



6/29/2009 5:43

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

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 | 99.208 | 99.163 | 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 | 6/24/2009 | 6/26/2009 | 06/11/09 r | 6/11/2009 r |

| | | 32 nds | | | | | |
|--------|----------|---------|----------|----------|----------|--------|-----------|
| | Last | Net | High | Low | Open | Volume | Sym Name |
| TUAU9 | 108.0500 | 1.0 | 108.0500 | 108.0300 | 108.0320 | 8,998 | 2y Fut |
| Z3NU9 | 111.1070 | 1.5 | 111.1150 | 111.1070 | 111.1150 | 2 | 3y Fut |
| FVAU9 | 114.2900 | 2.2 | 114.2900 | 114.2020 | 114.2550 | 21,350 | 5y Fut |
| TYAU9 | 116.1650 | 3.50 | 116.1650 | 116.0350 | 116.0950 | 48,849 | 10y Fut |
| USAU9 | 118.2250 | 5.50 | 118.2300 | 118.0100 | 118.1000 | 8,483 | 30y Fut |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02P | 100.0200 | 1.00 | 100.0250 | 100.0050 | 99.3100 | na | 2y Cash |
| BUS03P | 100.2420 | 1.50 | 100.2470 | 100.2170 | 100.2250 | na | 3y Cash |
| BUS05P | 100.1570 | 5.50 | 100.1620 | 100.0670 | 100.1000 | na | 5y Cash |
| BUS07P | 100.1700 | 8.50 | 100.1800 | 100.0800 | 100.0800 | na | 7y Cash |
| BUS10P | 96.2950 | 13.00 | 96.3050 | 96.1400 | 96.1750 | na | 10y Cash |
| BUS30P | 99.0550 | 18.50 | 99.0650 | 98.1300 | 98.1700 | na | 30y Cash |
| | Last | Net | High | Low | Open | Volume | Sym Name |
| BUS02Y | 1.093 | (0.160) | 1.117 | 1.085 | 1.134 | na | 2y Yield |
| BUS03Y | 1.611 | (0.110) | 1.638 | 1.606 | 1.631 | na | 3y Yield |
| BUS05Y | 2.518 | (0.380) | 2.580 | 2.516 | 2.558 | na | 5y Yield |
| BUS07Y | 3.164 | (0.350) | 3.210 | 3.159 | 3.210 | na | 7y Yield |
| BUS10Y | 3.496 | (0.420) | 3.556 | 3.492 | 3.542 | na | 10y Yield |
| BUS30Y | 4.297 | (0.350) | 4.346 | 4.297 | 4.338 | 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 | 16.69 | 5.65 | \$1,766 | 11.31 | n/a | 30y |
| 10y | 8.37 | 2.73 | \$853 | 5.46 | n/a | 10y |
| 7y | 6.22 | 2.11 | \$658 | 4.21 | n/a | 7y |
| 5y | 4.66 | 1.56 | \$489 | 6.26 | n/a | 5y |
| 3y | 2.87 | 0.95 | \$297 | 3.81 | n/a | 3y |
| 2y | 1.97 | 0.64 | \$201 | 2.57 | n/a | 2y |
| ZB | 10.05 | 4.22 | \$132 | 4.22 | 0.7593 | ZB |
| ZN | 5.83 | 2.36 | \$74 | 4.73 | 0.7941 | ZN |
| ZF | 4.19 | 1.60 | \$50 | 6.42 | 0.8622 | ZF |
| Z3N | 2.81 | 1.09 | \$34 | 4.35 | 0.7941 | Z3N |
| ZT | 1.92 | 0.72 | \$23 | 2.89 | 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 | | 1.78 | 2.63 | 1.94 | 2.92 |
| ZN | 0.56 | | 1.47 | 1.09 | 1.64 |
| ZF | 0.38 | 0.68 | | 0.74 | 1.11 |
| Z3N | 0.50 | 0.90 | 1.32 | | 1.47 |
| ZT | 0.34 | 0.61 | 0.90 | 1.33 | |

US Treasuries vs US Financial Futures

| | 2y | 3y | 5y | 7y | 10y | 30y |
|-----|-----|-----|------|------|-------|------|
| ZB | 1.5 | 2.3 | 3.7 | 5.0 | 6.48 | 13.4 |
| ZN | 2.7 | 4.0 | 6.6 | 8.9 | 11.55 | 23.9 |
| ZF | 4.0 | 5.9 | 9.8 | 13.1 | 17.03 | 35.2 |
| Z3N | 3.0 | 4.4 | 7.2 | 9.7 | 12.57 | 26.0 |
| ZT | 4.4 | 6.6 | 10.8 | 14.6 | 18.90 | 39.1 |

