

The Morning Email: TERM TEDS & Dirty TEDS

Table of Contents

PgA	Quotes	Pg9	2y Basis TED Curve
Pg1	Dirty TED: ZT vs Eurodollar Contracts	Pg10	5y Basis TED Curve
Pg2	Dirty TED: ZF vs Eurodollar Contracts	Pg11	10y Basis TED Curve
Pg3	Dirty TED: ZN vs Eurodollar Contracts	Pg12	Packs
Pg4	TERM TED: 2y vs Eurodollar Contracts		
Pg5	TERM TED: 5y vs Eurodollar Contracts		
Pg6	TERM TED: 10y vs Eurodollar Contracts		
Pg7	Dirty TED Curve		
Pg8	TED Curve		

Correlations for the US Cash Treasuries are done on a YIELD basis. Therefore, you'll see negative values. The reason for this is due to the new issues. Every new issue takes too long to 'catch up' because the correlation formula looks back 10days.

Want something added? Let me know: 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.

Quotes

F.I. Futures and Cash					
	Last Decimal	Last 32	Last Yield*	MDuration	
ZT	107.2250	107.072	1.715	1.92	
ZF	113.8125	113.260	2.596	4.10	
ZN	116.5781	116.185	3.141	6.06	
2y	100.491	100.1570	1.744	1.95	
5y	100.625	100.2000	2.613	4.64	
10y	98.922	98.2950	3.628	8.32	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAH08	97.155	2.845	17	0.046	MAR	White Pack	
EDAM08	97.560	2.440	108	0.295	JUN		
EDAU08	97.730	2.270	199	0.545	SEP		
EDAZ08	97.720	2.280	290	0.794	DEC	Red Pack	
EDAH09	97.625	2.375	381	1.043	MAR		
EDAM09	97.440	2.560	472	1.292	JUN		
EDAU09	97.210	2.790	563	1.542	SEP	Green Pack	
EDAZ09	96.965	3.035	654	1.791	DEC		
EDAH10	96.735	3.265	745	2.040	MAR		
EDAM10	96.530	3.470	836	2.290	JUN	Blue Pack	
EDAU10	96.325	3.675	927	2.539	SEP		
EDAZ10	96.140	3.860	1018	2.788	DEC		
EDAH11	95.985	4.015	1109	3.038	MAR	Gold Pack	
EDAM11	95.645	4.355	1200	3.287	JUN		
EDAU11	95.585	4.415	1298	3.555	SEP		
EDAZ11	95.440	4.560	1389	3.805	DEC		
EDAH12	95.325	4.675	1480	4.054	MAR		
EDAM12	95.220	4.780	1571	4.303	JUN		
EDAU12	95.115	4.885	1662	4.553	SEP		
EDAU12	95.115	4.885	1662	4.553	SEP		

Notes

Futures use CTD for Last Yield

Mduration = Modified Macaulay Duration

#VALUE! = no quote being provided by exchange.

	Last Yield	Net Yield	Last Price	
Q.ED.White	2.508	9.375	9754.125	Pack Prices
Q.ED.Red	2.746	14.125	9731.000	
Q.ED.Green	3.650	11.625	9643.250	
Q.ED.Blue	4.445	0.500	9566.375	
Q.ED.Gold	4.960	-0.125	9516.750	

Red pack is a 2yr proxy
 Gold pack is a 10yr proxy
 Red /Gold is a 2/10 proxy
 Blue pack is a 5yr proxy
 Blue/Gold is a 5/10 proxy

Overview of Hedging

2/29/2008 5:56

Page A

How many ways can you hedge the TED? Let me count...there's lots and lots, like:

- 1 Regression
 - 2 Engineered
 - 3 Strip with and without Stubs
 - 4 Convexity Bias
 - 5 Weighted
 - 6 Unweighted
- and more...

Most of us are interested in the *unweighted hedge* which is simply a curve trade hedge. There are so many ways to hedge the TED trade that I can't possibly list them all.

If you email me and ask for a specific hedge, I'll get it to you.

jgoulding@ghco.com

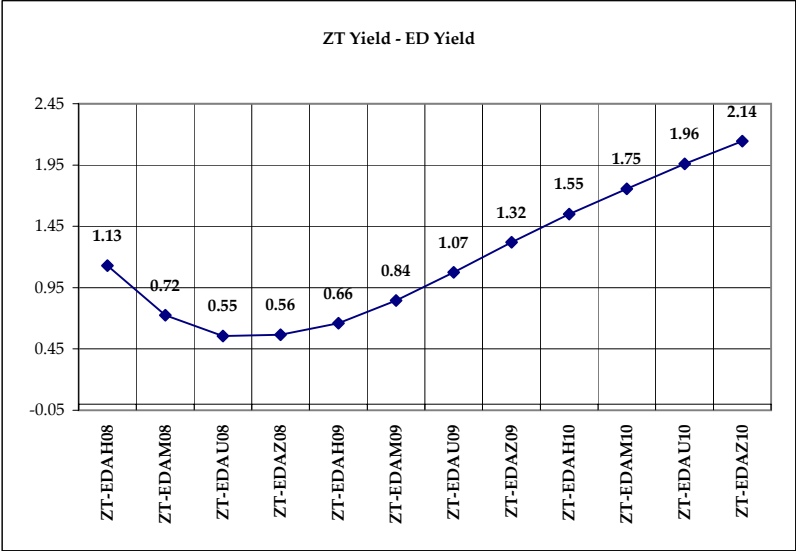
Eurodollar Color Codes for Individual Year Strips:

Color	Year	Contracts
White	One	1 – 4
Red	Two	5 – 8
Green	Three	9 – 12
Blue	Four	13 – 16
Gold	Five	17 – 20
Purple	Six	21 – 24
Orange	Seven	25 – 28
Pink	Eight	29 – 32
Silver	Nine	33 – 36
Copper	Ten	37 – 40

