



The Morning Email: Treasuries

6/2/2009 5:44

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Want something added? Let me know:
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| | 32nds | | | | | |
|---------------------|-----------|----------|-----------|-----------|----------|----------|
| | 2 y | 3 y | 5y | 7y | 10y | 30y |
| Auction Price | 99.279 | 99.228 | 99.230 | 99.221 | 99.143 | 99.116 |
| Auction Yield Stop | 0.940 | 1.375 | 2.310 | 3.300 | 3.190 | 4.288 |
| Actual Auction Date | 5/26/2009 | 5/5/2009 | 5/27/2009 | 5/28/2009 | 5/6/2009 | 5/7/2009 |

Quotes

| | | 32 nds | | | | | |
|--------|----------|---------|----------|----------|----------|--------|-----------|
| | Last | Net | High | Low | Open | Volume | Sym Name |
| TUAU9 | 108.1170 | 2.0 | 108.1220 | 108.1000 | 108.1100 | 18,410 | 2y Fut |
| Z3NU9 | 111.2350 | 5.7 | 111.2350 | 111.2050 | 111.2050 | 32 | 3y Fut |
| FVAU9 | 114.2670 | 8.7 | 114.2820 | 114.1820 | 114.2070 | 30,538 | 5y Fut |
| TYAU9 | 115.2700 | 14.00 | 115.3050 | 115.1400 | 115.2100 | 98,899 | 10y Fut |
| USAU9 | 115.0650 | 21.50 | 115.1200 | 114.2450 | 115.0000 | 18,602 | 30y Fut |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02P | 99.2800 | 1.00 | 99.2850 | 99.2620 | 99.2670 | na | 2y Cash |
| BUS03P | 99.2520 | 2.50 | 99.2570 | 99.2100 | 99.2250 | na | 3y Cash |
| BUS05P | 98.2820 | 5.50 | 98.2950 | 98.2070 | 98.2420 | na | 5y Cash |
| BUS07P | 100.0600 | 7.00 | 100.0800 | 99.2900 | 100.0200 | na | 7y Cash |
| BUS10P | 95.2450 | 9.50 | 95.2800 | 95.0750 | 95.1600 | na | 10y Cash |
| BUS30P | 95.2550 | 12.00 | 96.0000 | 95.1000 | 95.1200 | na | 30y Cash |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02Y | 0.935 | (0.120) | 0.966 | 0.931 | 0.959 | na | 2y Yield |
| BUS03Y | 1.446 | (0.240) | 1.495 | 1.443 | 1.479 | na | 3y Yield |
| BUS05Y | 2.486 | (0.250) | 2.540 | 2.481 | 2.528 | na | 5y Yield |
| BUS07Y | 3.217 | (0.350) | 3.265 | 3.209 | 3.263 | na | 7y Yield |
| BUS10Y | 3.636 | (0.330) | 3.702 | 3.622 | 3.679 | na | 10y Yield |
| BUS30Y | 4.507 | (0.240) | 4.538 | 4.494 | 4.534 | 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 | 16.51 | 5.40 | \$1,687 | 10.79 | n/a | 30y |
| 10y | 8.42 | 2.71 | \$847 | 5.42 | n/a | 10y |
| 7y | 6.21 | 2.09 | \$653 | 4.18 | n/a | 7y |
| 5y | 4.69 | 1.54 | \$480 | 6.15 | n/a | 5y |
| 3y | 2.88 | 0.94 | \$293 | 3.75 | n/a | 3y |
| 2y | 1.97 | 0.64 | \$199 | 2.55 | n/a | 2y |
| ZB | 10.04 | 4.10 | \$128 | 4.10 | 0.7593 | ZB |
| ZN | 5.89 | 2.38 | \$74 | 4.76 | 0.7941 | ZN |
| ZF | 4.27 | 1.63 | \$51 | 6.52 | 0.8493 | ZF |
| Z3N | 2.83 | 1.10 | \$34 | 4.38 | 0.7941 | Z3N |
| ZT | 1.95 | 0.74 | \$23 | 2.94 | 0.9856 | 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 | | 1.72 | 2.52 | 1.87 | 2.78 |
| ZN | 0.58 | | 1.46 | 1.09 | 1.62 |
| ZF | 0.40 | 0.68 | | 0.74 | 1.11 |
| Z3N | 0.52 | 0.90 | 1.31 | | 1.45 |
| ZT | 0.36 | 0.62 | 0.90 | 1.34 | |

