



9/17/2008 5:52

The Morning Email: Treasuries

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

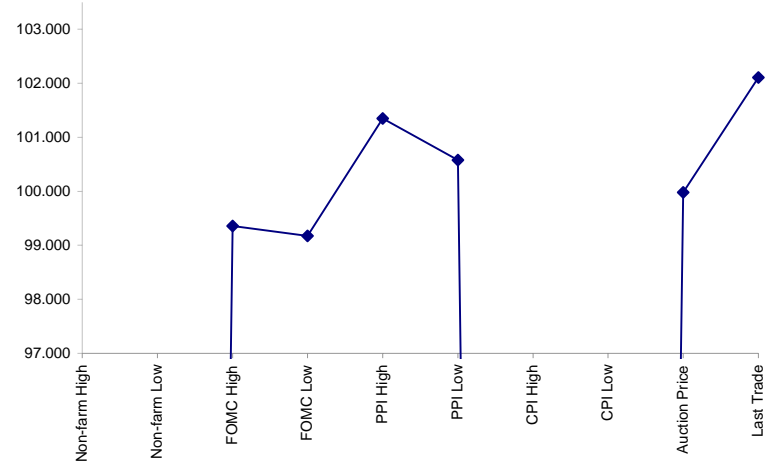
Economic Releases (32nds)

	5y	10y	ZNZ8	ZBZ8	Date
Non-farm High	0.0000	0.000	0.000	0.000	9/5/2008
Non-farm Low	0.0000	0.000	0.000	0.000	9/5/2008
FOMC High	99.1150	100.045	116.048	116.275	9/16/2008
FOMC Low	99.0550	99.245	115.248	116.030	9/16/2008
PPI High	101.1125	103.090	116.280	120.095	9/12/2008
PPI Low	100.1850	102.065	115.250	118.170	9/12/2008
CPI High	0.0000	0.000	0.000	0.000	7/16/2008
CPI Low	0.0000	0.000	0.000	0.000	7/16/2008
Auction Price	99.3140	99.124	na	na	
Last Trade	102.0350	104.050	117.185	121.105	9/17/2008 5:52

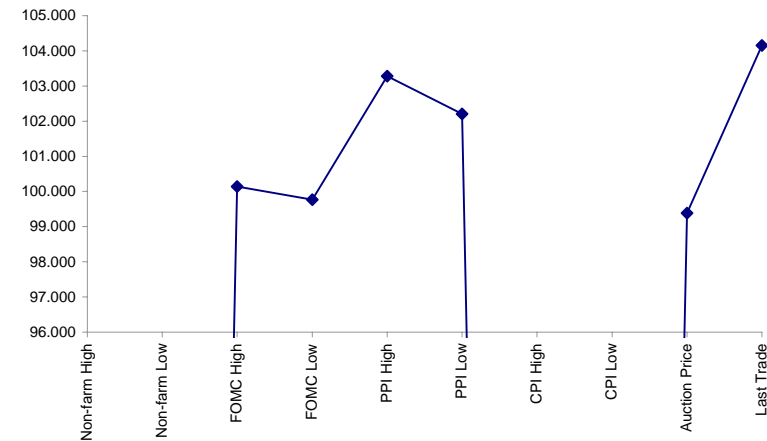
Auctions - 32nds

	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	107.020	0.030	107.080	106.265	107.060	92,255	2y Fut
FVAZ8	113.170	(0.007)	113.305	113.042	113.267	98,603	5y Fut
TYAZ8	117.185	(0.040)	118.045	117.025	118.015	148,192	10y Fut
USAZ8	121.105	(0.10)	122.035	120.210	121.250	33,271	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	100.292	(0.070)	101.017	100.230	100.292	na	2y Cash
BUS05P	102.035	(0.130)	102.137	101.207	102.050	na	5y Cash
BUS10P	104.045	(0.200)	104.175	103.170	104.000	na	10y Cash
BUS30P	106.175	(0.170)	107.060	105.240	106.000	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	1.888	0.117	2.006	1.814	1.933	na	2y Yield
BUS05Y	2.664	0.085	2.77	2.595	2.682	na	5y Yield
BUS10Y	3.500	0.068	3.577	3.45	3.512	na	10y Yield
BUS30Y	4.113	0.033	4.163	4.076	4.124	na	30y Yield

