

Menu

CTD<sub>10Y</sub> ←

N127h Govt YAS  
Includes Accr int.

### YIELD & SPREAD ANALYSIS

CUSIP912828AU PCS BGN

US TREASURY N/B T 3 3/8 02/15/13 94-08+ / 94-10+ (4.87 / 86) BGN @16:00  
SETTLE 4/ 3/06 FACE AMT 1000 M or PROCEEDS 948,312.33

|                      |                     |         |
|----------------------|---------------------|---------|
| 1) YA                | YIELDS              | 2) YASD |
| PRICE 94-10+         | No Rounding         |         |
| YIELD 4.855          | 1st                 |         |
| SPRD 4.50            | bp yld-decimals 3/3 |         |
| versus               |                     |         |
| Sur T 4 3/4 03/31/11 | BENCHMARK           |         |
| PRICE 99-23+         | Save Delete         |         |
| YIELD 4.810 %        | sd: 4/ 3/06         |         |

|                       |                  |                     |  |                |
|-----------------------|------------------|---------------------|--|----------------|
| RISK & HEDGE RATIOS   | T 3 3/8 02/15/13 | workout 2/15/13 OAS |  | HEDGE BOND OAS |
| Mod Dur               | 5.90             | 5.90                |  | 4.39           |
| Risk                  | 5.590            | 5.592               |  | 4.384          |
| Convexity             | 0.41             | 0.41                |  | 0.23           |
| Workout HEDGE Amount: |                  | 1,275 M             |  |                |
| OAS HEDGE Amount:     |                  | 1,276 M             |  |                |

Yields are: Semi-Annual

|                                      |                   |                  |
|--------------------------------------|-------------------|------------------|
| 3) OAS                               | SPREADS           | 4) ASW           |
| OAS: 3.0                             | CRV# CMT VOL Opt  |                  |
| OAS: CRV#                            | TED: 56.2         |                  |
| ASW (A/A) -46.4                      | (ZSPR) -49.2      | 11) History      |
| CRV# 152                             | US \$ SWAP 30/360 |                  |
| ISPRD -48.9                          | (OSPRD) -49.4     |                  |
| Yield Curve: 125 US TREASURY ACTIVES |                   |                  |
| + 3                                  | v 6.9yr (4.825%)  | INTERPOLATED     |
| + 4                                  | v 5yr (4.81)      | T 4 3/4 03/31/11 |
| + 1                                  | v 10yr (4.85)     | T 4 1/2 02/15/16 |
| - 3                                  | v 30yr (4.89)     | T 4 1/2 02/15/36 |

|                        |                      |
|------------------------|----------------------|
| 5) FPA                 | FINANCING            |
| Repo% 4.750            | (360/365) 360 Days 1 |
| Int Income             | 107.04 Carry P&L     |
| Fin Cast               | -125.12              |
| Amortiz                | 18.63 (-) ← 0.55     |
| Forwrd Prc             | 94.329933            |
| Prc Drop               | -0.001808            |
| Drop (bp)              | 0.00                 |
| Accrued Interest /100  | 0.503108             |
| Number Of Days Accrued | 47                   |

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see pg 22

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SPRD = DURATION SPREAD (see pg 46)

REPO Defaults to 3 mos. rate. USE MMR <90> to see money markets rates.

Stt Lmnt PRC - FRWD PRC  
Fair price for bond futures

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Govt **YAS**

|   |             |
|---|-------------|
| HELP FOR <b>YIELD AND SPREAD ANALYSIS</b> |             |
| Search <b>YAS</b> <HELP> for: [REDACTED]  | Page 6 / 52 |

Yield and Spread Analysis Screen

The Yield and Spread Analysis screen displays general security information at the top of the screen, and then the following four sections for your analysis:

- Yields
- Spreads
- Risk and Hedge Ratios
- Financing

*} Sections*

The following fields appear at the top of the screen:

Cusip:  
The identification number assigned by the Committee on Uniform Securities Identification Procedures.

PCS:  
The pricing source for the selected security. The PCS - Price Provider Search List section of this guide displays further information.

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Market Information (title does not appear on screen):

The market information for the security appears below the Yield & Spread Analysis heading. Q <HELP> displays further information on current market information for the selected security.

Settle:

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

**\*Remember\***

If you change the settlement date to a forward date, the price/yield on the bond (in the upper left corner) does not reflect the carry on the bond.

Face Amt:

The quantity purchased, which is used to compute the hedge amount and financing. The dropdown menu from the second highlighted field displays a list of denomination amount options.

