



The Morning Email: Treasuries

7/17/2009 5:33

Table of Contents

- Pg 1** Auctions
- 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:
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| | 32nds | | | | | |
|---------------------|-----------|----------|-----------|-----------|------------|-------------|
| | 2 y | 3 y | 5y | 7y | 10y | 30y |
| Auction Price | 99.304 | 99.302 | 99.208 | 99.163 | 97.320 | 99.033 |
| Auction Yield Stop | 1.151 | 1.519 | 2.700 | 3.300 | 3.365 | 4.303 |
| Actual Auction Date | 6/23/2009 | 7/7/2009 | 6/24/2009 | 6/26/2009 | 07/08/09 r | 7/09/2009 r |

| | | 32 nds | | | | | |
|--------|----------|---------|----------|----------|----------|--------|-----------|
| | Last | Net | High | Low | Open | Volume | Sym Name |
| TUAU9 | 108.1350 | 0.0 | 108.1470 | 108.1250 | 108.1270 | 11,491 | 2y Fut |
| Z3NU9 | 111.2870 | 2.2 | #VALUE! | #VALUE! | #VALUE! | 0 | 3y Fut |
| FVAU9 | 115.1800 | 0.7 | 115.2050 | 115.1550 | 115.1600 | 24,674 | 5y Fut |
| TYAU9 | 117.0350 | 3.00 | 117.0550 | 116.2800 | 116.2800 | 52,281 | 10y Fut |
| USAU9 | 117.1250 | 5.50 | 117.1900 | 117.0100 | 117.0200 | 8,114 | 30y Fut |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02P | 100.1000 | 0.70 | 100.1050 | 100.0950 | 100.0970 | na | 2y Cash |
| BUS03P | 99.2920 | 0.70 | 99.3000 | 99.2820 | 99.2900 | na | 3y Cash |
| BUS05P | 100.2850 | 0.70 | 100.3000 | 100.2620 | 100.2750 | na | 5y Cash |
| BUS07P | 100.2600 | 4.50 | 100.2800 | 100.2400 | 100.2000 | na | 7y Cash |
| BUS10P | 96.1550 | 1.00 | 96.1950 | 96.1050 | 96.1100 | na | 10y Cash |
| BUS30P | 96.3000 | (12.50) | 97.0400 | 96.2750 | 96.3050 | na | 30y Cash |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02Y | 0.962 | (0.010) | 0.970 | 0.954 | 0.963 | na | 2y Yield |
| BUS03Y | 1.530 | (0.030) | 1.540 | 1.521 | 1.552 | na | 3y Yield |
| BUS05Y | 2.432 | (0.040) | 2.448 | 2.422 | 2.446 | na | 5y Yield |
| BUS07Y | 3.110 | (0.100) | 3.128 | 3.108 | 3.134 | na | 7y Yield |
| BUS10Y | 3.554 | (0.030) | 3.571 | 3.536 | 3.567 | na | 10y Yield |
| BUS30Y | 4.431 | (0.060) | 4.440 | 4.424 | 4.443 | na | 30y Yield |

Notes:

Regarding the futures quotes: .2 .5 & .7
represent 1/4, 1/2, & 3/4s.

| | M Duration | DV01 32 | DV01 \$ | DV01 Box | CF | |
|------------|------------|---------|---------|----------|--------|------------|
| 30y | 16.48 | 5.48 | \$1,712 | 10.96 | n/a | 30y |
| 10y | 8.31 | 2.70 | \$845 | 5.41 | n/a | 10y |
| 7y | 6.17 | 2.10 | \$656 | 4.20 | n/a | 7y |
| 5y | 4.61 | 1.55 | \$486 | 6.22 | n/a | 5y |
| 3y | 2.91 | 0.95 | \$298 | 3.81 | n/a | 3y |
| 2y | 1.92 | 0.63 | \$196 | 2.51 | n/a | 2y |
| ZB | 9.95 | 4.12 | \$129 | 4.12 | 0.7593 | ZB |
| ZN | 5.78 | 2.35 | \$74 | 4.71 | 0.7941 | ZN |
| ZF | 4.14 | 1.59 | \$50 | 6.37 | 0.8622 | ZF |
| Z3N | 2.76 | 1.07 | \$33 | 4.28 | 0.7941 | Z3N |
| ZT | 1.87 | 0.70 | \$22 | 2.82 | 0.9201 | 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 2.47 tics (Today, 04/28/09, the value in the box is 2.47).

