



2/24/2009 5:43

## The Morning Email: Treasuries

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

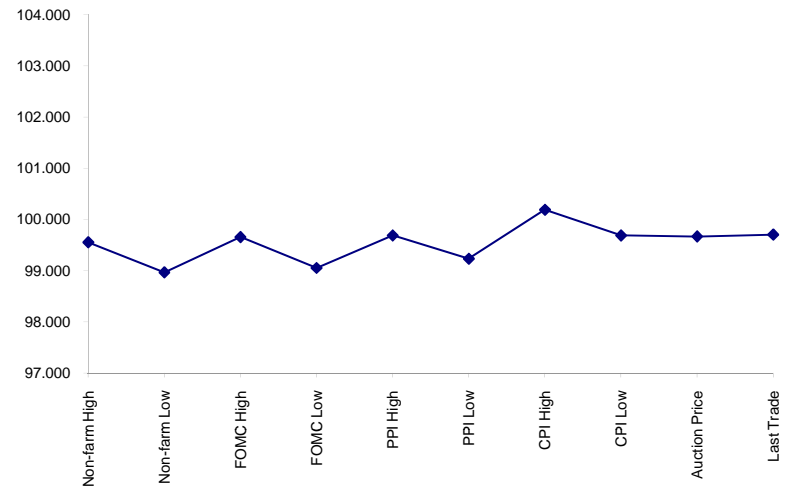
#### Economic Releases (32nds)

	5y	10y	ZNZ8	ZBZ8	Date
Non-farm High	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	99.2200	99.250	123.040	127.200	2/19/2009
PPI Low	99.0750	98.283	122.080	126.030	2/19/2009
CPI High	100.0600	100.190	124.050	129.020	2/20/2009
CPI Low	99.2200	99.200	122.295	127.105	2/20/2009
Auction Price	99.2135	99.233	0.000		
Last Trade	99.2250	99.315	123.115	128.130	2/24/2009

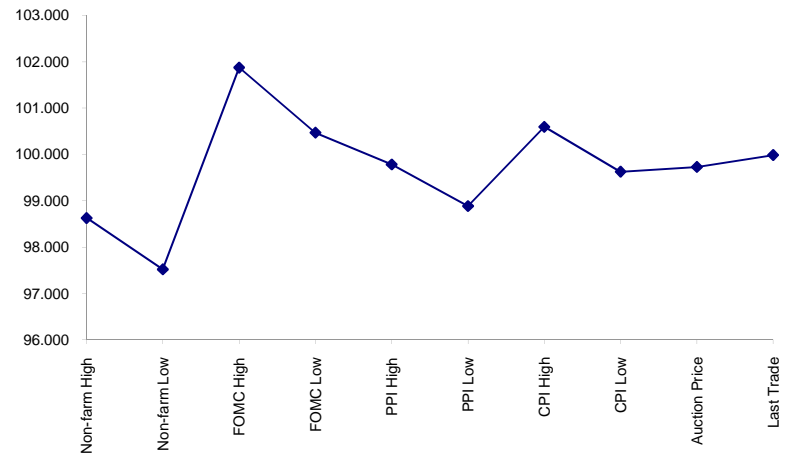
#### Auctions - 32nds

	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	108.2750	0.002	108.2850	108.2650	108.2800	19,437	2y Fut
FVAH9	118.1200	0.030	118.1400	118.0720	118.1050	31,635	5y Fut
TYAH9	123.1150	0.060	123.1450	123.0200	123.0750	64,576	10y Fut
USAH9	128.1300	0.165	128.1550	127.2650	128.0150	19,715	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	99.2720	(1.000)	99.2770	99.2620	99.2750	na	2y Cash
BUS03P	100.0520	(0.700)	100.0570	100.0320	100.0400	na	3y Cash
BUS05P	99.2250	(1.200)	99.2400	99.1800	99.2250	na	5y Cash
BUS10P	99.3150	3.000	100.0200	99.2200	99.2900	na	10y Cash
BUS30P	100.0400	2.500	100.0400	99.0950	99.1800	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	0.953	2.400	0.973	0.936	0.962	na	2y Yield
BUS03Y	1.318	1.300	1.353	1.305	1.322	na	3y Yield
BUS05Y	1.815	1.200	1.847	1.801	1.825	na	5y Yield
BUS10Y	2.750	(0.700)	2.786	2.739	2.775	na	10y Yield
BUS30Y	3.502	(1.500)	3.539	3.484	3.524	na	30y Yield