Dirty TED: ZT vs Eurodollar Contracts

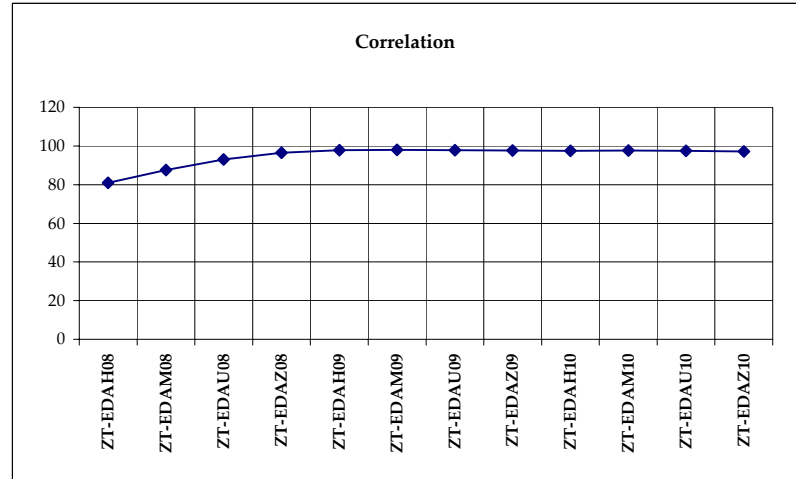
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	10.070	1.13	ZT-EDAH08	80.855
EDAM08	9.665	0.72	ZT-EDAM08	87.620
EDAU08	9.495	0.55	ZT-EDAU08	92.941
EDAZ08	9.505	0.56	ZT-EDAZ08	96.525
EDAH09	9.600	0.66	ZT-EDAH09	97.814
EDAM09	9.785	0.84	ZT-EDAM09	97.924
EDAU09	10.015	1.07	ZT-EDAU09	97.757
EDAZ09	10.260	1.32	ZT-EDAZ09	97.734
EDAH10	10.490	1.55	ZT-EDAH10	97.501
EDAM10	10.695	1.75	ZT-EDAM10	97.700
EDAU10	10.900	1.96	ZT-EDAU10	97.457
EDAZ10	11.085	2.14	ZT-EDAZ10	97.218

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year				
	ZT Duration	Spread Duration		
EDAH08	0.046	1.92	1.88	ZT-EDAH08
EDAM08	0.295	1.92	1.63	ZT-EDAM08
EDAU08	0.545	1.92	1.38	ZT-EDAU08
EDAZ08	0.794	1.92	1.13	ZT-EDAZ08
EDAH09	1.043	1.92	0.88	ZT-EDAH09
EDAM09	1.292	1.92	0.63	ZT-EDAM09
EDAU09	1.542	1.92	0.38	ZT-EDAU09
EDAZ09	1.791	1.92	0.13	ZT-EDAZ09
EDAH10	2.040	1.92	(0.12)	ZT-EDAH10
EDAM10	2.290	1.92	(0.37)	ZT-EDAM10
EDAU10	2.539	1.92	(0.62)	ZT-EDAU10
EDAZ10	2.788	1.92	(0.87)	ZT-EDAZ10

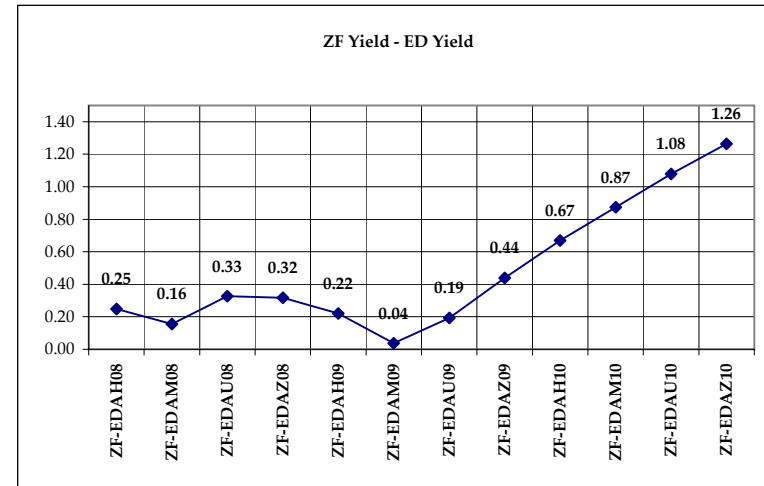
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	16.66	0.25	ZF-EDAH08	70.662
EDAM08	16.25	0.16	ZF-EDAM08	79.292
EDAU08	16.08	0.33	ZF-EDAU08	86.525
EDAZ08	16.09	0.32	ZF-EDAZ08	92.077
EDAH09	16.19	0.22	ZF-EDAH09	95.494
EDAM09	16.37	0.04	ZF-EDAM09	96.264
EDAU09	16.60	0.19	ZF-EDAU09	96.333
EDAZ09	16.85	0.44	ZF-EDAZ09	97.128
EDAH10	17.08	0.67	ZF-EDAH10	97.577
EDAM10	17.28	0.87	ZF-EDAM10	97.630
EDAU10	17.49	1.08	ZF-EDAU10	97.663
EDAZ10	17.67	1.26	ZF-EDAZ10	97.818

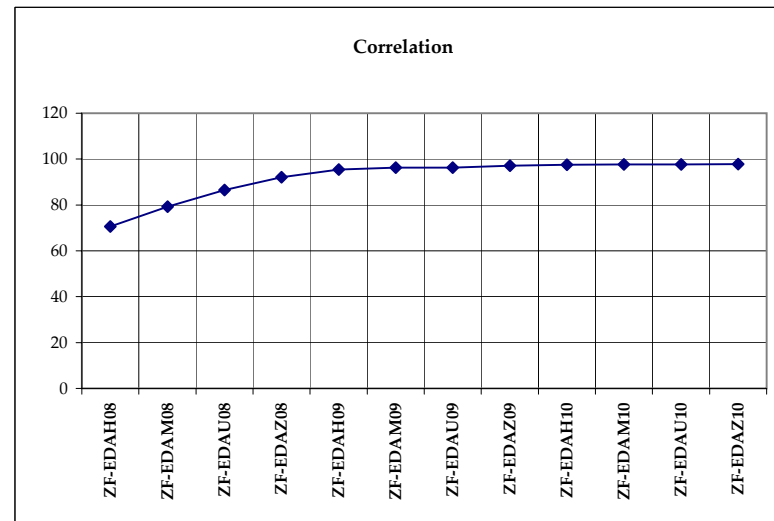
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAH08	0.046	4.10	4.06	ZF-EDAH08
EDAM08	0.295	4.10	3.81	ZF-EDAM08
EDAU08	0.545	4.10	3.56	ZF-EDAU08
EDAZ08	0.794	4.10	3.31	ZF-EDAZ08
EDAH09	1.043	4.10	3.06	ZF-EDAH09
EDAM09	1.292	4.10	2.81	ZF-EDAM09
EDAU09	1.542	4.10	2.56	ZF-EDAU09
EDAZ09	1.791	4.10	2.31	ZF-EDAZ09
EDAH10	2.040	4.10	2.06	ZF-EDAH10
EDAM10	2.290	4.10	1.81	ZF-EDAM10
EDAU10	2.539	4.10	1.57	ZF-EDAU10
EDAZ10	2.788	4.10	1.32	ZF-EDAZ10

