



## The Morning Email: Treasuries

9/10/2008 5:58

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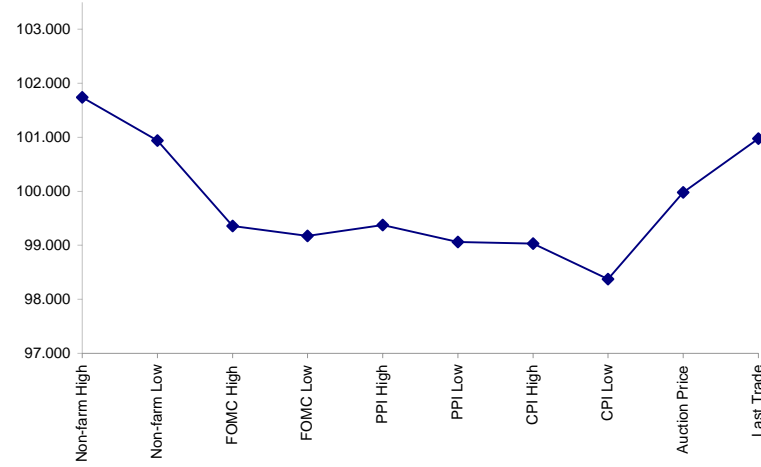
Economic Releases (32nds)

	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	99.1150	100.045	116.048	116.275	8/5/2008
FOMC Low	99.0550	99.245	115.248	116.030	8/5/2008
PPI High	99.1200	101.220	117.263	118.305	8/15/2008
PPI Low	99.0200	101.070	117.093	118.085	8/15/2008
CPI High	99.0100	101.010	116.033	118.015	8/14/2008
CPI Low	98.1200	100.090	116.108	116.265	8/14/2008
Auction Price	99.3140	99.124	na	na	
Last Trade	100.3120	103.070	116.230	120.030	9/10/2008 5:58

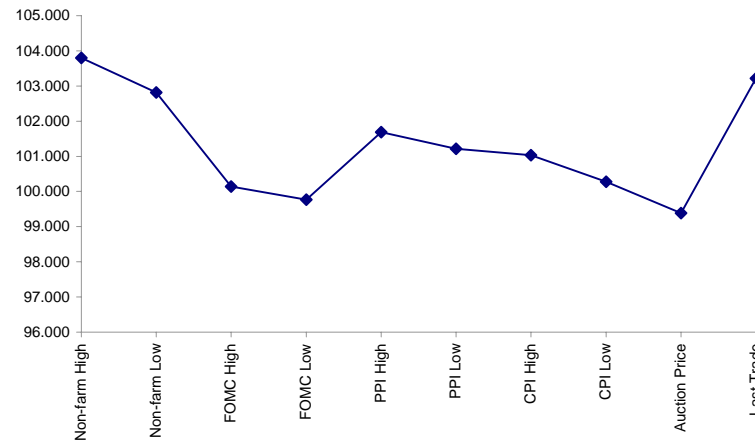
Auctions - 32nds

	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	106.120	(0.020)	106.172	106.090	106.160	57,016	2y Fut
FVAZ8	112.217	(0.057)	113.017	112.162	112.317	82,735	5y Fut
TYAZ8	116.230	(0.065)	117.050	116.140	117.025	157,698	10y Fut
USAZ8	120.030	(0.03)	120.155	119.250	120.130	26,031	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	100.087	(0.050)	100.137	100.062	100.135	na	2y Cash
BUS05P	100.312	(0.102)	101.100	100.255	101.100	na	5y Cash
BUS10P	103.065	(0.110)	103.190	102.300	103.185	na	10y Cash
BUS30P	105.050	(0.150)	105.070	104.160	105.020	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	2.229	0.085	2.278	2.135	2.233	na	2y Yield
BUS05Y	2.913	0.076	2.955	2.835	2.896	na	5y Yield
BUS10Y	3.607	0.040	3.646	3.563	3.604	na	10y Yield
BUS30Y	4.192	0.023	4.225	4.187	4.192	na	30y Yield

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
30y	16.41	5.54	\$1,732	11.08	n/a	30y
10y	8.15	2.70	\$844	5.40	n/a	10y
5y	4.57	1.52	\$474	6.06	n/a	5y
2y	1.90	0.64	\$200	2.56	n/a	2y
ZB	10.50	4.10	\$128	4.10	0.7943	ZB
ZN	6.33	2.43	\$76	4.86	0.8568	ZN
ZF	4.17	1.55	\$48	3.09	0.8844	ZF
ZT	1.97	0.69	\$22	2.76	0.9353	ZT