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
30y	16.49	5.65	\$1,765	11.29	n/a	30y
10y	8.14	2.72	\$851	5.45	n/a	10y
5y	4.56	1.53	\$478	6.12	n/a	5y
2y	1.92	0.64	\$200	2.56	n/a	2y
ZB	10.47	4.07	\$127	4.07	0.7943	ZB
ZN	6.32	2.45	\$77	4.91	0.8568	ZN
ZF	4.16	1.56	\$49	3.11	0.8844	ZF
ZT	1.96	0.69	\$22	2.76	0.9353	ZT

Yield Curve Spreads

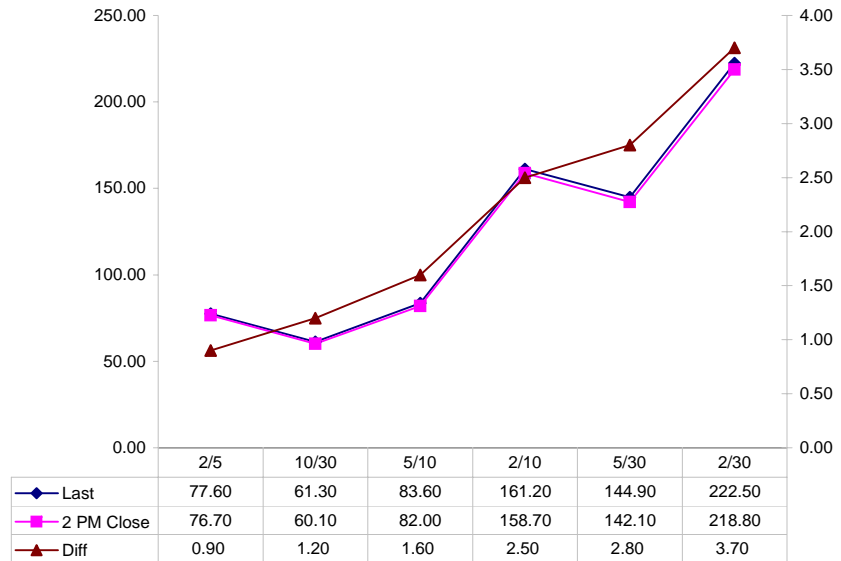
	Last	2pm close	Diff
2/5	77.60	76.70	0.90
10/30	61.30	60.10	1.20
5/10	83.60	82.00	1.60
2/10	161.20	158.70	2.50
5/30	144.90	142.10	2.80
2/30	222.50	218.80	3.70

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		1.659	2.616	2.954
ZN	0.603		1.577	1.780
ZF	0.382	0.634		1.129
ZT	0.326	0.540	0.852	

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	1.51	3.72	6.69	13.88
ZN	2.50	6.17	11.10	23.02
ZF	3.94	9.73	17.51	36.30
ZT	4.45	10.99	19.77	40.99

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		2.468	4.440	9.205
5y	0.405		1.799	3.730
10y	0.225	0.556		2.073
30y	0.109	0.268	0.482	

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

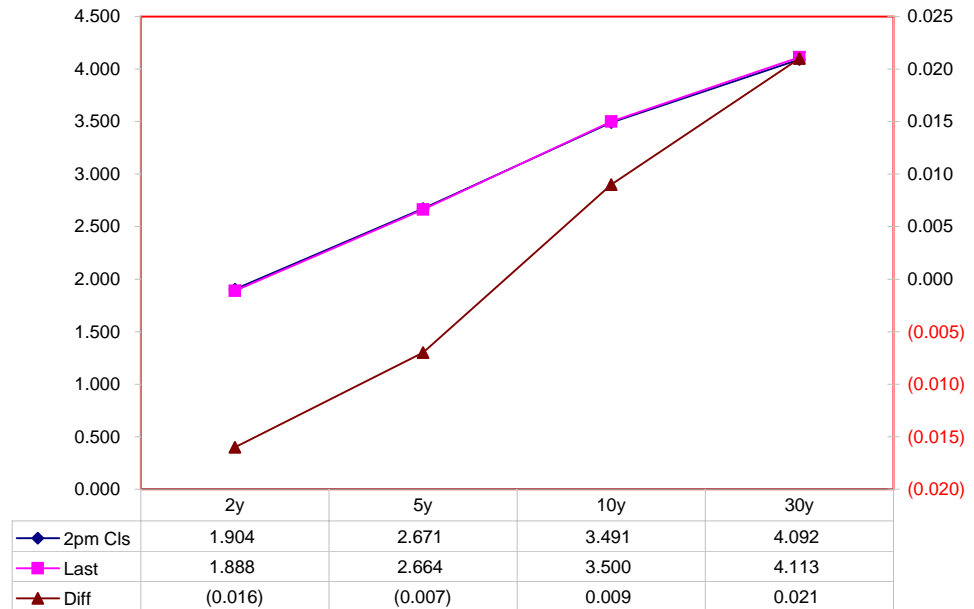
	Cpn	Mty	Close 32	Close	Last	Chng from 2pm	Basis		Cash Roll	Futrues Roll	Close 32	Last	
							Close	Last					
2y	2.375	8/31/10	100.2875	1.904	1.888	(0.016)	26.75	25.16		0.062	106.3150	107.0200	TUAZ8
5y	3.125	8/31/13	102.0300	2.671	2.664	(0.007)	53.31	54.47		0.195	113.1775	113.1700	FVAZ8
10y	4.000	8/15/18	104.075	3.491	3.500	0.009	108.36	109.29		1.175	117.225	117.185	TYAZ8
30y	4.500	5/15/38	106.310	4.092	4.113	0.021	331.58	327.13		0.292	121.200	121.105	USAZ8