US Treasuries vs US Financial Futures

| | 2y | 3y | 5y | 7y | 10y | 30y |
|-----|-----|-----|------|------|-------|------|
| ZB | 1.6 | 2.3 | 3.7 | 4.8 | 6.61 | 13.2 |
| ZN | 2.7 | 3.9 | 6.5 | 8.3 | 11.40 | 22.7 |
| ZF | 3.9 | 5.8 | 9.4 | 12.1 | 16.65 | 33.1 |
| Z3N | 2.9 | 4.3 | 7.0 | 9.0 | 12.38 | 24.6 |
| ZT | 4.3 | 6.4 | 10.4 | 13.3 | 18.42 | 36.7 |

US Treasuries

| | 2y | 3y | 5y | 7y | 10y | 30y |
|-----|------|------|------|------|------|------|
| 2y | | 1.47 | 2.41 | 3.08 | 4.25 | 8.46 |
| 3y | 0.68 | | 1.64 | 2.09 | 2.89 | 5.76 |
| 5y | 0.41 | 0.61 | | 1.28 | 1.76 | 3.51 |
| 7y | 0.32 | 0.48 | 0.78 | | 1.38 | 2.75 |
| 10y | 0.24 | 0.35 | 0.57 | 0.72 | | 1.99 |
| 30y | 0.12 | 0.17 | 0.28 | 0.36 | 0.50 | |

US Financial Futures vs German Futures

| | ZB | ZN | ZF | ZT |
|-----------|------|------|------|------|
| Bund (U) | 1.00 | 1.80 | 2.55 | 2.88 |
| Bobl (U) | 0.62 | 1.00 | 1.50 | 1.69 |
| Shatz (U) | 0.25 | 0.43 | 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 | 2.4 | 3.7 | 4.7 | 6.4 | 12.6 |
| Bobl (U) | 2.6 | 3.9 | 6.2 | 8.0 | 10.9 | 21.5 |
| Shatz (U) | 6.5 | 9.5 | 15.4 | 19.7 | 26.8 | 52.9 |

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

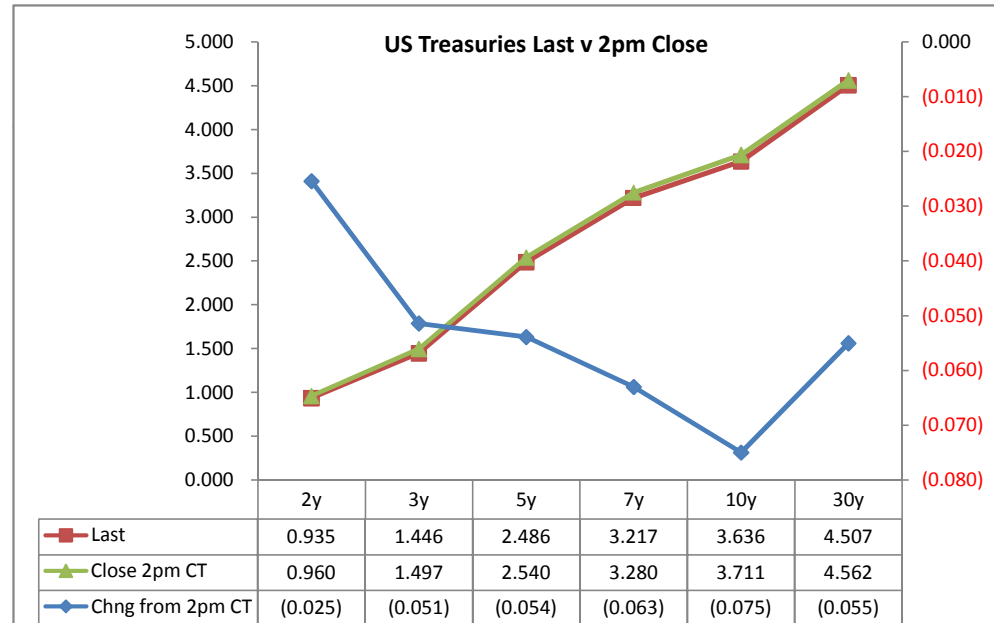
Treasury Closes: 2pm CT vs this Morning

| | Cpn | Mty | Close 32 | Close | Last | Chng | Basis (CF) | | Close 32 | Last | |
|-----|-------|---------|----------|-------|-------|----------|------------|---------|----------|---------|-------|
| | | | | | | from 2pm | Close | Last | | | |
| 2y | 0.875 | 5/31/11 | 99.2625 | 0.960 | 0.935 | (0.025) | -221.59 | -221.77 | 108.0975 | 108.117 | TUAU9 |
| 3y | 1.375 | 5/15/12 | 99.2075 | 1.497 | 1.446 | (0.051) | | | | | |
| 5y | 2.250 | 5/31/14 | 98.2075 | 2.540 | 2.486 | (0.054) | 43.22 | 43.28 | 114.1800 | 114.267 | FVAU9 |
| 7y | 3.250 | 5/31/16 | 99.2600 | 3.280 | 3.217 | (0.063) | | | | | |
| 10y | 3.125 | 5/15/19 | 95.0500 | 3.711 | 3.636 | (0.075) | 111.99 | 120.77 | 115.1350 | 115.27 | TYAU9 |
| 30y | 4.250 | 5/15/39 | 94.3000 | 4.562 | 4.507 | (0.055) | 254.41 | 266.34 | 114.1800 | 115.065 | USAU9 |