Since ZN trades in half tics, then, 4.95 boxes = 1 basis point in ZN. (Again, today, 04/28/09, the value in the box is 4.95). 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 | Z3N | ZT |
|-----|------|------|------|------|------|
| ZB | | 1.75 | 2.59 | 1.92 | 2.92 |
| ZN | 0.57 | | 1.48 | 1.10 | 1.67 |
| ZF | 0.39 | 0.68 | | 0.74 | 1.13 |
| Z3N | 0.50 | 0.88 | 1.30 | | 1.47 |
| ZT | 0.34 | 0.60 | 0.89 | 1.32 | |

US Treasuries vs US Financial Futures

| | 2y | 3y | 5y | 7y | 10y | 30y |
|-----|-----|-----|------|------|-------|------|
| ZB | 1.5 | 2.3 | 3.8 | 5.1 | 6.56 | 13.3 |
| ZN | 2.7 | 4.0 | 6.6 | 8.9 | 11.48 | 23.3 |
| ZF | 3.9 | 6.0 | 9.8 | 13.2 | 16.98 | 34.4 |
| Z3N | 2.9 | 4.4 | 7.3 | 9.8 | 12.62 | 25.6 |
| ZT | 4.5 | 6.8 | 11.0 | 14.9 | 19.18 | 38.9 |

US Treasuries

| | 2y | 3y | 5y | 7y | 10y | 30y |
|-----|------|------|------|------|------|------|
| 2y | | 1.52 | 2.48 | 3.35 | 4.31 | 8.73 |
| 3y | 0.66 | | 1.63 | 2.20 | 2.84 | 5.75 |
| 5y | 0.40 | 0.61 | | 1.35 | 1.74 | 3.52 |
| 7y | 0.30 | 0.45 | 0.74 | | 1.29 | 2.61 |
| 10y | 0.23 | 0.35 | 0.58 | 0.78 | | 2.03 |
| 30y | 0.11 | 0.17 | 0.28 | 0.38 | 0.49 | |

US Financial Futures vs German Futures

| | ZB | ZN | ZF | ZT |
|-----------|------|------|------|------|
| Bund (U) | 1.00 | 1.86 | 2.55 | 3 |
| Bobl (U) | 0.62 | 1.00 | 1.50 | 1.69 |
| Shatz (U) | 0.24 | 0.42 | 0.60 | 0.68 |

German Futrues vs German Futures

| | Bund (U) | Bobl (U) | Shatz (U) |
|-----------|----------|----------|-----------|
| Bund (U) | | 1.70 | 4.21 |
| Bobl (U) | 0.59 | | 2.47 |
| Shatz (U) | 0.24 | 0.40 | |

US Treasuries vs German Futures

| | 2y | 3y | 5y | 7y | 10y | 30y |
|-----------|-----|-----|------|------|------|------|
| Bund (U) | 1.5 | 2.3 | 3.6 | 4.7 | 6.3 | 12.9 |
| Bobl (U) | 2.7 | 3.9 | 6.3 | 8.0 | 11 | 22.3 |
| Shatz (U) | 6.8 | 9.9 | 16.1 | 19.7 | 27.9 | 56.9 |