Curve Spreads			
	Close bps	Last bps	Chng from
			2pm Cls
2/5	76.7	77.6	0.9
5/10	82.0	83.6	1.6
10/30	60.1	61.3	1.2
2/10	158.7	161.2	2.5
5/30	142.1	144.9	2.8
2/30	218.8	222.5	3.7

	Last	Chng on Day
Emini SP	1211.00	(5.25)
Crude Oil	94.10	2.95
Gold	785.20	4.70
EURUSD	141.95	0.61
USDJPY	105.79	0.11

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

Cash Duration Matrix

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%	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	\$200			
5	\$201	\$478		
10	\$201	\$477	\$851	
30	\$206	\$488	\$872	\$1,765

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	(\$1)			
10	(\$1)	\$1		
30	(\$6)	(\$10)	(\$20)	

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	-0.68%			
10	-0.40%	0.28%		
30	-2.72%	-2.06%	-2.34%	

Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.93	2.22	3.95	8.20
ZF	0.41	0.98	1.75	3.63
ZN	0.26	0.62	1.11	2.30
ZB	0.16	0.38	0.67	1.39

	2y	5y	10y	30y
2y		2.39	4.26	8.83
5y	0.42		1.78	3.69
10y	0.23	0.56		2.07
30y	0.11	0.27	0.48	

	ZT	ZF	ZN	ZB
ZT		2.26	3.56	5.91
ZF	0.44		1.58	2.62
ZN	0.28	0.63		1.66
ZB	0.17	0.38	0.60	

Box for Box Matrix

	2y	5y	10y	30y
ZT	0.93	2.22	7.91	16.39
ZF	0.41	0.98	3.50	7.26
ZN	0.52	1.25	1.11	2.30
ZB	0.63	0.75	1.34	1.39

	2y	5y	10y	30y
2y		2.39	2.13	4.41
5y	0.42		0.45	1.85
10y	0.47	2.25		2.07
30y	0.23	0.54	0.48	

	ZT	ZF	ZN	ZB
ZT		2.26	7.12	11.81
ZF	0.44		1.58	5.23
ZN	0.14	0.63		1.66
ZB	0.08	0.19	0.60	

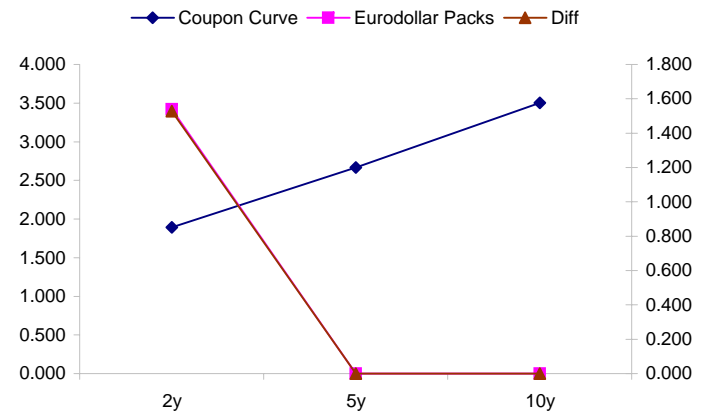
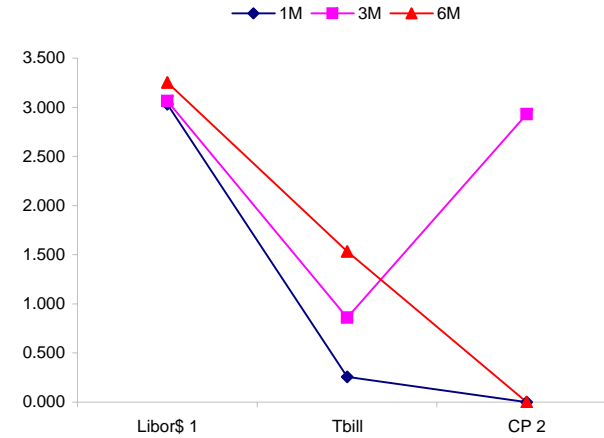
	Libor\$ ¹	Repo Rt ⁶			
0/N	5.031	0.900			
1week	4.369	1.750			
2week	3.988	1.250			
	Libor\$ ¹	Tbill	CP ²		
1M	3.030	0.258	#VALUE!		
3M	3.063	0.861	2.930		
6M	3.253	1.535	#VALUE!		
	TSY	Swp	Swp Rate ⁵	ED Pks ³	TSY - ED Pk ⁴
2y	1.890	108.75	2.98	3.419	1.529
5y	2.667	99.50	3.66		#VALUE!
10y	3.501	64.50	4.15		#VALUE!