Yield Curve Spreads

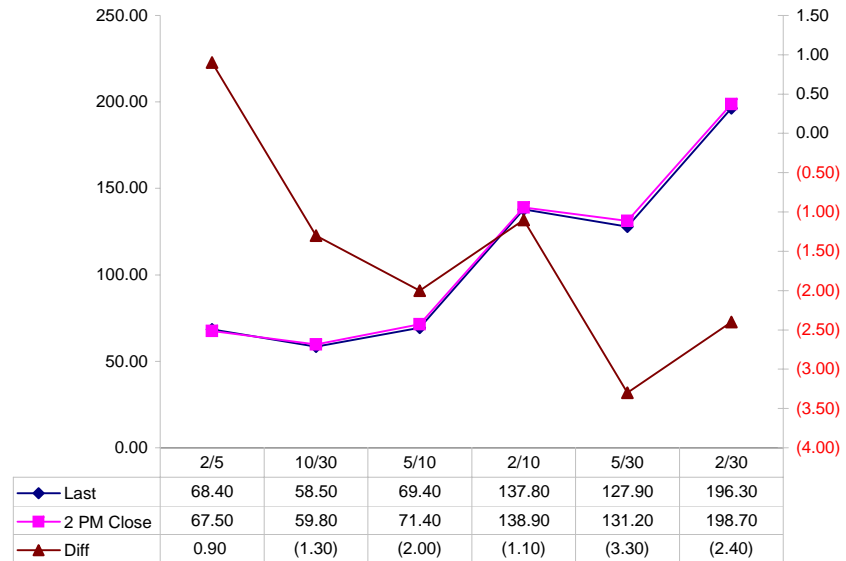
	Last	2pm close	Diff
2/5	68.40	67.50	0.90
10/30	58.50	59.80	(1.30)
5/10	69.40	71.40	(2.00)
2/10	137.80	138.90	(1.10)
5/30	127.90	131.20	(3.30)
2/30	196.30	198.70	(2.40)

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>	0.932	1.559	2.499	2.834
<b>Bobl (U)</b>	0.531	0.883	1.360	1.570
<b>Shatz (U)</b>	0.204	0.339	0.610	0.693

## US Financial Futures

	ZB	ZN	ZF	ZT
<b>ZB</b>		1.686	2.648	2.967
<b>ZN</b>	0.593		1.571	1.760
<b>ZF</b>	0.378	0.637		1.121
<b>ZT</b>	0.324	0.546	0.858	

## Eurex Bonds

	Bund (H)	Bobl (H)	Shatz (H)
<b>Bund (H)</b>		1.8	4.1
<b>Bobl (H)</b>	0.6		2.3
<b>Shatz (H)</b>	0.2	0.4	

## US Treasuries v US Financial Futures

	2y	5y	10y	30y
<b>ZB</b>	1.50	3.67	6.59	13.53
<b>ZN</b>	2.53	6.18	11.11	22.81
<b>ZF</b>	3.97	9.71	17.46	35.83
<b>ZT</b>	4.45	10.88	19.57	40.15

## US Treasuries v Eurex Bonds

	2y	5y	10y	30y
<b>Bund (U)</b>	1.6	3.9	7.1	14.7
<b>Bobl (U)</b>	2.9	6.9	12.6	25.9
<b>Shatz (U)</b>	6.7	16.0	29.1	59.8

## US Treasuries

	2y	5y	10y	30y
<b>2y</b>		2.444	4.396	9.020
<b>5y</b>	0.409		1.798	3.690
<b>10y</b>	0.228	0.556		2.052
<b>30y</b>	0.111	0.271	0.487	

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	2.375	8/31/10	100.1050	2.204	2.229	0.025	24.17	24.74		0.085	106.1475	106.1200	TUAZ8
5y	3.125	8/31/13	101.0425	2.879	2.913	0.034	42.24	42.32		0.152	112.2750	112.2170	FVAZ8
10y	4.000	8/15/18	103.120	3.593	3.607	0.014	102.28	102.85		0.295	116.295	116.230	TYAZ8
30y	4.500	5/15/38	105.070	4.191	4.192	0.001	312.12	313.51		0.272	120.060	120.030	USAZ8

Curve Spreads

	Chng from		
	Close bps	Last bps	2pm Cls
2/5	67.5	68.4	0.9
5/10	71.4	69.4	(2.0)
10/30	59.8	58.5	(1.3)
2/10	138.9	137.8	(1.1)
5/30	131.2	127.9	(3.3)
2/30	198.7	196.3	(2.4)

