



6/10/2009 5:48

## The Morning Email: Treasuries

### 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:  
[jgoulding@ghco.com](mailto:jgoulding@ghco.com)

**Disclaimer:** All information within this newsletter is meant for internal use at GH Trader's LLC, only. All information has been recorded to the best of my ability. This material is based upon information that I consider reliable, but I do not represent that it is accurate or complete.

	32nds					
	2 y	3 y	5y	7y	10y	30y
Auction Price	99.279	99.241	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	6/9/2009	5/27/2009	5/28/2009	5/6/2009	5/7/2009

		32 nds					
	Last	Net	High	Low	Open	Volume	Sym Name
TUAU9	107.1570	(1.0)	107.1670	107.1300	107.1670	10,913	2y Fut
Z3NU9	110.1270	(2.0)	110.1270	110.1150	110.1150	11	3y Fut
FVAU9	112.2900	(3.7)	113.0050	112.2570	113.0050	25,020	5y Fut
TYAU9	113.1700	(5.00)	113.2150	113.1250	113.2150	57,549	10y Fut
USAU9	113.1000	(10.50)	113.2100	113.0700	113.1900	7,038	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	99.0500	(0.50)	99.0550	99.0270	99.0500	na	2y Cash
BUS03P	99.2520	106.50	99.2620	99.2300	99.2570	na	3y Cash
BUS05P	97.0250	(2.20)	97.0420	97.0070	97.0470	na	5y Cash
BUS07P	98.0800	(3.00)	98.1050	98.0400	98.1100	na	7y Cash
BUS10P	93.2550	(6.00)	94.0500	93.2200	94.0000	na	10y Cash
BUS30P	93.0150	(14.50)	93.1000	92.3150	93.1600	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	1.311	0.090	1.347	1.303	1.311	na	2y Yield
BUS03Y	1.948	0.770		1.937	1.943	na	3y Yield
BUS05Y	2.884	0.180	2.898	2.873	2.870	na	5y Yield
BUS07Y	3.532	0.200	3.558	3.525	3.520	na	7y Yield
BUS10Y	3.882	0.280	3.898	3.838	3.858	na	10y Yield
BUS30Y	4.682	0.260	4.687	4.667	4.654	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	
<b>30y</b>	16.29	5.19	\$1,621	10.37	n/a	<b>30y</b>
<b>10y</b>	8.38	2.65	\$827	5.29	n/a	<b>10y</b>
<b>7y</b>	6.17	2.04	\$638	4.08	n/a	<b>7y</b>
<b>5y</b>	4.66	1.50	\$469	6.00	n/a	<b>5y</b>
<b>3y</b>	2.89	0.95	\$297	3.80	n/a	<b>3y</b>
<b>2y</b>	1.94	0.62	\$195	2.50	n/a	<b>2y</b>
<b>ZB</b>	9.95	3.99	\$125	3.99	0.7593	<b>ZB</b>
<b>ZN</b>	5.85	2.32	\$73	4.64	0.7941	<b>ZN</b>
<b>ZF</b>	4.24	1.59	\$50	6.37	0.8493	<b>ZF</b>
<b>Z3N</b>	2.80	1.07	\$33	4.29	0.7941	<b>Z3N</b>
<b>ZT</b>	1.92	0.72	\$23	2.88	0.9133	<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 2.47 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	2.51	1.86	2.77
ZN	0.58		1.46	1.08	1.61
ZF	0.40	0.69		0.74	1.10
Z3N	0.52	0.90	1.31		1.45
ZT	0.36	0.62	0.90	1.35	

## US Treasuries vs US Financial Futures

	2y	3y	5y	7y	10y	30y
ZB	1.6	2.3	3.8	4.8	6.62	13.0
ZN	2.7	4.0	6.5	8.3	11.39	22.3
ZF	3.9	5.8	9.4	12.0	16.61	32.6
Z3N	2.9	4.3	7.0	8.9	12.35	24.2
ZT	4.3	6.4	10.4	13.3	18.35	36.0

