

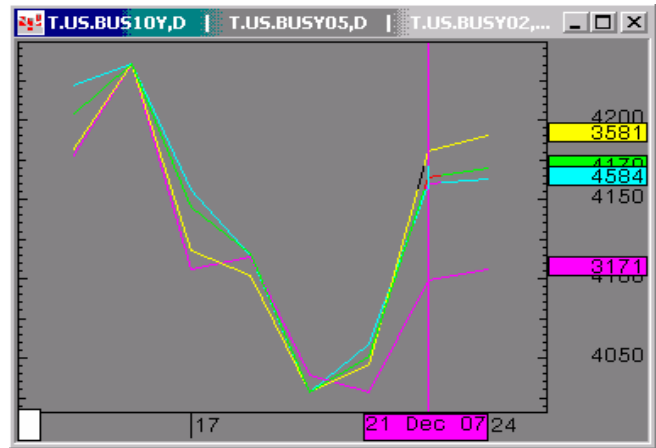


The Morning Email: Treasuries

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Daily Yield Curve



Source: CQG, Inc. © 2007 Mon Dec 24 2007 05:46:39

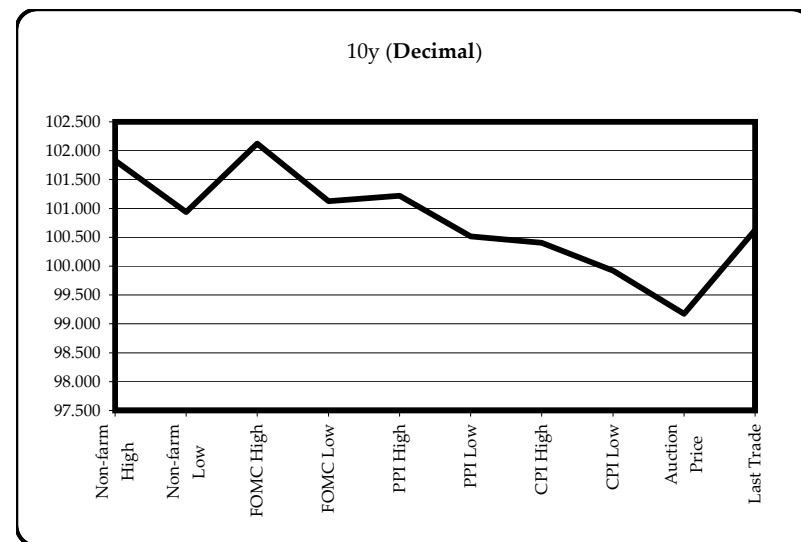
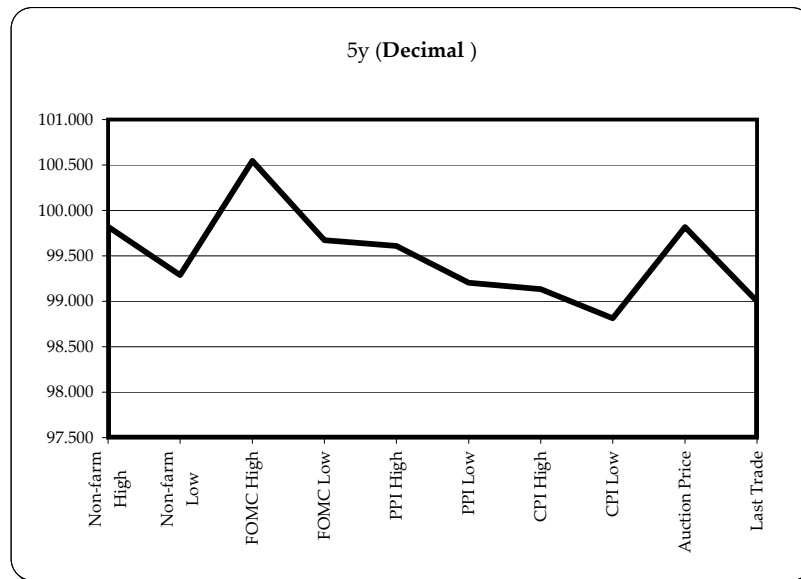


