (U)</b>	7.3	17.8	32.4	65.0

## US Treasuries

	2y	5y	10y	30y
<b>2y</b>		2.413	4.287	8.556
<b>5y</b>	0.414		1.777	3.545
<b>10y</b>	0.233	0.563		1.996
<b>30y</b>	0.117	0.282	0.501	

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

Treasury Closes: 2pm CT vs this Morning

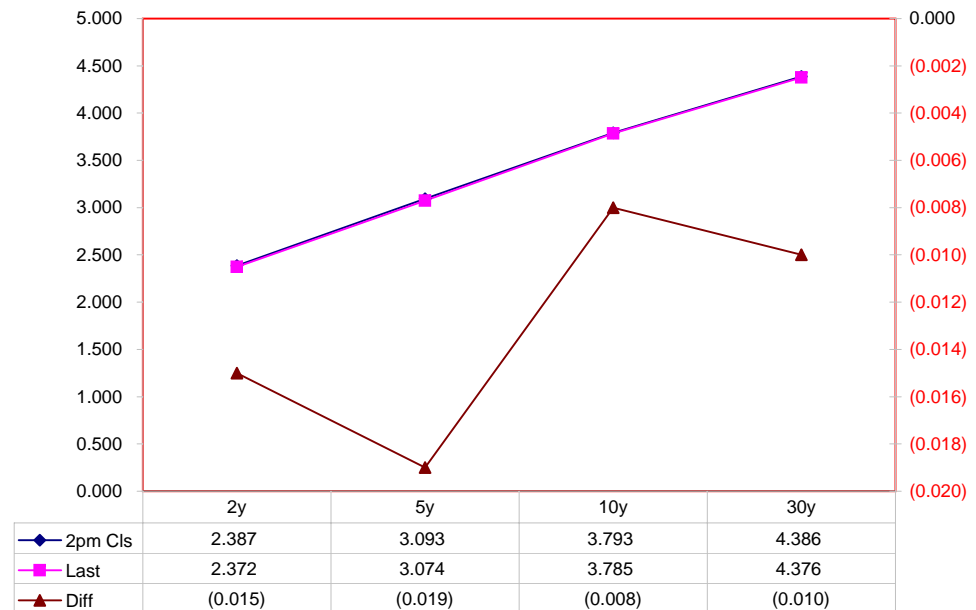
	Cpn	Mty	Close 32	Close	Last	Chng	Basis		Cash	Futrues	Close 32	Last	
						from 2pm	Close	Last	Roll	Roll			
2y	2.750	8/31/10	99.3125	2.387	2.372	(0.015)	24.14	24.39	4.00	0.102	106.0275	106.0350	TUAZ8
5y	3.375	8/31/13	100.0475	3.093	3.074	(0.019)	37.05	38.08	2.50	0.157	111.2975	111.3170	FVAZ8
10y	4.000	8/15/18	101.225	3.793	3.785	(0.008)	83.48	82.91		1.050	115.210	115.240	TYAZ8
30y	4.500	5/15/38	101.280	4.386	4.376	(0.010)	263.11	264.33		0.277	117.290	118.005	USAZ8

Curve Spreads			
	Close bps	Last bps	Chng from
			2pm Cls
2/5	70.6	70.2	(0.4)
5/10	70.0	71.1	1.1
10/30	59.3	59.1	(0.2)
2/10	140.6	141.3	0.7
5/30	129.3	130.2	0.9
2/30	199.9	200.4	0.5

	Last	Chng on Day
Emini SP	1296.25	(1.75)
Crude Oil	117.26	1.67
Gold	841.70	4.50
EURUSD	147.29	0.22
USDJPY	108.78	(0.73)

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	42%	100%		
10	24%	56%	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	\$202			
5	\$198	\$472		
10	\$196	\$468	\$832	
30	\$197	\$470	\$834	\$1,660

**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	\$6	\$4		
30	\$5	\$2	(\$2)	

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	2.16%			
10	2.99%	0.82%		
30	2.68%	0.52%	-0.30%	

## Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.93	2.17	3.82	7.62
ZF	0.42	0.98	1.72	3.44
ZN	0.27	0.63	1.10	2.20
ZB	0.16	0.38	0.66	1.33

	2y	5y	10y	30y
2y		2.34	4.11	8.21
5y	0.43		1.76	3.51
10y	0.24	0.57		2.00
30y	0.12	0.28	0.50	

	ZT	ZF	ZN	ZB
ZT		2.22	3.46	5.74
ZF	0.45		1.56	2.59
ZN	0.29	0.64		1.66
ZB	0.17	0.39	0.60	

## Box for Box Matrix

	2y	5y	10y	30y
ZT	0.93	2.17	7.64	15.25
ZF	0.42	0.98	3.45	6.88
ZN	0.54	1.25	1.10	2.20
ZB	0.65	0.76	1.33	1.33

	2y	5y	10y	30y
2y		2.34	2.06	4.10
5y	0.43		0.44	1.76
10y	0.49	2.27		2.00
30y	0.24	0.57	0.50	

