

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	105.5844	105.187	2.825	1.91	
ZF	111.0938	111.030	3.201	3.95	
ZN	114.3750	114.120	3.560	5.90	
2y	100.813	100.2600	2.822	1.91	
5y	101.663	101.2120	3.259	4.47	
10y	102.781	102.2500	3.905	7.98	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAH08	95.900	4.100	73	0.199	MAR	White Pack	
EDAM08	96.410	3.590	164	0.449	JUN		
EDAU08	96.675	3.325	255	0.698	SEP		
EDAZ08	96.800	3.200	346	0.947	DEC	Red Pack	
EDAH09	96.815	3.185	437	1.197	MAR		
EDAM09	96.720	3.280	528	1.446	JUN		
EDAU09	96.585	3.415	619	1.695	SEP	Green Pack	
EDAZ09	96.425	3.575	710	1.945	DEC		
EDAH10	96.260	3.740	801	2.194	MAR		
EDAM10	96.085	3.915	892	2.443	JUN	Blue Pack	
EDAU10	95.930	4.070	983	2.692	SEP		
EDAZ10	95.810	4.190	1074	2.942	DEC		
EDAH11	95.705	4.295	1165	3.191	MAR	Gold Pack	
EDAM11	95.645	4.355	1256	3.440	JUN		
EDAU11	95.560	4.440	1354	3.709	SEP		
EDAZ11	95.460	4.540	1445	3.958	DEC		
EDAH12	95.340	4.660	1536	4.208	MAR		
EDAM12	95.235	4.765	1627	4.457	JUN		
EDAU12	95.155	4.845	1718	4.706	SEP		
EDAU12	95.155	4.845	1718	4.706	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	3.636	-1.375	9644.625	Pack Prices
Q.ED.Red	3.439	-0.750	9663.625	
Q.ED.Green	4.075	-0.250	9602.125	
Q.ED.Blue		-0.250	9557.625	
Q.ED.Gold		0.000	9525.625	

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

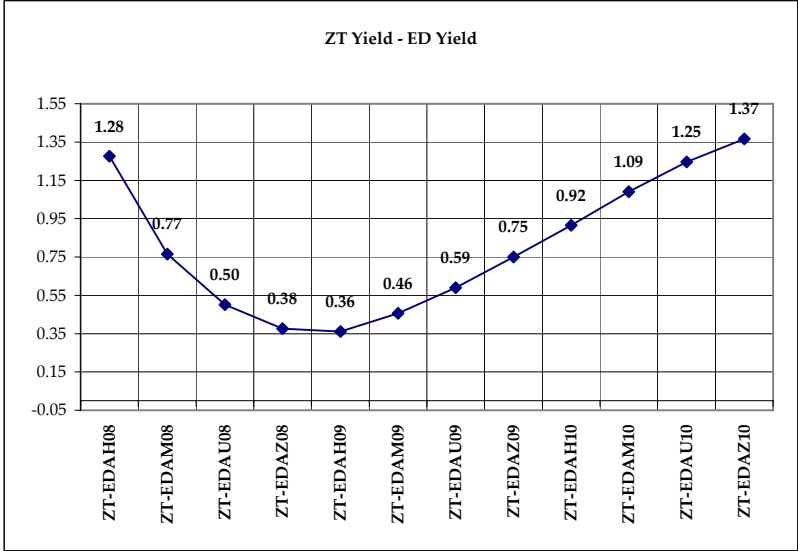
Eurodollar Color Codes for Individual Year Strips:

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	9.684	1.28	ZT-EDAH08	99.021
EDAM08	9.174	0.77	ZT-EDAM08	99.659
EDAU08	8.909	0.50	ZT-EDAU08	99.581
EDAZ08	8.784	0.38	ZT-EDAZ08	99.341
EDAH09	8.769	0.36	ZT-EDAH09	99.160
EDAM09	8.864	0.46	ZT-EDAM09	99.199
EDAU09	8.999	0.59	ZT-EDAU09	99.326
EDAZ09	9.159	0.75	ZT-EDAZ09	99.158
EDAH10	9.324	0.92	ZT-EDAH10	98.640
EDAM10	9.499	1.09	ZT-EDAM10	98.073
EDAU10	9.654	1.25	ZT-EDAU10	97.580
EDAZ10	9.774	1.37	ZT-EDAZ10	97.168