Proceeds:

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The amount invested in the security. Proceeds = (Price \* Face Amount) +  
Accrued Interest.

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## HELP FOR **YIELD AND SPREAD ANALYSIS**

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### - Yields Section

The Yields section illustrates the price/yield relationship and spread of the selected security to its benchmark. The top of this section relates to the current security. Its spread to the benchmark security appears at the bottom. The following fields appear:

#### Price:

The ask price of the selected security. The Price Rounding field appears to the right. The dropdown menu displays a list of options.

#### Yield:

The ask yield in relation to the specified workout type, date, and price, when applicable. The Workout Date field appears to the right. The dropdown menu displays a list of workout types.

#### SPRD:

The basis point yield spread over the hedge bond (or benchmark bond). **YAS** selects a benchmark bond from the yield curve whose OAS-duration most closely matches the selected security's OAS-duration.

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**Versus:**

The maturity year (if applicable), ticker symbol, coupon, and maturity date of the hedge bond (or benchmark bond). To calculate the spread and hedge against a different bond, you can enter a different maturity (e.g., 5YR) or [ticker symbol w/coupon and/or maturity] <yellow key>.

**\*Remember\***

- If you choose Maturity from the Workout Date dropdown menu, YAS chooses the current on-the-run benchmark bond. YASD <HELP> displays further information.

- "Consensus Benchmark" (to the right of the benchmark ticker symbol, coupon, and maturity) indicates the displayed benchmark is based on dealer consensus. YASD <HELP> for the Yield and Spread Analysis Personal Defaults function displays further information.

**Price:**

The ask price of the hedge bond (or benchmark bond).

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Yield:

The **ask** yield of the hedge bond (or benchmark bond).

Save:

Allows you to save security-specific benchmarks.

**\*Remember\***

The Yield And Spread Analysis Personal Defaults function (YASD) allows you to modify and roll your benchmarks. YASD <HELP> displays further information.

Delete:

Allows you to delete security-specific benchmarks.

**\*Remember\***

The Yield And Spread Analysis Personal Defaults function (YASD) allows you to modify and roll your benchmarks. YASD <HELP> displays further information.

sd:

<HELP> to contact our 24/7 Help Desk, <MENU> to return.

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The settlement date on which payment for the hedge bond (or benchmark bond) is due.

**Yields are:**

The yield's compounding frequency. The dropdown menu displays a list of options.

**\*Remember\***

When comparing bonds with different compounding methods, choose equivalent yields.

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**Spreads Section**

The Spreads section adds the yield spread you enter in the SPRD field to the yield of the benchmark issue and calculates the proper price of the option (Opt), if applicable, for the security. This section also shows the traditional yield spread of the selected security to each of the benchmark bonds along the yield curve.

**OAS:**

Displays the Option-Adjusted Spread Analysis function (OAS1) for the selected security in order calculate values for the early redemption features so you can make relative value judgments based purely on credit risk. OAS1 <HELP> displays further information.

**ASW:**

Displays the Asset Swap Calculator for the selected security in order to calculate the relative value of a selected bond through the interest rate swap market. ASW <HELP> displays further information.

**OAS:**

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The option-adjusted-spread, in basis points, and the curve number (CRV#)  
against which the OAS is measured. OAS <HELP> displays further information.

**VOL:**

The annualized volatility using the lognormal model, expressed as a  
percent. This is the volatility assumption used in calculating the option  
value of the selected security.

**Opt:**

The total value of the security's embedded options, if applicable.

**TED:**

The spread between the selected bond and the appropriate Euro-Futures  
strip. TED is calculated for bonds with 10 or less years to maturity.

**Asset Swap:**

The bond's swapped spread, in basis points. The asset swap spread, or gross  
spread, is derived by valuing a bond's cash flows via the swap curve's  
implied zero rates. This gross spread is the basis point amount added to  
the swap curve, which causes a bond's computed value to equal the market

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price of the bond.

**Z-Sprd:**

The basis point value that must be added to the set of z-spread implied spot rates from a given yield curve, so the security's discounted cashflows equal its present value when each cashflow component discounts its own spot rate.

**CRV#:**

The yield curve to measure the spread against. The IYC1 - Single Yield Curve section of this guide displays a list of yield curves.

*YIELD CURVE GUIDE* ←

Day Type (title does not appear on screen):

Appears to the right of the CRV# field. The day type is the method used to determine how accrued interest is calculated and how coupon periods are determined.