	ZT	ZF	ZN	ZB
ZT		2.22	6.92	11.49
ZF	0.45		1.56	5.18
ZN	0.14	0.64		1.66
ZB	0.09	0.19	0.60	

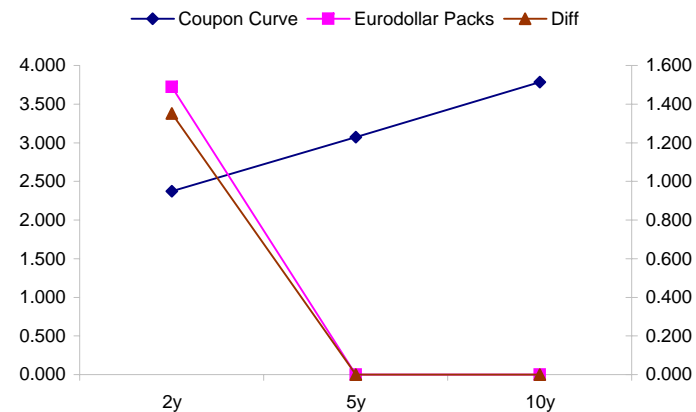
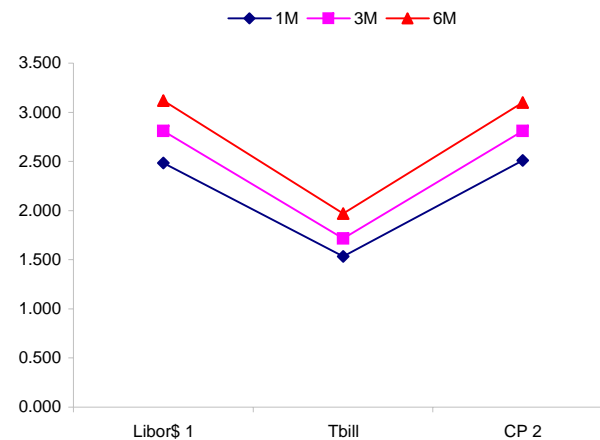
	Libor\$ <sup>1</sup>	Repo Rt <sup>6</sup>			
0/N	2.249	2.000			
1week	2.406	2.010			
2week	2.434	1.950			
	Libor\$ <sup>1</sup>	Tbill	CP <sup>2</sup>		
1M	2.486	1.535	2.510		
3M	2.811	1.715	2.810		
6M	3.118	1.970	3.100		
	TSY	Swp	Swp Rate <sup>5</sup>	ED Pks <sup>3</sup>	TSY - ED Pk <sup>4</sup>
2y	2.371	94.00	3.31	3.722	1.351
5y	3.074	94.75	4.02		#VALUE!
10y	3.785	68.50	4.47		#VALUE!

<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>	
70.3	#VALUE!	#VALUE!	Red pack / Blue pack is a 2/5 proxy
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>	
141.4	#VALUE!	#VALUE!	Red pack / Gold pack is a 2/10 proxy
			Blue pack / Gold pack is a 5/10 proxy
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>	
71.1	#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:**

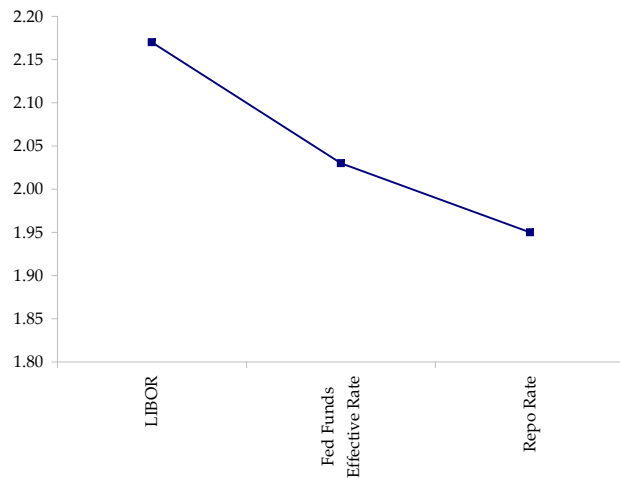
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight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



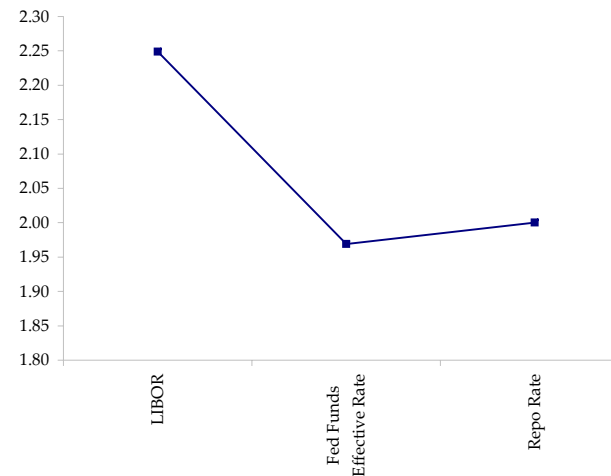
	Last	Chng	Term	Asset Type
USDLIBON	2.249	0.0850	Overnight	LIBOR
TUSFFRON	1.969	0.0000	Overnight	Fed Funds Effective Rate
TUSRPOON	2.000	0.0000	Overnight	Repo Rate
TEONIA01M	4.299	(0.0020)	1 month	Euribor OIS Rate
TEONIA03M	4.320	0.0020	3 month	Euribor OIS Rate
TSONIA01M	5.014	(0.0070)	1 month	Sterling OIS Rate
TSONIA03M	4.982	(0.0160)	3 month	Sterling OIS Rate
TUSOIS01M	2.027	0.0070	1 month	USD OIS Rate
TUSOIS03M	2.039	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.

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	8/19/2008	8/20/2008	8/25/2008	8/28/2008	Last
Australia	199	207	201.6	198.4	196.83
France	52.4	49.8	53.2	57.3	58.78
Germany	32.8	33.4	34	37.8	39.59
Japan	-240.2	-236.2	-234.4	-235.9	-237.6
U.K.	75.5	77.1	82.9	69.9	70.07

Global 10y Note spreads over US 10y

