Menu N127h Comdty **FH**

FUTURES HEDGE RATIOS

	USM6 Jun06	TYM6 Jun06	FVM6 Jun06	TUM6 Jun06	RXM6 Jun06
RISK	10.58	6.288	4.110	1.913	8.586
PRICE	109-04	106-07+	104-11	101-27	116.67
DELIVER	T 8.125 8/15/21	T 3.875 2/15/13	T 4.125 8/15/10	T 4.625 3/31/08	DBR 3.75 1/04/15
CTD YLD	5.07	4.88	4.85	4.85	3.79
C SIZE	100,000	100,000	100,000	200,000	100,000
UNITS	USD	$	$	$	EUR

RISK CALCULATION C Equiv / Conventional

SHORT NUMBER OF CONTRACTS

Number Contracts Long		USM6	TYM6	FVM6	TUM6	RXM6
1	USM6	....	1.683	2.574	2.765	1.016
1	TYM6	0.594	....	1.530	1.643	0.604
1	FVM6	0.388	0.654	....	1.074	0.395
1	TUM6	0.362	0.608	0.931	....	0.367
1	RXM6	0.984	1.656	2.533	2.721	....

CROSS CURRENCY RATES	PER	USD	EUR
	USD	....	1.2126
	EUR	.82471	....

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FH displays the short position necessary to hedge a long position in interest rate futures. The position is adjusted for contract size and foreign exchange rate. FH also displays the risk of the futures contracts and the cheapest to deliver securities.

1) Instructions
2) Description of Display
3) - Hedge Matrix
4) Calculations

TO ACCESS: 5) FH <Go>

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INSTRUCTIONS

Once you enter FH <Go>, additional instructions appear on the screen.
NOTE: The number of contracts must be between 1 and 999. The futures contract must consist of either the active ticker or the two-character futures ticker symbol with the month/year code (i.e. USA or USZ4).
{1 <Go> for month codes}

DESCRIPTION OF DISPLAY

The top portion of the screen displays information on the futures and the cheapest to deliver securities, with the futures' ticker symbol and expiration date appearing across the top. The following information appears:

RISK: The price sensitivity of the futures contract to changes in yield of the cheapest to deliver security, according to the yield convention selected in the RISK CALCULATION field.

PRICE: The current price of the future.

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DELIVER: The ticker symbol, coupon, and maturity date of the cheapest to deliver underlying security, which is the acceptable Treasury security with the highest implied repo rate. The implied repo rate is the rate earned by purchasing a bond, selling the future, and delivering the bond at the settlement date. Bloomberg Generic pricing is used to determine the cheapest to deliver, unless Merrill Lynch pricing is set as the default. To change your pricing sources, enter PCS <Go>. NOTE: (CASH) may appear instead of the underlying security if the future has expired.

CTD YLD: The yield of the cheapest to deliver. NOTE: (SETTLED) may appear instead of the yield if the future has expired.

C SIZE: The contract size of the future.

UNITS: The currency of the futures contract.
{1 <Go> for currency codes}

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RISK
CALCULATION: Choose to calculate the risk using an (E)'Equivalent or (C) Conventional yield.

Hedge Matrix

The hedge matrix in the bottom half of the screen displays the number of contracts to short in order to hedge the long position, according to your long position entered in the Number Contracts Long field and the futures contract selected. The ticker symbol of each futures contract appears at the top of the table.

NOTE: The number of contracts entered must be between 1 and 999. The futures contract must consist of either the active or two-character futures ticker symbol with the month/year code (i.e. USA or USZ4).
{1 <Go> for month codes}

Below the hedge matrix is a matrix of cross currency rates. The currency in the left column corresponds to the currency in which the long contracts are denominated. The currency at the top of the table corresponds to the short contracts. Cross rates in each intersection are the row currency per column currency. {2 <Go> for currency codes}

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CALCULATIONS

The hedge is calculated as follows:

$$\# \text{ contracts} = \frac{\text{long position} * \text{risk(l)} * \text{contract size(l)}}{\text{risk(s)} * \text{contract size(s)} * \text{cross currency rate(l/s)}}$$

where: l = long
s = short

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