Curve Spreads^

| | Close bps | Last bps | Chng from |
|-------|-----------|----------|-----------|
| | | | 2pm Cls |
| 2/3 | 53.7 | 51.1 | (2.6) |
| 2/5 | 158.0 | 155.2 | (2.8) |
| 2/7 | 232.0 | 228.2 | (3.8) |
| 3/5 | 104.3 | 104.1 | (0.2) |
| 3/7 | 178.3 | 177.1 | (1.2) |
| 2/10 | 275.1 | 270.1 | (5.0) |
| 3/10 | 221.4 | 219.0 | (2.4) |
| 5/7 | 74.0 | 73.1 | (0.9) |
| 5/10 | 117.1 | 115.0 | (2.1) |
| 2/30 | 360.2 | 357.2 | (3.0) |
| 3/30 | 306.5 | 306.1 | (0.4) |
| 5/30 | 202.2 | 202.1 | (0.1) |
| 7/10 | 43.1 | 41.9 | (1.2) |
| 7/30 | 128.2 | 129.0 | 0.8 |
| 10/30 | 85.1 | 87.1 | 2.0 |

| | Last | Chng on Day |
|-----------|--------|-------------|
| Emini SP | 941.50 | 2.50 |
| Crude Oil | 68.15 | (0.43) |
| Gold | 978.50 | (1.50) |
| EURUSD | 142.16 | 0.55 |
| USDJPY | 95.67 | (0.94) |



^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% | 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 | \$199 | | | |
| 5 | \$202 | \$480 | | |
| 10 | \$198 | \$472 | \$847 | |
| 30 | \$201 | \$479 | \$860 | \$1,687 |

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 | \$199 | | | |
| 5 | (\$2) | \$480 | | |
| 10 | \$1 | \$9 | \$847 | |
| 30 | (\$2) | \$1 | (\$13) | \$1,687 |

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 | -1.2% | 0.0% | | |
| 10 | 0.6% | 1.8% | 0.0% | |
| 30 | -0.9% | 0.3% | -1.5% | 0.0% |

Tic for Tic Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|------|
| ZT | 0.87 | 2.09 | 3.68 | 7.33 |
| ZF | 0.39 | 0.94 | 1.66 | 3.31 |
| ZN | 0.27 | 0.65 | 1.14 | 2.27 |
| ZB | 0.16 | 0.37 | 0.66 | 1.32 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.41 | 4.25 | 8.46 |
| 5y | 0.41 | | 1.76 | 3.51 |
| 10y | 0.24 | 0.57 | | 1.99 |
| 30y | 0.12 | 0.28 | 0.50 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|------|
| ZT | | 2.21 | 3.23 | 5.57 |
| ZF | 0.45 | | 1.46 | 2.52 |
| ZN | 0.31 | 0.68 | | 1.72 |
| ZB | 0.18 | 0.40 | 0.58 | |

Box for Box Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|-------|
| ZT | 0.87 | 2.09 | 7.37 | 14.67 |
| ZF | 0.39 | 0.94 | 3.33 | 6.63 |
| ZN | 0.54 | 1.29 | 1.14 | 2.27 |
| ZB | 0.62 | 0.75 | 1.32 | 1.32 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.41 | 2.13 | 4.23 |
| 5y | 0.41 | | 0.44 | 1.76 |
| 10y | 0.47 | 2.27 | | 1.99 |
| 30y | 0.24 | 0.57 | 0.50 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|-------|
| ZT | | 2.21 | 6.46 | 11.14 |
| ZF | 0.45 | | 2.92 | 5.03 |
| ZN | 0.15 | 0.34 | | 1.72 |
| ZB | 0.09 | 0.20 | 0.58 | |

| | Libor\$ ¹ | Repo Rt ⁶ |
|-------|----------------------|----------------------|
| 0/N | 0.261 | 0.220 |
| 1week | 0.291 | 0.200 |
| 2week | 0.304 | 0.200 |

| | Libor\$ ¹ | Tbill | CP ² |
|----|----------------------|-------|-----------------|
| 1M | 0.320 | 0.124 | 0.300 |
| 3M | 0.646 | 0.152 | 0.400 |
| 6M | 1.234 | 0.274 | 0.850 |

| | TSY | Swp | Swp Rate ⁵ | ED Pks ³ | TSY - ED Pk ⁴ |
|-----|-------|-------|-----------------------|---------------------|--------------------------|
| 2y | 0.935 | 46.25 | 1.40 | 1.994 | 1.059 |
| 5y | 2.486 | 49.50 | 2.98 | 4.481 | 1.995 |
| 10y | 3.636 | 30.25 | 3.94 | 5.028 | 1.392 |