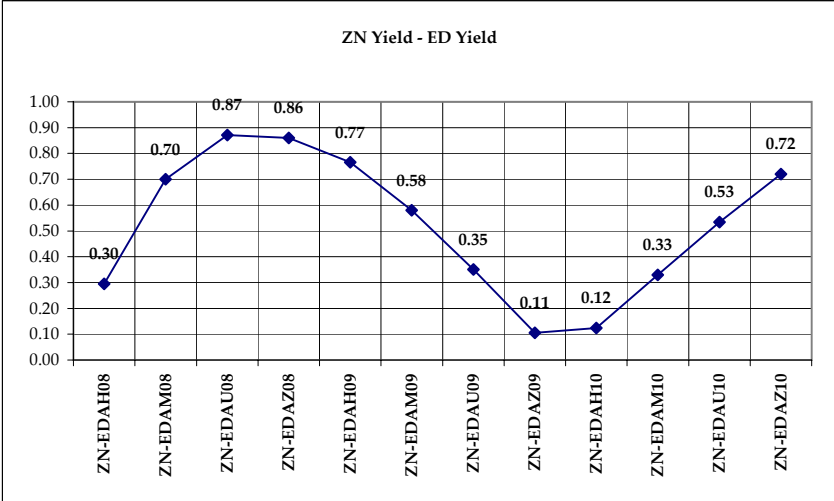
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

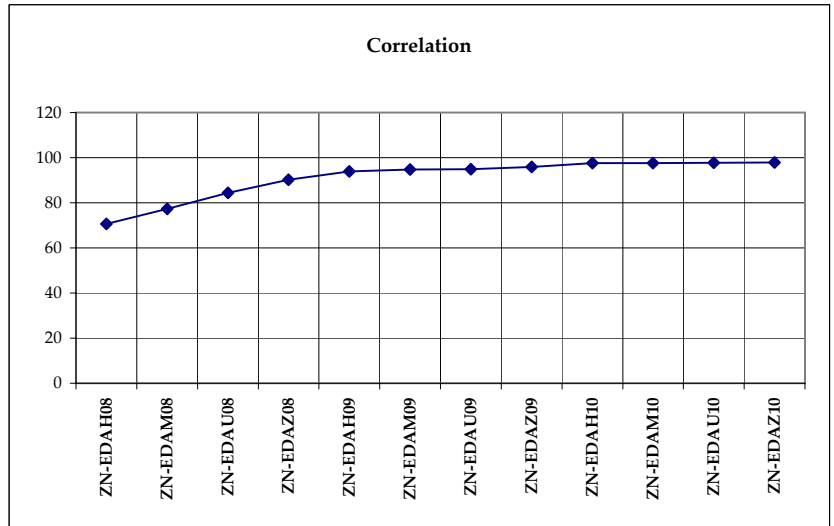
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	19.42	0.30	ZN-EDAH08	70.67
EDAM08	19.02	0.70	ZN-EDAM08	77.31
EDAU08	18.85	0.87	ZN-EDAU08	84.44
EDAZ08	18.86	0.86	ZN-EDAZ08	90.25
EDAH09	18.95	0.77	ZN-EDAH09	93.84
EDAM09	19.14	0.58	ZN-EDAM09	94.70
EDAU09	19.37	0.35	ZN-EDAU09	94.83
EDAZ09	19.61	0.11	ZN-EDAZ09	95.87
EDAH10	19.84	0.12	ZN-EDAH10	97.58
EDAM10	20.05	0.33	ZN-EDAM10	97.63
EDAU10	20.25	0.53	ZN-EDAU10	97.66
EDAZ10	20.44	0.72	ZN-EDAZ10	97.82

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



	GE Duration as Fraction of year	ZN Duration	Spread Duration	
EDAH08	0.046	6.06	6.01	ZN-EDAH08
EDAM08	0.295	6.06	5.76	ZN-EDAM08
EDAU08	0.545	6.06	5.51	ZN-EDAU08
EDAZ08	0.794	6.06	5.26	ZN-EDAZ08
EDAH09	1.043	6.06	5.02	ZN-EDAH09
EDAM09	1.292	6.06	4.77	ZN-EDAM09
EDAU09	1.542	6.06	4.52	ZN-EDAU09
EDAZ09	1.791	6.06	4.27	ZN-EDAZ09
EDAH10	2.040	6.06	4.02	ZN-EDAH10
EDAM10	2.290	6.06	3.77	ZN-EDAM10
EDAU10	2.539	6.06	3.52	ZN-EDAU10
EDAZ10	2.788	6.06	3.27	ZN-EDAZ10

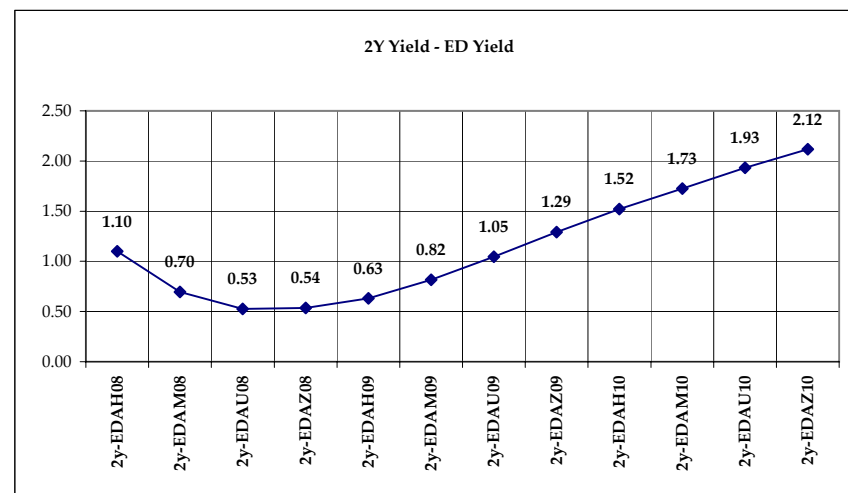
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	3.34	1.10	2y-EDAH08	-81.177
EDAM08	2.93	0.70	2y-EDAM08	-88.439
EDAU08	2.76	0.53	2y-EDAU08	-94.120
EDAZ08	2.77	0.54	2y-EDAZ08	-88.439
EDAH09	2.87	0.63	2y-EDAH09	-98.486
EDAM09	3.05	0.82	2y-EDAM09	-98.387
EDAU09	3.28	1.05	2y-EDAU09	-98.275
EDAZ09	3.53	1.29	2y-EDAZ09	-98.362
EDAH10	3.76	1.52	2y-EDAH10	-98.248
EDAM10	3.96	1.73	2y-EDAM10	-98.183
EDAU10	4.17	1.93	2y-EDAU10	-97.991
EDAZ10	4.35	2.12	2y-EDAZ10	-97.799

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days.
 These are measuring YIELD correlations.

