

The Morning Email: TERM TEDS & Dirty TEDS

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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	105.6563	105.210	2.801	1.91	
ZF	111.2031	111.065	3.173	3.96	
ZN	114.5156	114.165	3.561	5.91	
2y	100.866	100.2770	2.795	1.91	
5y	101.797	101.2550	3.232	4.48	
10y	103.047	103.0150	3.871	7.99	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAH08	95.920	4.080	74	0.202	MAR	} White Pack	
EDAM08	96.440	3.560	165	0.451	JUN		
EDAU08	96.720	3.280	256	0.701	SEP		
EDAZ08	96.840	3.160	347	0.950	DEC	} Red Pack	
EDAH09	96.845	3.155	438	1.199	MAR		
EDAM09	96.745	3.255	529	1.449	JUN		
EDAU09	96.605	3.395	620	1.698	SEP	} Green Pack	
EDAZ09	96.435	3.565	711	1.947	DEC		
EDAH10	96.265	3.735	802	2.197	MAR		
EDAM10	96.095	3.905	893	2.446	JUN	} Blue Pack	
EDAU10	95.955	4.045	984	2.695	SEP		
EDAZ10	95.835	4.165	1075	2.945	DEC		
EDAH11	95.735	4.265	1166	3.194	MAR	} Gold Pack	
EDAM11	95.605	4.395	1257	3.443	JUN		
EDAU11	95.565	4.435	1355	3.712	SEP		
EDAZ11	95.440	4.560	1446	3.961	DEC	} Gold Pack	
EDAH12	95.400	4.600	1537	4.210	MAR		
EDAM12	95.170	4.830	1628	4.460	JUN		
EDAU12	95.260	4.740	1719	4.709	SEP		
EDAU12	95.260	4.740	1719	4.709	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	3.601	3.750	9648.000	} Pack Prices
Q.ED.Red	3.418	4.625	9665.750	
Q.ED.Green	4.058	4.750	9603.750	
Q.ED.Blue		1.750	9558.875	
Q.ED.Gold		0.000	9526.875	

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

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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

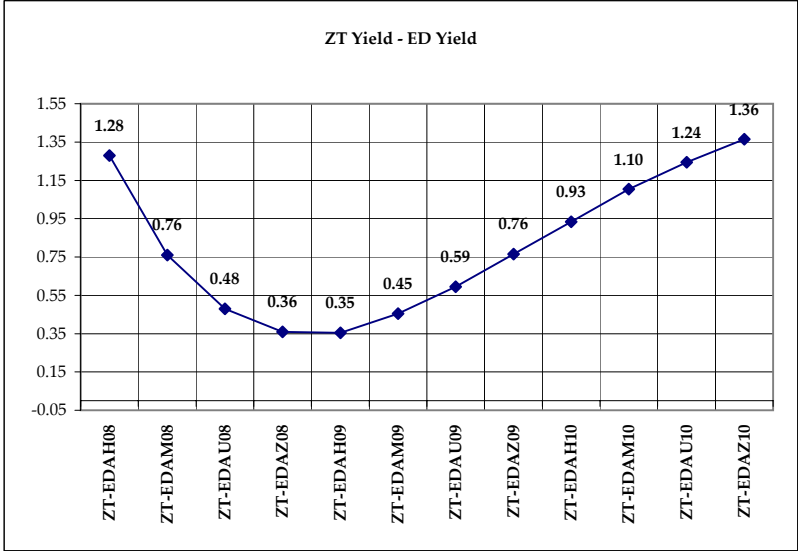
Eurodollar Color Codes for Individual Year Strips:

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	9.736	1.28	ZT-EDAH08	98.638
EDAM08	9.216	0.76	ZT-EDAM08	99.477
EDAU08	8.936	0.48	ZT-EDAU08	99.508
EDAZ08	8.816	0.36	ZT-EDAZ08	99.309
EDAH09	8.811	0.35	ZT-EDAH09	98.994
EDAM09	8.911	0.45	ZT-EDAM09	98.891
EDAU09	9.051	0.59	ZT-EDAU09	98.867
EDAZ09	9.221	0.76	ZT-EDAZ09	98.135
EDAH10	9.391	0.93	ZT-EDAH10	96.920
EDAM10	9.561	1.10	ZT-EDAM10	95.977
EDAU10	9.701	1.24	ZT-EDAU10	95.205
EDAZ10	9.821	1.36	ZT-EDAZ10	94.504

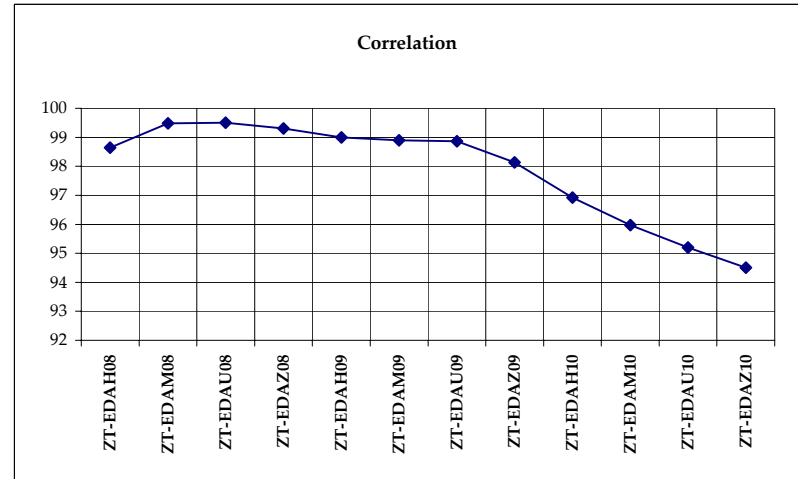
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZT Duration	Spread Duration	
EDAH08	0.202	1.91	ZT-EDAH08
EDAM08	0.451	1.91	ZT-EDAM08
EDAU08	0.701	1.91	ZT-EDAU08
EDAZ08	0.950	1.91	ZT-EDAZ08
EDAH09	1.199	1.91	ZT-EDAH09
EDAM09	1.449	1.91	ZT-EDAM09
EDAU09	1.698	1.91	ZT-EDAU09
EDAZ09	1.947	1.91	ZT-EDAZ09
EDAH10	2.197	1.91	ZT-EDAH10
EDAM10	2.446	1.91	ZT-EDAM10
EDAU10	2.695	1.91	ZT-EDAU10
EDAZ10	2.945	1.91	ZT-EDAZ10

