



## The Morning Email: Treasuries

2/18/2009 5:52

### Table of Contents

- Pg 1** Important Econ Releases, Highs & Lows
  
- Pg 2** Quotes
  
- Pg 3** Duration, DV01s, CFs
  
- 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

Want something added? Let me know:  
[jgoulding@ghco.com](mailto:jgoulding@ghco.com)

**Disclaimer:** All information within this newsletter is meant for internal use at GH Trader's LLC, only. All information has been recorded to the best of my ability. This material is based upon information that I consider reliable, but I do not represent that it is accurate or complete.

**Important Econ Releases, Highs & Lows**

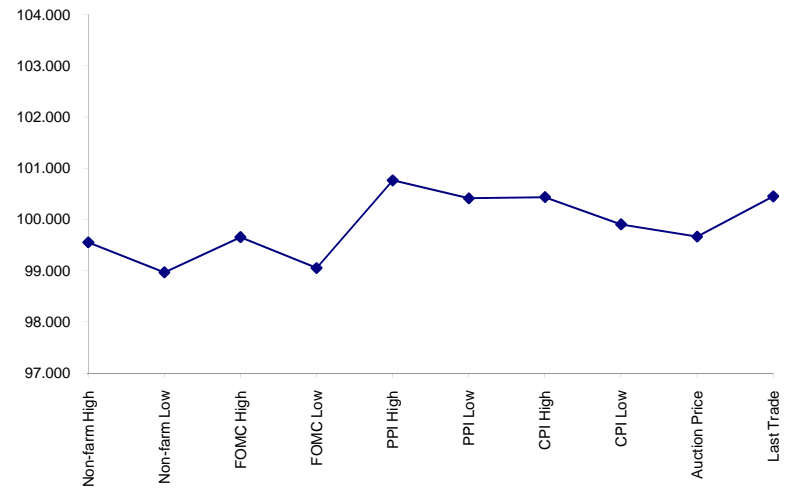
**Economic Releases (32nds)**

	5y	10y	ZNZ8	ZBZ8	Date
Non-farm High	99.1775	98.200	122.180	127.040	2/6/2009
Non-farm Low	98.3100	97.165	121.185	125.165	2/6/2009
FOMC High	99.2100	101.280	124.290	131.155	1/28/2009
FOMC Low	99.0175	100.150	123.245	129.085	1/28/2009
PPI High	100.2450	104.315	127.130	137.220	1/15/2009
PPI Low	100.1325	104.100	126.230	136.085	1/15/2009
CPI High	100.1400	104.035	126.160	136.270	1/16/2009
CPI Low	99.2900	102.255	125.130	134.015	1/16/2009
Auction Price	99.2135	99.233	0.000		
Last Trade	100.1450	101.015	124.220	130.075	2/18/2009

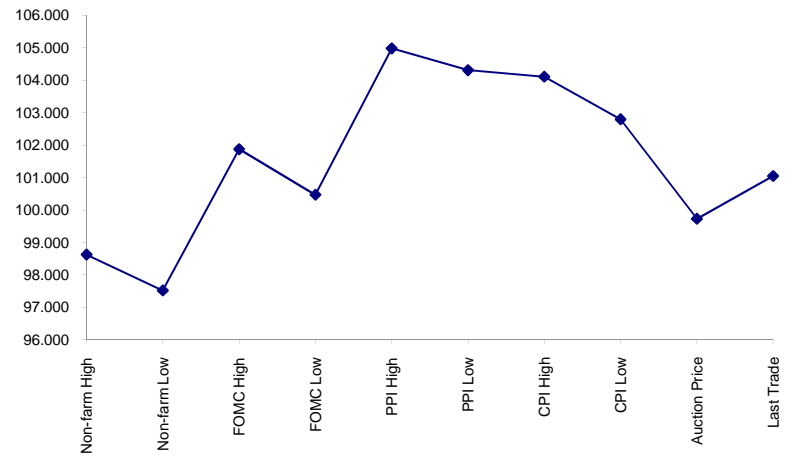
**Auctions - 32nds**

	2 y	3 y	5y	10y	30y
Auction Price	99.288	99.279	99.213	99.233	99.085
Auction Yield Stop	0.925	1.419	1.820	2.818	3.540
Auction Price Stop	99.288	99.279	99.213	99.233	99.085
Actual Auction Date	1/27/2009	2/10/2009	1/29/2009	2/11/2009	2/12/2009