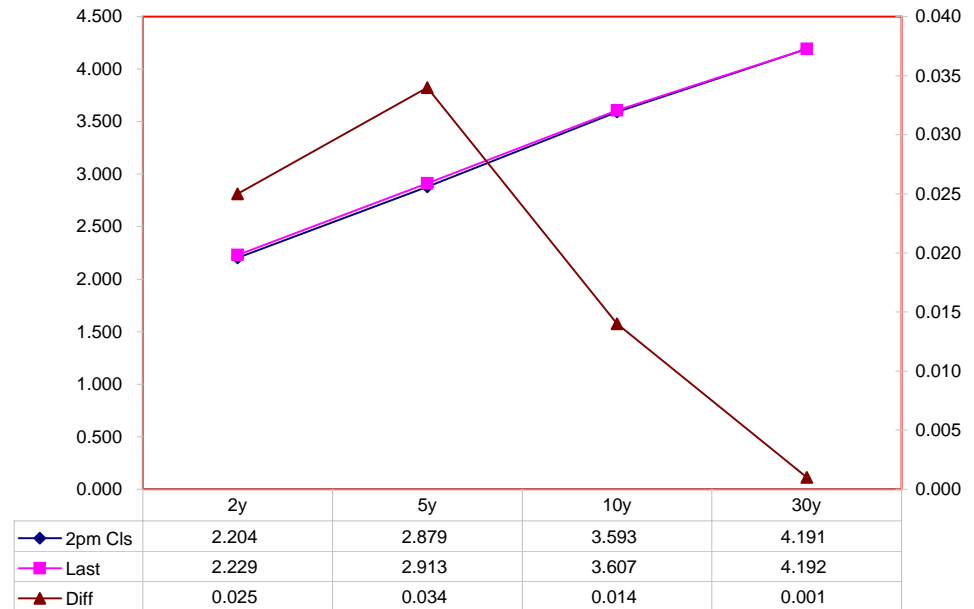
	Last	Chng on Day
Emini SP	1233.50	7.00
Crude Oil	103.55	0.29
Gold	778.60	(13.40)
EURUSD	140.96	(0.38)
USDJPY	107.40	0.57

News:



Jim Goulding, jgoulding@ghco.com

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	23%	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	\$200			
5	\$197	\$474		
10	\$197	\$473	\$844	
30	\$200	\$482	\$860	\$1,732

**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	\$3			
10	\$3	\$0		
30	(\$0)	(\$9)	(\$16)	

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	1.64%			
10	1.72%	0.08%		
30	-0.17%	-1.78%	-1.86%	

**Tic for Tic Matrix**

	2y	5y	10y	30y
ZT	0.93	2.20	3.91	8.03
ZF	0.41	0.98	1.75	3.58
ZN	0.26	0.62	1.11	2.28
ZB	0.16	0.37	0.66	1.35

	2y	5y	10y	30y
2y		2.37	4.22	8.65
5y	0.42		1.78	3.65
10y	0.24	0.56		2.05
30y	0.12	0.27	0.49	

	ZT	ZF	ZN	ZB
ZT		2.24	3.52	5.93
ZF	0.45		1.57	2.65
ZN	0.28	0.64		1.69
ZB	0.17	0.38	0.59	

**Box for Box Matrix**

	2y	5y	10y	30y
ZT	0.93	2.20	7.83	16.06
ZF	0.41	0.98	3.49	7.17
ZN	0.53	1.25	1.11	2.28
ZB	0.63	0.74	1.32	1.35

	2y	5y	10y	30y
2y		2.37	2.11	4.33
5y	0.42		0.45	1.83
10y	0.47	2.25		2.05
30y	0.23	0.55	0.49	

	ZT	ZF	ZN	ZB
ZT		2.24	7.04	11.87
ZF	0.45		1.57	5.30
ZN	0.14	0.64		1.69
ZB	0.08	0.19	0.59	

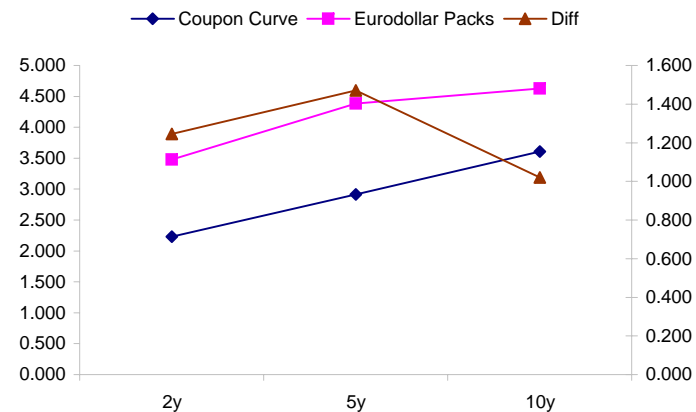
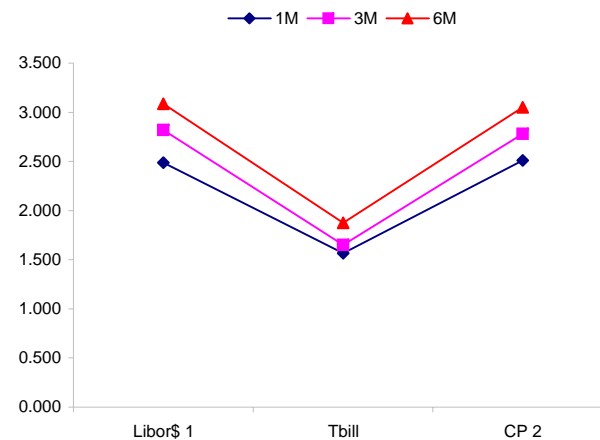
	Libor\$ <sup>1</sup>	Repo Rt <sup>6</sup>			
0/N	2.130	#VALUE!			
1week	2.348	#VALUE!			
2week	2.391	#VALUE!			
	Libor\$ <sup>1</sup>	Tbill	CP <sup>2</sup>		
1M	2.487	1.565	2.510		
3M	2.819	1.651	2.780		
6M	3.088	1.875	3.050		
	TSY	Swp	Swp Rate <sup>5</sup>	ED Pks <sup>3</sup>	TSY - ED Pk <sup>4</sup>
2y	2.232	92.25	3.15	3.477	1.245
5y	2.912	87.50	3.79	4.382	1.470
10y	3.609	61.50	4.22	4.629	1.020