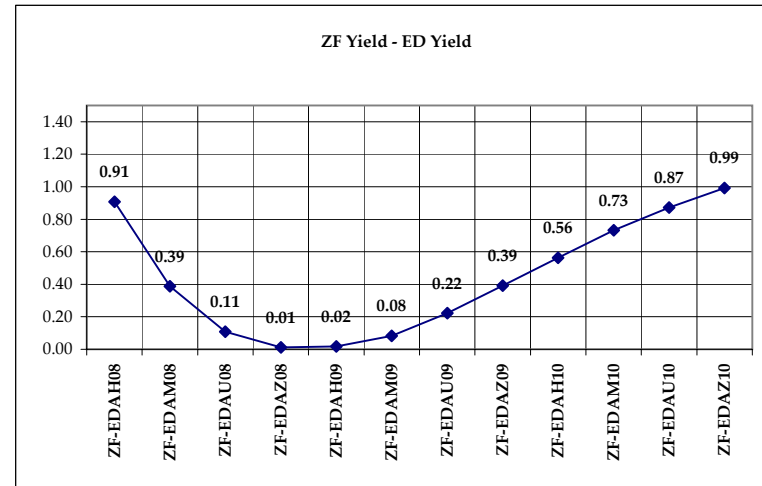
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	15.28	0.91	ZF-EDAH08	95.133
EDAM08	14.76	0.39	ZF-EDAM08	96.901
EDAU08	14.48	0.11	ZF-EDAU08	97.349
EDAZ08	14.36	0.01	ZF-EDAZ08	98.140
EDAH09	14.36	0.02	ZF-EDAH09	98.727
EDAM09	14.46	0.08	ZF-EDAM09	99.207
EDAU09	14.60	0.22	ZF-EDAU09	99.726
EDAZ09	14.77	0.39	ZF-EDAZ09	99.924
EDAH10	14.94	0.56	ZF-EDAH10	99.602
EDAM10	15.11	0.73	ZF-EDAM10	99.193
EDAU10	15.25	0.87	ZF-EDAU10	98.858
EDAZ10	15.37	0.99	ZF-EDAZ10	98.529

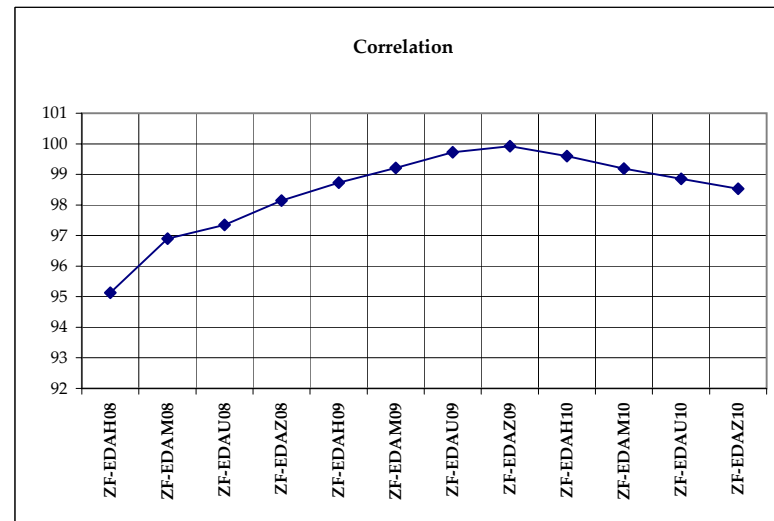
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAH08	0.202	3.96	3.76	ZF-EDAH08
EDAM08	0.451	3.96	3.51	ZF-EDAM08
EDAU08	0.701	3.96	3.26	ZF-EDAU08
EDAZ08	0.950	3.96	3.01	ZF-EDAZ08
EDAH09	1.199	3.96	2.76	ZF-EDAH09
EDAM09	1.449	3.96	2.51	ZF-EDAM09
EDAU09	1.698	3.96	2.26	ZF-EDAU09
EDAZ09	1.947	3.96	2.01	ZF-EDAZ09
EDAH10	2.197	3.96	1.76	ZF-EDAH10
EDAM10	2.446	3.96	1.51	ZF-EDAM10
EDAU10	2.695	3.96	1.27	ZF-EDAU10
EDAZ10	2.945	3.96	1.02	ZF-EDAZ10

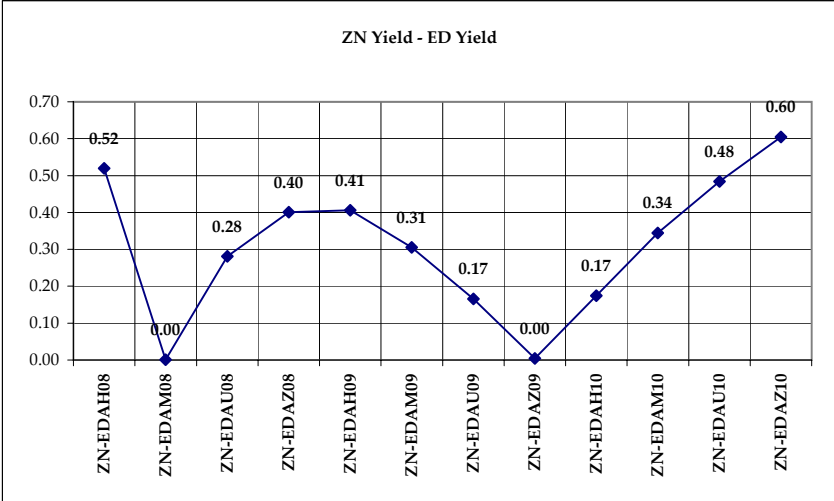
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

