

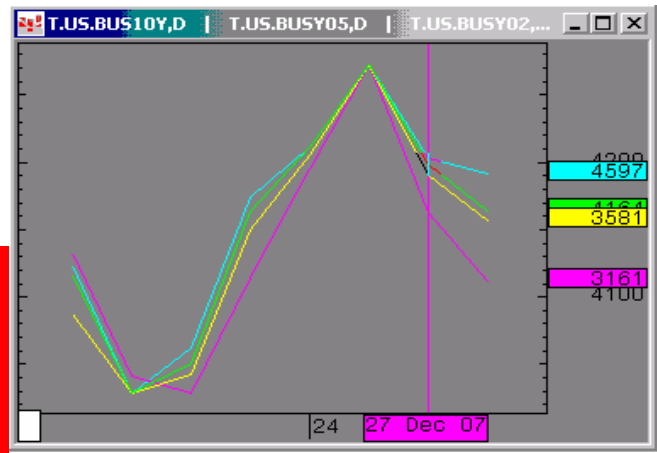


# The Morning Email: Treasuries

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### Daily Yield Curve



Source: CQG, Inc. © 2007 Fri Dec 28 2007 05:51:55

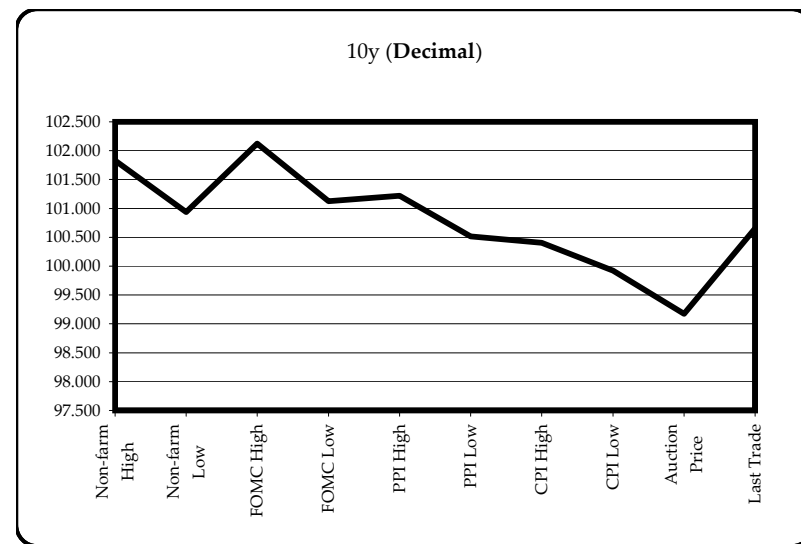
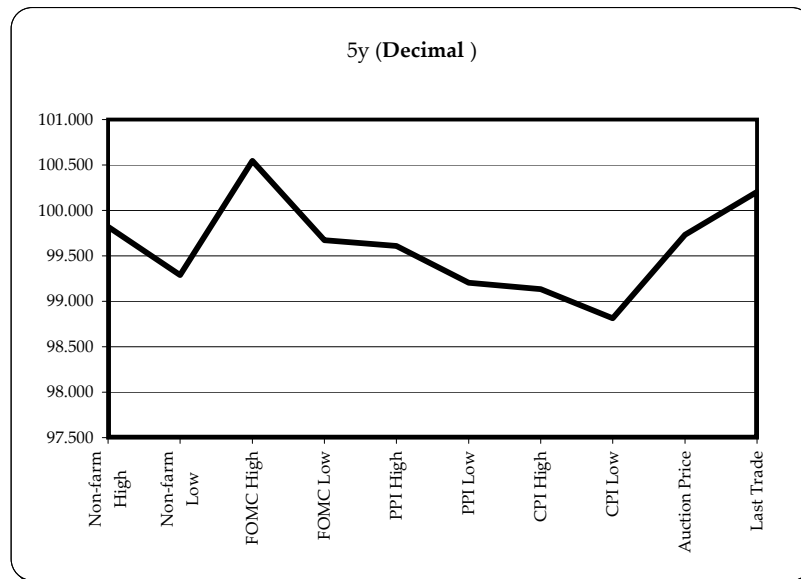


**ALL NEWS HAS BEEN MOVED TO A NEW EMAIL CALLED "NEWS RECAP"**

Want something added? Let me know: [jgoulding@ghco.com](mailto: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.