## US Treasuries

	2y	3y	5y	7y	10y	30y
2y		1.47	2.40	3.07	4.23	8.30
3y	0.68		1.63	2.09	2.88	5.65
5y	0.42	0.61		1.28	1.76	3.46
7y	0.33	0.48	0.78		1.38	2.71
10y	0.24	0.35	0.57	0.72		1.96
30y	0.12	0.18	0.29	0.37	0.51	

## 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

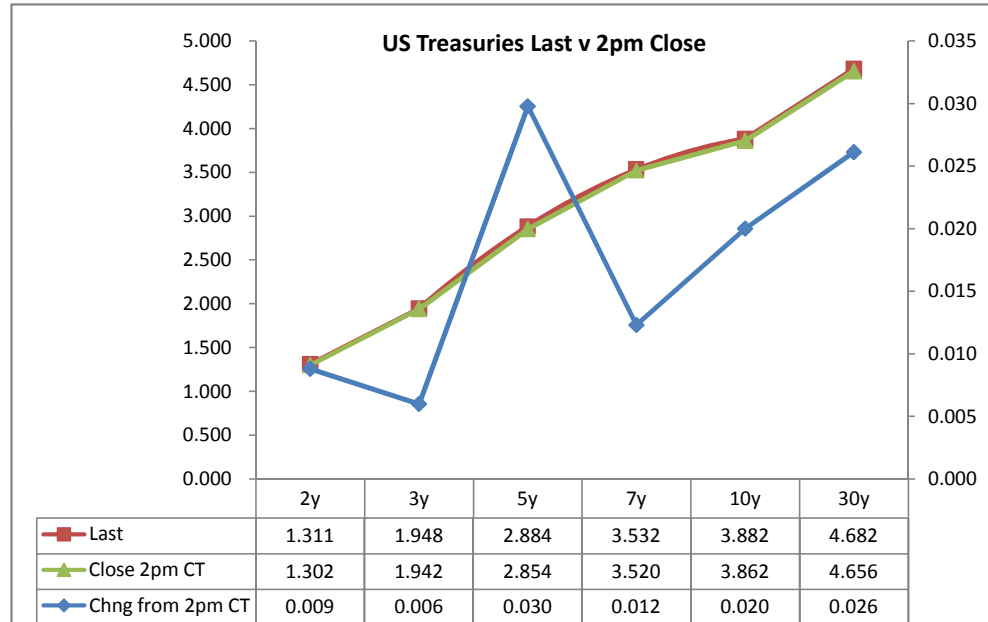
Treasury Closes: 2pm CT vs this Morning

	Cpn	Mty	Close 32	Close	Last	Chng	Basis (CF)		Close 32	Last	
						from 2pm	Close	Last			
2y	0.875	5/31/11	99.0550	1.302	1.311	0.009	31.75	31.52	107.1600	107.157	TUAU9
3y	1.875	6/15/12	99.2575	1.942	1.948	0.006	25.80	25.07	110.1250	110.127	Z3NU9
5y	2.250	5/31/14	97.0700	2.854	2.884	0.030	39.29	37.98	113.0075	112.290	FVAU9
7y	3.250	5/31/16	98.1100	3.520	3.532	0.012					
10y	3.125	5/15/19	93.3100	3.862	3.882	0.020	118.06	116.53	113.2200	113.17	TYAU9
30y	4.250	5/15/39	93.1550	4.656	4.682	0.026	230.31	224.28	113.2050	113.1	USAU9

Curve Spreads^

	Close bps	Last bps	Chng from
			2pm Cls
2/3	64.0	63.7	(0.3)
2/5	155.2	157.3	2.1
2/7	221.8	222.1	0.3
3/5	91.2	93.6	2.4
3/7	157.8	158.4	0.6
2/10	256.0	257.1	1.1
3/10	192.0	193.4	1.4
5/7	66.6	64.9	(1.7)
5/10	100.8	99.8	(1.0)
2/30	335.4	337.1	1.7
3/30	271.4	273.4	2.0
5/30	180.2	179.8	(0.4)
7/10	34.2	35.0	0.8
7/30	113.6	115.0	1.4
10/30	79.4	80.0	0.6

