3/7/2008 5:27

# The Morning Email: US & Germany

**Table of Contents**



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

## Quotes 1

| | 32 nds | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Last | Net | Hi | Low | Open | Volume | Yest Volume | SYM NAME | |
| TUAM8 | 107.145 | 0.037 | 107.187 | 107.102 | 107.120 | 365,714 | 385,390 | 2y Futures | US Futures Market |
| FVAM8 | 114.042 | 0.137 | 114.070 | 113.222 | 113.242 | 771,348 | 1,045,887 | 5y Futures | |
| TYAM8 | 116.315 | 0.185 | 117.030 | 116.100 | 116.100 | 916,701 | 1,365,052 | 10y Futures | |
| USAM8 | 116.280 | 0.175 | 117.015 | 116.055 | 116.090 | 355,389 | 573,157 | 30y Futures | |

| | Last | Net | Hi | Low | Open | Volume | |
|---|---|---|---|---|---|---|---|
| BUS02P | 100.292 | 6.0 | 100.310 | 100.215 | 100.240 | 2y | US Cash Treasury Market |
| BUS05P | 101.092 | 15.2 | 101.120 | 100.242 | 100.280 | 5y | |
| BUS10P | 99.070 | 24.0 | 99.115 | 98.140 | 98.185 | 10y | |
| BUS30P | 97.005 | 16.0 | 97.070 | 96.070 | 96.210 | 30y | |
| | Last | Net | Hi | Low | Open | Volume | |
| BUS02Y | 1.530 | (8.90) | 1.662 | 1.494 | 1.602 | 2y Yield | |
| BUS05Y | 2.472 | (9.80) | 2.587 | 2.452 | 2.542 | 5y Yield | |
| BUS10Y | 3.594 | (8.50) | 3.693 | 3.573 | 3.666 | 10y Yield | |
| BUS30Y | 4.558 | (3.10) | 4.611 | 4.544 | 4.585 | 30y Yield | |

| | Decimal | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Last | Net | Hi | Low | Open | Volume | Yest Volume | SYM NAME | |
| DGM8 | 105.06 | (10.50) | 105.33 | 104.98 | 105.17 | 1,425,441 | 1,013,500 | Schatz(2Y) | German Futures Markets |
| DLM8 | 111.49 | 4.00 | 111.72 | 111.34 | 111.53 | 891,503 | 790,033 | Bobl(5Y) | |
| DBM8 | 117.32 | 4.70 | 117.40 | 116.79 | 116.94 | 1,530,694 | 1,460,383 | Bund(10Y) | |

| | Price | Yield | | | | |
|---|---|---|---|---|---|---|
| | Last | Last | Coupon | Maturity | SYM NAME | |
| T.US.DE052P0710** | 104.43 | 3.211 | 5.250 | 7/4/2010 | 2 yr CTD | German Cash Treasury Market |
| T.US.DE044P0113** | 105.01 | 3.344 | 4.500 | 1/4/2013 | 5 yr CTD | |
| T.US.DE036P0117** | 99.89 | 3.757 | 3.750 | 1/4/2017 | 10 yr CTD | |
| DEP2P* | 101.16 | 3.300 | 4.000 | 12/11/2009 | 2yr OTR | |
| DEP5P* | 103.62 | 3.381 | 4.250 | 10/12/2012 | 5yr OTR | |
| DEP10P* | 101.53 | 3.809 | 4.000 | 1/4/2018 | 10yr OTR | |

Notes

Y = Yield

DE = German Country Code

CTD = Cheapest to Deliver

OTR = On the Run

* OTR

** CTD

*** CTD & OTR

## Quotes 2

This page provided a more detailed look at the quotes for the German Bonds

German Bonds are quoted in decimal, not 32nds.