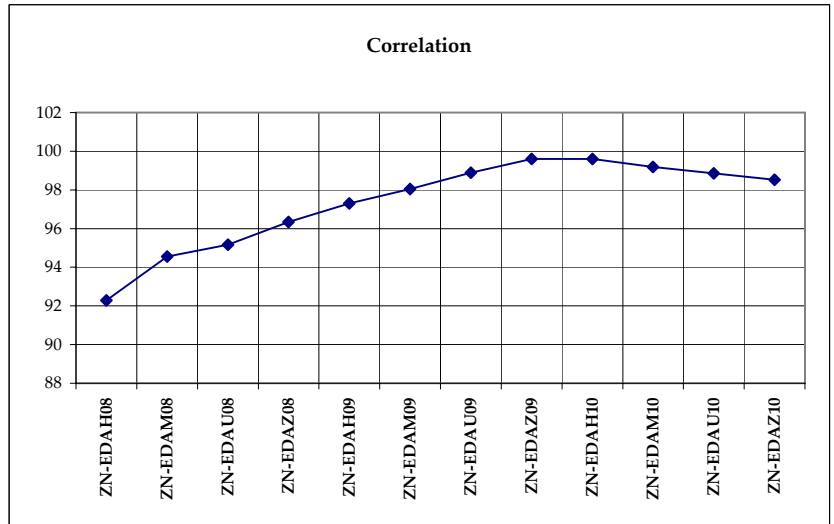
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	18.60	0.52	ZN-EDAH08	92.29
EDAM08	18.08	0.00	ZN-EDAM08	94.54
EDAU08	17.80	0.28	ZN-EDAU08	95.16
EDAZ08	17.68	0.40	ZN-EDAZ08	96.34
EDAH09	17.67	0.41	ZN-EDAH09	97.30
EDAM09	17.77	0.31	ZN-EDAM09	98.05
EDAU09	17.91	0.17	ZN-EDAU09	98.89
EDAZ09	18.08	0.00	ZN-EDAZ09	99.61
EDAH10	18.25	0.17	ZN-EDAH10	99.60
EDAM10	18.42	0.34	ZN-EDAM10	99.19
EDAU10	18.56	0.48	ZN-EDAU10	98.86
EDAZ10	18.68	0.60	ZN-EDAZ10	98.53

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	0.202	5.91	5.70	ZN-EDAH08
EDAM08	0.451	5.91	5.46	ZN-EDAM08
EDAU08	0.701	5.91	5.21	ZN-EDAU08
EDAZ08	0.950	5.91	4.96	ZN-EDAZ08
EDAH09	1.199	5.91	4.71	ZN-EDAH09
EDAM09	1.449	5.91	4.46	ZN-EDAM09
EDAU09	1.698	5.91	4.21	ZN-EDAU09
EDAZ09	1.947	5.91	3.96	ZN-EDAZ09
EDAH10	2.197	5.91	3.71	ZN-EDAH10
EDAM10	2.446	5.91	3.46	ZN-EDAM10
EDAU10	2.695	5.91	3.21	ZN-EDAU10
EDAZ10	2.945	5.91	2.96	ZN-EDAZ10

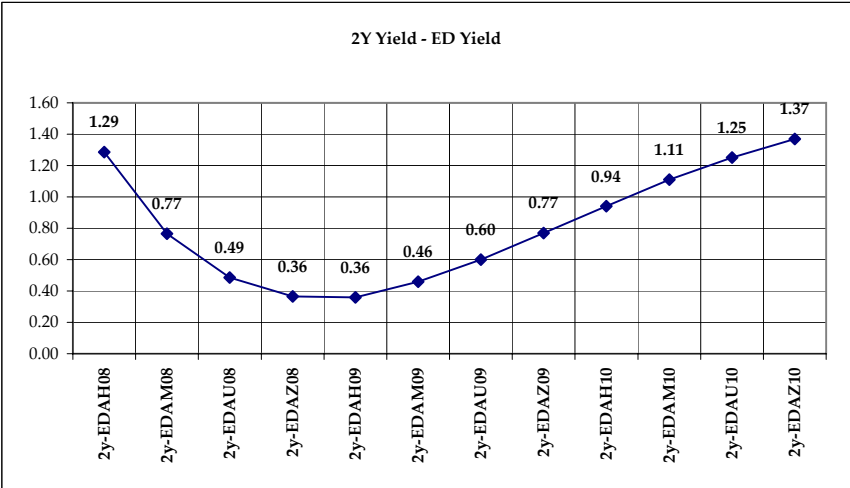
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	4.95	1.29	2y-EDAH08	-97.488
EDAM08	4.43	0.77	2y-EDAM08	-98.264
EDAU08	4.15	0.49	2y-EDAU08	-98.060
EDAZ08	4.03	0.36	2y-EDAZ08	-98.264
EDAH09	4.02	0.36	2y-EDAH09	-98.304
EDAM09	4.12	0.46	2y-EDAM09	-98.571
EDAU09	4.26	0.60	2y-EDAU09	-98.852
EDAZ09	4.43	0.77	2y-EDAZ09	-98.698
EDAH10	4.60	0.94	2y-EDAH10	-97.858
EDAM10	4.77	1.11	2y-EDAM10	-97.157
EDAU10	4.91	1.25	2y-EDAU10	-96.486
EDAZ10	5.03	1.37	2y-EDAZ10	-96.021

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.