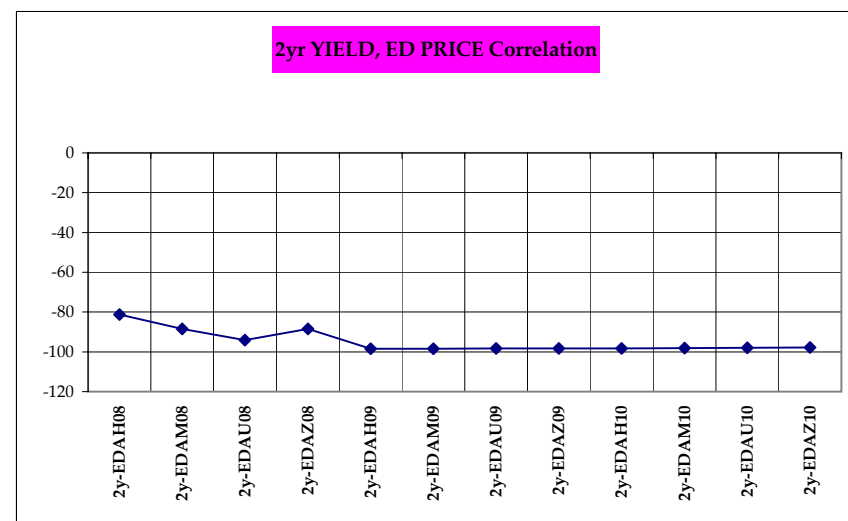


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAH08	0.046	1.95	2y-EDAH08
EDAM08	0.295	1.95	2y-EDAM08
EDAU08	0.545	1.95	2y-EDAU08
EDAZ08	0.794	1.95	2y-EDAZ08
EDAH09	1.043	1.95	2y-EDAH09
EDAM09	1.292	1.95	2y-EDAM09
EDAU09	1.542	1.95	2y-EDAU09
EDAZ09	1.791	1.95	2y-EDAZ09
EDAH10	2.040	1.95	2y-EDAH10
EDAM10	2.290	1.95	2y-EDAM10
EDAU10	2.539	1.95	2y-EDAU10
EDAZ10	2.788	1.95	2y-EDAZ10

The farther away from 0 the spread duration is the riskier the trade.

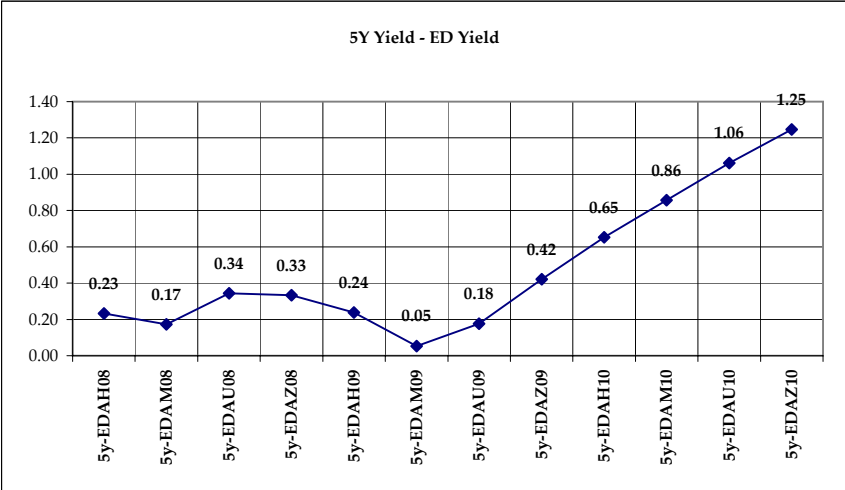
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	3.47	0.23	5y-EDAH08	-77.990
EDAM08	3.07	0.17	5y-EDAM08	-83.262
EDAU08	2.90	0.34	5y-EDAU08	-89.196
EDAZ08	2.91	0.33	5y-EDAZ08	-83.262
EDAH09	3.00	0.24	5y-EDAH09	-94.793
EDAM09	3.19	0.05	5y-EDAM09	-94.829
EDAU09	3.42	0.18	5y-EDAU09	-94.822
EDAZ09	3.66	0.42	5y-EDAZ09	-95.636
EDAH10	3.89	0.65	5y-EDAH10	-96.349
EDAM10	4.10	0.86	5y-EDAM10	-96.781
EDAU10	4.30	1.06	5y-EDAU10	-97.122
EDAZ10	4.49	1.25	5y-EDAZ10	-97.260

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days
 These are measuring YIELD correlations.