| | Bid | Ask | Last | Hi | Low | Chng | SYM NAME | |
|---|---|---|---|---|---|---|---|---|
| | Decimal | | | | | | | |
| DGM8 | 105.06 | 105.06 | 105.06 | 105.33 | 104.98 | -10.50 | Schatz(2Y) | German Futures |
| DLM8 | 111.49 | 111.50 | 111.49 | 111.72 | 111.34 | 4.00 | Bobl(5Y) | |
| DBM8 | 117.31 | 117.33 | 117.32 | 117.40 | 116.79 | 4.70 | Bund(10Y) | |

| | Y Bid | Y Ask | Y Last | Y Hi | Y Lo | | |
|---|---|---|---|---|---|---|---|
| DGM8 | 3.345 | 3.342 | 3.348 | 3.385 | 3.209 | Schatz(2Y) | German Futures |
| DLM8 | 3.493 | 3.457 | 3.457 | 3.489 | 3.411 | Bobl(5Y) | |
| DBM8 | 3.879 | 3.876 | 3.876 | 3.936 | 3.869 | Bund(10Y) | |

| | Y Bid | Y Ask | Y Last | Y Hi | Y Lo | Chng | | |
|---|---|---|---|---|---|---|---|---|
| T.US.DE052P0710** | 3.224 | 3.211 | 3.211 | 3.277 | 3.084 | | 2 yr CTD | German Cash |
| T.US.DE044P0113** | 3.353 | 3.344 | 3.344 | 3.382 | 3.289 | | 5 yr CTD | |
| T.US.DE036P0117** | 3.763 | 3.757 | 3.757 | 3.819 | 3.742 | | 10 yr CTD | |
| DEP2P* | 3.317 | 3.300 | 3.300 | 3.341 | 3.164 | -10 | 2yr OTR | |
| DEP5P* | 3.390 | 3.381 | 3.381 | 3.418 | 3.329 | 2 | 5yr OTR | |
| DEP10P* | 3.815 | 3.809 | 3.809 | 3.874 | 3.795 | 43 | 10yr OTR | |

| | Bid | Ask | Last | Hi | Low | Chng | SYM NAME | |
|---|---|---|---|---|---|---|---|---|
| | Decimal | | | | | | | |
| T.US.DE052P0710** | 104.43 | 104.46 | 104.46 | 104.75 | 104.31 | -10 | 2 yr CTD | German Cash |
| T.US.DE044P0113** | 105.01 | 105.05 | 105.05 | 105.30 | 104.88 | 4 | 5 yr CTD | |
| T.US.DE036P0117** | 99.89 | 99.94 | 99.94 | 100.05 | 99.48 | 36 | 10 yr CTD | |
| DEP2P* | 101.13 | 101.16 | 101.16 | 101.39 | 101.09 | -10 | 2yr OTR | |
| DEP5P* | 103.58 | 103.62 | 103.62 | 103.84 | 103.46 | 2 | 5yr OTR | |
| DEP10P* | 101.48 | 101.53 | 101.53 | 101.64 | 101.00 | 43 | 10yr OTR | |

Notes

**Y = Yield**

**DE = German Country Code**

**CTD = Cheapest to Deliver**

**OTR = On the Run**

*** OTR**

**** CTD**

***** CTD & OTR**

3/7/2008 5:27

# Intrinsics & Tic for Tic Matrix'



| | US Intrinsic's ^ | | | |
|---|---|---|---|---|
| | M Duration | DV01 32 | DV01 $ | DV01(€) |
| 30y | 16.34 | 5.09 | $1,589 | € 2,442 |
| 10y | 8.30 | 2.64 | $826 | € 1,269 |
| 5y | 4.62 | 1.51 | $473 | € 726 |
| 2y | 1.93 | 0.62 | $195 | € 299 |
| ZB | 10.41 | 3.96 | $124 | € 190 |
| ZN | 6.67 | 2.57 | $80 | € 124 |
| ZF | 4.09 | 1.51 | $47 | € 73 |
| ZT | 1.91 | 0.67 | $21 | € 32 |

^Futures are Based on CTD

| | German Intrinsic's ^ | | | |
|---|---|---|---|---|
| | M Duration | DV01(€) | DV01($) | CF |
| Bund | 7.34 | € 266 | $173 | 0 |
| Bobl | 0.00 | € 0 | $0 | 0 |
| Schatz | 2.10 | € 71 | $46 | 0 |
| DE10Y | 7.96 | € 1,250 | $814 | |
| DE5Y | 0.00 | € 0 | $0 | |
| DE2Y | 2.10 | € 303 | $197 | |