	Last	Chng on Day
Emini SP	952.75	13.25
Crude Oil	71.20	1.19
Gold	962.40	7.70
EURUSD	140.92	0.25
USDJPY	97.94	0.55



^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%	29%	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	\$195			
5	\$196	\$469		
10	\$192	\$459	\$827	
30	\$193	\$463	\$833	\$1,621

**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	\$195			
5	(\$0)	\$469		
10	\$3	\$9	\$827	
30	\$2	\$5	(\$7)	\$1,621

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	-0.2%	0.0%		
10	1.8%	2.0%	0.0%	
30	1.0%	1.2%	-0.8%	0.0%

## Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.87	2.08	3.67	7.20
ZF	0.39	0.94	1.66	3.26
ZN	0.27	0.65	1.14	2.23
ZB	0.16	0.38	0.66	1.30

	2y	5y	10y	30y
2y		2.40	4.23	8.30
5y	0.42		1.76	3.46
10y	0.24	0.57		1.96
30y	0.12	0.29	0.51	

	ZT	ZF	ZN	ZB
ZT		2.21	3.22	5.54
ZF	0.45		1.46	2.51
ZN	0.31	0.69		1.72
ZB	0.18	0.40	0.58	

## Box for Box Matrix

	2y	5y	10y	30y
ZT	0.87	2.08	7.34	14.39
ZF	0.39	0.94	3.32	6.51
ZN	0.54	1.29	1.14	2.23
ZB	0.63	0.75	1.32	1.30

	2y	5y	10y	30y
2y		2.40	2.12	4.15
5y	0.42		0.44	1.73
10y	0.47	2.27		1.96
30y	0.24	0.58	0.51	

	ZT	ZF	ZN	ZB
ZT		2.21	6.44	11.08
ZF	0.45		2.92	5.01
ZN	0.16	0.34		1.72
ZB	0.09	0.20	0.58	



	Libor\$ <sup>1</sup>	Repo Rt <sup>6</sup>
0/N	0.264	#VALUE!
1week	0.294	#VALUE!
2week	0.301	#VALUE!

	Libor\$ <sup>1</sup>	Tbill	CP <sup>2</sup>
1M	0.321	0.065	0.300
3M	0.639	0.172	0.400
6M	1.229	0.307	0.850

	TSY	Swp	Swp Rate <sup>5</sup>	ED Pks <sup>3</sup>	TSY - ED Pk <sup>4</sup>
2y	1.311	47.00	1.78	2.570	1.260
5y	2.884	52.75	3.41		#VALUE!
10y	3.882	36.75	4.25		#VALUE!

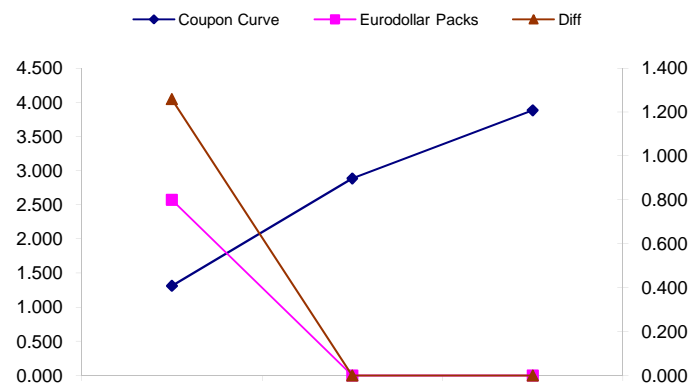
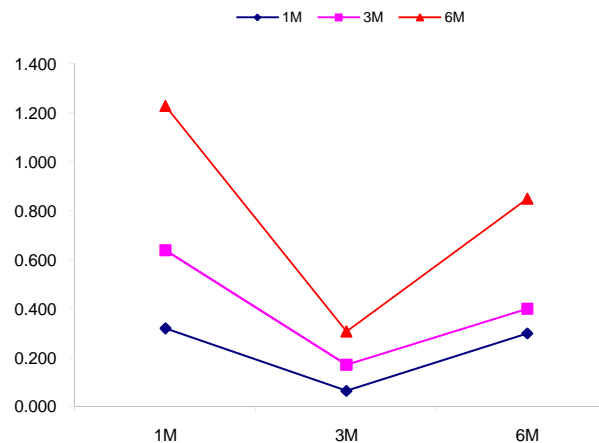
<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>
157.3	#VALUE!	#VALUE!
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>
257.1	#VALUE!	#VALUE!
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>
99.8	#VALUE!	#VALUE!