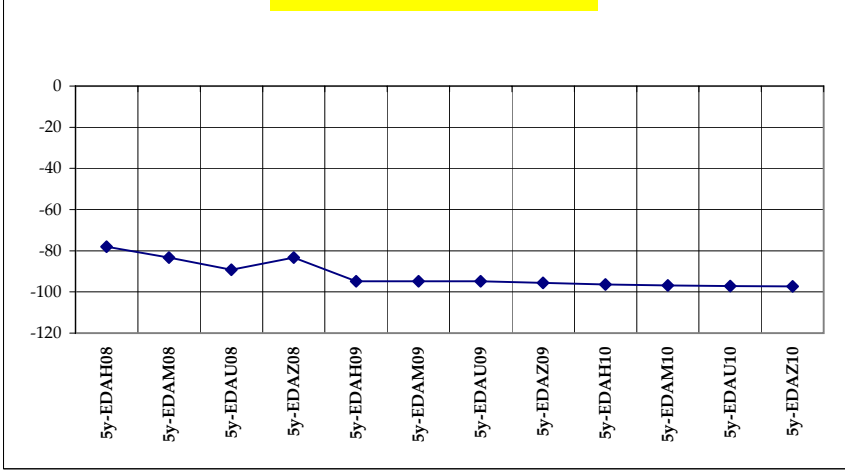


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAH08	0.046	4.64	5y-EDAH08
EDAM08	0.295	4.64	5y-EDAM08
EDAU08	0.545	4.64	5y-EDAU08
EDAZ08	0.794	4.64	5y-EDAZ08
EDAH09	1.043	4.64	5y-EDAH09
EDAM09	1.292	4.64	5y-EDAM09
EDAU09	1.542	4.64	5y-EDAU09
EDAZ09	1.791	4.64	5y-EDAZ09
EDAH10	2.040	4.64	5y-EDAH10
EDAM10	2.290	4.64	5y-EDAM10
EDAU10	2.539	4.64	5y-EDAU10
EDAZ10	2.788	4.64	5y-EDAZ10

The farther away from 0 the spread duration is the riskier the trade.

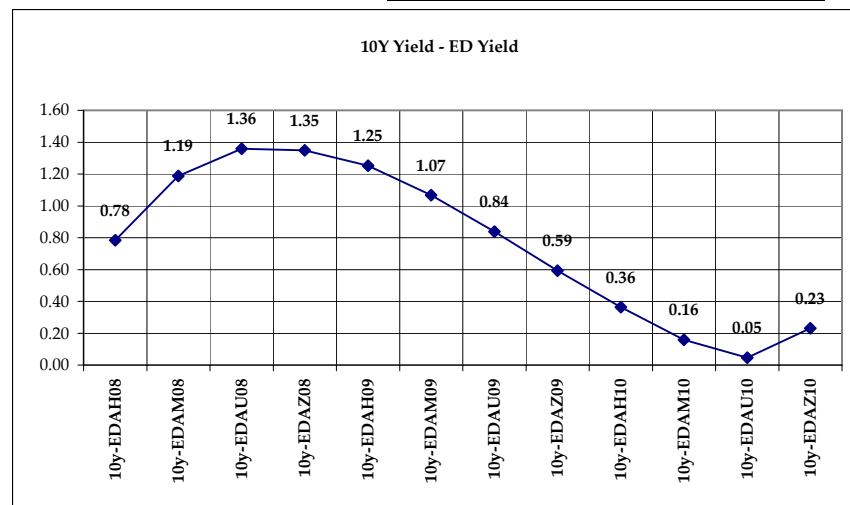
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	3.47	0.78	10y-EDAH08	-78.793
EDAM08	3.07	1.19	10y-EDAM08	-80.556
EDAU08	2.90	1.36	10y-EDAU08	-86.112
EDAZ08	2.91	1.35	10y-EDAZ08	-80.556
EDAH09	3.00	1.25	10y-EDAH09	-92.858
EDAM09	3.19	1.07	10y-EDAM09	-93.360
EDAU09	3.42	0.84	10y-EDAU09	-93.496
EDAZ09	3.66	0.59	10y-EDAZ09	-94.276
EDAH10	3.89	0.36	10y-EDAH10	-94.807
EDAM10	4.10	0.16	10y-EDAM10	-95.532
EDAU10	4.30	0.05	10y-EDAU10	-96.053
EDAZ10	4.49	0.23	10y-EDAZ10	-96.485

Price = Outright Decimal Price - Euro Contract Price
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 These are measuring YIELD correlations.

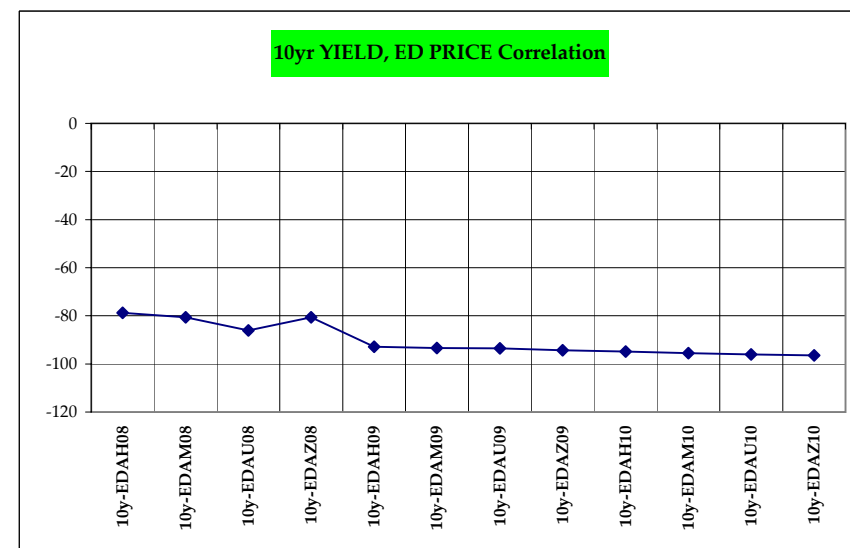


GE Duration as

	Fraction of year	10Y Duration	Spread Duration	
EDAH08	0.046	8.32	8.27	10y-EDAH08
EDAM08	0.295	8.32	8.02	10y-EDAM08
EDAU08	0.545	8.32	7.77	10y-EDAU08
EDAZ08	0.794	8.32	7.52	10y-EDAZ08
EDAH09	1.043	8.32	7.27	10y-EDAH09
EDAM09	1.292	8.32	7.02	10y-EDAM09
EDAU09	1.542	8.32	6.77	10y-EDAU09
EDAZ09	1.791	8.32	6.52	10y-EDAZ09
EDAH10	2.040	8.32	6.28	10y-EDAH10
EDAM10	2.290	8.32	6.03	10y-EDAM10
EDAU10	2.539	8.32	5.78	10y-EDAU10
EDAZ10	2.788	8.32	5.53	10y-EDAZ10