^Futures are Based on CTD

| | Last |
|---|---|
| EURUSD | 153.65 |

| | Tic for Tic Matrix ($) | | |
|---|---|---|---|
| | Bund | Bobl | Schatz |
| 30y | [redacted] | [redacted] | [redacted] |
| 10y | [redacted] | [redacted] | [redacted] |
| 5y | [redacted] | [redacted] | [redacted] |
| 2y | [redacted] | [redacted] | [redacted] |
| ZB | [redacted] | [redacted] | [redacted] |
| ZN | [redacted] | [redacted] | [redacted] |
| ZF | [redacted] | [redacted] | [redacted] |
| ZT | [redacted] | [redacted] | [redacted] |

This matrix needs to be updated now that the CME has changed the tic size. I'll get to this in the next few days.
Thanks,
Jim

**Notes**

1) CF = Conversion Factor

2) MDuration = Modified Macaulay Duration

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

# Hedge Ratios - Bloomberg



### US Financial Futures / Eurex Bond

| | ZN | ZF | ZT | |
|---|---|---|---|---|
| Bund (H) | 1.60 | 2.80 | 3.12 | Bloomberg Ratio's |
| Bobl (H) | 0.91 | 1.56 | 1.73 | |
| Shatz (H) | 0.40 | 0.68 | 0.76 | |

### US Treasuries v Eurex Bonds

| | 2y | 5y | 10y | |
|---|---|---|---|---|
| Bund (H) | 1.5 | 3.6 | 6.4 | Bloomberg Ratio's |
| Bobl (H) | 2.8 | 6.7 | 11.8 | |
| Shatz (H) | 7.1 | 17.2 | 30.4 | |

| | Bund (H) | Bobl (H) | Shatz (H) | |
|---|---|---|---|---|
| Bund (H) | | 1.79 | 4.12 | Bloomberg Ratio's |
| Bobl (H) | 0.55 | | 2.30 | |
| Shatz (H) | 0.24 | 0.43 | | |

# Yields & Spreads



| US Cash Treasuries (OTR) | Bid | Ask | Last |
|---|---|---|---|
| US2y | 1.530 | 1.526 | 1.530 |
| US5y | 2.474 | 2.469 | 2.472 |
| US10y | 3.594 | 3.590 | 3.594 |

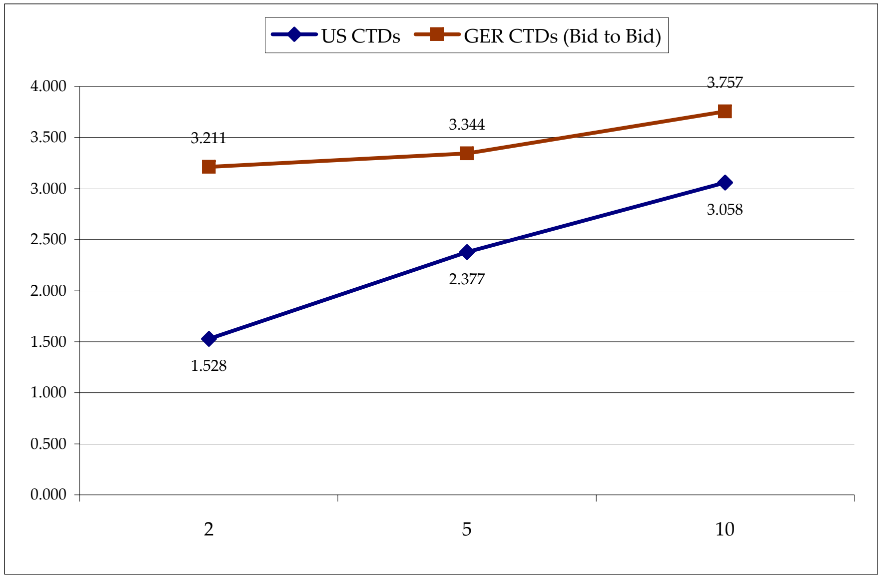
| German Cash Treasuries (OTR) | Bid | Ask | Last |
|---|---|---|---|
| DE2y | 3.317 | 3.300 | 3.300 |
| DE5y | 3.390 | 3.381 | 3.381 |
| DE10y | 3.815 | 3.809 | 3.809 |

