

Menu

N127h Govt DURA

Duration Analysis for T4 1/2 02/15/36

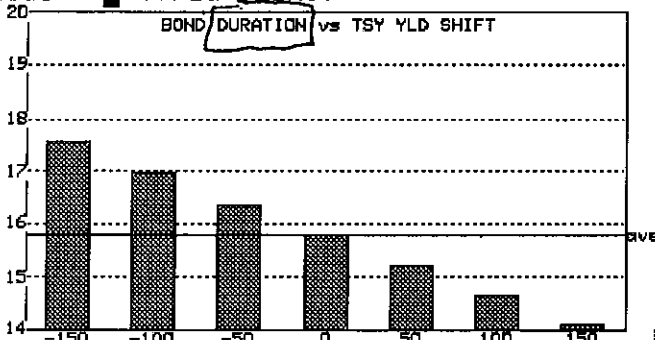
Settlement 4/ 3/06 Price 93 3/4 Yield 4.891 to 2/15/36 @ 100

YLD	S/A	Pricing at 4/ 4/06 HORIZON				Mod Duration	
SHFT	Reinv	Traded to	SPRD*	Yield	Price	Bond	30YR PROB
-150	3.39	MTY 2/15/36 100	- .3	3.391	120.72	17.54	17.54
-100	3.89	MTY 2/15/36 100	- .3	3.891	110.7	16.96	16.95
-50	4.39	MTY 2/15/36 100	- .3	4.391	101.8	16.37	16.37
0	4.89	MTY 2/15/36 100	- .3	4.891	93.891	15.79	15.79 100.0
50	5.39	MTY 2/15/36 100	- .3	5.391	86.843	15.22	15.21
100	5.89	MTY 2/15/36 100	- .3	5.891	80.552	14.65	14.65
150	6.39	MTY 2/15/36 100	- .3	6.391	74.926	14.09	14.09

ExVal 4.89 -0.3 4.891 93.891 15.79 15.79

Mode: (Trad'l) / DAS

Fixed Yld Convention?



BMK TSY YLD	16:27
30YR	4.894
10YR	4.851

Probabilities

C-Custom

V-Yld Std Dev at 48 bp/year Log?

10.0% Yld Volat.

View

T-TotRet, C-CVX, D-DUR

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4.891?

DURA

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ENTER ALL VALUES AND HIT <GO>.

Duration Analysis for

T4 1/2 02/15/16

Settlement **4/ 3/06** Price **97 1/4** Yield **4.847** to **2/15/16** @ **100**

YLD SHFT	S/A Reinv	Pricing at		4/ 4/06 HORIZON			Mod Duration		PROB		
		Traded to	SPRD*	Yield	Price	Bond	10YR				
-150	3.35	MTY	2/15/16	100	+	.0	3.347	109.62	7.99	7.99	
-100	3.85	MTY	2/15/16	100	+	.0	3.847	105.31	7.93	7.93	
-50	4.35	MTY	2/15/16	100	+	.0	4.347	101.21	7.87	7.87	
0	4.85	MTY	2/15/16	100	+	.0	4.847	97.297	7.81	7.81	100.0
50	5.35	MTY	2/15/16	100	+	.0	5.347	93.564	7.75	7.75	
100	5.85	MTY	2/15/16	100	+	.0	5.847	90.001	7.68	7.68	
150	6.35	MTY	2/15/16	100	+	.0	6.347	86.6	7.62	7.62	

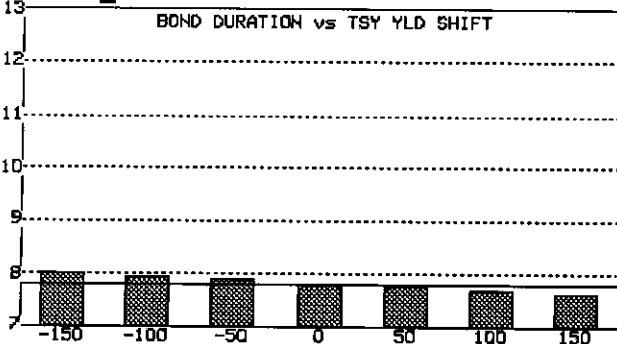
ExVal 4.85

4.847 97.297

7.81 7.81

Mode: (Trad'l/OAS)

Fixed Yld Convention?