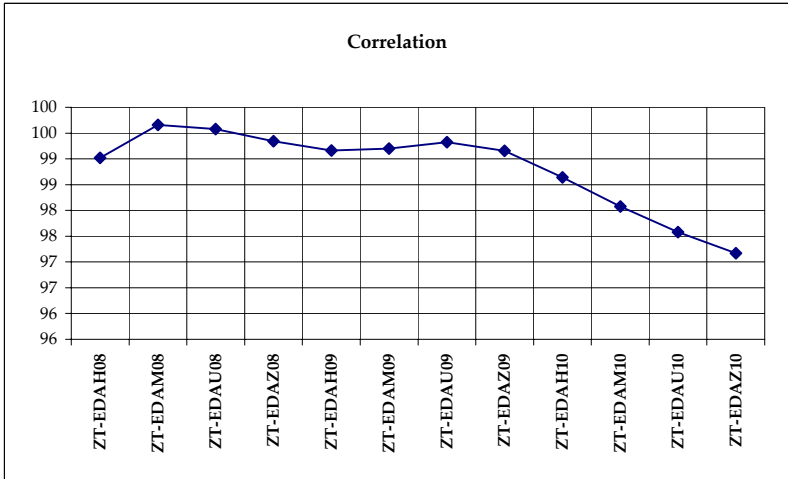
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZT Duration	Spread Duration	
EDAH08	0.199	1.91	ZT-EDAH08
EDAM08	0.449	1.91	ZT-EDAM08
EDAU08	0.698	1.91	ZT-EDAU08
EDAZ08	0.947	1.91	ZT-EDAZ08
EDAH09	1.197	1.91	ZT-EDAH09
EDAM09	1.446	1.91	ZT-EDAM09
EDAU09	1.695	1.91	ZT-EDAU09
EDAZ09	1.945	1.91	ZT-EDAZ09
EDAH10	2.194	1.91	ZT-EDAH10
EDAM10	2.443	1.91	ZT-EDAM10
EDAU10	2.692	1.91	ZT-EDAU10
EDAZ10	2.942	1.91	ZT-EDAZ10

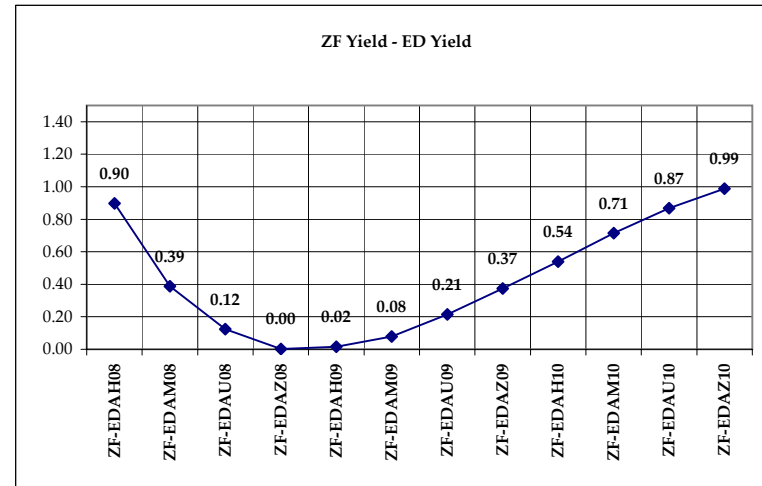
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	15.19	0.90	ZF-EDAH08	96.863
EDAM08	14.68	0.39	ZF-EDAM08	98.301
EDAU08	14.42	0.12	ZF-EDAU08	98.862
EDAZ08	14.29	0.00	ZF-EDAZ08	99.171
EDAH09	14.28	0.02	ZF-EDAH09	99.350
EDAM09	14.37	0.08	ZF-EDAM09	99.543
EDAU09	14.51	0.21	ZF-EDAU09	99.800
EDAZ09	14.67	0.37	ZF-EDAZ09	99.812
EDAH10	14.83	0.54	ZF-EDAH10	99.609
EDAM10	15.01	0.71	ZF-EDAM10	99.434
EDAU10	15.16	0.87	ZF-EDAU10	99.332
EDAZ10	15.28	0.99	ZF-EDAZ10	99.185