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:**

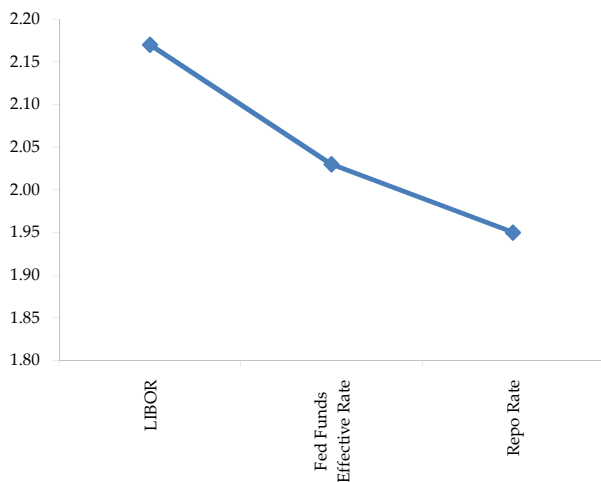
- 1) Quoted in US Dollars
- 2) CP = Commercial Paper
- 3) ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
- 4) TSY yield minus ED Pk yield
- 5) Swap divided by 100 + TSY yield gives swap rate in basis points.
- 6) Repo Rt quotes is for overnight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



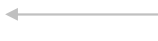
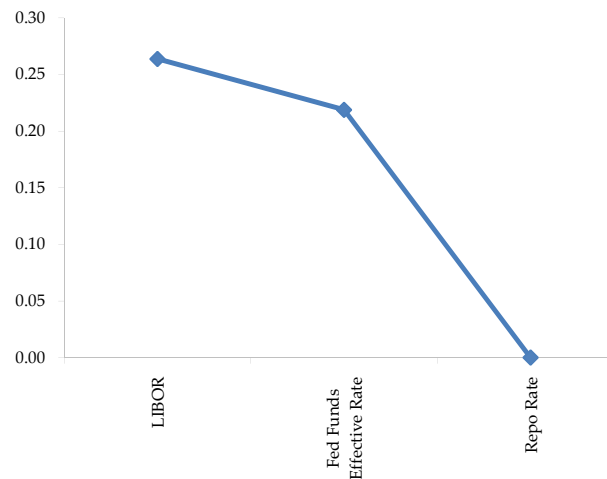
	Last	Chng	Term	Asset Type
USDLIBON	0.264	(0.0050)	Overnight	LIBOR
TUSFFRON	0.219	0.0000	Overnight	Fed Funds Effective Rate
TUSRPOON	#VALUE!	#VALUE!	Overnight	Repo Rate
TEONIA01M	0.861	(0.0080)	1 month	Euribor OIS Rate
TEONIA03M	0.848	(0.0200)	3 month	Euribor OIS Rate
TSONIA01M	0.430	0.0000	1 month	Sterling OIS Rate
TSONIA03M	0.441	(0.0070)	3 month	Sterling OIS Rate
TUSOIS01M	0.202	(0.0110)	1 month	USD OIS Rate
TUSOIS03M	0.216	(0.0080)	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.**