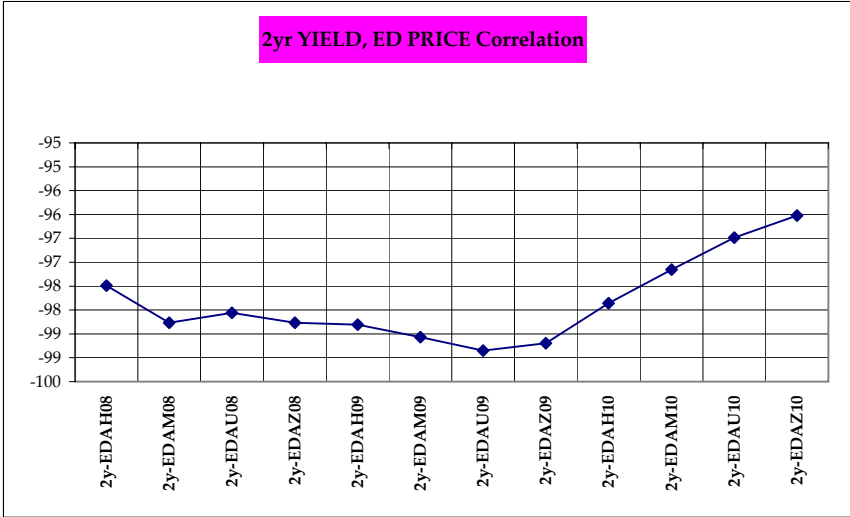


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAH08	0.202	1.91	2y-EDAH08
EDAM08	0.451	1.91	2y-EDAM08
EDAU08	0.701	1.91	2y-EDAU08
EDAZ08	0.950	1.91	2y-EDAZ08
EDAH09	1.199	1.91	2y-EDAH09
EDAM09	1.449	1.91	2y-EDAM09
EDAU09	1.698	1.91	2y-EDAU09
EDAZ09	1.947	1.91	2y-EDAZ09
EDAH10	2.197	1.91	2y-EDAH10
EDAM10	2.446	1.91	2y-EDAM10
EDAU10	2.695	1.91	2y-EDAU10
EDAZ10	2.945	1.91	2y-EDAZ10

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

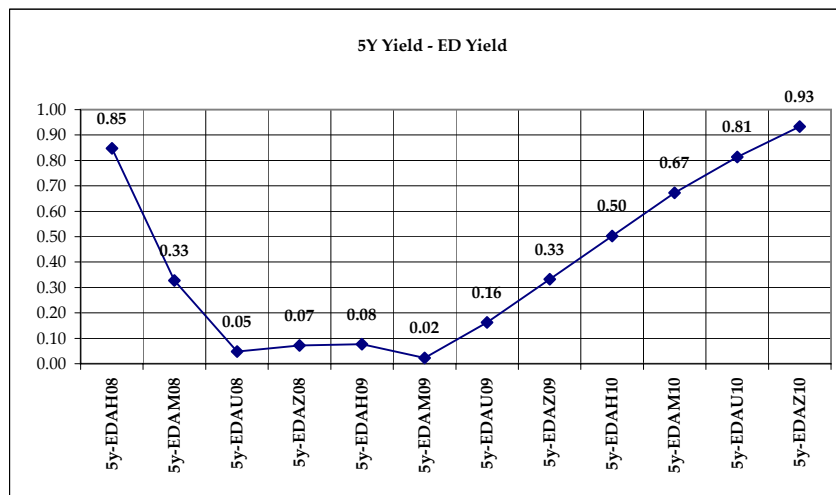
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	5.88	0.85	5y-EDAH08	-93.523
EDAM08	5.36	0.33	5y-EDAM08	-95.011
EDAU08	5.08	0.05	5y-EDAU08	-95.247
EDAZ08	4.96	0.07	5y-EDAZ08	-95.011
EDAH09	4.95	0.08	5y-EDAH09	-97.041
EDAM09	5.05	0.02	5y-EDAM09	-97.797
EDAU09	5.19	0.16	5y-EDAU09	-98.619
EDAZ09	5.36	0.33	5y-EDAZ09	-99.272
EDAH10	5.53	0.50	5y-EDAH10	-99.275
EDAM10	5.70	0.67	5y-EDAM10	-99.065
EDAU10	5.84	0.81	5y-EDAU10	-98.949
EDAZ10	5.96	0.93	5y-EDAZ10	-98.762

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.

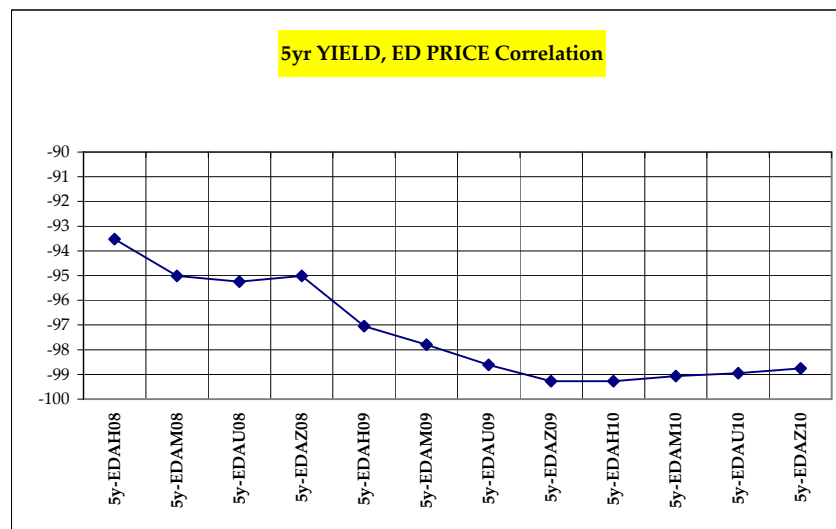


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAH08	0.202	4.48	4.27 5y-EDAH08
EDAM08	0.451	4.48	4.03 5y-EDAM08
EDAU08	0.701	4.48	3.78 5y-EDAU08
EDAZ08	0.950	4.48	3.53 5y-EDAZ08
EDAH09	1.199	4.48	3.28 5y-EDAH09
EDAM09	1.449	4.48	3.03 5y-EDAM09
EDAU09	1.698	4.48	2.78 5y-EDAU09
EDAZ09	1.947	4.48	2.53 5y-EDAZ09
EDAH10	2.197	4.48	2.28 5y-EDAH10
EDAM10	2.446	4.48	2.03 5y-EDAM10
EDAU10	2.695	4.48	1.78 5y-EDAU10
EDAZ10	2.945	4.48	1.53 5y-EDAZ10

