



7/27/2009 5:56

The Morning Email: Treasuries

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Want something added? Let me know: jgoulding@ghco.com

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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 | 108.1050 | (1.2) | 108.1220 | 108.0970 | 108.1170 | 9,305 | 2y Fut |
| Z3NU9 | 111.2550 | (2.7) | #VALUE! | #VALUE! | #VALUE! | 0 | 3y Fut |
| FVAU9 | 114.2850 | (6.2) | 115.0450 | 114.2650 | 115.0370 | 17,315 | 5y Fut |
| TYAU9 | 116.0200 | (10.00) | 116.1500 | 115.3000 | 116.1350 | 51,104 | 10y Fut |
| USAU9 | 115.2350 | (11.50) | 116.1000 | 115.1750 | 116.0650 | 8,855 | 30y Fut |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02P | 100.0570 | (1.50) | 100.0670 | 100.0500 | 100.0650 | na | 2y Cash |
| BUS03P | 99.2250 | (4.70) | 99.2570 | 99.2200 | 99.2570 | na | 3y Cash |
| BUS05P | 100.0620 | (8.00) | 100.1270 | 100.0420 | 100.1350 | na | 5y Cash |
| BUS07P | 99.2500 | (12.50) | 100.0250 | 99.2300 | 100.0400 | na | 7y Cash |
| BUS10P | 95.1000 | (11.00) | 95.2300 | 95.0400 | 95.1250 | na | 10y Cash |
| BUS30P | 94.1950 | (101.50) | 95.0600 | 94.1450 | 95.0750 | na | 30y Cash |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02Y | 1.022 | 0.290 | 1.043 | 1.014 | 1.023 | na | 2y Yield |
| BUS03Y | 1.603 | 0.570 | 1.608 | 1.568 | 1.557 | na | 3y Yield |
| BUS05Y | 2.584 | 0.560 | 2.596 | 2.538 | 2.550 | na | 5y Yield |
| BUS07Y | 3.280 | 0.660 | 3.295 | 3.237 | 3.229 | na | 7y Yield |
| BUS10Y | 3.701 | 0.430 | 3.719 | 3.658 | 3.682 | na | 10y Yield |
| BUS30Y | 4.578 | 0.390 | 4.593 | 4.546 | 4.543 | 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 | 16.28 | 5.30 | \$1,655 | 10.59 | n/a | 30y |
| 10y | 8.27 | 2.66 | \$832 | 5.32 | n/a | 10y |
| 7y | 6.14 | 2.07 | \$647 | 4.14 | n/a | 7y |
| 5y | 4.59 | 1.54 | \$480 | 6.15 | n/a | 5y |
| 3y | 2.89 | 0.94 | \$295 | 3.77 | n/a | 3y |
| 2y | 1.90 | 0.62 | \$194 | 2.48 | n/a | 2y |
| ZB | 9.88 | 4.05 | \$127 | 4.05 | 0.7593 | ZB |
| ZN | 5.74 | 2.32 | \$73 | 4.64 | 0.7941 | ZN |
| ZF | 4.12 | 1.57 | \$49 | 6.29 | 0.8622 | ZF |
| Z3N | 2.74 | 1.06 | \$33 | 4.24 | 0.7941 | Z3N |
| ZT | 1.84 | 0.70 | \$22 | 2.78 | 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 | 2.58 | 1.91 | 2.91 |
| ZN | 0.57 | | 1.48 | 1.10 | 1.67 |
| ZF | 0.39 | 0.68 | | 0.74 | 1.13 |
| Z3N | 0.51 | 0.88 | 1.31 | | 1.48 |
| ZT | 0.34 | 0.60 | 0.88 | 1.31 | |

US Treasuries vs US Financial Futures

| | 2y | 3y | 5y | 7y | 10y | 30y |
|-----|-----|-----|------|------|-------|------|
| ZB | 1.5 | 2.3 | 3.8 | 5.1 | 6.57 | 13.1 |
| ZN | 2.7 | 4.1 | 6.6 | 8.9 | 11.46 | 22.8 |
| ZF | 3.9 | 6.0 | 9.8 | 13.2 | 16.93 | 33.7 |
| Z3N | 2.9 | 4.5 | 7.3 | 9.8 | 12.56 | 25.0 |
| ZT | 4.5 | 6.8 | 11.0 | 14.9 | 19.14 | 38.1 |