<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>	
77.6	#VALUE!	#VALUE!	Red pack / Blue pack is a 2/5 proxy
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>	
161.1	#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>	
83.4	#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:

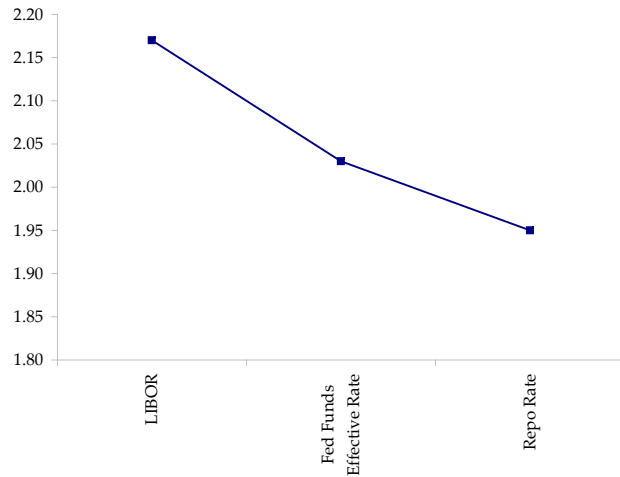
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight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



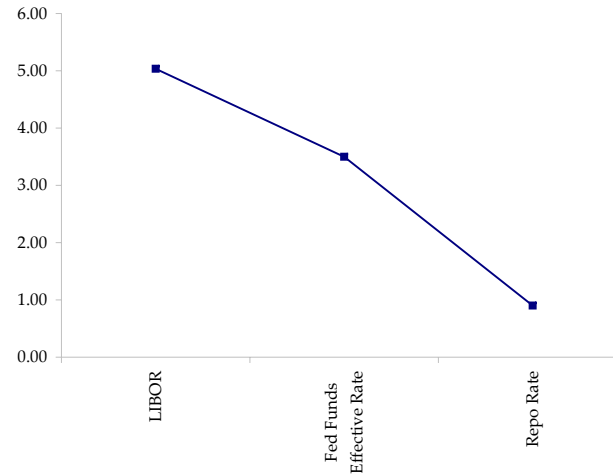
	Last	Chng	Term	Asset Type
USDLIBON	5.031	(1.4063)	Overnight	LIBOR
TUSFFRON	3.500	2.2500	Overnight	Fed Funds Effective Rate
TUSRPOON	0.900	0.0000	Overnight	Repo Rate
TEONIA01M	4.251	0.0040	1 month	Euribor OIS Rate
TEONIA03M	4.243	0.0140	3 month	Euribor OIS Rate
TSONIA01M	5.092	(0.0010)	1 month	Sterling OIS Rate
TSONIA03M	4.947	0.0510	3 month	Sterling OIS Rate
TUSOIS01M	1.848	(0.0240)	1 month	USD OIS Rate
TUSOIS03M	1.864	0.0040	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	9/9/2008	9/10/2008	9/12/2008	9/16/2008	Last
Australia	201.6	195.3	211.6	203.9	199.9	195.7	196.8	200.9
France	53.2	58.9	60.8	68.4	66.8	67.1	83.3	82.9
Germany	34	40	40.7	45.2	43.1	44.1	52.9	56.9
Japan	-234.4	-227	-213.4	-209.1	-214.1	-220.1	-202.2	-203.4
U.K.	82.9	76.4	83	84.3	81	86.2	94	98.1

Global 10y Note spreads over US 10y