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 Mch09 Futures roll: ZF = (91); ZN = (70); ZB = (32) [tics]}
- 4)\*CPI was same as FOMC day

## Quotes

		32 nds					
	Last	Net	High	Low	Open	Volume	Sym Name
TUAH9	108.3150	(0.010)	109.0170	108.3120	109.0120	11,268	2y Fut
FVAH9	119.0170	0.022	119.0500	118.2900	119.0120	23,643	5y Fut
TYAH9	124.2200	0.080	124.2350	124.1050	124.1750	71,131	10y Fut
USAH9	130.0750	0.285	130.1100	129.1150	129.1400	17,969	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	99.3170	(1.500)	100.0100	99.3120	100.0100	na	2y Cash
BUS03P	100.1370	0.000	100.1470	100.1250	100.1370	na	3y Cash
BUS05P	100.1450	1.000	100.1550	100.1000	100.1300	na	5y Cash
BUS10P	101.0150	7.000	101.0400	100.2300	100.2700	na	10y Cash
BUS30P	101.1450	103.000	101.2000	100.1200	100.1200	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	0.879	2.500	0.887	0.851	0.884	na	2y Yield
BUS03Y	1.223	0.800	1.249	1.185	1.226	na	3y Yield
BUS05Y	1.654	(0.600)	1.687	1.644	1.878	na	5y Yield
BUS10Y	2.623	(2.300)	2.673	2.621	2.643	na	10y Yield
BUS30Y		(5.300)			3.481	na	30y Yield

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
30y	#VALUE!	#VALUE!	#VALUE!	#VALUE!	n/a	30y
10y	8.69	2.91	\$909	5.82	n/a	10y
5y	4.72	1.55	\$485	6.20	n/a	5y
3y	2.66	0.88	\$276	3.53	n/a	3y
2y	1.93	0.62	\$195	2.49	n/a	2y
ZB	10.40	4.64	\$145	4.64	0.6550	ZB
ZN	5.84	2.46	\$77	4.92	0.7627	ZN
ZF	3.97	1.58	\$49	3.16	0.8239	ZF
ZT	1.84	0.65	\$20	2.60	0.9122	ZT

DV01 32, said differently, is "how many TICS are in a basis point?".

Example, If **ZN** moves 1~basis point, then, it's moved 2.51 tics (Today, 12/01/08, the value in the box is 2.51).

Since ZN trades in half tics, then, 5.03 boxes = 1 basis point in ZN. (Again, today, 12/01/08, the value in the box is 5.03). 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.

#### 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

	ZB	ZN	ZF	ZT
ZB		1.786	2.937	3.569
ZN	0.560		1.644	1.998
ZF	0.341	0.608		1.215
ZT	0.280	0.500	0.823	

## US Treasuries vs US Financial Futures

	2y	3y	5y	10y
ZB	1.34	1.93	3.34	6.27
ZN	2.40	3.45	5.97	11.19
ZF	3.94	5.67	9.81	18.40
ZT	4.79	6.89	11.92	22.37

## US Treasuries

	2y	3y	5y	10y
2y		1.438	2.490	4.671
3y	0.409		1.757	3.295
5y	0.402	0.577		1.876
10y	0.214	0.308	0.533	

## US Financial Futures vs German Futures

	Bund	Bobl	Schatz
ZB	0.88	0.47 €	0.18
ZN	1.55	0.83 €	0.32
ZF	2.50	1.34 €	0.52
ZT	3.06	1.64 €	0.63

