



6/24/2009 5:40

## 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	99.304	99.241	99.230	99.221	99.143	99.116
Auction Yield Stop	0.940	1.375	2.310	3.300	3.990	4.288
Actual Auction Date	6/23/2009	6/9/2009	5/27/2009	5/28/2009	06/11/09 r	6/11/2009 r

## Quotes

		32 nds					
	Last	Net	High	Low	Open	Volume	Sym Name
TUAU9	107.3120	0.5	108.0000	107.3020	107.3100	11,542	2y Fut
Z3NU9	111.0020	(1.0)	111.0150	110.3000	110.3000	4	3y Fut
FVAU9	114.0050	0.0	114.0100	113.2950	114.0050	23,460	5y Fut
TYAU9	115.1350	(2.00)	115.1700	115.0950	115.1650	50,223	10y Fut
USAU9	117.0700	0.50	117.1350	117.0100	117.1250	8,998	30y Fut
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02P	99.3050	12.00	99.3100	99.3000	99.3070	na	2y Cash
BUS03P	100.1420	(0.70)	100.1550	100.1320	100.1520	na	3y Cash
BUS05P	98.0000	(1.20)	98.0150	97.3000	98.0150	na	5y Cash
BUS07P	99.1850	(2.50)	99.2050	99.1650	99.1900	na	7y Cash
BUS10P	95.2300	(3.50)	95.2950	95.1850	95.2600	na	10y Cash
BUS30P	98.0200	(4.00)	98.0550	97.2600	98.0600	na	30y Cash
	Last	Net	High	Low	Open	Volume	Sym Name
BUS02Y	1.149	0.650	1.157	1.141	1.146	na	2y Yield
BUS03Y	1.718	0.100	1.731	1.707	1.710	na	3y Yield
BUS05Y	2.684	0.120	2.700	2.675	2.676	na	5y Yield
BUS07Y	3.313	0.200	3.329	3.308	3.298	na	7y Yield
BUS10Y	3.640	0.170	3.662	3.619	3.629	na	10y Yield
BUS30Y	4.366	0.100	4.382	4.360	4.359	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>	16.62	5.57	\$1,739	11.13	n/a	<b>30y</b>
<b>10y</b>	8.36	2.70	\$843	5.39	n/a	<b>10y</b>
<b>7y</b>	6.15	2.06	\$644	4.12	n/a	<b>7y</b>
<b>5y</b>	4.62	1.50	\$470	6.02	n/a	<b>5y</b>
<b>3y</b>	2.88	0.95	\$298	3.81	n/a	<b>3y</b>
<b>2y</b>	1.97	0.64	\$201	2.57	n/a	<b>2y</b>
<b>ZB</b>	10.02	4.15	\$130	4.15	0.7593	<b>ZB</b>
<b>ZN</b>	5.83	2.34	\$73	4.69	0.7941	<b>ZN</b>
<b>ZF</b>	4.20	1.59	\$50	6.38	0.8493	<b>ZF</b>
<b>Z3N</b>	2.76	1.06	\$33	4.26	0.7941	<b>Z3N</b>
<b>ZT</b>	1.89	0.71	\$22	2.84	0.9222	<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		1.77	2.60	1.95	2.92
ZN	0.57		1.47	1.10	1.65
ZF	0.38	0.68		0.75	1.12
Z3N	0.00	0.00	0.00		0.00
ZT	0.34	0.61	0.89	1.33	

## US Treasuries vs US Financial Futures

	2y	3y	5y	7y	10y	30y
ZB	1.6	2.3	3.6	4.7	6.51	13.4
ZN	2.7	4.1	6.4	8.2	11.51	23.7
ZF	4.0	6.0	9.4	12.1	16.92	34.9
Z3N	3.0	4.5	7.1	9.1	12.67	26.2
ZT	4.5	6.7	10.6	13.6	19.00	39.2

## US Treasuries

	2y	3y	5y	7y	10y	30y
2y		1.48	2.34	3.01	4.20	8.66
3y	0.67		1.58	2.03	2.83	5.84
5y	0.43	0.63		1.28	1.79	3.70
7y	0.33	0.49	0.78		1.40	2.88
10y	0.24	0.35	0.56	0.72		2.06
30y	0.12	0.17	0.27	0.35	0.48	