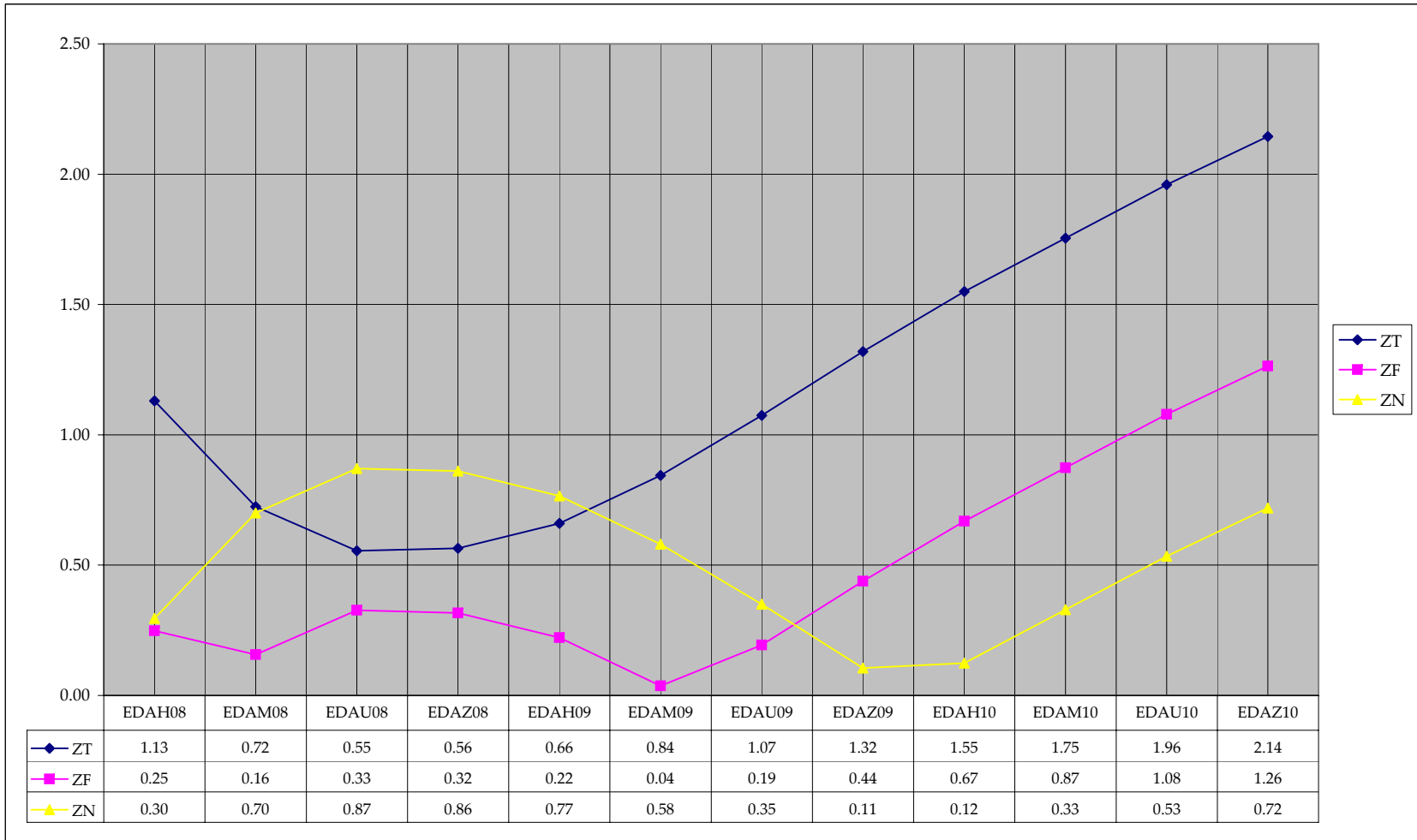
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10yr YIELD, ED PRICE Correlation



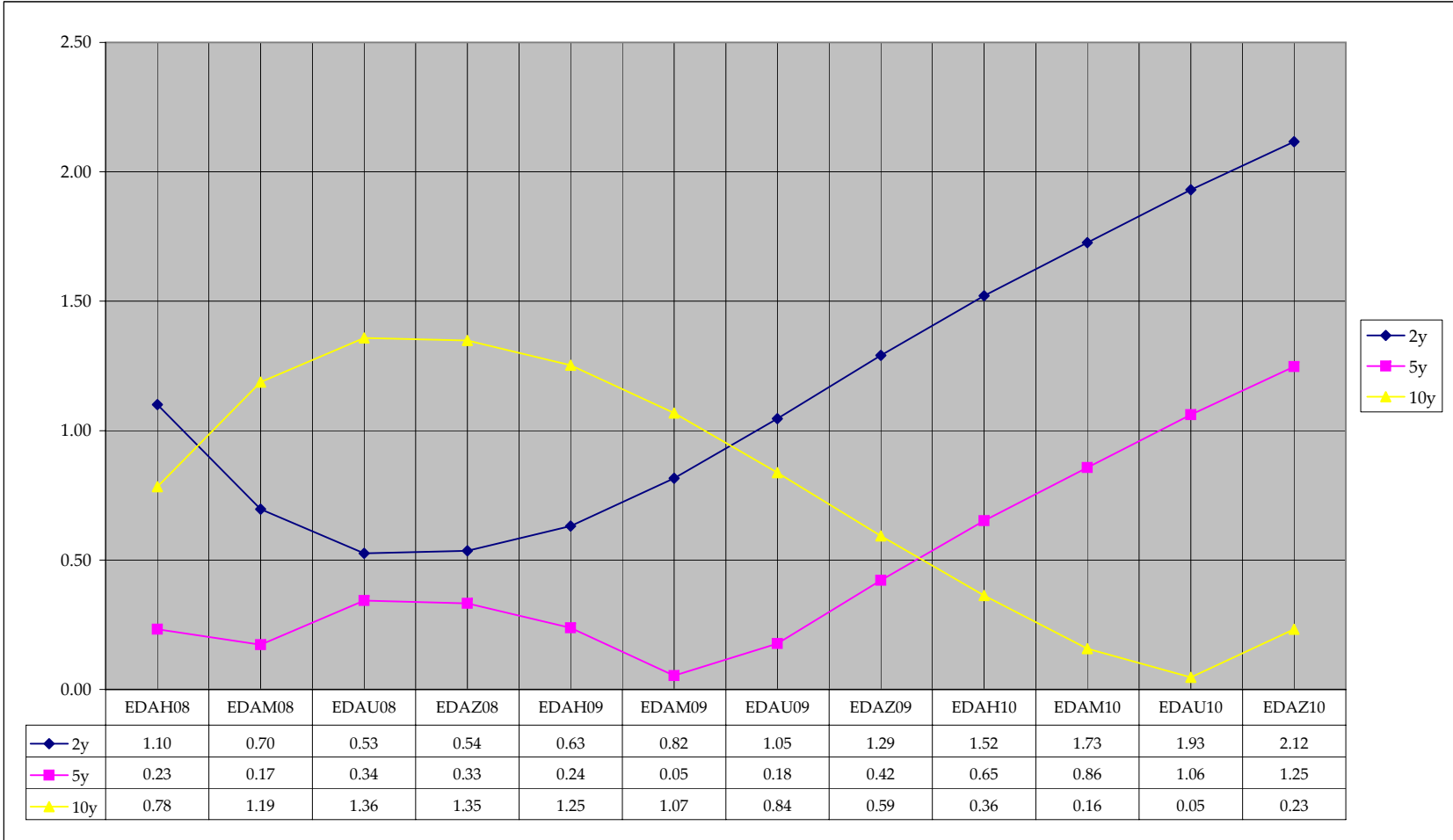
Dirty TED Curve

Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.