Want something added? Let me know: jgoulding@ghco.com

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Economic Releases - 32nds					
	5y	10y	ZNH8	ZBH8	Date
Non-farm High	99.2625	101.265	113.090	116.17	12/7/2007
Non-farm Low	99.0925	100.300	112.120	115.00	12/7/2007
FOMC High	100.1750	102.040	113.200	116.16	12/11/2007
FOMC Low	99.2150	101.040	112.185	115.03	12/11/2007
PPI High	99.1950	101.070	112.240	115.13	12/13/2007
PPI Low	99.0650	100.165	112.085	114.08	12/13/2007
CPI High	99.0425	100.130	112.075	114.07	12/14/2007
CPI Low	98.2600	99.295	111.240	113.19	12/14/2007
Auction Price	99.2616	99.056			
Last Trade	99.0000	100.200	112.125	114.24	12/24/2007 5:50

Auctions - 32nds				
	2 y	5y	10y	30y
Auction Price	99.299	99.262	99.056	105.103
Auction Yield Stop	3.159	3.415	4.353	4.666
Actual Auction Date	11/28/2007	11/29/2007	11/7/2007	11/8/2007



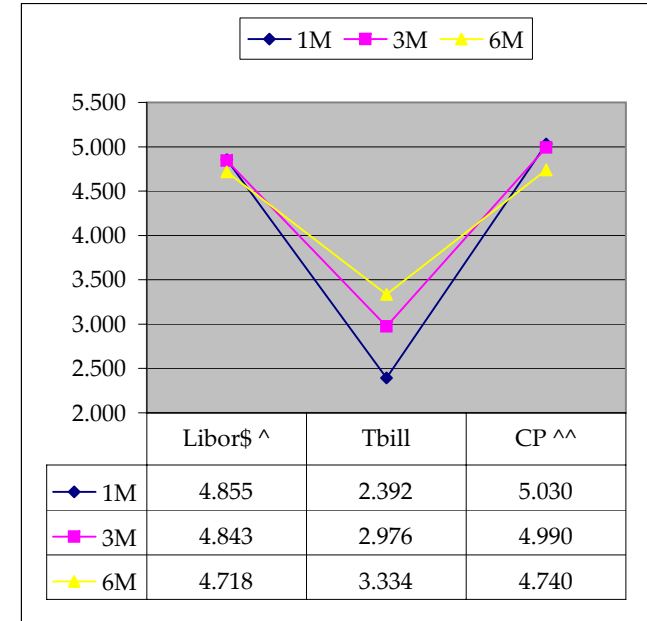
Notes: Cash and futures are adjusted for roll.
 Release times are from release to 2pm cdt
 {Dec07 to Mch08 Futures roll: ZF = (-12); ZN = (-25); ZB = (+1) [tics]}
 r = reopen

	Last	Net	32 nds			Volume	SYM NAME
			High	Low	Open		
TUAH8	104.262	0.0	104.262	104.250	104.257	1,680	2y Fut
FVAH8	109.175	0.0	109.185	109.160	109.170	4,915	5y Fut
TYAH8	112.125	(0.0)	112.145	112.110	112.145	11,343	10y Fut
USAH8	114.240	(0)	114.270	114.200	114.250	3,051	30y Fut
	Last	Net	High	Low	Open	Volume	SYM NAME
BUS02P	99.285	0.2	99.295	99.290	99.295	na	2y Cash
BUS05P	99.020	(0.5)	99.000	99.000	99.000	na	5y Cash
BUS10P	#VALUE!	(1.0)	100.225	100.180	100.180	na	10y Cash
BUS30P	106.185	(4)	106.235	106.200	106.200	na	30y Cash
	Last	Net	High	Low	Open	Volume	SYM NAME
BUS02Y	3.167	0.40	3.218	3.159	3.218	na	2y Yield
BUS05Y	3.581	0.80	3.602	3.568	3.593	na	5y Yield
BUS10Y	4.168	0.40	4.199	4.158	4.174	na	10y Yield
BUS30Y	4.584	0.30	4.595	4.506	4.58	na	30y Yield