| 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             | 99.2347  | 99.056  |         |        |                 |
| Last Trade                | 100.0650 | 100.210 | 112.175 | 114.24 | 12/28/2007 5:54 |

| Auctions - 32nds    |            |            |           |           |
|---------------------|------------|------------|-----------|-----------|
|                     | 2 y        | 5y         | 10y       | 30y       |
| Auction Price       | 99.298     | 99.235     | 99.056    | 105.103   |
| Auction Yield Stop  | 3.159      | 4.435      | 4.353     | 4.666     |
| Actual Auction Date | 12/26/2007 | 12/27/2007 | 11/7/2007 | 11/8/2007 |



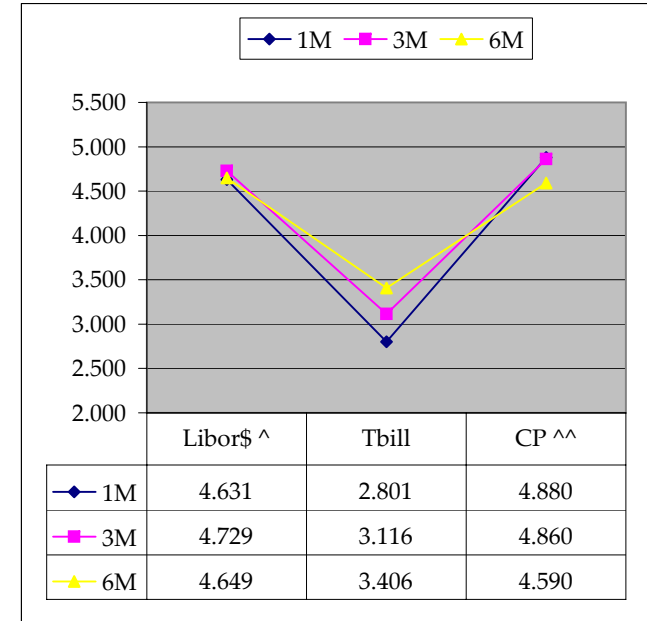
Notes: Cash and futures are adjusted for roll.  
 Release times are from release to 2pm cdt  
 {Dec07 to Mch08 Futures roll: ZF = (-12); ZN = (-25); ZB = (+1) [tics]}  
 r = reopen

|        | Last    | Net    | 32 nds  |         |         | Volume | SYM NAME  |
|--------|---------|--------|---------|---------|---------|--------|-----------|
|        |         |        | High    | Low     | Open    |        |           |
| TUAH8  | 104.297 | 0.1    | 104.315 | 104.252 | 104.252 | 15,353 | 2y Fut    |
| FVAH8  | 109.230 | 0.1    | 109.245 | 109.150 | 109.150 | 24,197 | 5y Fut    |
| TYAH8  | 112.175 | 0.1    | 112.190 | 112.070 | 112.080 | 37,306 | 10y Fut   |
| USAH8  | 114.240 | 0      | 114.250 | 114.100 | 114.160 | 11,863 | 30y Fut   |
|        | Last    | Net    | High    | Low     | Open    | Volume | SYM NAME  |
| BUS02P | 100.052 | 3.0    | 100.060 | 100.027 | 100.027 | na     | 2y Cash   |
| BUS05P | 100.060 | 109.2  | 100.090 | 99.297  | 100.000 | na     | 5y Cash   |
| BUS10P | 100.210 | 8.0    | 100.230 | 100.135 | 100.155 | na     | 10y Cash  |
| BUS30P | 106.080 | 2      | 106.120 | 106.005 | 106.115 | na     | 30y Cash  |
|        | Last    | Net    | High    | Low     | Open    | Volume | SYM NAME  |
| BUS02Y | 3.161   | (4.50) | 3.218   | 3.129   | 3.202   | na     | 2y Yield  |
| BUS05Y | 3.581   | (3.70) | 3.646   | 3.558   | 3.639   | na     | 5y Yield  |
| BUS10Y | 4.164   | (3.50) | 4.201   | 4.156   | 4.199   | na     | 10y Yield |
| BUS30Y | 4.596   | (1.20) | 4.625   | 4.594   | 4.611   | na     | 30y Yield |

|    | Libor\$ ^ | Tbill | CP ^^ |
|----|-----------|-------|-------|
| 1M | 4.631     | 2.801 | 4.880 |
| 3M | 4.729     | 3.116 | 4.860 |
| 6M | 4.649     | 3.406 | 4.590 |

|       | Libor\$ ^ | Repos |
|-------|-----------|-------|
| 0/N   | 4.500     | 4.020 |
| 1week | 4.473     | 3.650 |
| 2week | 4.501     | 3.550 |

|     | TSY   | Swap  | ED Pks ^^ |
|-----|-------|-------|-----------|
| 2y  | 3.165 | 75.75 | 3.839     |
| 5y  | 3.584 | 76.75 |           |
| 10y | 4.168 | 66.50 |           |



