



1/23/2009 5:54

The Morning Email: Treasuries

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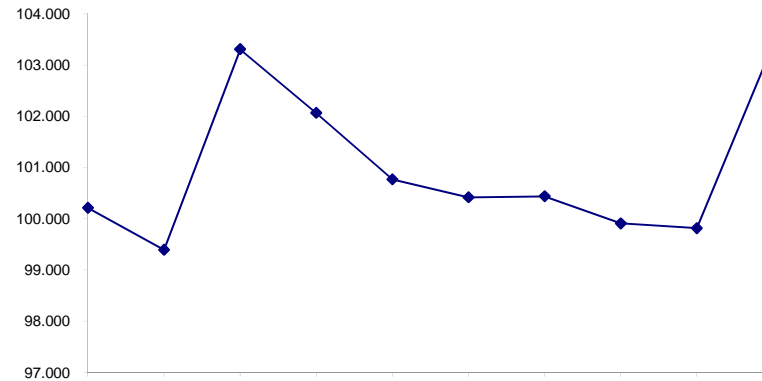
Economic Releases (32nds)

	5y	10y	ZNZ8	ZBZ8	Date
Non-farm High	100.0675	112.085	126.110	134.140	1/9/2009
Non-farm Low	99.1250	110.265	124.280	132.000	1/9/2009
FOMC High	103.0975	112.115	126.285	137.155	12/16/2008
FOMC Low	102.0200	110.150	124.215	135.100	12/16/2008
PPI High	100.2450	113.315	127.130	137.220	1/15/2009
PPI Low	100.1325	113.095	126.230	136.085	1/15/2009
CPI High	100.1400	113.030	126.160	136.270	1/16/2009
CPI Low	99.2900	111.235	125.130	134.015	1/16/2009
Auction Price	99.2602	99.233	0.000		
Last Trade	103.1270	113.230	130.020	139.130	1/23/2009

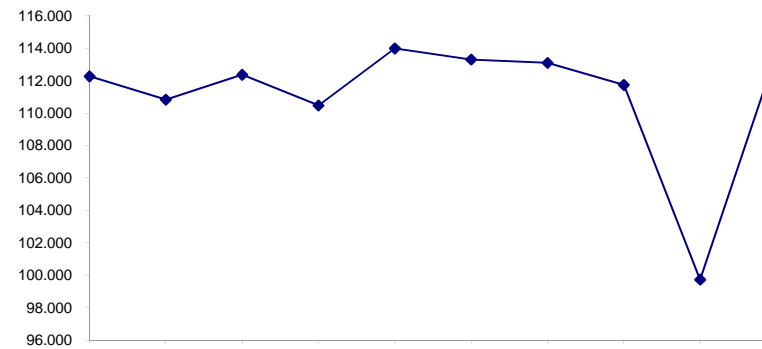
Auctions - 32nds

	2 y	3 y	5y	10y	30y
Auction Price	99.290	99.249	99.260	99.233	98.074
Auction Yield Stop	0.922	1.200	2.110	3.783	4.609
Actual Auction Date	12/22/2008	1/7/2009	12/23/2008	11/12/2008	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) {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	109.0770	0.010	109.0850	109.0620	109.0720	11,130	2y Fut
FVAH9	119.1120	0.072	119.1200	119.0170	119.0500	28,819	5y Fut
TYAH9	124.1900	0.150	124.1950	124.0050	124.0800	72,754	10y Fut
USAH9	130.0550	0.070	130.1050	129.1600	129.2900	14,298	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	100.0920	0.700	100.1000	100.0820	100.0820	na	2y Cash
BUS03P	100.0450	1.200	100.0570	100.0220	100.0250	na	3y Cash
BUS05P	99.2200	6.000	99.2300	99.1300	99.1320	na	5y Cash
BUS10P	110.0850	11.000	110.1000	109.2450	109.2700	na	10y Cash
BUS30P	123.2350	13.500	124.0000	123.0450	123.0450	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	0.723	(0.500)	0.748	0.707	0.733	na	2y Yield
BUS03Y	1.079	(2.200)	1.125	1.061	1.099	na	3y Yield
BUS05Y	1.566	(3.800)	1.637	1.558	1.609	na	5y Yield
BUS10Y	2.559	(3.700)	2.615	2.550	2.597	na	10y Yield
BUS30Y	3.239	(2.300)	3.353	3.146	3.263	na	30y Yield