US Treasuries

| | 2y | 3y | 5y | 7y | 10y | 30y |
|-----|------|------|------|------|------|------|
| 2y | | 1.48 | 2.43 | 3.28 | 4.25 | 8.80 |
| 3y | 0.68 | | 1.64 | 2.21 | 2.87 | 5.94 |
| 5y | 0.41 | 0.61 | | 1.35 | 1.75 | 3.61 |
| 7y | 0.31 | 0.45 | 0.74 | | 1.30 | 2.68 |
| 10y | 0.24 | 0.35 | 0.57 | 0.77 | | 2.07 |
| 30y | 0.11 | 0.17 | 0.28 | 0.37 | 0.48 | |

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

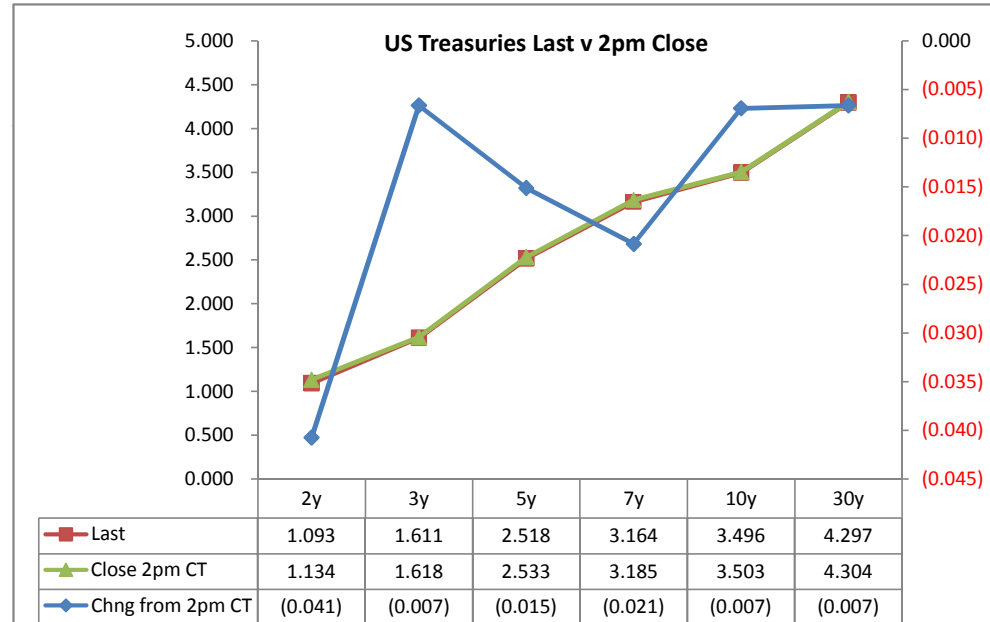
Treasury Closes: 2pm CT vs this Morning

| | Cpn | Mty | Close 32 | Close | Last | Chng | Basis (CF) | | Close 32 | Last | |
|-----|-------|---------|----------|-------|-------|----------|------------|--------|----------|---------|-------|
| | | | | | | from 2pm | Close | Last | | | |
| 2y | 2.625 | 6/30/14 | 100.0125 | 1.134 | 1.093 | (0.041) | 17.70 | 17.53 | 108.0400 | 108.050 | TUAU9 |
| 3y | 1.875 | 6/15/12 | 100.2375 | 1.618 | 1.611 | (0.007) | 25.54 | 29.17 | 111.1425 | 111.107 | Z3NU9 |
| 5y | 2.250 | 5/31/14 | 100.1375 | 2.533 | 2.518 | (0.015) | 45.38 | 45.39 | 114.2675 | 114.290 | FVAU9 |
| 7y | 3.250 | 6/30/16 | 100.1300 | 3.185 | 3.164 | (0.021) | | | | | |
| 10y | 3.125 | 5/15/19 | 96.2750 | 3.503 | 3.496 | (0.007) | 141.48 | 140.70 | 116.1300 | 116.165 | TYAU9 |
| 30y | 4.250 | 5/15/39 | 99.0300 | 4.304 | 4.297 | (0.007) | 290.98 | 289.30 | 118.1700 | 118.225 | USAU9 |