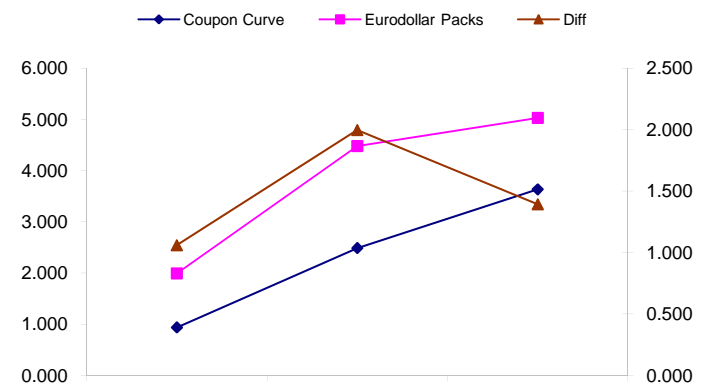
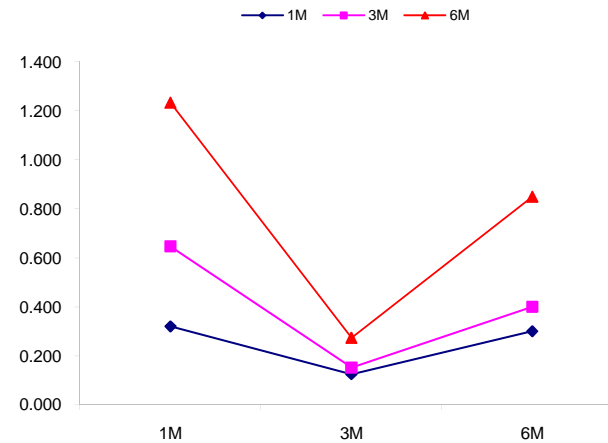
| <u>2/5</u> | <u>Rd/Blu Pk</u> | <u>Diff</u> |
|-------------|-------------------|-------------|
| 155.2 | 248.7 | 93.6 |
| <u>2/10</u> | <u>Rd/Gld Pk</u> | <u>Diff</u> |
| 270.1 | 303.5 | 33.3 |
| <u>5/10</u> | <u>Blu/Gld Pk</u> | <u>Diff</u> |
| 115.0 | 54.7 | -60.3 |

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



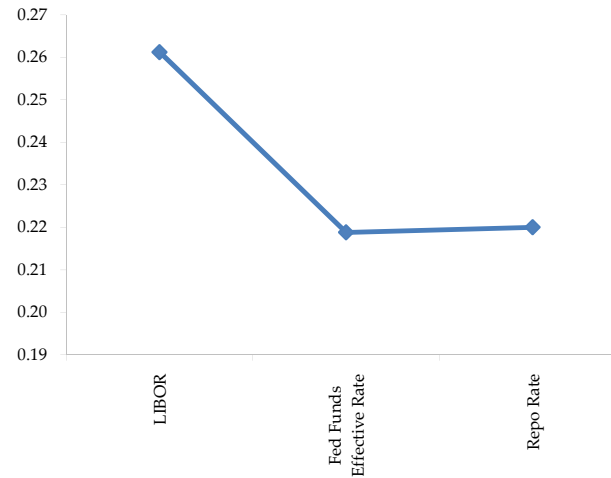
| | Last | Chng | Term | Asset Type |
|-----------|-------|----------|-----------|--------------------------|
| USDLIBON | 0.261 | (0.0012) | Overnight | LIBOR |
| TUSFFRON | 0.219 | (0.0624) | Overnight | Fed Funds Effective Rate |
| TUSRPOON | 0.220 | 0.0000 | Overnight | Repo Rate |
| TEONIA01M | 0.778 | (0.0130) | 1 month | Euribor OIS Rate |
| TEONIA03M | 0.766 | (0.0090) | 3 month | Euribor OIS Rate |
| TSONIA01M | 0.430 | 0.0090 | 1 month | Sterling OIS Rate |
| TSONIA03M | 0.443 | 0.0200 | 3 month | Sterling OIS Rate |
| TUSOIS01M | 0.196 | (0.0030) | 1 month | USD OIS Rate |
| TUSOIS03M | 0.209 | (0.0020) | 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.