	M Duration	DV01 32	DV01 \$	DV01 Box	CF	
30y	17.48	7.21	\$2,252	14.41	n/a	30y
10y	8.22	3.02	\$943	6.03	n/a	10y
5y	4.59	1.54	\$481	6.16	n/a	5y
3y	2.72	0.91	\$283	3.63	n/a	3y
2y	1.82	0.65	\$204	2.61	n/a	2y
ZB	10.47	4.66	\$146	4.66	0.7950	ZB
ZN	6.22	2.63	\$82	5.26	0.8357	ZN
ZF	4.04	1.61	\$50	3.22	0.8164	ZF
ZT	1.91	0.68	\$21	2.70	0.916	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

Hedge Ratio's

US Financial Futures

	ZB	ZN	ZF	ZT
ZB		1.772	2.892	3.452
ZN	0.564		1.632	1.948
ZF	0.346	0.613		1.194
ZT	0.290	0.513	0.838	

US Treasuries vs US Financial Futures

	2y	3y	5y	10y
ZB	1.40	1.97	3.30	6.47
ZN	2.48	3.49	5.85	11.47
ZF	4.05	5.70	9.55	18.72
ZT	4.83	6.81	11.40	22.34

US Treasuries

	2y	3y	5y	10y
2y		1.409	2.489	4.623
3y	0.421		1.697	3.328
5y	0.424	0.597		1.960
10y	0.216	0.305	0.510	

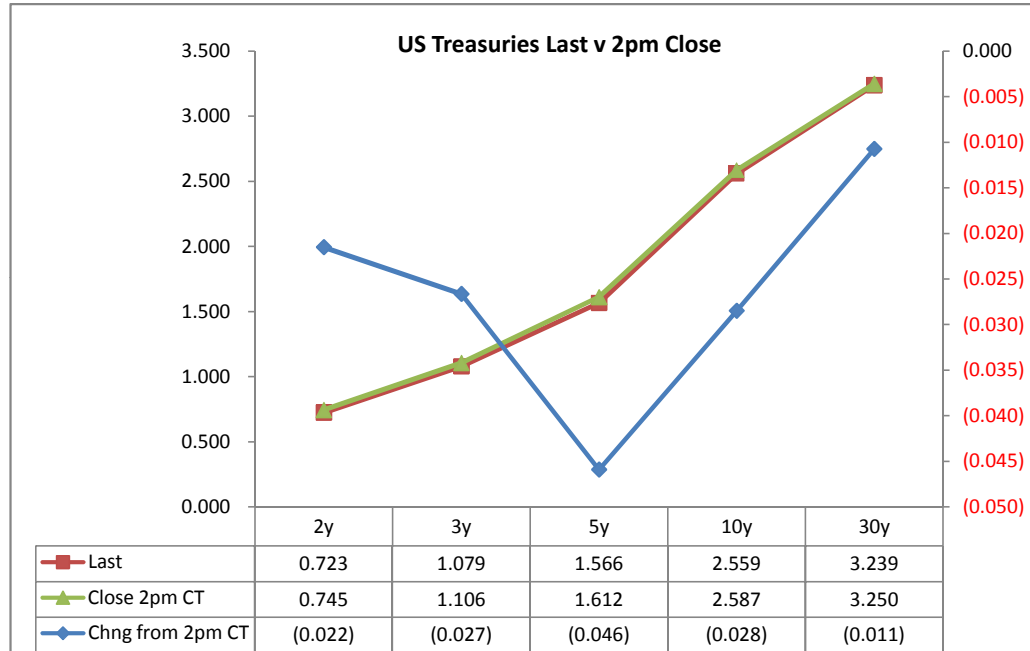
Note: If you are looking at a matrix with Eurex products then those ratios are pulled from Bloomberg and are static. Meaning, I only update them once in a while but always on rolls. I calculate the other matrixes, with US products, everyday