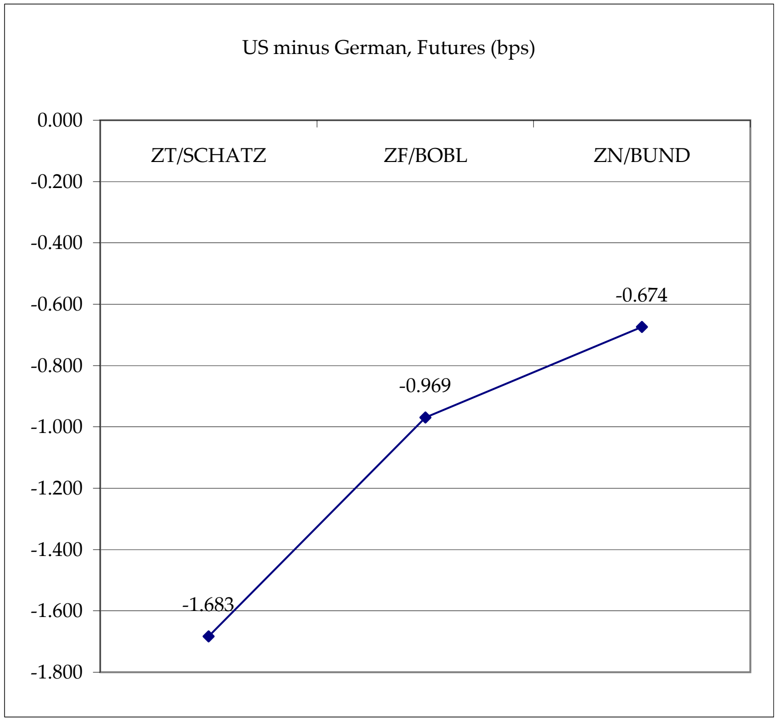
| Spreads | Bps |
|---|---|
| ZT/SCHATZ | -1.683 |
| ZF/BOBL | -0.969 |
| ZN/BUND | -0.674 |

| US Cash Treasuries (CTD) | Bid | Ask | Last |
|---|---|---|---|
| 4.000 of 03/10 | 1.528 | 1.517 | 1.528 |
| 4.125 of 08/12 | 2.377 | 2.375 | 2.375 |
| 4.000 of 02/15 | 3.058 | 2.975 | 3.082 |

| German Futures (CTD) | Bid | Ask | Last |
|---|---|---|---|
| 3.250 of 04/10 | 3.224 | 3.211 | 3.211 |
| of 01/00 | 3.353 | 3.344 | 3.344 |
| 3.750 of 01/17 | 3.763 | 3.757 | 3.757 |

This chart shows the US futures, ZT, ZF, and ZN quoted in yield, then, comparing them to the German Futures, the Schatz (2yr), Bobl (5yr), and Bund (10yr). Cheapest to Deliver (CTD) are used as proxies for the yields.



# Volume Questions & Global Bond Market Characteristics



When does the volume trade? Between what ours of the day? These are the two questions most frequently asked, by new traders to this contract. Of course number releases pertaining to the German economy will produce volume. Past that we can look at a chart of the Bund as determine when volume occurs.

| Time | Volume Rises | Volume Drops |
|---|---|---|
| 1:00 AM CST | x | |
| 7:00 AM CST | x | |
| 10:00 AM CST | | x |
| 11:00 AM CST | | x |
| German Econ Release | x | |
| US Econ Release | x | |

**Bond Market Characteristics**

**From The Treasury Bond Basis Book 3rd Edition, by Galen Burghardt**

| Accrued Interest | Germany | Japan | UK |
|---|---|---|---|
| Coupon (date) | Annual | semi (20th) | semi |
| Ex-dividend (days) | no | no | yes (7) |
| Accrual basis | actual | actual | actual |
| Year Basis | actual | 365 | actual |

**Settlement time frame**

| | | | |
|---|---|---|---|
| Domestic | T+2 | T+3 | T+3 |
| International | T+3 | na | na |

**Trading Basis**

| | | | |
|---|---|---|---|
| Quotation | price | simple yield | price |
| Tick | decimal | bp | decimal |
| Tax (resident) | 0 | 0 | 0 |
| Price/Yield Method | ISMA | Simple | DMO |

**Repo**

| | | | |
|---|---|---|---|
| Accrual basis | actual | actual | actual |
| Year basis | 360 | 0 | 365 |