	Libor\$ ^	Tbill	CP ^^
1M	4.855	2.392	5.030
3M	4.843	2.976	4.990
6M	4.718	3.334	4.740

	Libor\$ ^	Repos
0/N	4.391	3.700
1week	5.088	3.550
2week	5.018	3.350

	TSY	Swap	ED Pks ^^
2y	3.183	82.00	3.913
5y	3.580	78.00	
10y	4.172	65.25	



Notes

^Quoted in US Dollars
 ^^CP = Commercial Paper
 ^^ED Pks are colored for pack identifications. Example, the red pack is a 2-yr proxy and is colored red.
 Lastly, SYM = Symbol

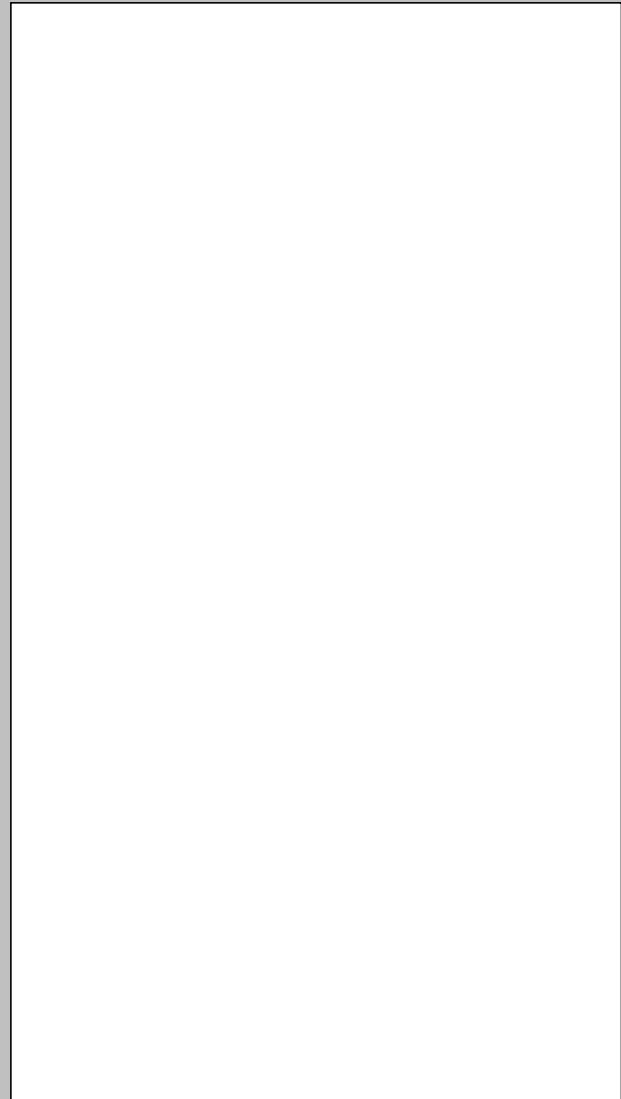
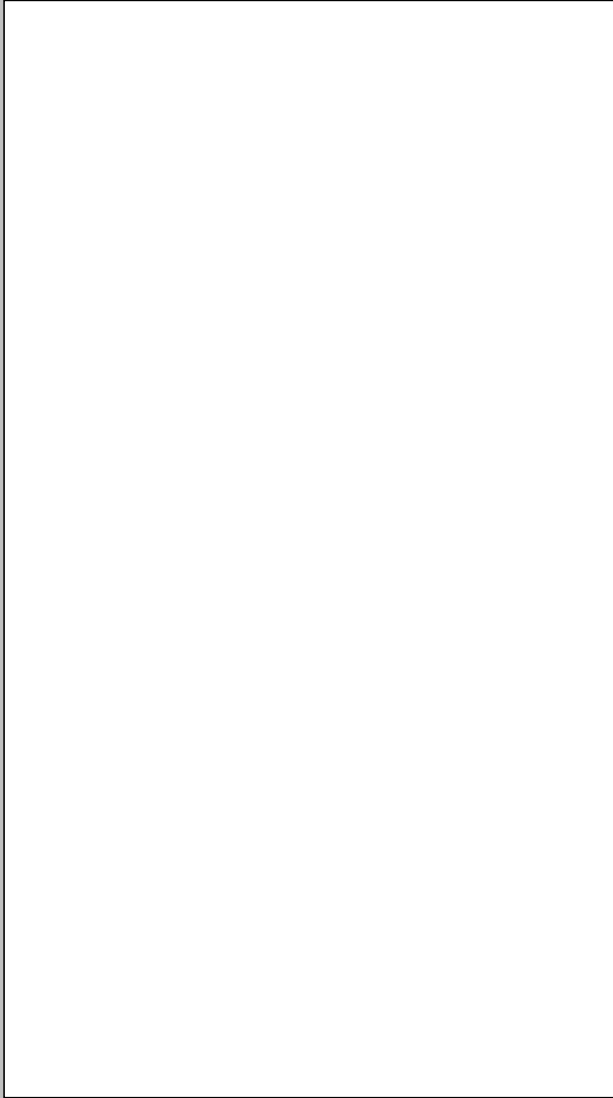
[All Times Eastern unless otherwise marked]