**ISPRD:**

The spread between the selected bond and the interpolated yield from the CRV# field. This spread is based on the selected bond's nominal maturity

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date.

**DSPRD:**

The duration matched yield spread between the bond's modified duration and the interpolated modified duration for the yield curve specified in the **CRV#** field. The yield spread is derived by subtracting the interpolated yield on the swap curve from the selected bond's yield to workout. The interpolated swap yield is determined by calculating the nominal modified durations of the swap rates on the yield curve and then interpolating them to match the selected bond's duration.

**Yield Curve:**

The government yield curve from which the HEDGE BOND is taken. The spread against the yield curve's interpolated yield at the security's workout date and selected points on the yield curve appear below the yield curve.

**\*Remember\***

- You can override the bond's benchmark curve. The Single International Yield Curve (IYC1) function displays a list of yield curves. Do not use swap and FMC curves.

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- The Interpolated Yield (ICUR) function displays a more detailed interpolated yield calculation. Entering ICUR {number of years} <Go> calculates the interpolated yield curve for a specified number of days from today.

- If the security does not have a domestic yield curve, YAS defaults to the U.S. Treasury yield curve. YAS does not handle cross currencies and makes no adjustments for currency mismatches.

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**Risk and Hedge Ratios Section**

The Risk and Hedge Ratios section displays modified duration, risk, and convexity using traditional yield (to the workout date) and OAS methodology (for the selected bond and the hedge bond). YAS uses the default benchmark Treasury issue as its hedge security. If the security you are valuing is option-free, its OAS risk measures are similar to its maturity measures. However, if the security is callable and in-the-money, then traditional workout and OAS risk measures can produce very different hedge ratios. For one-security hedging, YAS endorses the OAS framework to be the better hedge.

**Mod Dur:**

The modified duration based on the workout date, OAS, and hedge bond OAS. It is the 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.

**Risk:**

The risk based on the workout date, OAS, and hedge bond OAS. It is a

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## HELP FOR YIELD AND SPREAD ANALYSIS

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measurement used by Bloomberg to indicate price sensitivity given shifts in interest rates. Risk is 100 times the price value of a basis point change in yield.

### Convexity:

The convexity based on the workout date, DAS, and hedge bond DAS. It is 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.

### Workout Hedge Amount:

The quantity of hedge bonds that you must sell (in thousands) to offset the security's interest rate risk using traditional yield methodology.

### DAS hedge Amount:

The quantity of hedge bonds that you must sell (in thousands) to offset the security's interest rate risk using Option-Adjusted-Spread methodology.

### \*Remember\*

- This is sometimes referred to as dollar duration hedging

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- Hedge Ratio = Risk(security)/Risk (hedge bond)

- Hedge Amount = Hedge Ratio \* Face Amount (security)

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- Financing Section

The financing section displays the security's cost of carry when the purchase is made using borrowed funds in the repo market. Yield and price drops are important to dealers who need to price bonds for forward settlement because the quoted price must be adjusted to account for cost-of-carry impact on the trade. A bond's forward price is determined by valuing the yield spread between the bond and the short-term-financing, or securities repurchase agreement (repo) rate. A bond that carries positively must have its price cheapened when selling forward. The analysis is limited to a term of less than one year and without reinvestment of intervening coupons.

FPA:

Displays the Forward Pricing Analysis function for the selected security in order analyze the purchase price with borrowed funds through forward pricing.

Repo%:

The rate at which you can borrow money to purchase the selected security.

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Defaults to the three-month money market rate. The Money Rate Monitors (MRR) function displays money market rates.

360/365:

The day type method.

Days:

The number of days to finance the trade or to calculate the drop.

**Int Income:**

The interest or coupon income.

**Fin Cost:**

The cost of financing bond proceeds at the repo rate.

**Amortiz:**

The amount by which a par bond's price will move in one day.

**\* Forward Prc:**

The fair price of the bond for future settlement given the repo rate and

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↖ FV for futures

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the coupon income. Forward price = Market price - (Interest Income - Finance Cost).

**\*Remember\***

- (Interest Income - Finance Cost) is per bond stated as a percentage of face value.

- The forward price is not affected by the face amount.

**Prc Drop:**

The price drop = settlement price - forward price.

**\*Remember\***

The price drop is not affected by the face amount.

**Drop (bp):**

The yield drop, in basis points. Unlike the price drop, drop (bp) includes amortization and is calculated as follows: Drop (bp) = [(Interest Income - finance Cost - Amortization) / (Risk workout)] / 100.