## German Futures vs German Futures

	Bund	Bobl	Schatz
Bund		1.86	4.82
Bobl	0.54		2.59
Schatz	0.21	0.39	

## US Treasuries vs German Futures

	Bund	Bobl	Schatz
2y	1.6	3.0	7.8
3y	2.5	4.6	11.9
5y	4.0	7.4	19.0
10y	7.2	13.5	35.0
30y	15.2	28.3	73.5

Eurex last updated

2/13/2009

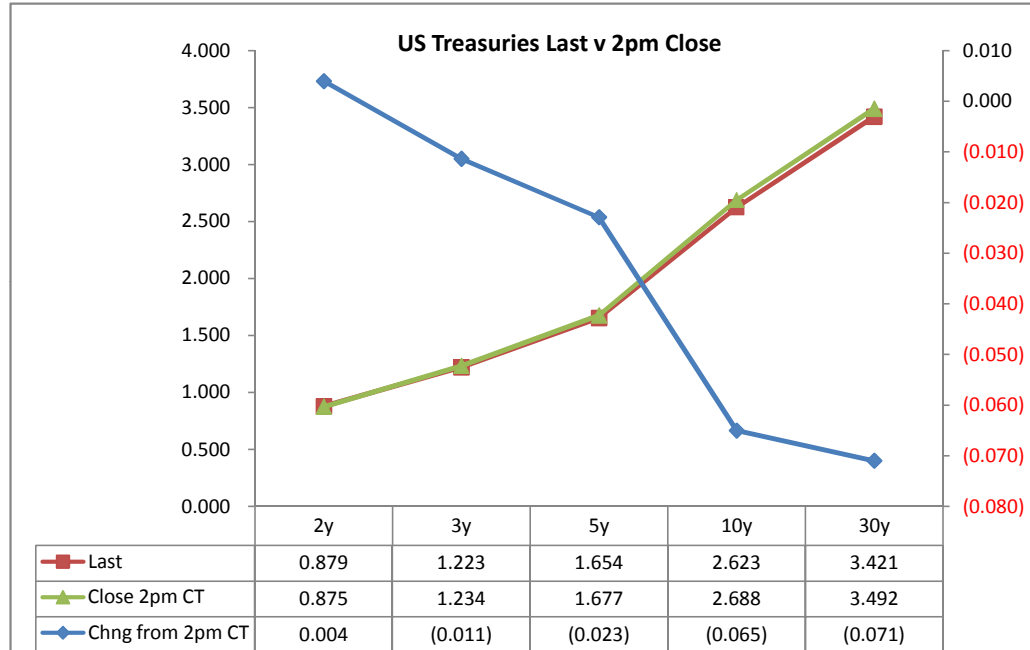
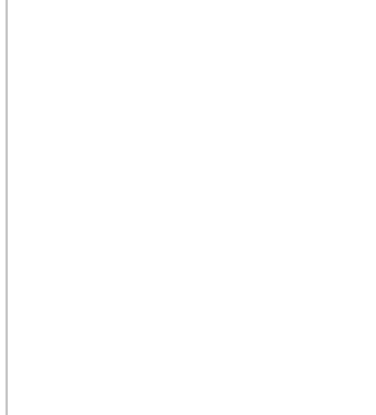
Note: If you are looking at a matrix with Eurex products then those ratios are pulled from Bloomberg and are static. Meaning, I only update them once in a while but always on rolls. I calculate the other matrixes, with US products, everyday

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	0.875	1/31/11	100.0000	0.875	0.879	0.004	18.02	18.40			109.0025	108.315	TUAH9
3y	1.375	2/15/12	100.1325	1.234	1.223	(0.011)							
5y	1.750	1/31/13	100.1100	1.677	1.654	(0.023)	74.00	75.69			118.3150	119.017	FVAH9
10y	2.750	2/15/09	100.2300	2.688	2.623	(0.065)	185.93	190.33			124.1400	124.22	TYAH9
30y	3.500	2/15/39	100.0450	3.492	3.421	(0.071)	493.45	516.79			129.1100	130.075	USAH9