SOURCE: MNI

Overnight:

05:01 12/24 **TSYS SUMMARY:** U.S. Treasuries are trading mixed on Monday, with the Long Bond issue outperforming, amid low volume session. Trading in US Treasuries was closed overnight in the Tokyo session as Japanese markets observed Emperor's birthday, with volumes further diminished as Eurex was closed ahead of the Christmas holidays. Traders reported duration extension buying, with light volumes exaggerating price moves. Attention remains on the money market rates ahead of the year-end period, where the dollar 1-week Libor rate rose from 4.39125% to 5.09375% on Friday and the euro 1-week rate rose sharply from 4.01% to 4.54%. The fresh move higher comes after the ECB spent the latter part of last week mopping up liquidity, having injected E348.6073 bln in 16-day Refis last Tuesday. Further liquidity withdrawals are seen pressuring the year-end rates higher. Also eyed this week is supply, where new 2-yr Note and 5-yr Note auction are scheduled to be sold on Wednesday and Thursday for expected sizes of \$20bln and \$13bln, respectively.

(cont)



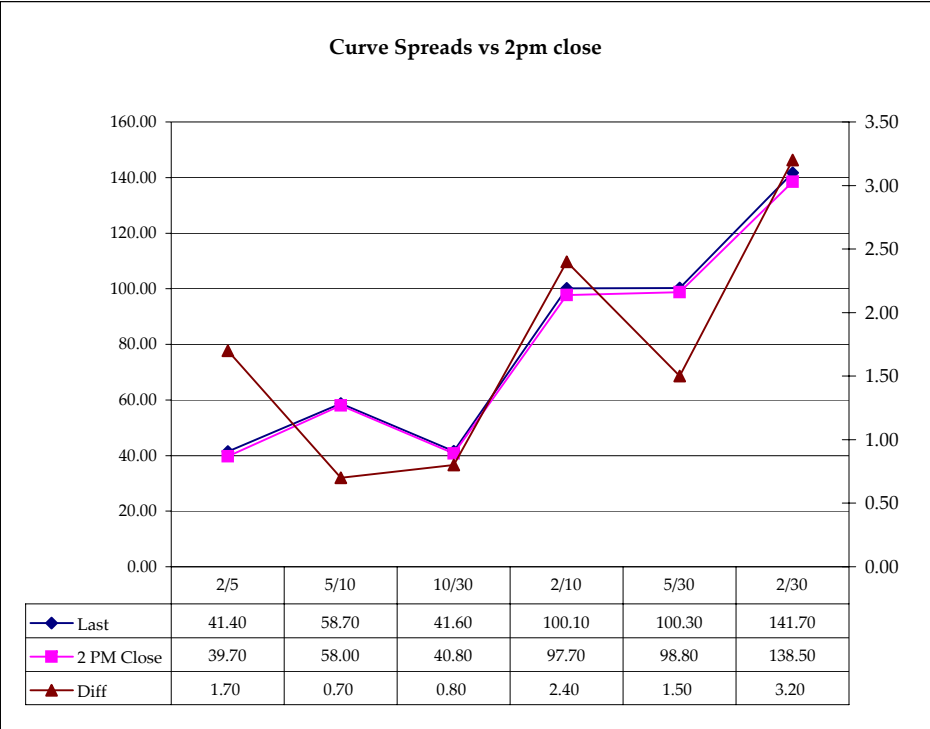
	M Duration	DV01 32	DV01 \$	DV01 Box	CF
30y	15.58	5.41	\$1,689	10.81	n/a
10y	7.98	2.58	\$807	5.16	n/a
5y	4.49	1.43	\$447	5.73	n/a
2y	1.86	0.59	\$186	2.38	n/a
ZB	10.25	3.85	\$120	3.85	0.8633
ZN	5.92	2.15	\$67	4.30	0.8747
ZF	3.98	1.40	\$44	2.81	0.9159
ZT	1.89	0.64	\$20	2.54	0.9486