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

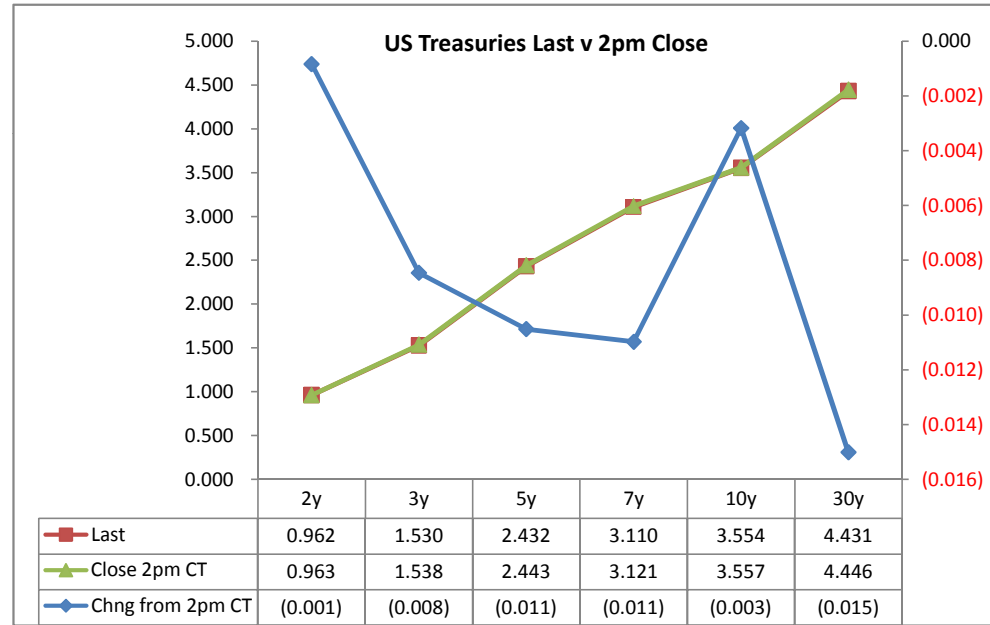
Treasury Closes: 2pm CT vs this Morning

| | Cpn | Mty | Close 32 | Close | Last | Chng | Basis (CF) | | Close 32 | Last | |
|-----|-------|---------|----------|-------|-------|----------|------------|--------|----------|---------|-------|
| | | | | | | from 2pm | Close | Last | | | |
| 2y | 1.125 | 6/30/11 | 100.0950 | 0.963 | 0.962 | (0.001) | 17.21 | 17.71 | 108.1350 | 108.135 | TUAU9 |
| 3y | 1.500 | 7/15/12 | 99.2850 | 1.538 | 1.530 | (0.008) | -15.12 | -13.97 | 111.2920 | 111.287 | Z3NU9 |
| 5y | 2.250 | 5/31/14 | 100.2700 | 2.443 | 2.432 | (0.011) | 39.23 | 40.08 | 115.1725 | 115.180 | FVAU9 |
| 7y | 3.250 | 6/30/16 | 100.2550 | 3.121 | 3.110 | (0.011) | | | | | |
| 10y | 3.125 | 5/15/19 | 96.1400 | 3.557 | 3.554 | (0.003) | 112.49 | 111.61 | 117.0050 | 117.035 | TYAU9 |
| 30y | 4.250 | 5/15/39 | 96.2500 | 4.446 | 4.431 | (0.015) | 248.87 | 249.69 | 117.070 | 117.125 | USAU9 |

Curve Spreads^

| | Close bps | Last bps | Chng from |
|-------|-----------|----------|-----------|
| | | | 2pm Cls |
| 2/3 | 57.5 | 56.7 | (0.8) |
| 2/5 | 148.0 | 147.0 | (1.0) |
| 2/7 | 215.8 | 214.8 | (1.0) |
| 3/5 | 90.5 | 90.3 | (0.2) |
| 3/7 | 158.3 | 158.0 | (0.3) |
| 2/10 | 259.4 | 259.2 | (0.2) |
| 3/10 | 201.9 | 202.4 | 0.5 |
| 5/7 | 67.8 | 67.8 | (0.0) |
| 5/10 | 111.4 | 112.1 | 0.7 |
| 2/30 | 348.3 | 346.9 | (1.4) |
| 3/30 | 290.8 | 290.1 | (0.7) |
| 5/30 | 200.3 | 199.8 | (0.5) |
| 7/10 | 43.6 | 44.4 | 0.8 |
| 7/30 | 132.5 | 132.1 | (0.4) |
| 10/30 | 88.9 | 87.7 | (1.2) |

| | Last | Chng on Day | Prcnt Chng |
|-----------|--------|-------------|------------|
| Emini SP | 935.75 | 0.00 | 0.00 |
| Crude Oil | 61.88 | (0.14) | -0.23 |
| Gold | 935.10 | (0.30) | -0.03 |
| EURUSD | 141.03 | (0.45) | -0.32 |
| USDJPY | 93.83 | (0.11) | -0.12 |
| DX | 79.49 | 0.27 | 0.35 |