Curve Spreads			
	Close bps	Last bps	Chng from 2pm CIs
2/3	35.9	34.4	(1.5)
2/5	80.2	77.5	(2.7)
3/5	44.3	43.1	(1.2)
2/10	181.3	174.4	(6.9)
3/10	145.4	140.0	(5.4)
5/10	101.1	96.9	(4.2)
2/30	261.7	#VALUE!	#VALUE!
3/30	225.8	#VALUE!	#VALUE!
5/30	181.5	#VALUE!	#VALUE!
10/30	80.4	#VALUE!	#VALUE!

O/N News:



	Last	Chng on Day
Emini SP	790.50	5.00
Crude Oil	38.71	0.17
Gold	964.30	(3.20)
EURUSD	126.08	0.25
USDJPY	92.69	0.27



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**

	€ 2.00	€ 5.00	€ 10.00	€ 30.00
€ 2.00	100%	0%		
€ 5.00	41%	100%		
€ 10.00	22%	54%	100%	0%
€ 30.00	#VALUE!	#VALUE!	#VALUE!	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	\$186			
5	\$198	\$485		
10	\$201	\$493	\$909	
30	#VALUE!	#VALUE!	#VALUE!	#VALUE!

**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	\$186			
5	(\$12)	\$485		
10	(\$15)	(\$9)	\$909	
30	#VALUE!	#VALUE!	#VALUE!	#VALUE!

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	0.0%			
5	-5.9%	0.0%		
10	-7.6%	-1.8%	0.0%	
30	#VALUE!	#VALUE!	#VALUE!	0.0%

## Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.87	2.27	4.26	#VALUE!
ZF	0.38	0.98	1.84	#VALUE!
ZN	0.23	0.60	1.12	#VALUE!
ZB	0.13	0.33	0.63	#VALUE!

	2y	5y	10y	30y
2y		2.60	4.88	#VALUE!
5y	0.38		1.88	#VALUE!
10y	0.20	0.53		#VALUE!
30y	#VALUE!	#VALUE!	#VALUE!	

	ZT	ZF	ZN	ZB
ZT		2.32	3.81	6.80
ZF	0.43		1.64	2.94
ZN	0.26	0.61		1.79
ZB	0.15	0.34	0.56	

## Box for Box Matrix

	2y	5y	10y	30y
ZT	0.87	2.27	8.52	#VALUE!
ZF	0.38	0.98	3.68	#VALUE!
ZN	0.46	1.19	1.12	#VALUE!
ZB	0.51	0.67	1.25	#VALUE!

	2y	5y	10y	30y
2y		2.60	2.44	#VALUE!
5y	0.38		0.47	#VALUE!
10y	0.41	2.13		#VALUE!
30y	#VALUE!	#VALUE!	#VALUE!	

	ZT	ZF	ZN	ZB
ZT		2.32	7.61	13.60
ZF	0.43		1.64	5.87
ZN	0.13	0.61		1.79
ZB	0.07	0.17	0.56	



	Libor\$ <sup>1</sup>	Repo Rt <sup>6</sup>
0/N	0.304	#VALUE!
1week	0.366	#VALUE!
2week	0.412	#VALUE!

	Libor\$ <sup>1</sup>	Tbill	CP <sup>2</sup>
1M	0.470	0.248	0.600
3M	1.251	0.317	1.250
6M	1.780	0.470	1.880

	TSY	Swp	Swp Rate <sup>5</sup>	ED Pks <sup>3</sup>	TSY - ED Pk <sup>4</sup>
2y	0.879	73.25	1.61	1.905	1.026
5y	1.654	76.75	2.42	3.250	1.596
10y	2.623	31.50	2.94	#VALUE!	#VALUE!