Yield Curve Spreads			
	Last	2pm close	Diff
2/5	41.40	39.70	1.70
5/10	58.70	58.00	0.70
10/30	41.60	40.80	0.80
2/10	100.10	97.70	2.40
5/30	100.30	98.80	1.50
2/30	141.70	138.50	3.20

DV01 32, said differently, is "how many TICS are in a basis point?".

Example, If ZN moves 1~basis point, then, it's moved 2.08 tics (Today, 10/25/07, the value in the box is 2.08).

Since ZN trades in half tics, then, 4.17 boxes = 1 basis point in ZN. (Again, today, 10/25/07, the value in the box is 4.17). 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 / Eurex Bond

	ZB	ZN	ZF	ZT
Bund (H)	0.980	1.700	2.700	2.900
Bobl (H)	0.530	0.960	1.500	1.570
Shatz (H)	0.210	0.380	0.580	0.630

US Financial Futures

	ZB	ZN	ZF	ZT
ZB		1.792	2.744	3.027
ZN	0.558		1.531	1.689
ZF	0.364	0.653		1.103
ZT	0.330	0.592	0.906	

Eurex Bonds

	Bund (H)	Bobl (H)	Shatz (H)
Bund (H)	1.0	1.7	3.4
Bobl (H)	0.6	1.0	2.0
Shatz (H)	0.3	0.5	1.0

US Treasuries v US Financial Futures

	2y	5y	10y	30y
ZB	1.54	3.72	6.70	14.03
ZN	2.77	6.66	12.01	25.15
ZF	4.24	10.20	18.39	38.51
ZT	4.67	11.25	20.29	42.48

US Treasuries v Eurex Bonds

	2y	5y	10y	30y
Bund (H)	1.7	3.9	7.1	14.3
Bobl (H)	3.1	7.1	12.8	25.8
Shatz (H)	7.8	15.9	28.8	58.1

US Treasuries

	2y	5y	10y	30y
2y		2.407	4.341	9.089
5y	0.415		1.804	3.776
10y	0.230	0.554		2.094
30y	0.110	0.265	0.478	