## 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

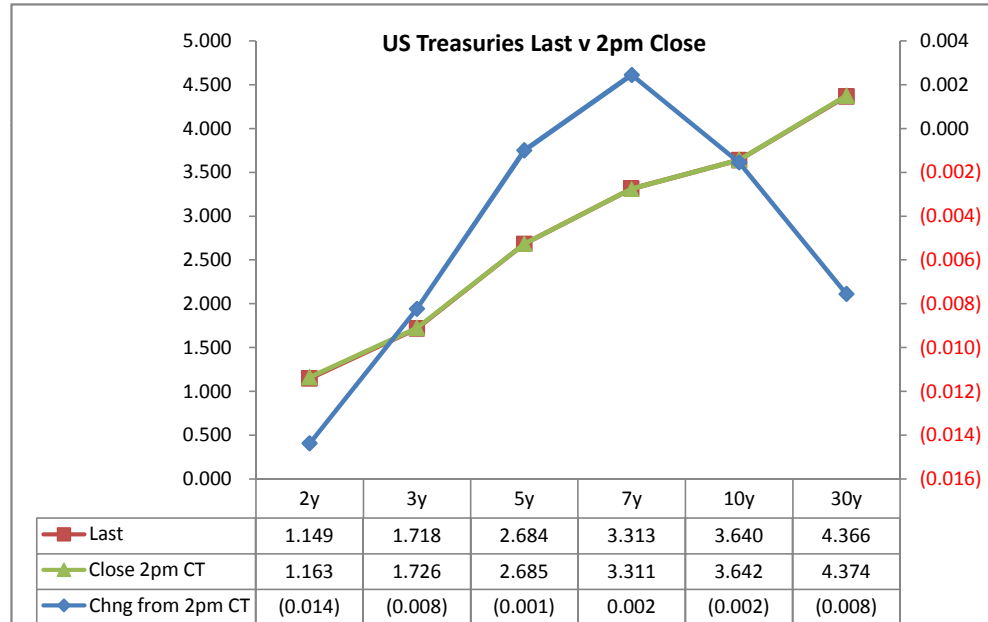
Treasury Closes: 2pm CT vs this Morning

	Cpn	Mty	Close 32	Close	Last	Chng	Basis (CF)		Close 32	Last	
						from 2pm	Close	Last			
2y	1.125	6/30/11	99.2950	1.163	1.149	(0.014)	11.53	12.11	107.3075	107.312	TUAU9
3y	1.875	6/15/12	100.1375	1.726	1.718	(0.008)	25.63	28.59	111.0300	111.002	Z3NU9
5y	2.250	5/31/14	98.0000	2.685	2.684	(0.001)	37.33	37.33	114.0050	114.005	FVAU9
7y	3.250	5/31/16	99.2000	3.311	3.313	0.002					
10y	3.125	5/15/19	95.2350	3.642	3.640	(0.002)	128.90	129.99	115.1550	115.135	TYAU9
30y	4.250	5/15/39	97.3000	4.374	4.366	(0.008)	286.25	289.87	117.0650	117.07	USAU9

Curve Spreads^

	Close bps	Last bps	Chng from
			2pm CIs
2/3	56.3	56.9	0.6
2/5	152.2	153.5	1.3
2/7	214.8	216.5	1.7
3/5	95.9	96.6	0.7
3/7	158.5	159.6	1.1
2/10	247.9	249.2	1.3
3/10	191.6	192.3	0.7
5/7	62.6	62.9	0.3
5/10	95.7	95.6	(0.1)
2/30	321.1	321.8	0.7
3/30	264.8	264.9	0.1
5/30	168.9	168.2	(0.7)
7/10	33.1	32.7	(0.4)
7/30	106.3	105.3	(1.0)
10/30	73.2	72.6	(0.6)

	Last	Chng on Day	Prcnt Chng
Emini SP	894.00	3.75	0.42
Crude Oil	68.77	(0.47)	-0.68
Gold	929.70	5.40	0.58
EURUSD	140.80	0.00	0.00
USDJPY	95.15	(0.10)	-0.10
DX	79.70	(0.14)	-0.18



^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	43%	100%		
10	24%	55%	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	\$201			
5	\$201	\$470		
10	\$199	\$466	\$843	
30	\$207	\$484	\$875	\$1,739

**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	\$201			
5	\$0	\$470		
10	\$2	\$4	\$843	
30	(\$6)	(\$14)	(\$33)	\$1,739

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	0.0%	0.0%		
10	0.9%	0.9%	0.0%	
30	-2.8%	-2.8%	-3.7%	0.0%

## Tic for Tic Matrix

	2y	5y	10y	30y
ZT	0.91	2.12	3.80	7.84
ZF	0.40	0.94	1.69	3.49
ZN	0.27	0.64	1.15	2.37
ZB	0.16	0.36	0.65	1.34

	2y	5y	10y	30y
2y		2.34	4.20	8.66
5y	0.43		1.79	3.70
10y	0.24	0.56		2.06
30y	0.12	0.27	0.48	

	ZT	ZF	ZN	ZB
ZT		2.25	3.30	5.84
ZF	0.45		1.47	2.60
ZN	0.30	0.68		1.77
ZB	0.17	0.38	0.57	

## Box for Box Matrix

	2y	5y	10y	30y
ZT	0.91	2.12	7.60	15.68
ZF	0.40	0.94	3.38	6.98
ZN	0.55	1.28	1.15	2.37
ZB	0.62	0.73	1.30	1.34

	2y	5y	10y	30y
2y		2.34	2.10	4.33
5y	0.43		0.45	1.85
10y	0.48	2.23		2.06
30y	0.23	0.54	0.48	

	ZT	ZF	ZN	ZB
ZT		2.25	6.61	11.68
ZF	0.45		2.94	5.20
ZN	0.15	0.34		1.77
ZB	0.09	0.19	0.57	

	Libor\$ <sup>1</sup>	Repo Rt <sup>6</sup>
0/N	0.276	#VALUE!
1week	0.294	#VALUE!
2week	0.300	#VALUE!