Treasury Closes: 2pm CT vs this Morning

	Cpn	Mty	Close 32	Close	Last	Chng from 2pm	Basis		Cash Roll	Futrues Roll	Close 32	Last	
							Close	Last					
2y	0.875	12/31/10	100.0800	0.745	0.723	(0.022)	7.04	7.14			109.0650	109.0770	TUAH9
3y	1.125	1/15/12	100.0175	1.106	1.079	(0.027)							
5y	1.500	12/31/13	99.1500	1.612	1.566	(0.046)	70.68	72.01			119.0425	119.1120	FVAH9
10y	3.750	11/15/18	110.0050	2.587	2.559	(0.028)	200.68	196.56			124.0450	124.190	TYAH9
30y	4.500	5/15/38	123.1600	3.250	3.239	(0.011)	646.39	647.93			129.3000	130.055	USAH9

Curve Spreads			
	Close bps		Chng from 2pm Cls
	Last bps	Last bps	
2/3	36.1	35.6	(0.5)
2/5	86.7	84.3	(2.4)
3/5	50.6	48.7	(1.9)
2/10	184.2	183.5	(0.7)
3/10	148.1	147.9	(0.2)
5/10	97.5	99.2	1.7
2/30	250.5	251.6	1.1
3/30	214.4	216.0	1.6
5/30	163.8	167.3	3.5
10/30	66.3	68.1	1.8

O/N News:



	Last	Chng on Day
Emini SP	809.00	(16.50)
Crude Oil	42.69	(0.98)
Gold	874.00	15.20
EURUSD	128.22	(1.82)
USDJPY	88.33	(0.59)



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	42%	100%		
10	23%	56%	100%	0%
30	11%	26%	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	\$193			
5	\$200	\$481		
10	\$219	\$527	\$943	
30	\$246	\$592	\$1,059	\$2,252

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	\$193			
5	(\$6)	\$481		
10	(\$26)	(\$46)	\$943	
30	(\$53)	(\$111)	(\$116)	\$2,252

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	-3.2%	0.0%		
10	-11.7%	-8.8%	0.0%	
30	-21.4%	-18.8%	-11.0%	0.0%

Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.92	2.30	4.50	10.75
ZF	0.38	0.95	1.87	4.47
ZN	0.24	0.58	1.15	2.74
ZB	0.13	0.33	0.65	1.55

	2y	5y	10y	30y
2y		2.49	4.88	11.65
5y	0.40		1.96	4.68
10y	0.20	0.51		2.39
30y	0.09	0.21	0.42	

	ZT	ZF	ZN	ZB
ZT		2.40	3.92	6.95
ZF	0.42		1.63	2.89
ZN	0.25	0.61		1.77
ZB	0.14	0.35	0.56	

Box for Box Matrix

	2y	5y	10y	30y
ZT	0.92	2.30	9.00	21.50
ZF	0.38	0.95	3.74	8.94
ZN	0.47	1.17	1.15	2.74
ZB	0.53	0.66	1.29	1.55

	2y	5y	10y	30y
2y		2.49	2.44	5.83
5y	0.40		0.49	2.34
10y	0.41	2.04		2.39
30y	0.17	0.43	0.42	

	ZT	ZF	ZN	ZB
ZT		2.40	7.85	13.90
ZF	0.42		1.63	5.78
ZN	0.13	0.61		1.77
ZB	0.07	0.17	0.56	

	Libor\$ ¹	Repo Rt ⁶
0/N	0.236	0.270
1week	0.298	0.150
2week	0.336	0.150

	Libor\$ ¹	Tbill	CP ²
1M	0.401	0.027	0.700
3M	1.169	0.103	#VALUE!
6M	1.628	0.299	1.640

	TSY	Swp	Swp Rate ⁵	ED Pks ³	TSY - ED Pk ⁴
2y	0.723	68.00	1.40	1.824	1.101
5y	1.566	60.00	2.17	2.887	1.321
10y	2.559	13.75	2.70	#VALUE!	#VALUE!