BMK TSY YLD
16:30
10YR 4.847
5 YR 4.810

Probabilities <input checked="" type="checkbox"/>
C-Custom
V-Yld Std Dev at
48 bp/year Log? <input checked="" type="checkbox"/>
10.0% Yld Volat.

View <input checked="" type="checkbox"/>
T-TotRet, C-CVX, D-DUR

* SPRDS done to interpolated BMRK Curve
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KEY FEATURES BENEFITS OF TRA

- Customize the horizon period, re-investment rate, yield shift increments, and interest rate scenario probabilities, so that you can project the total return of a bond more accurately.
- Use DAS analysis when projecting total return to a horizon date, so that you can better compare total return and price sensitivity of bullet bonds with bonds that have embedded options.
- Graph the total return, duration, or convexity of a bond in different interest rate environments, so that you can evaluate how the bond's performance and sensitivity is affected by changes in interest rates.

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INSTRUCTIONS

Once you select a fixed income security, enter TRA/CVXA/DURA <Go>. Additional instructions appear on the screen. NOTE: TRA/CVXA/DURA is designed to evaluate securities with known cash flows; therefore its assumptions cannot be applied to floaters.

To change your pricing source, enter PCS <Go> (Price Provider Search List).

SHORTCUTS

Once you select a fixed income security, the following shortcuts are available:

DAS

Enter TRA/CVXA/DURA D <Go>.

Price

Enter TRA/CVXA/DURA (price) <Go>.

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Shock Analysis

Enter TRA/CVXA/DURA (SH) <Go>. NOTE: Shock analysis sets the horizon date to the same day as the settlement date, so you can see the result of an instantaneous shift in market values.

NOTE: The option-adjusted analysis, shock analysis, and price shortcuts can be used together in any combination.

For municipal bonds, the following additional shortcut is available:

Municipal Benchmark

Enter TRA/CVXA/DURA M <Go>.

DESCRIPTION OF DISPLAY

The ticker symbol, coupon, and maturity for the selected security appear in the top right of the screen. The following information also appears:

Settlement: The date securities must be delivered and paid for to complete a transaction.

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Price: The price of the security, expressed as a percentage of par. To change your pricing source, enter PCS <Go>.

Yield: The rate of return paid if the security is held to its workout date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

NOTE
(see PG 14 to change)

YLD SHFT: The projected basis points shifts in the benchmark yield curve between the settlement and horizon dates.
(1 <Go> for more information about yield shifts)

S/A Reinv: The semi-annual reinvestment rate. The rate at which coupons are reinvested between the settlement and horizon dates.

Pricing at: The horizon date. To perform shock analysis, enter the same date that appears in the Settlement field.

SHOCK ↑

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When you select the Traditional mode in the Mode field above the graph, the following fields appear:

Traded to: The date and price used to calculate the horizon values.

SPRD: The spread to the benchmark curve or security, traded to the applicable call, put, or maturity date.

Yield: It is the same as the S/A reinvestment rate, taken to three decimal places.

Price: The price at the horizon date.

When you select the OAS mode in the Mode field above the graph, the following fields appear:

VOLATILITY: The relative rate at which the price of a security moves up and down, found by calculating the annualized standard deviation of daily change in price.

Australia 61 2 9777 8600

Brazil 5511 3048 4500

Europe 44 20 7330 7500

Germany 49 69 920410

Hong Kong 852 2977 6000

Japan 81 3 3201 8900

Singapore 65 6212 1000

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DAS: The option-adjusted spread method uses option pricing techniques to value the imbedded options risk component of a bond's total spread. Imbedded options include call, put, and sinking fund features. (1 <Go> for more information on DAS)

ADJ-YLD: The option-free yield.

Price: The price at the horizon date.

Depending on what you select in the View field on the bottom right of the screen, the following fields appear:

Total

Return: The sum of interest and principal payments and any capital gains/loss for the investment horizon for the selected bond and the benchmark.