US Treasuries

| | 2y | 3y | 5y | 7y | 10y | 30y |
|-----|------|------|------|------|------|------|
| 2y | | 1.52 | 2.48 | 3.34 | 4.30 | 8.55 |
| 3y | 0.66 | | 1.63 | 2.19 | 2.82 | 5.61 |
| 5y | 0.40 | 0.61 | | 1.35 | 1.73 | 3.45 |
| 7y | 0.30 | 0.46 | 0.74 | | 1.29 | 2.56 |
| 10y | 0.23 | 0.35 | 0.58 | 0.78 | | 1.99 |
| 30y | 0.12 | 0.18 | 0.29 | 0.39 | 0.50 | |

US Financial Futures vs German Futures

| | ZB | ZN | ZF | ZT |
|-----------|------|------|------|--------|
| Bund (U) | 1.00 | 1.86 | 2.55 | Jan-00 |
| Bobl (U) | 0.62 | 1.00 | 1.50 | Jan-00 |
| Shatz (U) | 0.24 | 0.42 | 0.60 | Jan-00 |

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 | Jan-00 | 12.9 |
| Bobl (U) | 2.7 | 3.9 | 6.3 | 8.0 | Jan-00 | 22.3 |
| Shatz (U) | 6.8 | 9.9 | 16.1 | 19.7 | Jan-00 | 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

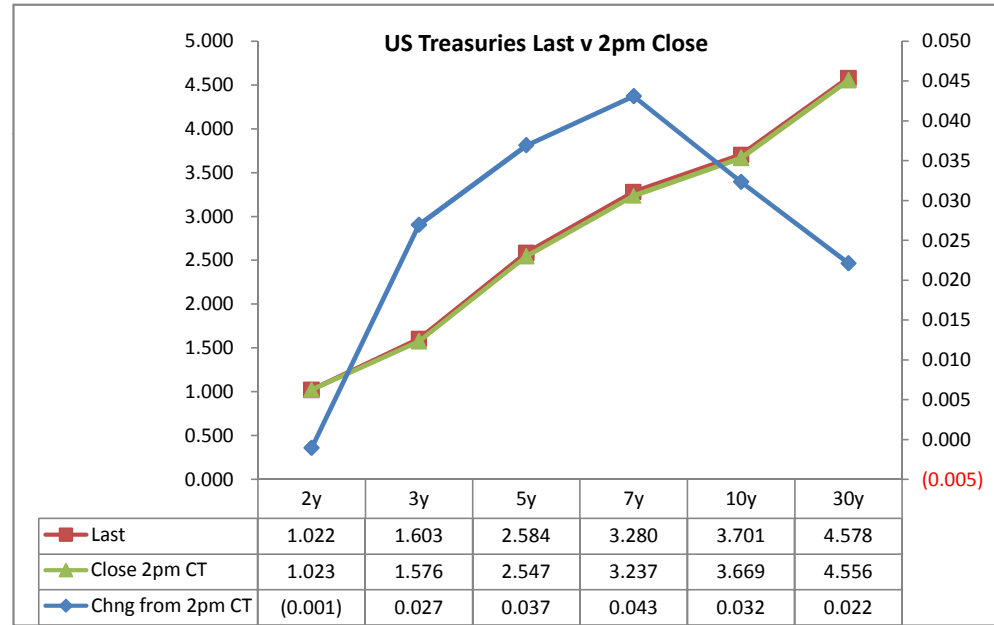
Treasury Closes: 2pm CT vs this Morning

| | Cpn | Mty | Close 32 | Close | Last | Chng | Basis (CF) | | | Close 32 | Last | |
|-----|-------|---------|----------|-------|-------|----------|------------|--------|--------|----------|---------|-------|
| | | | | | | from 2pm | Close | Last | CF | | | |
| 2y | 1.125 | 6/30/11 | 100.0675 | 1.023 | 1.022 | (0.001) | 15.84 | 16.17 | 0.9201 | 108.120 | 108.105 | TUAU9 |
| 3y | 1.500 | 7/15/12 | 99.2500 | 1.576 | 1.603 | 0.027 | 29.42 | 26.92 | 0.8843 | 111.255 | 111.255 | Z3NU9 |
| 5y | 2.250 | 5/31/14 | 100.1150 | 2.547 | 2.584 | 0.037 | 36.23 | 36.32 | 0.8622 | 115.028 | 114.285 | FVAU9 |
| 7y | 3.250 | 6/30/16 | 100.0250 | 3.237 | 3.280 | 0.043 | na | na | na | na | na | |
| 10y | 3.125 | 5/15/19 | 95.1750 | 3.669 | 3.701 | 0.032 | 100.27 | 100.71 | 0.7941 | 116.120 | 116.020 | TYAU9 |
| 30y | 4.250 | 5/15/39 | 95.0100 | 4.556 | 4.578 | 0.022 | 220.20 | 215.43 | 0.7593 | 116.030 | 115.235 | USAU9 |