	Libor\$ <sup>1</sup>	Tbill	CP <sup>2</sup>
1M	0.311	0.152	0.300
3M	0.604	0.197	0.400
6M	1.131	0.345	0.850

	TSY	Swp	Swp Rate <sup>5</sup>	ED Pks <sup>3</sup>	TSY - ED Pk <sup>4</sup>
2y	1.149	42.25	1.57	2.605	1.456
5y	2.684	41.50	3.10	4.638	1.954
10y	3.640	24.75	3.89	#VALUE!	#VALUE!

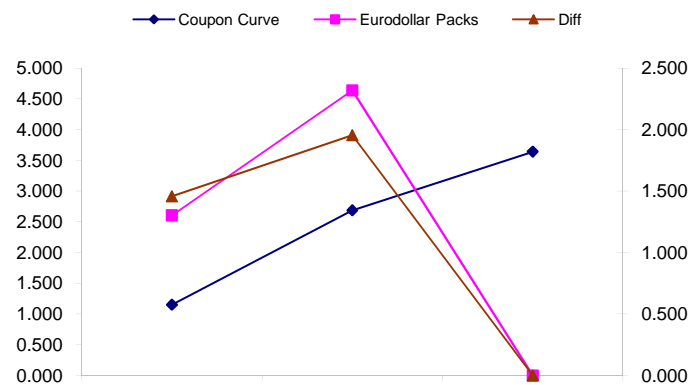
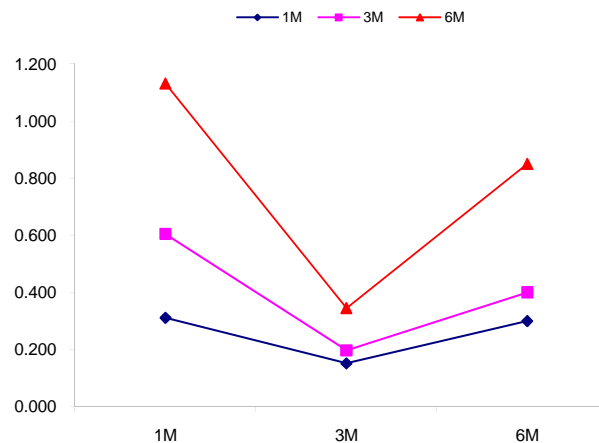
<u>2/5</u>	<u>Rd/Blu Pk</u>	<u>Diff</u>
153.5	203.3	49.7
<u>2/10</u>	<u>Rd/Gld Pk</u>	<u>Diff</u>
249.2	#VALUE!	#VALUE!
<u>5/10</u>	<u>Blu/Gld Pk</u>	<u>Diff</u>
95.6	#VALUE!	#VALUE!

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



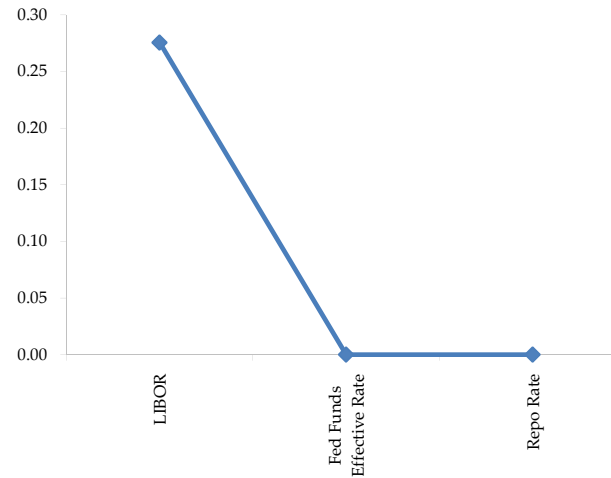
	Last	Chng	Term	Asset Type
USDLIBON	0.276	(0.0019)	Overnight	LIBOR
TUSFFRON	#VALUE!	#VALUE!	Overnight	Fed Funds Effective Rate
TUSRPOON	#VALUE!	#VALUE!	Overnight	Repo Rate
TEONIA01M	0.562	(0.0980)	1 month	Euribor OIS Rate
TEONIA03M	0.629	(0.0720)	3 month	Euribor OIS Rate
TSONIA01M	0.427	(0.0030)	1 month	Sterling OIS Rate
TSONIA03M	0.429	(0.0080)	3 month	Sterling OIS Rate
TUSOIS01M	0.221	0.0000	1 month	USD OIS Rate
TUSOIS03M	0.236	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 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.