<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>	
68.0	90.6	22.5	Red pack / Blue pack is a 2/5 proxy
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>	
137.7	115.2	-22.5	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>	
69.7	24.6	-45.1	

"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:**

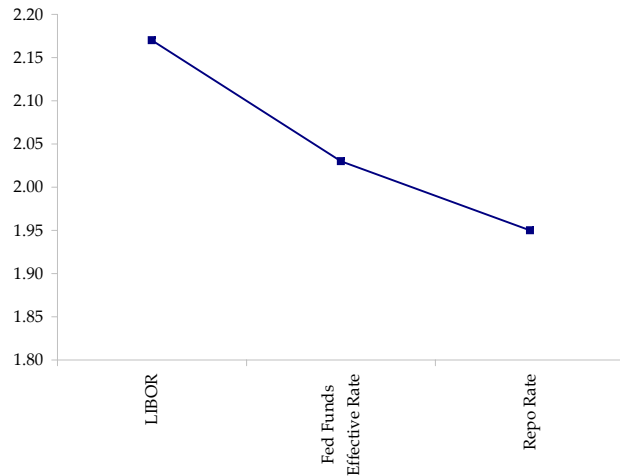
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight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



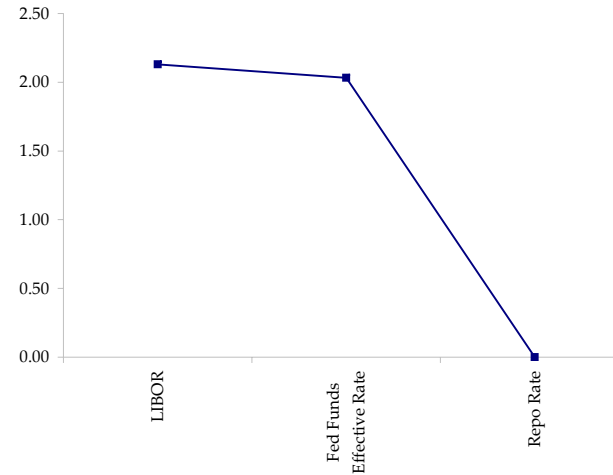
	Last	Chng	Term	Asset Type
USDLIBON	2.130	(0.0050)	Overnight	LIBOR
TUSFFRON	2.031	0.0937	Overnight	Fed Funds Effective Rate
TUSRPOON	#VALUE!	#VALUE!	Overnight	Repo Rate
TEONIA01M	4.304	(0.0030)	1 month	Euribor OIS Rate
TEONIA03M	4.327	(0.0010)	3 month	Euribor OIS Rate
TSONIA01M	5.028	(0.0070)	1 month	Sterling OIS Rate
TSONIA03M	4.950	(0.0090)	3 month	Sterling OIS Rate
TUSOIS01M	2.002	0.0070	1 month	USD OIS Rate
TUSOIS03M	2.000	0.0090	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	8/20/2008	8/25/2008	8/28/2008	9/2/2008	9/3/2008	9/4/2008	9/5/2008	9/8/2008	9/9/2008	Last
Australia	207	201.6	198.4	195.3	200.8	213.5	198.9	211.6	203.9	204.84
France	49.8	53.2	57.3	58.9	64.4	61.7	62.2	60.8	68.4	71.21
Germany	33.4	34	37.8	40	44.3	41.1	39.3	40.7	45.2	47.1
Japan	-236.2	-234.4	-235.9	-227	-223.7	-212.7	-220.6	-213.4	-209.1	-212
U.K.	77.1	82.9	69.9	76.4	80.2	81.1	74.1	83	84.3	86.97

Global 10y Note spreads over US 10y