Curve Spreads^

| | Close bps | Last bps | Chng from |
|-------|-----------|----------|-----------|
| | | | 2pm CIs |
| 2/3 | 55.3 | 58.1 | 2.8 |
| 2/5 | 152.4 | 156.2 | 3.8 |
| 2/7 | 221.4 | 225.8 | 4.4 |
| 3/5 | 97.1 | 98.1 | 1.0 |
| 3/7 | 166.1 | 167.7 | 1.6 |
| 2/10 | 264.6 | 267.9 | 3.3 |
| 3/10 | 209.3 | 209.8 | 0.5 |
| 5/7 | 69.0 | 69.6 | 0.6 |
| 5/10 | 112.2 | 111.7 | (0.5) |
| 2/30 | 353.3 | 355.6 | 2.3 |
| 3/30 | 298.0 | 297.5 | (0.5) |
| 5/30 | 200.9 | 199.4 | (1.5) |
| 7/10 | 43.2 | 42.1 | (1.1) |
| 7/30 | 131.9 | 129.8 | (2.1) |
| 10/30 | 88.7 | 87.7 | (1.0) |

| | Last | Chng on Day | Prcnt Chng |
|-----------|--------|-------------|------------|
| Emini SP | 981.75 | 4.00 | 0.41 |
| Crude Oil | 68.57 | 0.52 | 0.76 |
| Gold | 957.60 | 4.50 | 0.47 |
| EURUSD | 142.83 | 0.78 | 0.55 |
| USDJPY | 95.15 | 0.33 | 0.35 |
| DX | 78.49 | (0.26) | -0.33 |



^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 | 41% | 100% | | |
| 10 | 23% | 55% | 100% | |
| 30 | 12% | 28% | 51% | 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 | \$194 | | | |
| 5 | \$199 | \$480 | | |
| 10 | \$191 | \$461 | \$832 | |
| 30 | \$193 | \$466 | \$841 | \$1,655 |

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 | \$194 | | | |
| 5 | (\$5) | \$480 | | |
| 10 | \$3 | \$19 | \$832 | |
| 30 | \$1 | \$14 | (\$9) | \$1,655 |

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 | -2.6% | 0.0% | | |
| 10 | 1.4% | 4.1% | 0.0% | |
| 30 | 0.4% | 3.0% | -1.1% | 0.0% |

Tic for Tic Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|------|
| ZT | 0.89 | 2.21 | 3.83 | 7.62 |
| ZF | 0.39 | 0.98 | 1.69 | 3.37 |
| ZN | 0.27 | 0.66 | 1.15 | 2.28 |
| ZB | 0.15 | 0.38 | 0.66 | 1.31 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.48 | 4.30 | 8.55 |
| 5y | 0.40 | | 1.73 | 3.45 |
| 10y | 0.23 | 0.58 | | 1.99 |
| 30y | 0.12 | 0.29 | 0.50 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|------|
| ZT | | 2.26 | 3.34 | 5.83 |
| ZF | 0.44 | | 1.48 | 2.58 |
| 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 | 7.66 | 15.23 |
| ZF | 0.39 | 0.98 | 3.39 | 6.74 |
| ZN | 0.53 | 1.32 | 1.15 | 2.28 |
| ZB | 0.61 | 0.76 | 1.31 | 1.31 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.48 | 2.15 | 4.27 |
| 5y | 0.40 | | 0.43 | 1.72 |
| 10y | 0.47 | 2.31 | | 1.99 |
| 30y | 0.23 | 0.58 | 0.50 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|-------|
| ZT | | 2.26 | 6.68 | 11.66 |
| ZF | 0.44 | | 2.95 | 5.16 |
| ZN | 0.15 | 0.34 | | 1.75 |
| ZB | 0.09 | 0.19 | 0.57 | |

| | Libor\$ ¹ | Repo Rt ⁶ |
|-------|----------------------|----------------------|
| 0/N | 0.227 | #VALUE! |
| 1week | 0.261 | #VALUE! |
| 2week | 0.274 | #VALUE! |

| | Libor\$ ¹ | Tbill | CP ² |
|----|----------------------|-------|-----------------|
| 1M | 0.288 | 0.147 | 0.300 |
| 3M | 0.496 | 0.187 | 0.400 |
| 6M | 0.948 | 0.281 | 0.850 |

| | TSY | Swp | Swp Rate ⁵ | ED Pks ³ | TSY - ED Pk ⁴ |
|-----|-------|-------|-----------------------|---------------------|--------------------------|
| 2y | 1.022 | 43.75 | 1.46 | 2.389 | 1.368 |
| 5y | 2.584 | 45.25 | 3.04 | 4.565 | 1.981 |
| 10y | 3.701 | 22.75 | 3.93 | #VALUE! | #VALUE! |