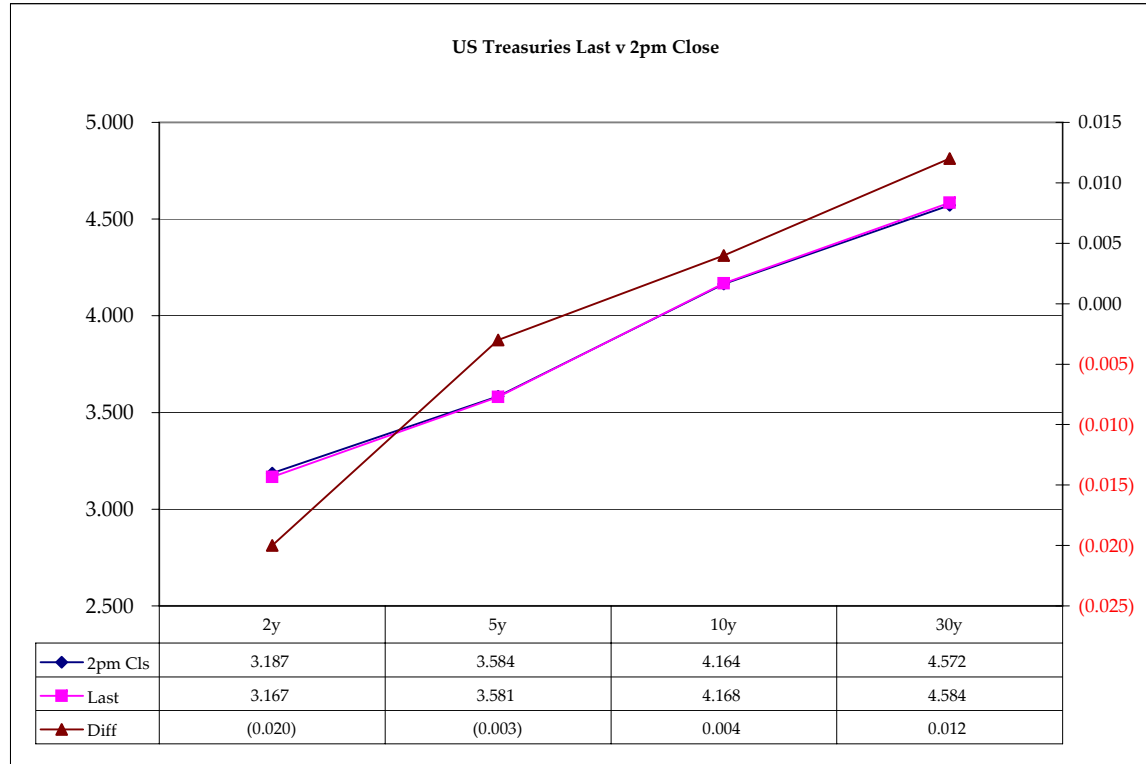
Note: Any ratio with the Bund, Bobl, or Shatz is from Bloomberg. So, the Bloomberg hedge ratios, in this spreadsheet, are static. Meaning, I only update them once in a while but always on rolls. My hedge ratio's are live, meaning, they're updated in real-time.

	Cpn	Mty	Close 32	Close	Last	Diff	Basis		Roll		Close 32	Last
							Close	Last				
2y	3.125	11/30/09	99.2825	3.187	3.167	(0.020)				FVAH8	109.180	109.175
5y	3.375	11/30/12	99.0200	3.584	3.581	(0.003)	-41.15	-42.69		TYAH8	112.140	112.125
10y	4.250	11/17/17	100.220	4.164	4.168	0.004	74.83	74.14		USAH8	115.00	114.240
30y	5.000	5/15/37	106.28	4.572	4.584	0.012	243.06	242.46				

Curve Spreads		
	Close bps	Last bps
2/5	39.7	41.4
5/10	58.0	58.7
10/30	40.8	41.6
2/10	97.7	100.1
5/30	98.8	100.3
2/30	138.5	141.7

	TUAR1	0.0
	FVAR1	11.5
Expired	TYAR1	27.2
Expired	USAR1	21.7

These are the 1/4 tic spreads. They are quoted in tics.
 .2 = 1/4
 .5 = 1/2
 .7 = 3/4



Notes:
 Basis = (Cash Decimal - (Futures Decimal * CF))*32
 MDuration for Curve Spreads:
 Longer duration minus shorter duration
 32 = price is quoted in 32nds

Cash Duration Matrix

Cash Duration Matrix				
	2	5	10	30
2	100%			
5	41%	100%		
10	23%	56%	100%	
30	12%	29%	51%	135%
Cash Matrix [DV01 x Duration]				
	2	5	10	30
2	\$186			
5	\$185	\$447		
10	\$188	\$454	\$807	
30	\$201	\$487	\$865	\$1,689
Cash Matrix [DV01 over / (under) valued]				
	2	5	10	30
2				
5	\$1			
10	(\$2)	(\$7)		
30	(\$15)	(\$40)	(\$59)	
Cash Matrix [DV01 over / (under) as %]				
	2	5	10	30
2				
5	0.53%			
10	-0.98%	-1.50%		
30	-7.68%	-8.17%	-6.77%	

What is this? (1):
 2yr cash has X% duration of 5yr cash .