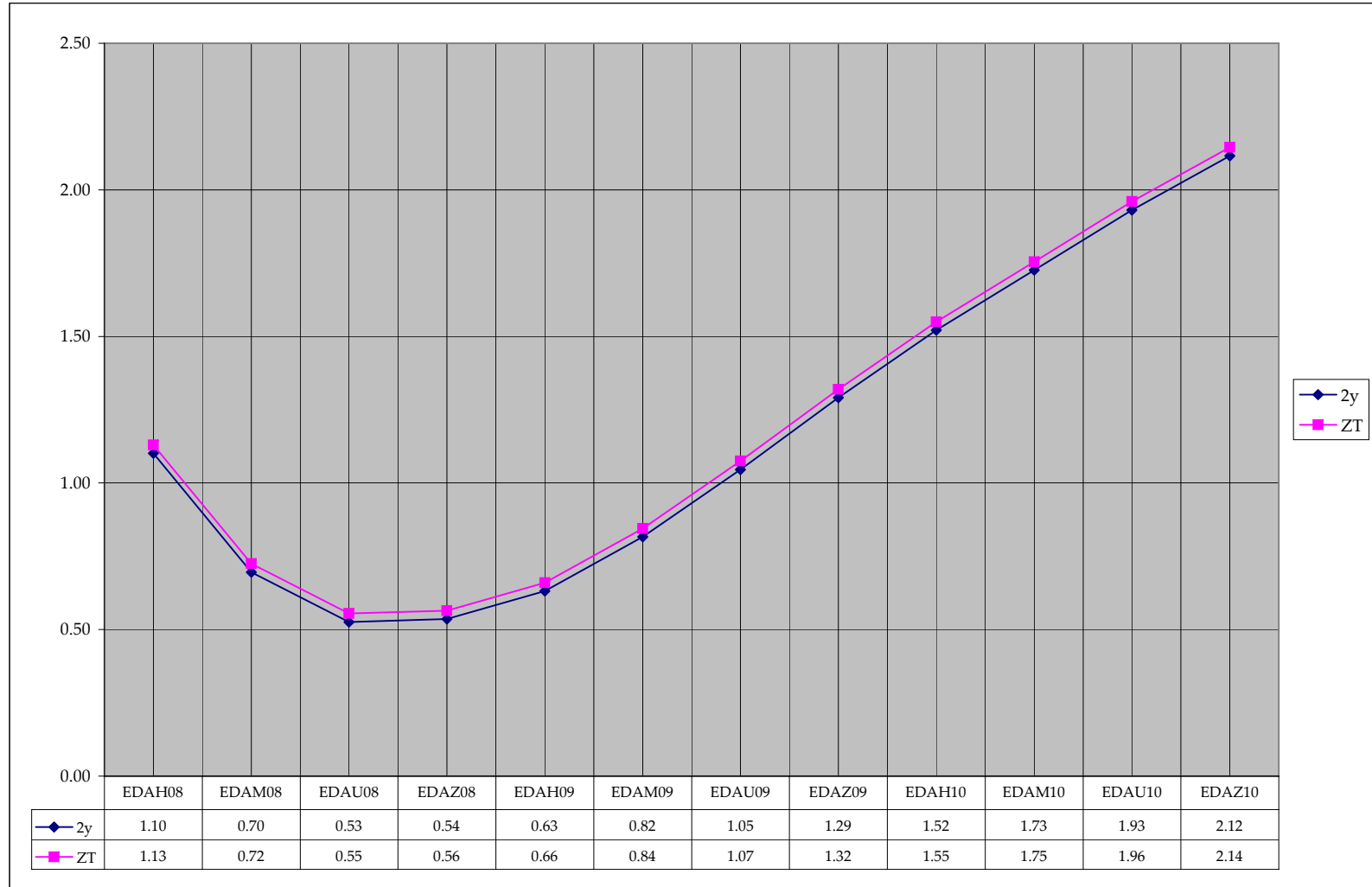


TED Curve

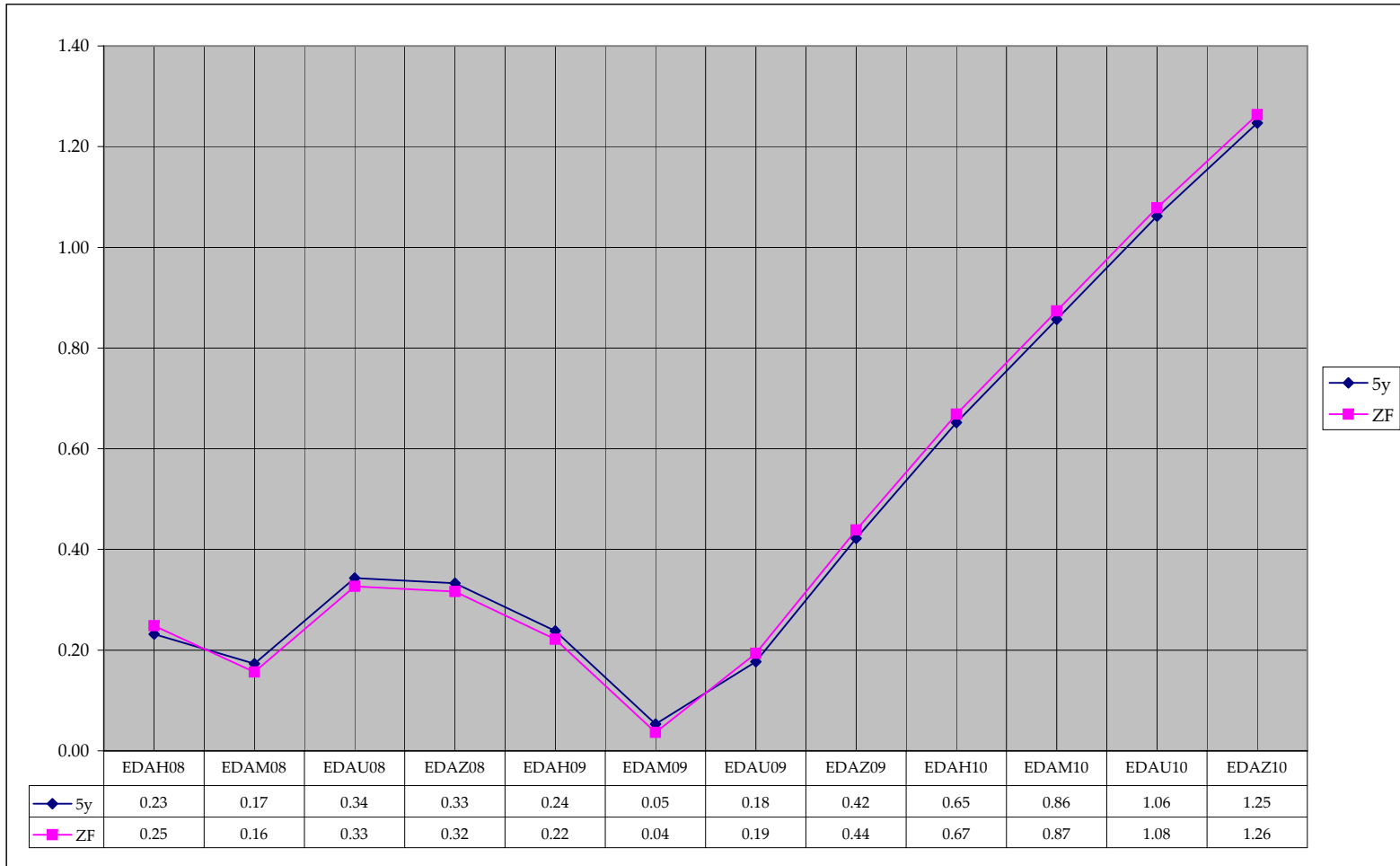
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



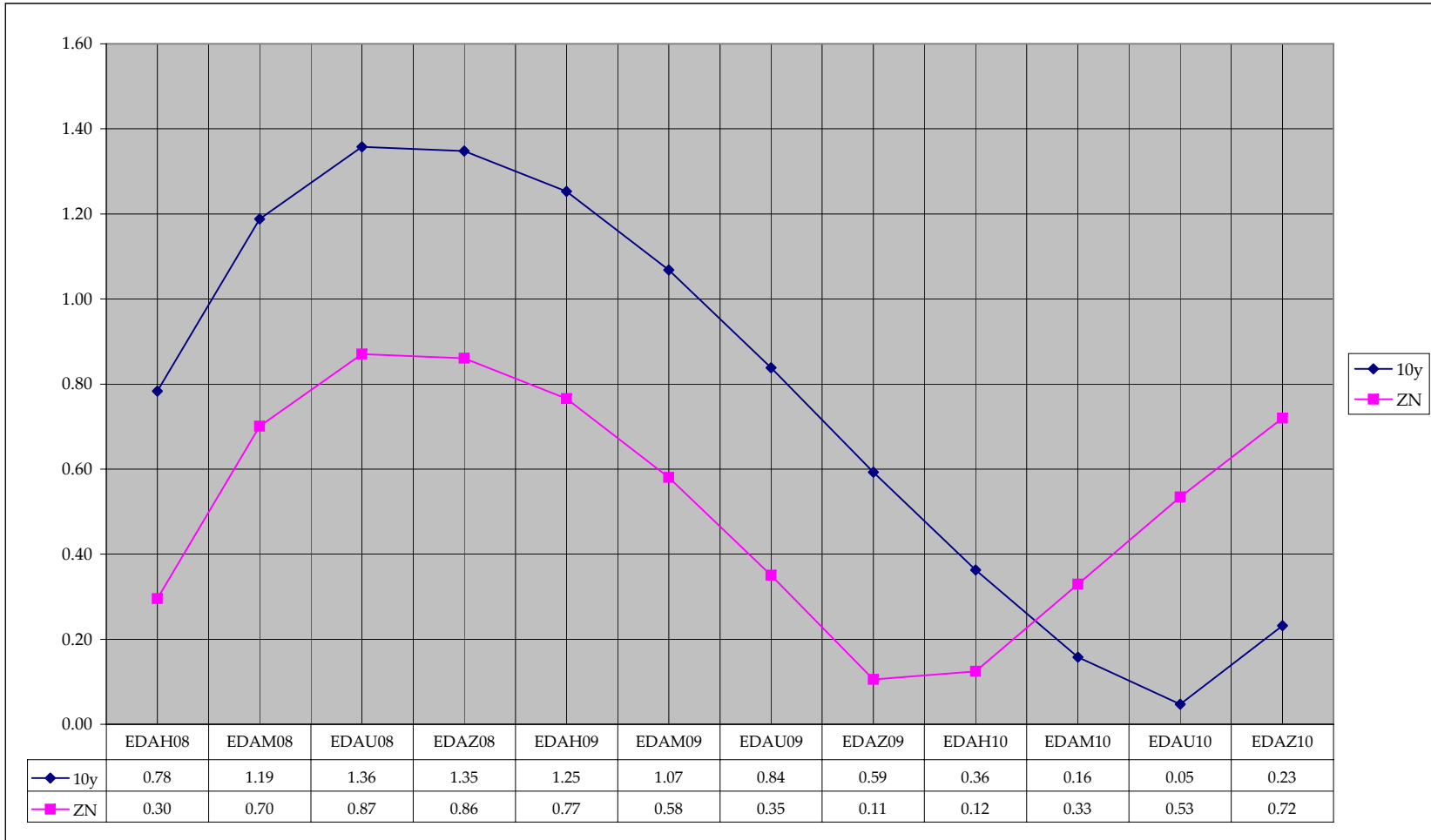
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	2.508	9.375	9754.125
Q.ED.Red	2.746	14.125	9731.000
Q.ED.Green	3.650	11.625	9643.250
Q.ED.Blue	4.445	0.500	9566.375
Q.ED.Gold	4.960	-0.125	9516.750