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**\*Remember\***

The drop (bp) is not affected by the face amount.

**Carry P&L:**

The cost of carry = interest income - finance cost.

**Carry P&L (Amortiz):**

The cost of carry = interest income - finance cost - amortization.

**\*Remember\***

The interest income, finance cost, and amortization are gross numbers that are affected by the face amount.

**Accrued Interest/100:**

The amount of accrued interest divided by 100.

**Number of Days Accrued:**

The amount of interest accumulated, but not paid, between the issue date or most recent payment and the settlement date.

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**ISpreads Section**

The ISpreads section appears if you enter the shortcut **YAS NDR <Go>**. It takes into account the Norwegian market convention of comparing spreads to the swap curve on a modified duration basis.

**ISPRD:**

The spread between the selected bond and the interpolated yield of the curve specified in the CRV# field. ISPRD is based on the swap curve of the bond's currency. This spread is based on the selected bond's nominal maturity date.

**IYIELD:**

The interpolated duration matched implied yield of the curve, specified in the CRV# field, based on a selected bond's nominal maturity date.

**Isread to Duration Curve:**

The ISpread to Swap Duration Curve field displays the following information:

- **DSPRD:** The spread between the selected bond's modified duration and the

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interpolated modified duration for the curve specified in the CRV# field. The modified duration spread is based on the selected bond's nominal maturity date.

- IYIELD: The implied yield for the curve specified in the CRV# field based on the duration matched maturity.

**CRV#:**

The yield curve against which to measure the spread. The IYC1 - Single International Yield Curve section of this guide displays a list of yield curves.

**Description:**

The ticker of each bond that makes up the curve specified in the CRV# field.

**Rate:**

The interest rate for each bond that makes up the curve specified in the CRV# field.

**Mod Duration:**

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The modified duration for each bond that makes up the curve specified in the CRV# field.

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**YAS Relative Value Screen**

Once you click on 11 <Go> For Historical Z-spreads, or enter 11 <Go> from the Yield And Spread Analysis screen, the YAS Relative Value screen appears, where you can graph a bond's historical z-spread or asset swap spread (ASW) in a custom chart. The CUSIP number appears at the top right of the screen, directly below which appears a blue quote line that includes the company name, ticker symbol, maturity date, bid/ask price, the yield that corresponds to the bid/ask price, the pricing source, and the date and/or time the price was quoted. Below the quote line, the settle date of the bond also appears. The screen is separated into the following sections:

- Yields
- Current Spreads (title does not appear on screen)
- Historical Spreads
- Historical Spread Summary Graph



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### - Current Spreads Section

YAS adds the yield spread you enter in the SPRD field to the yield of the benchmark issue and calculates the price of the option (Opt) and, if applicable, for the security.

#### \*Remember\*

- The calculations for Z-spread and ASW fields use defaults from the Yield Spread Analysis Personal Defaults function (YASD). The bond's price and the swap rates are based on the pricing sources you enter in the Pricing Provider Search List function (PCS). Swap rates are limited to the standard source (Src) types in the Swap Defaults function (SWDF). SWDF <HELP> displays further information. The Yield & Spread Analysis Personal Defaults function (YASD) drives the market regardless of what side of the market you are on (bid/ask/mid). YASD <HELP> displays further information

To properly correspond with the Asset Swap Calculator function (ASW), your swap rate objects must be set to pricing source CPMN (Composite New York) and the bond to BGN (Bloomberg Generic) in the Price Provider Search List function (PCS). The PCS - Price Provider Search List <HELP> section of this

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guide displays further information.

- The bond's price and swap rates are PCS (Pricing Source Quote Type) sourced. Swap rates are limited to the standard pricing source quote. The PCS - Price Provider Search List <HELP> section of this guide displays further information on entering pricing sources.

The following fields appear:

**ASW:**

Displays the asset swap calculator for the selected security to calculate the relative value of a specific bond through the interest rate swap market. ASW <HELP> displays further information.

**Z-Sprnd:**

The z-spread is the implied spread of an underlying bond from a yield curve, in basis points.

**\*Remember\***

The basis point value is added to the set of z-spread implied spot rates

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from a given yield curve, so the security's discounted cashflows are equal to its present value when each cashflow component discounts its own spot rate.

**TED:**

The spread between the selected bond and the appropriate Euro-Futures strip. TED is calculated for bonds with 10 or less years to maturity.