What is this? (2):
 -2yr cash has DV01 of \$202
 -Multiply the 2yr DV01 by the percent duration to come up with what the 2yrs DV01 SHOULD be compared to the 5yr.

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.

 Or you can look at the over/under value as a percentage instead of dollar terms.

Tic for Tic Matrix				
	2y	5y	10y	30y
ZT	0.93	2.25	4.06	8.50
ZF	0.42	1.02	1.84	3.85
ZN	0.28	0.67	1.20	2.51
ZB	0.15	0.37	0.67	1.40

Box for Box Matrix				
	2y	5y	10y	30y
ZT	0.93	2.25	8.12	16.99
ZF	0.42	2.04	3.68	7.70
ZN	0.55	1.33	1.20	2.51
ZB	0.62	1.49	1.34	2.81

	2y	5y	10y	30y
2y	1.00	2.41	4.34	9.09
5y	0.42	1.00	1.80	3.78
10y	0.23	0.55	1.00	2.09
30y	0.11	0.26	0.48	1.00

	2y	5y	10y	30y
2y		2.41	2.17	4.54
5y	0.42		0.45	1.89
10y	0.46	2.22		2.09
30y	0.22	0.53	0.48	

	ZT	ZF	ZN	ZB
ZT	1.00	2.21	3.38	6.05
ZF	0.45	1.00	1.53	2.74
ZN	0.30	0.65	1.00	1.79
ZB	0.17	0.36	0.56	1.00

	2y	5y	10y	30y
ZT		2.21	6.76	24.22
ZF	0.45		1.53	5.49
ZN	0.15	0.65		3.58
ZB	0.04	0.18	0.28	

Valuing the Basis

This page is based on the work of Galen Burghardt.

	Basis		Delivery Basket			Futures Price	
	Bullish	Bearish	DC^	HDB	LDB	Up	Down
Repo in GC		x					
Repo on Special	x		Steepen				
Repo Rate Down	x		Flatten				x
Repo Rate Up		x				x	
Fed buys back issue	x		Flatten	Deliver	Deliver		
Fed stops selling issue	x		Flatten	Deliver	Deliver		
Volatility Up (in general)	x						x
Volatility Down (in general)		x				x	
Volatility Up, PS		x				x	
Volatility Down, NPS	x						x
Volatility Down, PS		x				x	
Volatility Up, NPS	x						x
Fed Raising Rates			Flattens	Deliver	Deliver		
Cost-to-Carry up		x	<p><u>What affects the basis?</u> changes in rp rates changes in the slope of the yc and dc changes in yield spreads changes in yield volatility carry convergence</p>				
Cost-to-Carry down	x						
Market Rallying	x						
Market Breaking		x					
BNOc is Negative		x					
BNOc is Positive	x						
Curve Steepening (in general)	x						
Curve Flattening (in general)		x					
Curve Parallel (in general)		x					

Please see the morning email "US Deliverable Basket" for charts of the Deliverables.

If you're long the basis and the markets going up but the basis is barely going up, then check to see if there's a parallel shift going on in the curve.

Long basis and a parallel shift lowers the value of being long the basis. You won't make as much as you thought. You might even lose money.

Notes:

^ DC = Delivery Curve. See morning email, US Deliverable Basket for full basket.

PS = Parallel Shift

NPS = Non-Parallel Shift.

BNOc = Basis Net of Change

yc = yield curve

HDB = High Duration Bond/Note

LDB = Low Duration Bond/Note