^matrix is linked to 'Monitor'

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 | 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 | \$196 | | | |
| 5 | \$202 | \$486 | | |
| 10 | \$195 | \$469 | \$845 | |
| 30 | \$199 | \$479 | \$863 | \$1,712 |

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 | \$196 | | | |
| 5 | (\$6) | \$486 | | |
| 10 | \$1 | \$17 | \$845 | |
| 30 | (\$3) | \$7 | (\$18) | \$1,712 |

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 | -3.1% | 0.0% | | |
| 10 | 0.4% | 3.6% | 0.0% | |
| 30 | -1.7% | 1.4% | -2.1% | 0.0% |

Tic for Tic Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|------|
| ZT | 0.89 | 2.21 | 3.84 | 7.77 |
| ZF | 0.39 | 0.98 | 1.70 | 3.44 |
| ZN | 0.27 | 0.66 | 1.15 | 2.33 |
| ZB | 0.15 | 0.38 | 0.66 | 1.33 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.48 | 4.31 | 8.73 |
| 5y | 0.40 | | 1.74 | 3.52 |
| 10y | 0.23 | 0.58 | | 2.03 |
| 30y | 0.11 | 0.28 | 0.49 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|------|
| ZT | | 2.26 | 3.34 | 5.85 |
| ZF | 0.44 | | 1.48 | 2.59 |
| ZN | 0.30 | 0.68 | | 1.75 |
| ZB | 0.17 | 0.39 | 0.57 | |

Box for Box Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|-------|
| ZT | 0.89 | 2.21 | 7.67 | 15.55 |
| ZF | 0.39 | 0.98 | 3.40 | 6.88 |
| ZN | 0.53 | 1.32 | 1.15 | 2.33 |
| ZB | 0.61 | 0.75 | 1.31 | 1.33 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.48 | 2.15 | 4.37 |
| 5y | 0.40 | | 0.43 | 1.76 |
| 10y | 0.46 | 2.30 | | 2.03 |
| 30y | 0.23 | 0.57 | 0.49 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|-------|
| ZT | | 2.26 | 6.68 | 11.69 |
| ZF | 0.44 | | 2.96 | 5.18 |
| ZN | 0.15 | 0.34 | | 1.75 |
| ZB | 0.09 | 0.19 | 0.57 | |

| | Libor\$ ¹ | Repo Rt ⁶ |
|-------|----------------------|----------------------|
| 0/N | 0.240 | #VALUE! |
| 1week | 0.267 | #VALUE! |
| 2week | 0.277 | #VALUE! |

| | Libor\$ ¹ | Tbill | CP ² |
|----|----------------------|-------|-----------------|
| 1M | 0.286 | 0.139 | 0.300 |
| 3M | 0.504 | 0.172 | 0.400 |
| 6M | 0.971 | 0.269 | 0.850 |

| | TSY | Swp | Swp Rate ⁵ | ED Pks ³ | TSY - ED Pk ⁴ |
|-----|-------|-------|-----------------------|---------------------|--------------------------|
| 2y | 0.962 | 45.25 | 1.41 | 2.319 | 1.357 |
| 5y | 2.432 | 48.50 | 2.92 | 4.386 | 1.954 |
| 10y | 3.554 | 22.50 | 3.78 | 4.817 | 1.263 |