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
<b>30y</b>	18.45	6.15	\$1,923	12.31	n/a	<b>30y</b>
<b>10y</b>	8.66	2.87	\$897	5.74	n/a	<b>10y</b>
<b>5y</b>	4.70	1.53	\$479	6.13	n/a	<b>5y</b>
<b>3y</b>	2.64	0.88	\$273	3.50	n/a	<b>3y</b>
<b>2y</b>	1.91	0.62	\$193	2.47	n/a	<b>2y</b>
<b>ZB</b>	10.34	4.55	\$142	4.55	0.6550	<b>ZB</b>
<b>ZN</b>	5.81	2.43	\$76	4.85	0.7627	<b>ZN</b>
<b>ZF</b>	3.95	1.56	\$49	3.13	0.8239	<b>ZF</b>
<b>ZT</b>	1.82	0.64	\$20	2.57	0.9122	<b>ZT</b>

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

## Hedge Ratio's

## US Financial Futures

	ZB	ZN	ZF	ZT
ZB		1.774	2.909	3.534
ZN	0.564		1.640	1.993
ZF	0.344	0.610		1.215
ZT	0.283	0.502	0.823	

## US Treasuries vs US Financial Futures

	2y	3y	5y	10y
ZB	1.36	1.95	3.37	6.31
ZN	2.40	3.46	5.98	11.19
ZF	3.94	5.68	9.81	18.36
ZT	4.79	6.90	11.91	22.30

## US Treasuries

	2y	3y	5y	10y
2y		1.440	2.487	4.655
3y	0.409		1.752	3.279
5y	0.402	0.579		1.872
10y	0.215	0.309	0.534	

## 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

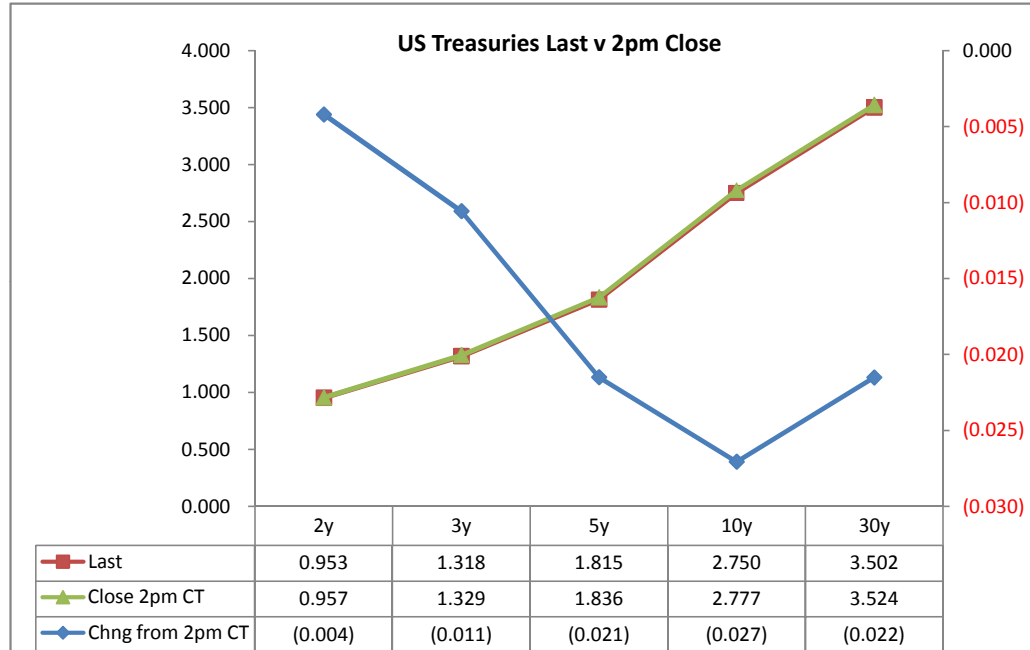
Treasury Closes: 2pm CT vs this Morning

	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	99.2700	0.957	0.953	(0.004)	17.58	17.55	4.75		108.2725	108.275	TUAH9
3y	1.375	2/15/12	100.0425	1.329	1.318	(0.011)							
5y	1.750	1/31/13	99.1950	1.836	1.815	(0.021)	69.04	69.57	5.5		118.0900	118.12	FVAH9
10y	2.750	2/15/09	99.2450	2.777	2.750	(0.027)	186.32	188.74			123.0550	123.115	TYAH9
30y	3.500	2/15/39	99.1800	3.524	3.502	(0.022)	505.41	512.61			127.2850	128.130	USAH9