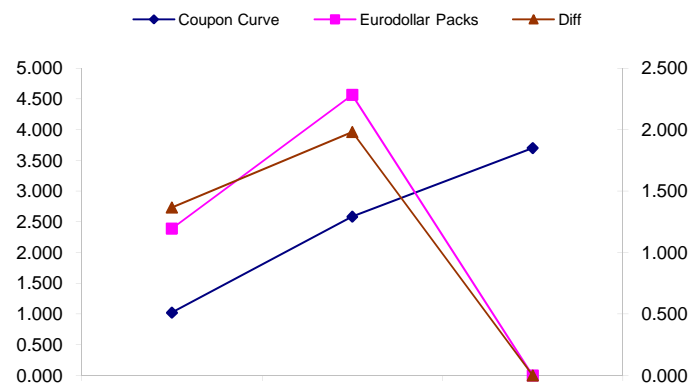
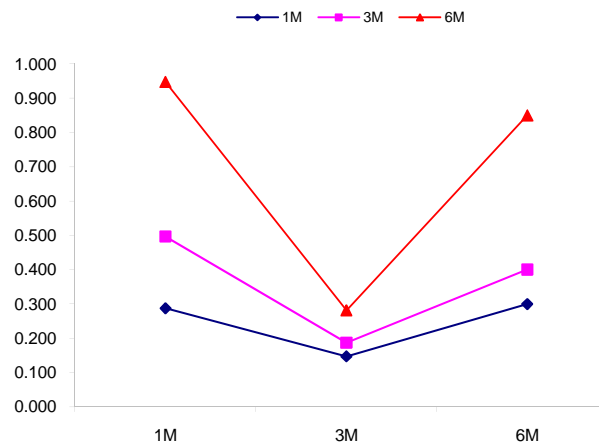
| <u>2/5</u> | <u>Rd/Blu Pk</u> | <u>Diff</u> |
|-------------|-------------------|-------------|
| 156.2 | 217.6 | 61.4 |
| <u>2/10</u> | <u>Rd/Gld Pk</u> | <u>Diff</u> |
| 267.9 | #VALUE! | #VALUE! |
| <u>5/10</u> | <u>Blu/Gld Pk</u> | <u>Diff</u> |
| 111.7 | #VALUE! | #VALUE! |

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



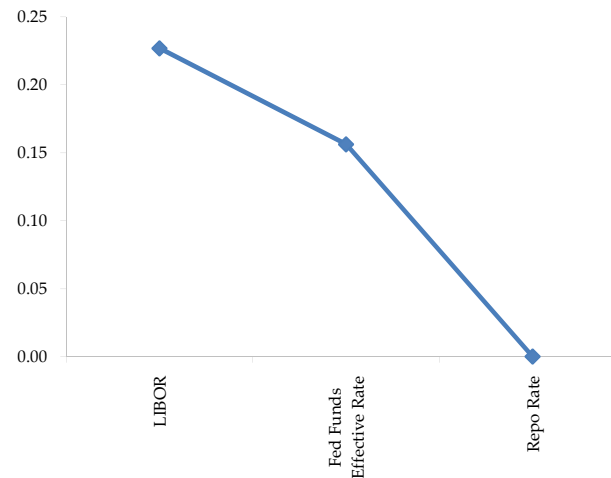
| | Last | Chng | Term | Asset Type |
|-----------|---------|----------|-----------|--------------------------|
| USDLIBON | 0.227 | 0.0038 | Overnight | LIBOR |
| TUSFFRON | 0.156 | 0.0000 | Overnight | Fed Funds Effective Rate |
| TUSRPOON | #VALUE! | #VALUE! | Overnight | Repo Rate |
| TEONIA01M | 0.394 | (0.0040) | 1 month | Euribor OIS Rate |
| TEONIA03M | 0.442 | (0.0020) | 3 month | Euribor OIS Rate |
| TSONIA01M | 0.419 | (0.0030) | 1 month | Sterling OIS Rate |
| TSONIA03M | 0.423 | (0.0020) | 3 month | Sterling OIS Rate |
| TUSOIS01M | 0.182 | 0.0000 | 1 month | USD OIS Rate |
| TUSOIS03M | 0.197 | (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 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.