**OAS:**

Displays the Option-Adjusted Spread Analysis function (OAS1) for the selected security, where you can calculate the values for early redemption features and make relative value judgments based solely on credit risk. OAS1 <HELP> displays further information.

**CRV#:**

The yield curve, measured against the spread. The Single International Yield Curve function (IYC1) displays a list of yield curves.

**ISPRD:**

The interpolated spread. The spread between the selected bond and the

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Interpolated yield from the CRV# field, based on the bond's nominal maturity date.

**DSPRD:**

The duration spread. The duration matched yield spread between the selected bond's modified duration and the interpolated modified duration for the yield curve, specified in the CRV# field.

**\*Remember\***

The yield spread is calculated by subtracting the interpolated yield on the swap curve from the chosen bond's yield to workout. To determine the interpolated swap yield, the nominal modified durations of the swap rates on the yield curve is calculated and interpolated to match the bond's duration.

**GSPRD:**

The government spread. The spread between the selected bond and the government cash bond curve.

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

U.S. 1 212 318

2000

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31-Mar-06

16:06:37

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Govt **YAS**

## HELP FOR **YIELD AND SPREAD ANALYSIS**

Search **YAS** <HELP> for:

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### - Historical Spreads Section

The following historical spread data appears:

#### Relative Value Spread:

The type of spread used in the analysis. The dropdown menu displays a list of options.

#### Period:

The date range for the graph.

#### Data Periodicity:

The frequency of the data used for the analysis. The dropdown menu displays a list of options.

#### Last:

The most recent basis point value added to the z-spread-implied spot rates from a given yield curve.

#### Off Avg:

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

U.S. 1

212 318

2000

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*Measure  
(Indicator)*

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Govt **YAS**

HELP FOR **YIELD AND SPREAD ANALYSIS**

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The number of units the spread is currently off its average.

**Off Ave (SD):**

The off average in basis points (OFF AVE BPS) divided by the standard deviation of the data points (SDev).

**Average:**

The average spread for the chosen time frame.

**Std Dev:**

The standard deviation from the MEAN (AVE). The number of units that make up one standard deviation from the mean distribution.

**Percentile:**

The percentage of historical data points that are less than the current or last spread.

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Govt YAS

HELP FOR **YIELD AND SPREAD ANALYSIS**

Search **YAS** <HELP> for: [REDACTED]

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Historical Spread Summary Graph Section

The graph displays a historical spread summary with data points relating to the last and average spread. The date appears on the horizontal x-axis and the price on the vertical y-axis. The How To Use YAS section of this guide displays further information.

**\*Remember\***

The graph's current historical range is limited to 145 historical points, or approximately six months, on a daily basis.

<HELP> to contact our 24/7 Help Desk, <MENU> to return.

Govt **YAS**

HELP FOR **YIELD AND SPREAD ANALYSIS**

Search **YAS** <HELP> for: XXXXXXXXXX

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SHORTCUTS

{ticker symbol w/ coupon and maturity} <yellow key> YAS {price} <Go>  
Specify the price.

{ticker symbol w/ coupon and maturity} <yellow key> YAS \*(spread)  
{search code} <Go>  
Specify the spread and search convention from the underlying benchmark  
yield curve. You can choose from the following search codes:

- [D] Spread to option-adjusted-spread (OAS) duration-matched benchmark.
- [M] Spread to the maturity-matched benchmark.
- [W] Spread to the benchmark based on the bond's yield-to-worst date.
- [C] Spread to next call.
- [P] Spread to next put.
- [I] Interpolated spread to the curve.
- [xM] Where [x] is the maturity month of a bill on the benchmark yield  
curve (i.e., 6M is the six-month bill).

{ticker symbol w/ coupon and maturity} <yellow key> YAS {override code}



<HELP> to contact our 24/7 Help Desk, <MENU> to return.

Govt **YAS**

HELP FOR **YIELD AND SPREAD ANALYSIS**

Search **YAS** <HELP> for: XXXXXXXXXXXXXXXXXXXX

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modified duration basis field.

**\*Remember\***

If you use this shortcut, the ISpreads section appears at the bottom right of the screen.

{ticker symbol w/ coupon and maturity} <yellow key> YAS·F <Go>

Display the Yield and Spread Analysis (French Bonds with Calc Type 09) screen for French bonds that were not subject to EURO re-denomination.

{ticker symbol w/ coupon and maturity} YAS BC <Go>

Display the Yield and Spread Calculator function, YASC, for the specified security. YASC is an alternate version of YAS. YASC <HELP> displays further information.