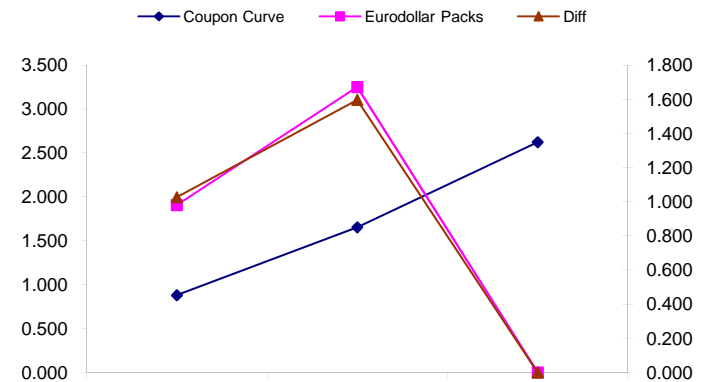
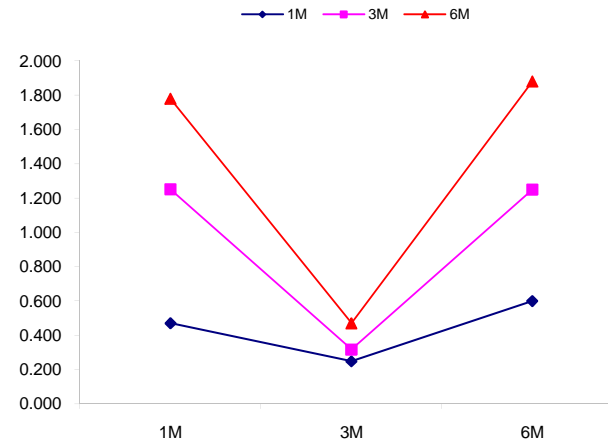
<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>
77.5	134.5	57.0
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>
174.4	#VALUE!	#VALUE!
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>
96.9	#VALUE!	#VALUE!

Red pack / Blue pack is a 2/5 proxy  
 Red pack / Gold pack is a 2/10 proxy  
 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



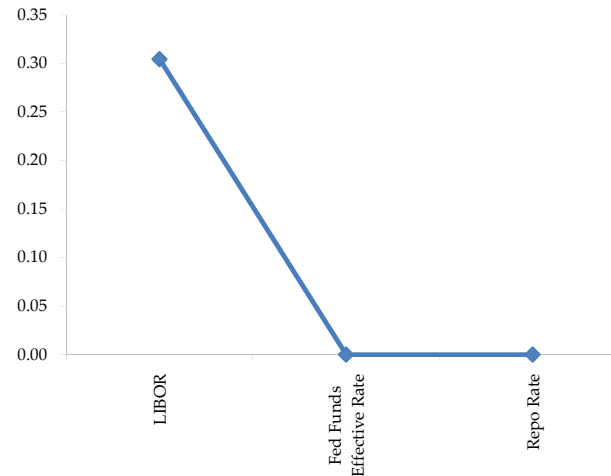
	Last	Chng	Term	Asset Type
USDLIBON	0.304	(0.0081)	Overnight	LIBOR
TUSFFRON	#VALUE!	#VALUE!	Overnight	Fed Funds Effective Rate
TUSRPOON	#VALUE!	#VALUE!	Overnight	Repo Rate
TEONIA01M	1.159	0.0040	1 month	Euribor OIS Rate
TEONIA03M	0.981	0.0000	3 month	Euribor OIS Rate
TSONIA01M	0.690	0.0110	1 month	Sterling OIS Rate
TSONIA03M	0.541	0.0260	3 month	Sterling OIS Rate
TUSOIS01M	0.251	0.0050	1 month	USD OIS Rate
TUSOIS03M	0.270	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.