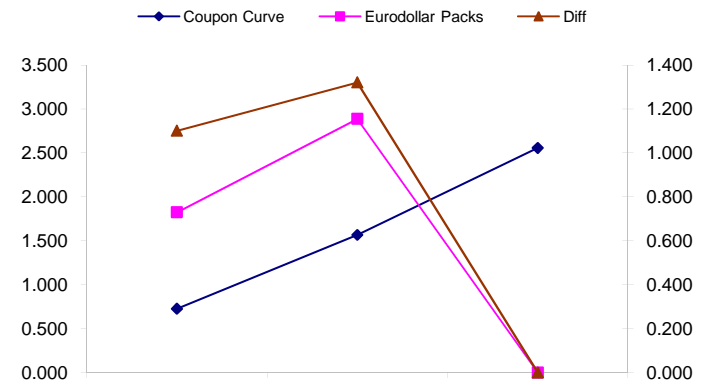
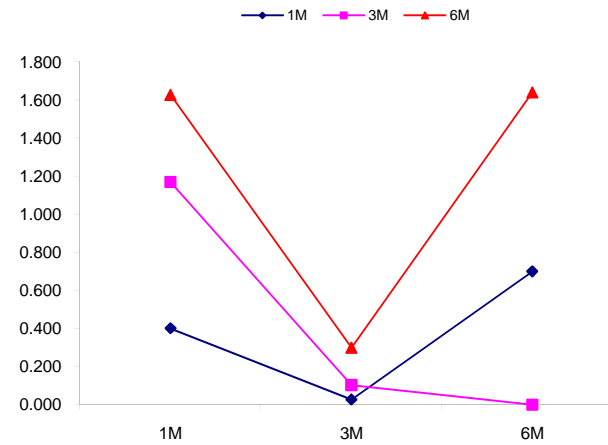
<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>
84.3	106.3	22.0
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>
183.5	#VALUE!	#VALUE!
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>
99.2	#VALUE!	#VALUE!

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



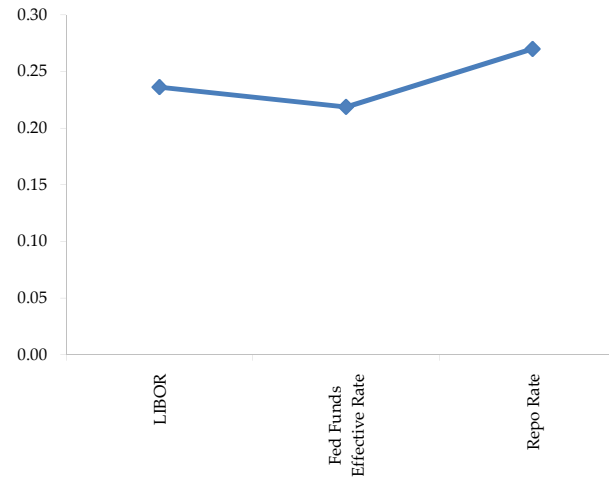
	Last	Chng	Term	Asset Type
USDLIBON	0.236	0.0263	Overnight	LIBOR
TUSFFRON	0.219	(0.0312)	Overnight	Fed Funds Effective Rate
TUSRPOON	0.270	0.0000	Overnight	Repo Rate
TEONIA01M	1.266	(0.0440)	1 month	Euribor OIS Rate
TEONIA03M	1.168	(0.0400)	3 month	Euribor OIS Rate
TSONIA01M	0.976	(0.0100)	1 month	Sterling OIS Rate
TSONIA03M	0.784	(0.0080)	3 month	Sterling OIS Rate
TUSOIS01M	0.210	(0.0140)	1 month	USD OIS Rate
TUSOIS03M	0.230	(0.0030)	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.