Curve Spreads			
	Close bps		Chng from
	Last bps	2pm Cls	
2/3	37.2	36.6	(0.6)
2/5	87.9	86.2	(1.7)
3/5	50.7	49.6	(1.1)
2/10	182.0	179.7	(2.3)
3/10	144.8	143.2	(1.6)
5/10	94.1	93.5	(0.6)
2/30	256.7	255.0	(1.7)
3/30	219.5	218.4	(1.1)
5/30	168.8	168.8	(0.0)
10/30	74.7	75.3	0.6

O/N News:

Jim Goulding, jgoulding@ghco.com



	Last	Chng on Day
Emini SP	751.25	6.25
Crude Oil	38.56	0.12
Gold	990.10	(4.90)
EURUSD	128.11	1.15
USDJPY	95.64	1.00

The Morning Email: U.S. Treasuries

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%	0%		
5	41%	100%		
10	22%	54%	100%	0%
30	10%	25%	47%	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	\$184			
5	\$195	\$479		
10	\$198	\$486	\$897	
30	\$199	\$490	\$903	\$1,923

**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	\$184			
5	(\$11)	\$479		
10	(\$13)	(\$7)	\$897	
30	(\$15)	(\$11)	(\$6)	\$1,923

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	-5.4%	0.0%		
10	-6.8%	-1.5%	0.0%	
30	-7.4%	-2.2%	-0.7%	0.0%

## Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.87	2.27	4.25	9.11
ZF	0.38	0.98	1.84	3.94
ZN	0.23	0.60	1.12	2.40
ZB	0.13	0.34	0.63	1.35

	2y	5y	10y	30y
2y		2.60	4.87	10.44
5y	0.38		1.87	4.01
10y	0.21	0.53		2.14
30y	0.10	0.25	0.47	

	ZT	ZF	ZN	ZB
ZT		2.31	3.79	6.73
ZF	0.43		1.64	2.91
ZN	0.26	0.61		1.77
ZB	0.15	0.34	0.56	

## Box for Box Matrix

	2y	5y	10y	30y
ZT	0.87	2.27	8.49	18.21
ZF	0.38	0.98	3.67	7.87
ZN	0.46	1.20	1.12	2.40
ZB	0.52	0.67	1.26	1.35

	2y	5y	10y	30y
2y		2.60	2.43	5.22
5y	0.38		0.47	2.01
10y	0.41	2.14		2.14
30y	0.19	0.50	0.47	

	ZT	ZF	ZN	ZB
ZT		2.31	7.59	13.46
ZF	0.43		1.64	5.82
ZN	0.13	0.61		1.77
ZB	0.07	0.17	0.56	



	Libor\$ <sup>1</sup>	Repo Rt <sup>6</sup>
0/N	0.266	#VALUE!
1week	0.376	#VALUE!
2week	0.411	#VALUE!

	Libor\$ <sup>1</sup>	Tbill	CP <sup>2</sup>
1M	0.477	0.167	0.600
3M	1.250	0.299	1.250
6M	1.748	0.505	1.880

	TSY	Swp	Swp Rate <sup>5</sup>	ED Pks <sup>3</sup>	TSY - ED Pk <sup>4</sup>
2y	0.953	61.75	1.57	1.919	0.966
5y	1.815	63.25	2.45		#VALUE!
10y	2.750	24.25	2.99		#VALUE!