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

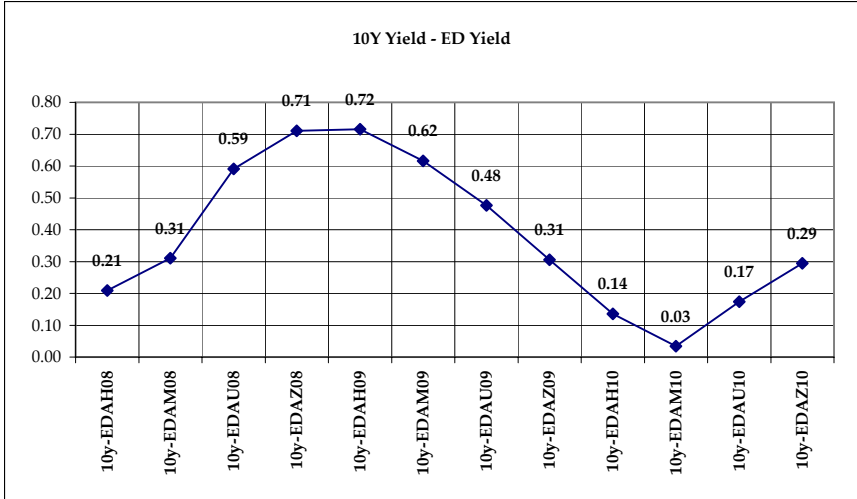
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

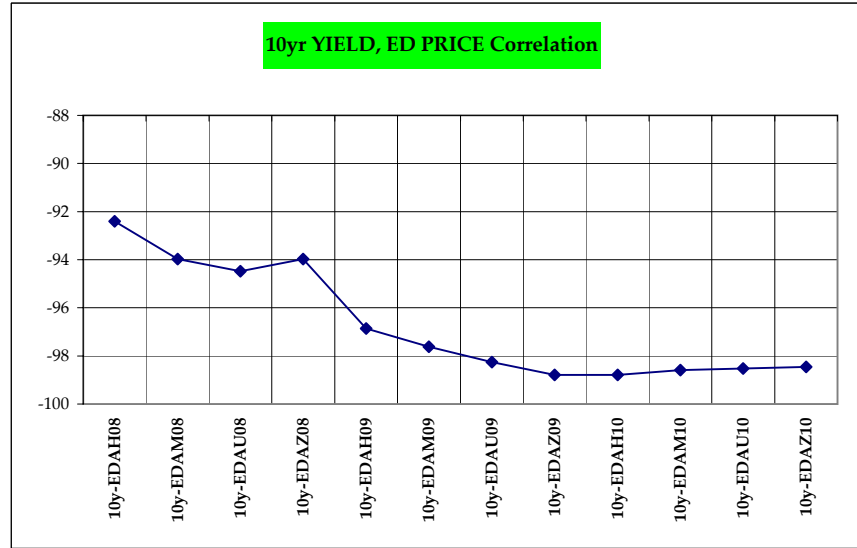
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	5.88	0.21	10y-EDAH08	-92.409
EDAM08	5.36	0.31	10y-EDAM08	-93.969
EDAU08	5.08	0.59	10y-EDAU08	-94.476
EDAZ08	4.96	0.71	10y-EDAZ08	-93.969
EDAH09	4.95	0.72	10y-EDAH09	-96.857
EDAM09	5.05	0.62	10y-EDAM09	-97.618
EDAU09	5.19	0.48	10y-EDAU09	-98.256
EDAZ09	5.36	0.31	10y-EDAZ09	-98.788
EDAH10	5.53	0.14	10y-EDAH10	-98.784
EDAM10	5.70	0.03	10y-EDAM10	-98.589
EDAU10	5.84	0.17	10y-EDAU10	-98.525
EDAZ10	5.96	0.29	10y-EDAZ10	-98.459

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	10Y Duration	Spread Duration	
EDAH08	0.202	7.99	7.79	10y-EDAH08
EDAM08	0.451	7.99	7.54	10y-EDAM08
EDAU08	0.701	7.99	7.29	10y-EDAU08
EDAZ08	0.950	7.99	7.04	10y-EDAZ08
EDAH09	1.199	7.99	6.79	10y-EDAH09
EDAM09	1.449	7.99	6.54	10y-EDAM09
EDAU09	1.698	7.99	6.29	10y-EDAU09
EDAZ09	1.947	7.99	6.04	10y-EDAZ09
EDAH10	2.197	7.99	5.79	10y-EDAH10
EDAM10	2.446	7.99	5.54	10y-EDAM10
EDAU10	2.695	7.99	5.29	10y-EDAU10
EDAZ10	2.945	7.99	5.05	10y-EDAZ10