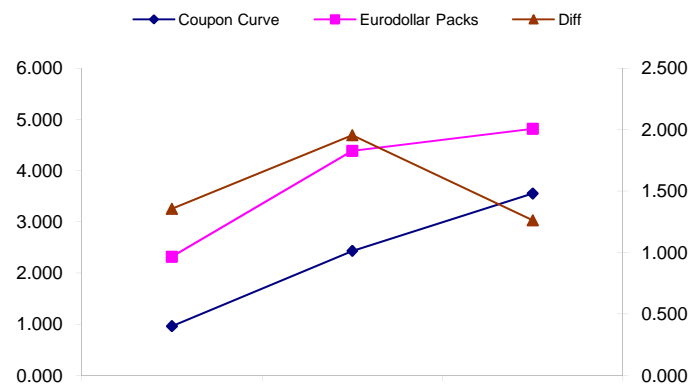
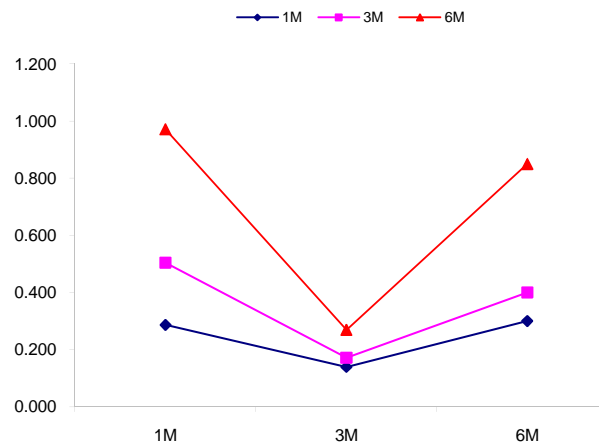
| <u>2/5</u> | <u>Rd/Blu Pk</u> | <u>Diff</u> |
|-------------|-------------------|-------------|
| 147.0 | 206.7 | 59.7 |
| <u>2/10</u> | <u>Rd/Gld Pk</u> | <u>Diff</u> |
| 259.2 | 249.8 | -9.4 |
| <u>5/10</u> | <u>Blu/Gld Pk</u> | <u>Diff</u> |
| 112.1 | 43.0 | -69.1 |

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



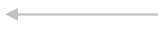
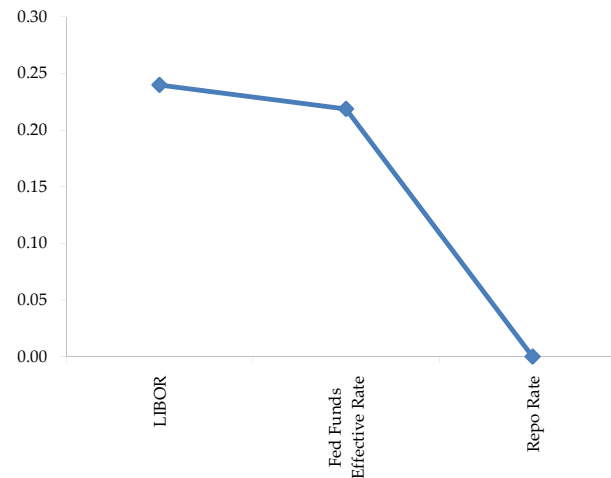
| | Last | Chng | Term | Asset Type |
|-----------|---------|----------|-----------|--------------------------|
| USDLIBON | 0.240 | (0.0013) | Overnight | LIBOR |
| TUSFFRON | 0.219 | 0.0626 | Overnight | Fed Funds Effective Rate |
| TUSRPOON | #VALUE! | #VALUE! | Overnight | Repo Rate |
| TEONIA01M | 0.383 | 0.0010 | 1 month | Euribor OIS Rate |
| TEONIA03M | 0.438 | (0.0010) | 3 month | Euribor OIS Rate |
| TSONIA01M | 0.424 | 0.0030 | 1 month | Sterling OIS Rate |
| TSONIA03M | 0.428 | 0.0040 | 3 month | Sterling OIS Rate |
| TUSOIS01M | 0.169 | (0.0010) | 1 month | USD OIS Rate |
| TUSOIS03M | 0.192 | 0.0000 | 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 to request that I take a snapshot during the day and send it to you personally.

The Fed Funds effective rate and the repo rate rarely update until after I send the morning email.