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

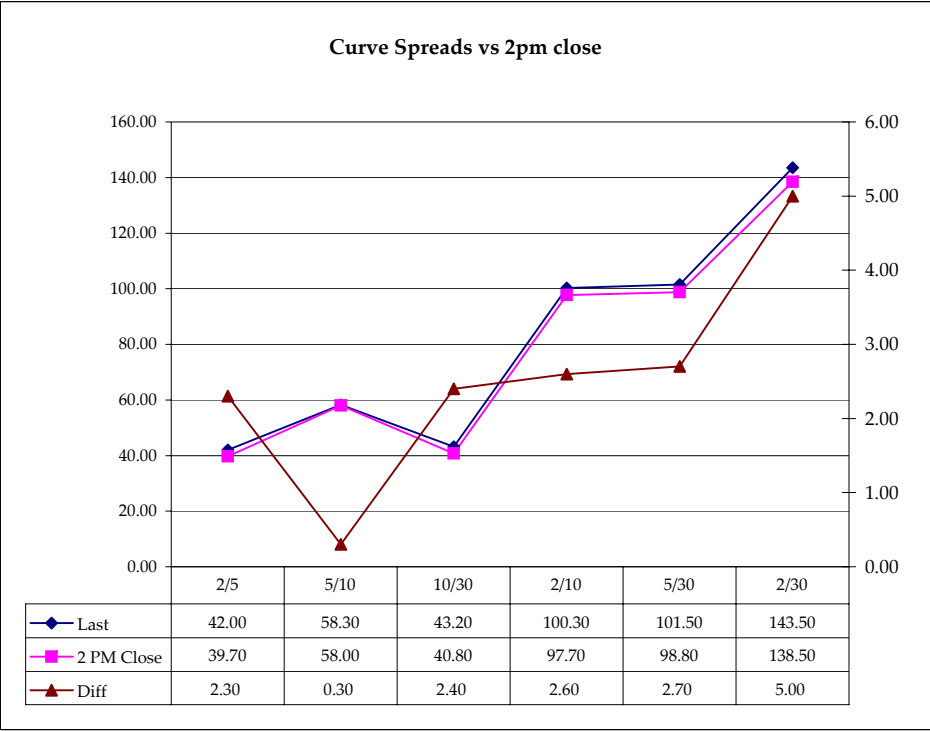
|     | M Duration | DV01 32 | DV01 \$ | DV01 Box | CF     |
|-----|------------|---------|---------|----------|--------|
| 30y | 15.55      | 5.38    | \$1,682 | 10.77    | n/a    |
| 10y | 7.96       | 2.58    | \$806   | 5.16     | n/a    |
| 5y  | 4.54       | 1.46    | \$457   | 5.85     | n/a    |
| 2y  | 1.92       | 0.62    | \$193   | 2.47     | n/a    |
| ZB  | 10.23      | 3.84    | \$120   | 3.84     | 0.8633 |
| ZN  | 5.90       | 2.14    | \$67    | 4.29     | 0.8747 |
| ZF  | 3.96       | 1.40    | \$44    | 2.80     | 0.8877 |
| ZT  | 1.92       | 0.65    | \$20    | 2.58     | 0.9549 |

| Yield Curve Spreads |        |           |      |
|---------------------|--------|-----------|------|
|                     | Last   | 2pm close | Diff |
| 2/5                 | 42.00  | 39.70     | 2.30 |
| 5/10                | 58.30  | 58.00     | 0.30 |
| 10/30               | 43.20  | 40.80     | 2.40 |
| 2/10                | 100.30 | 97.70     | 2.60 |
| 5/30                | 101.50 | 98.80     | 2.70 |
| 2/30                | 143.50 | 138.50    | 5.00 |

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 |       | 1.790 | 2.742 | 2.975 |
| ZN | 0.559 |       | 1.531 | 1.662 |
| ZF | 0.365 | 0.653 |       | 1.085 |
| ZT | 0.329 | 0.589 | 0.902 |       |