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

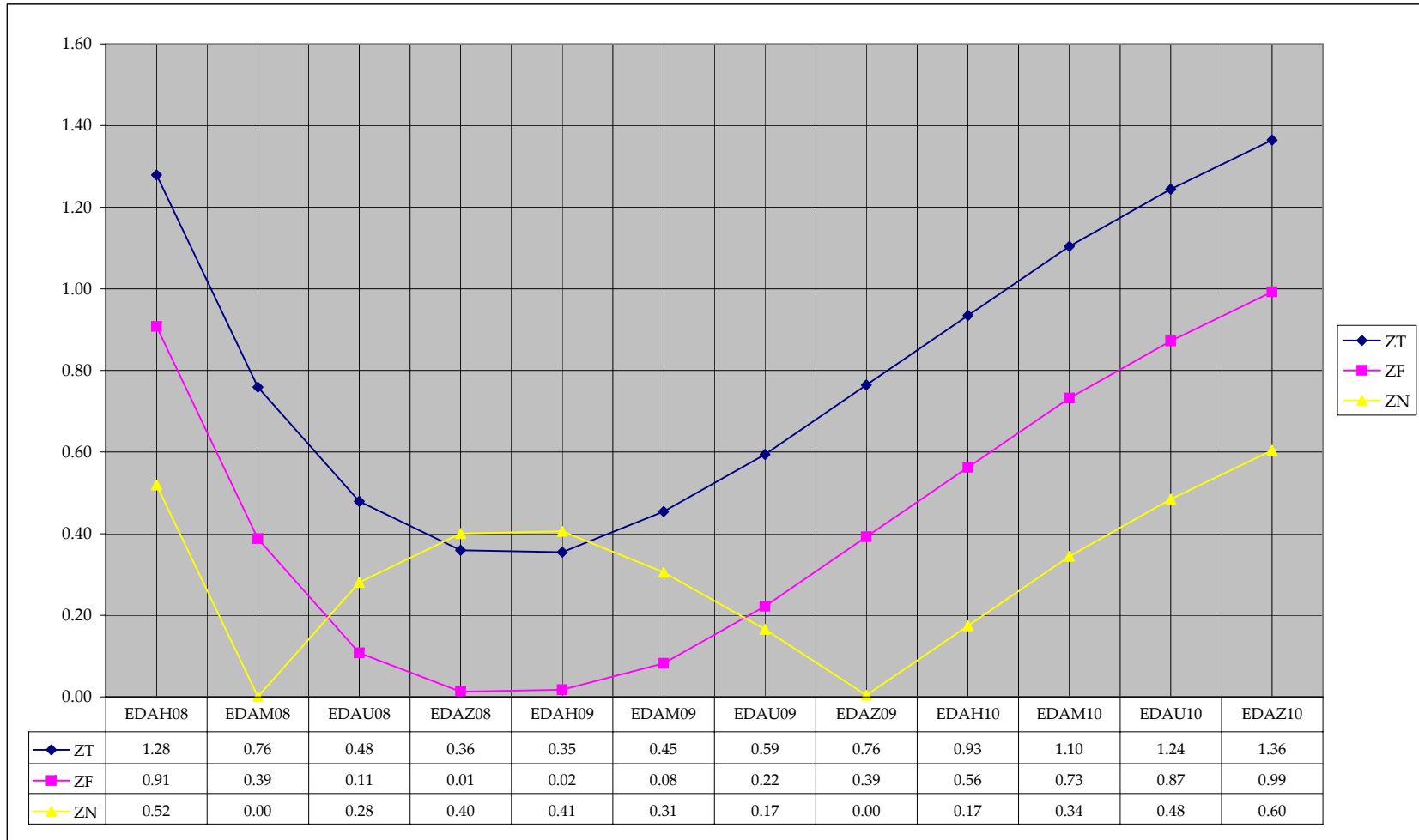


Dirty TED Curve

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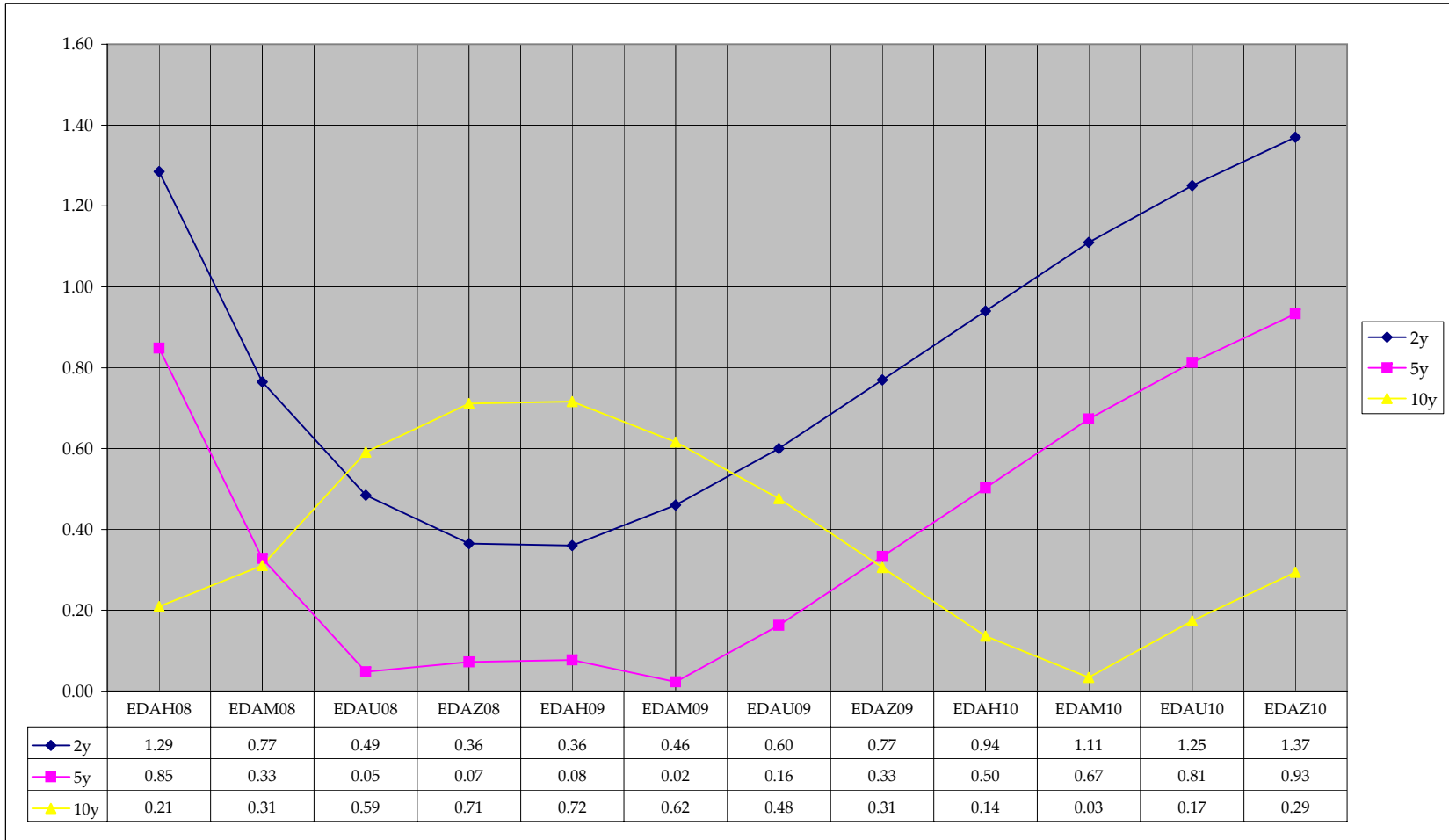
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