Australia 61 2 9777 8600

Brazil 5511 3048 4500

Europe 44 20 7330 7500

Germany 49 69 920410

Hong Kong 852 2977 6000

Japan 81 3 3201

8900

Singapore 65 6212

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Convexity: The rate of change of duration as yields change. A security exhibits positive convexity when its price rises more for a downward move in its yield than its price declines for an equal upward move in its yield.

Mod Duration: The modified duration or percentage price change of a security for a given change in yield. The higher the modified duration of a security, the higher its risk. Ad/ModDuration = [duration / (1 + (IRR/M))]; where IRR is the internal rate of return and M is the number of compounding periods per year.

NOTE: To change the benchmark for U.S. dollar bonds, move your cursor to the highlighted field and enter the number of years or months of the bond followed by a (Y) (years) or (M) (months). For example, 3M for the three-month U.S. Treasury bill.

%PROB: The probability of the yield distribution. The cumulative total of probabilities must equal 100%.

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ExVal: The expected value is the average of the values in the semi-annual reinvestment rate column weighted by the probabilities shown in the %PROB column.

Mode: Choose to display the data in the (T) traditional mode or (D) DAS mode. {1 <Go> for more information about the DAS mode}

Yield Beta: Appears for Treasury Inflation Protected Securities (TIPS). Measures the slope of the relationship between nominal yields and real yields. For a Yield Beta of 0.5, a one basis point shift in nominal rates causes a half basis point change in real rates. Yield Shift is the basis point shift of nominal rates.

Inflation

Assumption: Appears for Treasury Inflation Protected Securities (TIPS). Changing the inflation assumption affects the return calculation by computing the future value of the expected CPI ratio, which is then multiplied by the horizon price to compute the net money.

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Bnchmrk: Appears for municipal bonds. Choose to use a (M) municipal or (G) government benchmark.

Fixed Yld

Convention?: **Choose (Y)** to use the fixed yield convention. In the fixed mode, the data for the yield shift scenarios are based on the yield for a 0 yield shift scenario. Changing the settlement price or yield changes the data for all scenarios with the new settlement yield matching the horizon yield for the zero shift. *TRy this* If you choose (N), you can manually change all S/A reinvestment rates as well as all horizon dates, prices, and yields in trade mode or volatility and OAS values in OAS mode.

A graph appears at the bottom left of the screen with the Treasury bond yield shift on the horizontal x-axis and the convexity/total return/duration on the vertical y-axis. The weighted average value also appears.

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BMK TSY YLD: Appears only for U.S. dollar bonds. The most recent quote for the benchmark security and the next closest bonds in the benchmark curve. The time of the most recent price update also appears.

Probabilities: Choose (V) Yld Std Dev to use yield standard deviation to calculate the amounts in the %PROB field. Yield standard deviation is the total basis point shift you expect to see in one year, assuming a normal distribution. Choose (C) Custom to enter your own probability figures in the %PROB field. You can balance the distribution of percentages in any combination, but they must total 100%.

Log?: Enter (Y) to calculate the %PROB field with a log normal distribution.

% Yld Volat. The yield volatility used in calculating %PROB. The volatility is the extent to which the yield fluctuates.

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View: Choose to analyze (T) total return, (C) convexity, or (D) duration.

The following fields appear for TRA <Go> (with no shock analysis) once you select Margin:

PERCENTAGE FINANCED: The percentage of the bond's purchase price you are financing.

BORROWING RATE: The money market rate for overnight lending for the bond's currency.

ACTUAL AMOUNT

PER 100 FACE: The actual amount per 100 face value you are financing.

NOTE: If you enter the PERCENTAGE FINANCED, the ACTUAL AMOUNT that appears includes accrued interest.

NOTE

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Once you enter data in the MARGIN ANALYSIS window and enter <MENU>, the following additional fields appear:

TRA Margin

Orig.TR: The original total return not including margin analysis data.

Bond: The total return including margin analysis data.

The borrowing rate and percentage financed appear on the right section of the screen.

<HELP> for personal assistance, <MENU> to return.

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