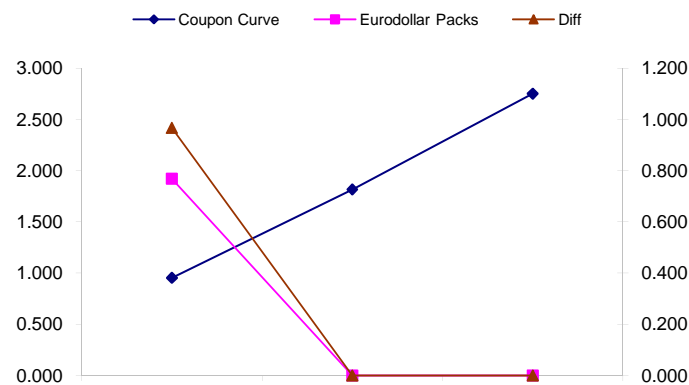
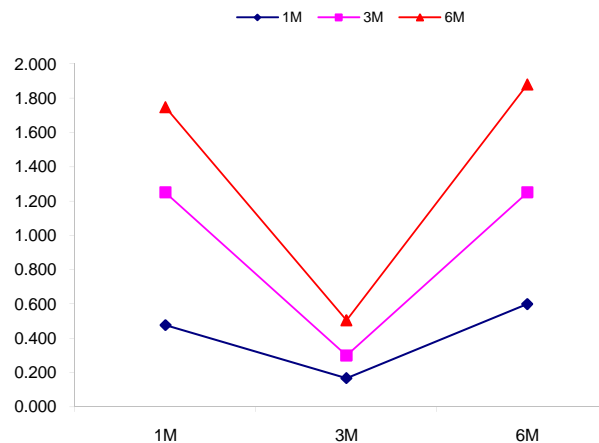
<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>
86.2	#VALUE!	#VALUE!
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>
179.7	#VALUE!	#VALUE!
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>
93.5	#VALUE!	#VALUE!

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:**

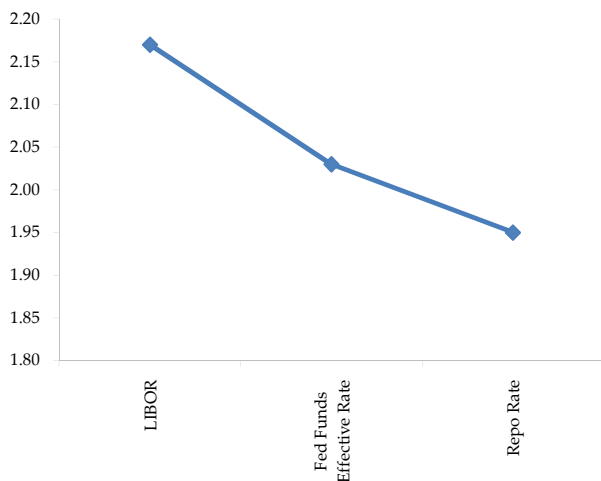
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight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



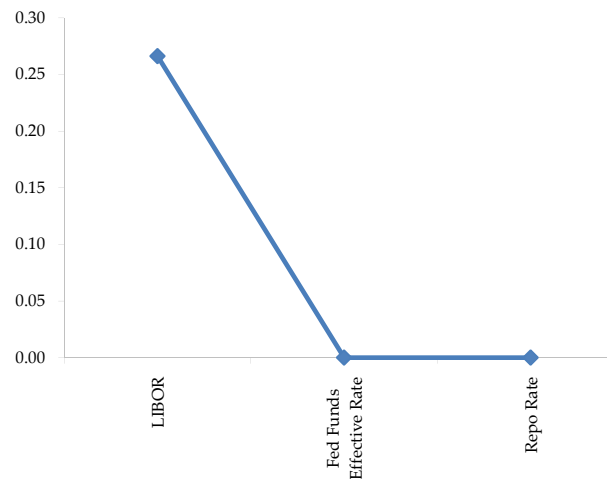
	Last	Chng	Term	Asset Type
USDLIBON	0.266	0.0013	Overnight	LIBOR
TUSFFRON	#VALUE!	#VALUE!	Overnight	Fed Funds Effective Rate
TUSRPOON	#VALUE!	#VALUE!	Overnight	Repo Rate
TEONIA01M	1.069	(0.0250)	1 month	Euribor OIS Rate
TEONIA03M	0.938	(0.0180)	3 month	Euribor OIS Rate
TSONIA01M	0.573	(0.0650)	1 month	Sterling OIS Rate
TSONIA03M	0.509	(0.0350)	3 month	Sterling OIS Rate
TUSOIS01M	0.215	(0.0020)	1 month	USD OIS Rate
TUSOIS03M	0.227	(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.