## 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 | 1.60 | 3.81  | 6.72  | 14.02 |
| ZN | 2.87 | 6.82  | 12.02 | 25.10 |
| ZF | 4.40 | 10.45 | 18.41 | 38.43 |
| ZT | 4.77 | 11.33 | 19.98 | 41.70 |

## 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  |       | 2.374 | 4.185 | 8.734 |
| 5y  | 0.421 |       | 1.763 | 3.679 |
| 10y | 0.239 | 0.567 |       | 2.087 |
| 30y | 0.115 | 0.272 | 0.479 |       |

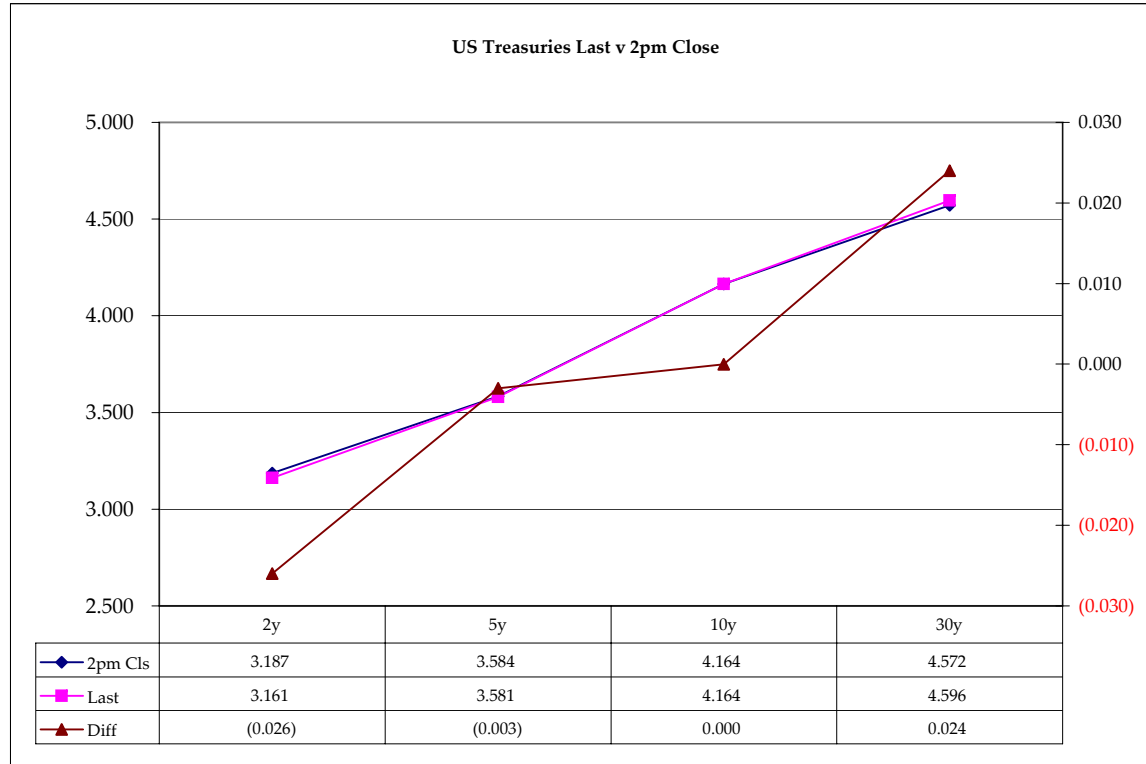
Note: Any ratio with the Bund, Bobl, or Shatz is from Bloomberg. So, the Bloomberg hedge ratios, in this spreadsheet, are static. Meaning, I only update them once in a while but always on rolls. My hedge ratio's are live, meaning, they're updated in real-time.