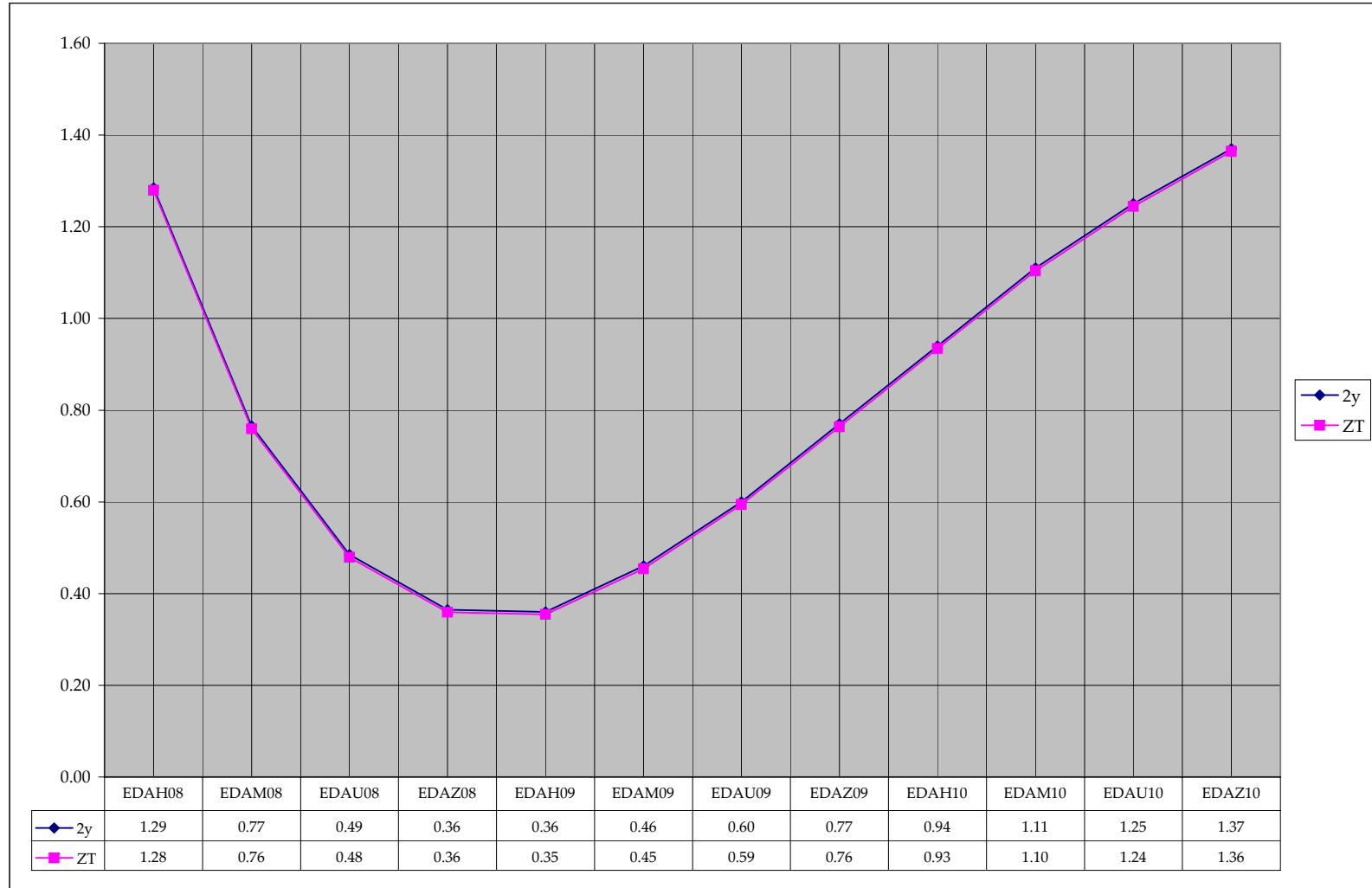


TED Curve

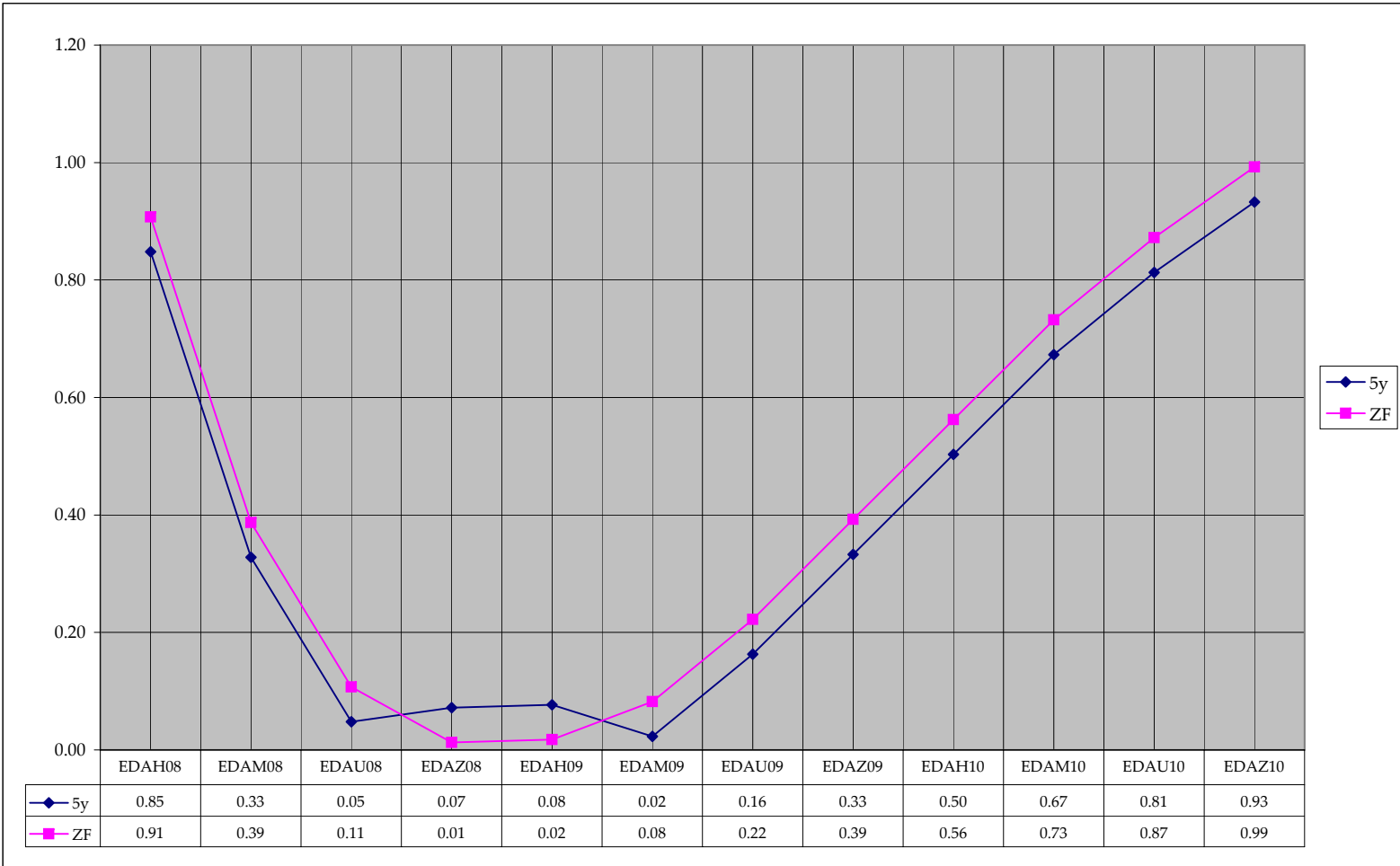
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