Curve Spreads^

| | Close bps | Last bps | Chng from |
|-------|-----------|----------|-----------|
| | | | 2pm CIs |
| 2/3 | 48.4 | 51.8 | 3.4 |
| 2/5 | 139.9 | 142.5 | 2.6 |
| 2/7 | 205.1 | 207.1 | 2.0 |
| 3/5 | 91.5 | 90.7 | (0.8) |
| 3/7 | 156.7 | 155.3 | (1.4) |
| 2/10 | 236.9 | 240.3 | 3.4 |
| 3/10 | 188.5 | 188.5 | (0.0) |
| 5/7 | 65.2 | 64.6 | (0.6) |
| 5/10 | 97.0 | 97.8 | 0.8 |
| 2/30 | 317.0 | 320.4 | 3.4 |
| 3/30 | 268.6 | 268.6 | (0.0) |
| 5/30 | 177.1 | 177.9 | 0.8 |
| 7/10 | 31.8 | 33.2 | 1.4 |
| 7/30 | 111.9 | 113.3 | 1.4 |
| 10/30 | 80.1 | 80.1 | 0.0 |

| | Last | Chng on Day | Prcnt Chng |
|-----------|--------|-------------|------------|
| Emini SP | 917.25 | 3.25 | 0.36 |
| Crude Oil | 69.61 | 0.45 | 0.65 |
| Gold | 942.70 | 1.70 | 0.18 |
| EURUSD | 140.47 | (0.13) | -0.09 |
| USDJPY | 95.40 | 0.18 | 0.19 |
| DX | 79.94 | 0.06 | 0.08 |



^matrix is linked to 'Monitor'

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 | 24% | 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 | \$201 | | | |
| 5 | \$207 | \$489 | | |
| 10 | \$201 | \$475 | \$853 | |
| 30 | \$209 | \$493 | \$886 | \$1,766 |

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 | (\$6) | \$489 | | |
| 10 | (\$0) | \$13 | \$853 | |
| 30 | (\$8) | (\$5) | (\$32) | \$1,766 |

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 | -2.9% | 0.0% | | |
| 10 | -0.2% | 2.8% | 0.0% | |
| 30 | -3.8% | -1.0% | -3.7% | 0.0% |

Tic for Tic Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|------|
| ZT | 0.89 | 2.16 | 3.78 | 7.82 |
| ZF | 0.40 | 0.98 | 1.70 | 3.52 |
| ZN | 0.27 | 0.66 | 1.15 | 2.39 |
| ZB | 0.15 | 0.37 | 0.65 | 1.34 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.43 | 4.25 | 8.80 |
| 5y | 0.41 | | 1.75 | 3.61 |
| 10y | 0.24 | 0.57 | | 2.07 |
| 30y | 0.11 | 0.28 | 0.48 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|------|
| ZT | | 2.22 | 3.27 | 5.83 |
| ZF | 0.45 | | 1.47 | 2.63 |
| ZN | 0.31 | 0.68 | | 1.78 |
| ZB | 0.17 | 0.38 | 0.56 | |

Box for Box Matrix

| | 2y | 5y | 10y | 30y |
|----|------|------|------|-------|
| ZT | 0.89 | 2.16 | 7.56 | 15.65 |
| ZF | 0.40 | 0.98 | 3.41 | 7.05 |
| ZN | 0.54 | 1.32 | 1.15 | 2.39 |
| ZB | 0.61 | 0.74 | 1.30 | 1.34 |

| | 2y | 5y | 10y | 30y |
|-----|------|------|------|------|
| 2y | | 2.43 | 2.12 | 4.40 |
| 5y | 0.41 | | 0.44 | 1.81 |
| 10y | 0.47 | 2.29 | | 2.07 |
| 30y | 0.23 | 0.55 | 0.48 | |

| | ZT | ZF | ZN | ZB |
|----|------|------|------|-------|
| ZT | | 2.22 | 6.54 | 11.67 |
| ZF | 0.45 | | 2.95 | 5.26 |
| ZN | 0.15 | 0.34 | | 1.78 |
| ZB | 0.09 | 0.19 | 0.56 | |

| | Libor\$ ¹ | Repo Rt ⁶ |
|-------|----------------------|----------------------|
| 0/N | 0.264 | #VALUE! |
| 1week | 0.292 | #VALUE! |
| 2week | 0.298 | #VALUE! |

| | Libor\$ ¹ | Tbill | CP ² |
|----|----------------------|-------|-----------------|
| 1M | 0.309 | 0.068 | 0.300 |
| 3M | 0.597 | 0.169 | 0.400 |
| 6M | 1.118 | 0.299 | 0.850 |

| | TSY | Swp | Swp Rate ⁵ | ED Pks ³ | TSY - ED Pk ⁴ |
|-----|-------|-------|-----------------------|---------------------|--------------------------|
| 2y | 1.093 | 36.75 | 1.46 | 2.404 | 1.310 |
| 5y | 2.518 | 37.25 | 2.89 | 4.310 | 1.792 |
| 10y | 3.496 | 20.25 | 3.70 | #VALUE! | #VALUE! |