|     | Cpn   | Mty      | Close 32 | Close | Last  | Diff    | Basis  |        | Roll |       | Close 32 | Last    |
|-----|-------|----------|----------|-------|-------|---------|--------|--------|------|-------|----------|---------|
|     |       |          |          |       |       |         | Close  | Last   |      |       |          |         |
| 2y  | 3.250 | 12/31/09 | 100.0150 | 3.187 | 3.161 | (0.026) |        |        |      | FVAH8 | 109.140  | 109.230 |
| 5y  | 3.625 | 12/31/12 | 99.2525  | 3.584 | 3.581 | (0.003) | 84.52  | 89.79  |      | TYAH8 | 112.070  | 112.175 |
| 10y | 4.250 | 11/17/17 | 100.130  | 4.164 | 4.164 | 0.000   | 71.95  | 70.77  |      | USAH8 | 114.14   | 114.240 |
| 30y | 5.000 | 5/15/37  | 106.06   | 4.572 | 4.596 | 0.024   | 236.10 | 231.96 |      |       |          |         |

| Curve Spreads |           |          |
|---------------|-----------|----------|
|               | Close bps | Last bps |
| 2/5           | 39.7      | 42.0     |
| 5/10          | 58.0      | 58.3     |
| 10/30         | 40.8      | 43.2     |
| 2/10          | 97.7      | 100.3    |
| 5/30          | 98.8      | 101.5    |
| 2/30          | 138.5     | 143.5    |

|         |       |      |
|---------|-------|------|
|         | TUAR1 | -0.2 |
|         | FVAR1 | 11.0 |
| 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  | 43%    | 100%   |        |         |
| 10                                       | 24%    | 56%    | 100%   |         |
| 30                                       | 12%    | 29%    | 51%    | 135%    |
| Cash Matrix [DV01 x Duration]            |        |        |        |         |
|  | 2      | 5      | 10     | 30      |
| 2  | \$193  |        |        |         |
| 5  | \$191  | \$445  |        |         |
| 10                                       | \$195  | \$453  | \$806  |         |
| 30                                       | \$208  | \$484  | \$862  | \$1,682 |
| Cash Matrix [DV01 over / (under) valued] |        |        |        |         |
|  | 2      | 5      | 10     | 30      |
| 2  |        |        |        |         |
| 5  | \$1    |        |        |         |
| 10                                       | (\$2)  | (\$7)  |        |         |
| 30                                       | (\$15) | (\$39) | (\$56) |         |
| Cash Matrix [DV01 over / (under) as %]   |        |        |        |         |
|  | 2      | 5      | 10     | 30      |
| 2  |        |        |        |         |
| 5  | 0.68%  |        |        |         |
| 10                                       | -0.98% | -1.65% |        |         |
| 30                                       | -7.39% | -8.01% | -6.46% |         |

**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 |  | 0.95               | 2.21 | 4.00 | 8.34 |
| ZF |  | 0.44               | 1.02 | 1.84 | 3.84 |
| ZN |  | 0.29               | 0.66 | 1.20 | 2.51 |
| ZB |  | 0.16               | 0.37 | 0.67 | 1.40 |

|    |  | Box for Box Matrix |      |      |       |
|----|--|--------------------|------|------|-------|
|    |  | 2y                 | 5y   | 10y  | 30y   |
| ZT |  | 0.95               | 2.21 | 7.99 | 16.68 |
| ZF |  | 0.44               | 2.04 | 3.68 | 7.69  |
| ZN |  | 0.57               | 1.33 | 1.20 | 2.51  |
| ZB |  | 0.64               | 1.48 | 1.34 | 2.80  |

|     |  | 2y   | 5y   | 10y  | 30y  |
|-----|--|------|------|------|------|
| 2y  |  | 1.00 | 2.31 | 4.18 | 8.73 |
| 5y  |  | 0.43 | 1.00 | 1.81 | 3.78 |
| 10y |  | 0.24 | 0.55 | 1.00 | 2.09 |
| 30y |  | 0.11 | 0.26 | 0.48 | 1.00 |

|     |  | 2y   | 5y   | 10y  | 30y  |
|-----|--|------|------|------|------|
| 2y  |  |      | 2.31 | 2.09 | 4.37 |
| 5y  |  | 0.43 |      | 0.45 | 1.89 |
| 10y |  | 0.48 | 2.21 |      | 2.09 |
| 30y |  | 0.23 | 0.53 | 0.48 |      |

|    |  | ZT   | ZF   | ZN   | ZB   |
|----|--|------|------|------|------|
| ZT |  | 1.00 | 2.17 | 3.32 | 5.95 |
| ZF |  | 0.46 | 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 |  |      | 2.17 | 6.65 | 23.80 |
| ZF |  | 0.46 |      | 1.53 | 5.48  |
| ZN |  | 0.15 | 0.65 |      | 3.58  |
| ZB |  | 0.04 | 0.18 | 0.28 |       |