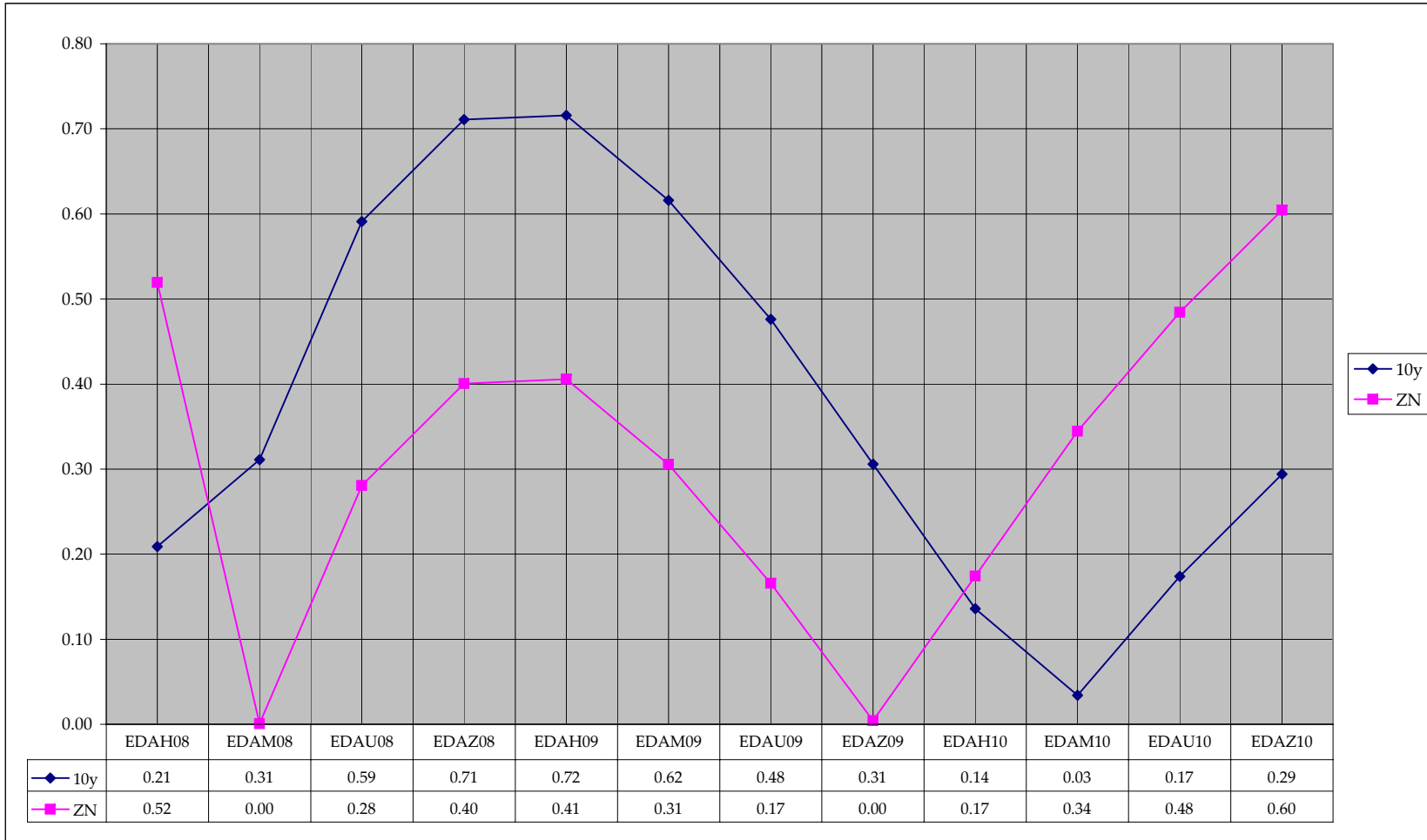
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

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	last Yield	Net Last Yield	Last Price
Q.ED.White	3.601	3.750	9648.000
Q.ED.Red	3.418	4.625	9665.750
Q.ED.Green	4.058	4.750	9603.750
Q.ED.Blue	1.750	1.750	9558.875
Q.ED.Gold		0.000	9526.875