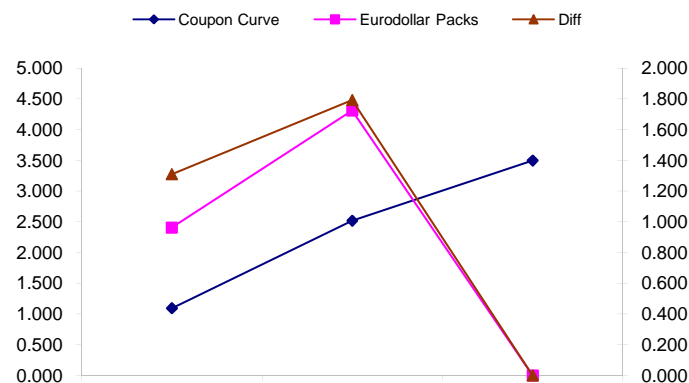
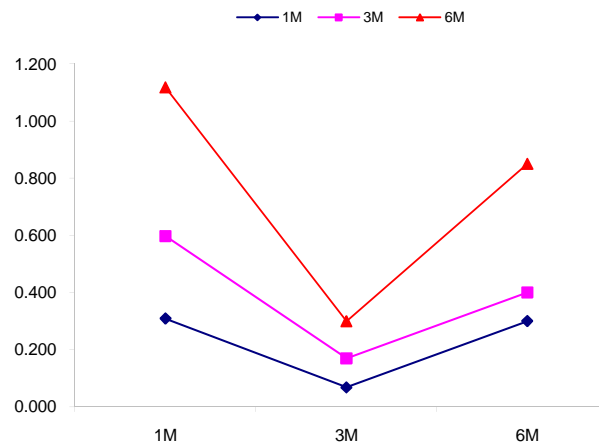
| <u>2/5</u> | <u>Rd/Blu Pk</u> | <u>Diff</u> |
|-------------|-------------------|-------------|
| 142.5 | 190.6 | 48.2 |
| <u>2/10</u> | <u>Rd/Gld Pk</u> | <u>Diff</u> |
| 240.3 | #VALUE! | #VALUE! |
| <u>5/10</u> | <u>Blu/Gld Pk</u> | <u>Diff</u> |
| 97.8 | #VALUE! | #VALUE! |

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



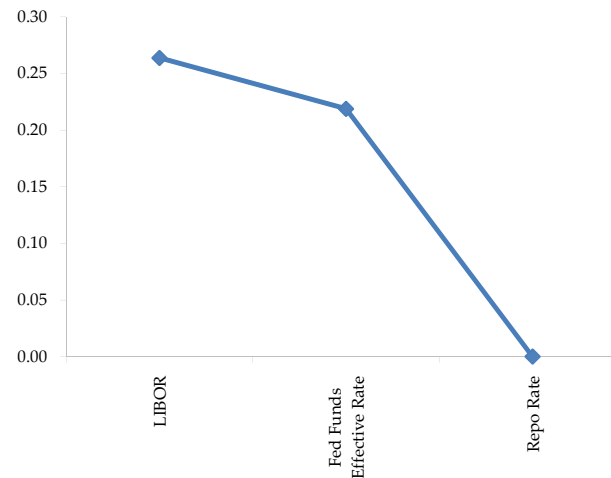
| | Last | Chng | Term | Asset Type |
|-----------|---------|----------|-----------|--------------------------|
| USDLIBON | 0.264 | (0.0012) | Overnight | LIBOR |
| TUSFFRON | 0.219 | 0.0626 | Overnight | Fed Funds Effective Rate |
| TUSRPOON | #VALUE! | #VALUE! | Overnight | Repo Rate |
| TEONIA01M | 0.560 | 0.0370 | 1 month | Euribor OIS Rate |
| TEONIA03M | 0.638 | 0.0400 | 3 month | Euribor OIS Rate |
| TSONIA01M | 0.415 | (0.0030) | 1 month | Sterling OIS Rate |
| TSONIA03M | 0.426 | (0.0040) | 3 month | Sterling OIS Rate |
| TUSOIS01M | 0.203 | 0.0070 | 1 month | USD OIS Rate |
| TUSOIS03M | 0.218 | 0.0030 | 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.