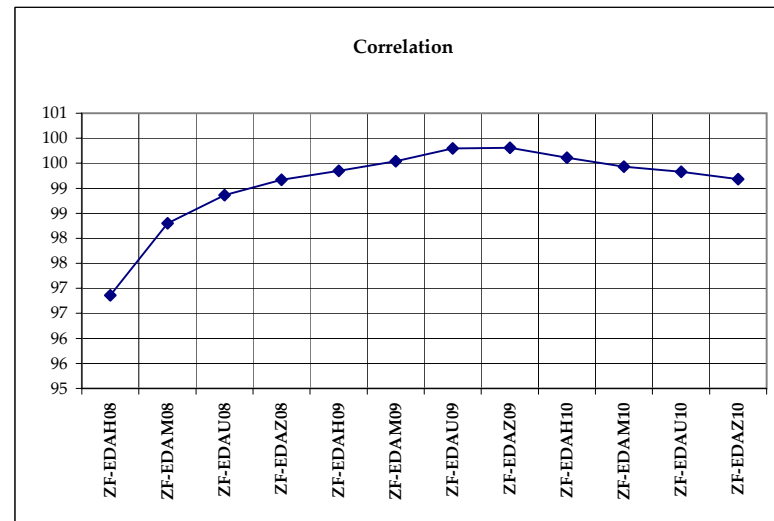
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAH08	0.199	3.95	3.75	ZF-EDAH08
EDAM08	0.449	3.95	3.50	ZF-EDAM08
EDAU08	0.698	3.95	3.25	ZF-EDAU08
EDAZ08	0.947	3.95	3.00	ZF-EDAZ08
EDAH09	1.197	3.95	2.76	ZF-EDAH09
EDAM09	1.446	3.95	2.51	ZF-EDAM09
EDAU09	1.695	3.95	2.26	ZF-EDAU09
EDAZ09	1.945	3.95	2.01	ZF-EDAZ09
EDAH10	2.194	3.95	1.76	ZF-EDAH10
EDAM10	2.443	3.95	1.51	ZF-EDAM10
EDAU10	2.692	3.95	1.26	ZF-EDAU10
EDAZ10	2.942	3.95	1.01	ZF-EDAZ10

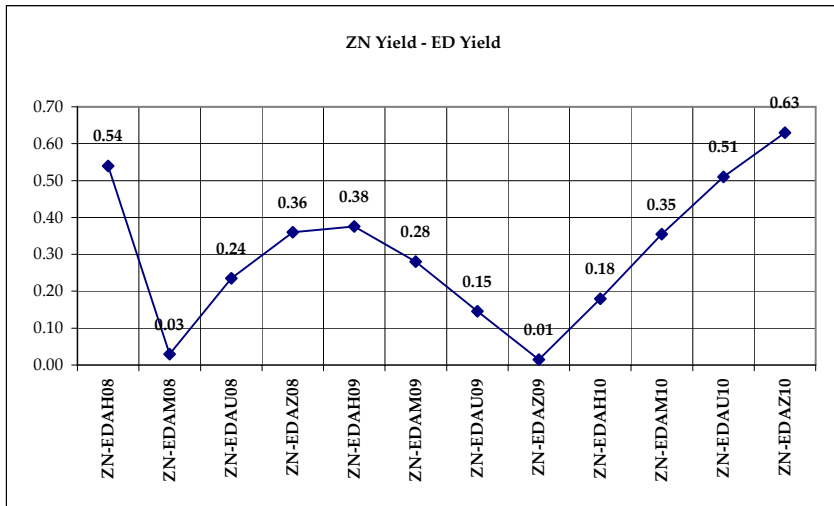
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

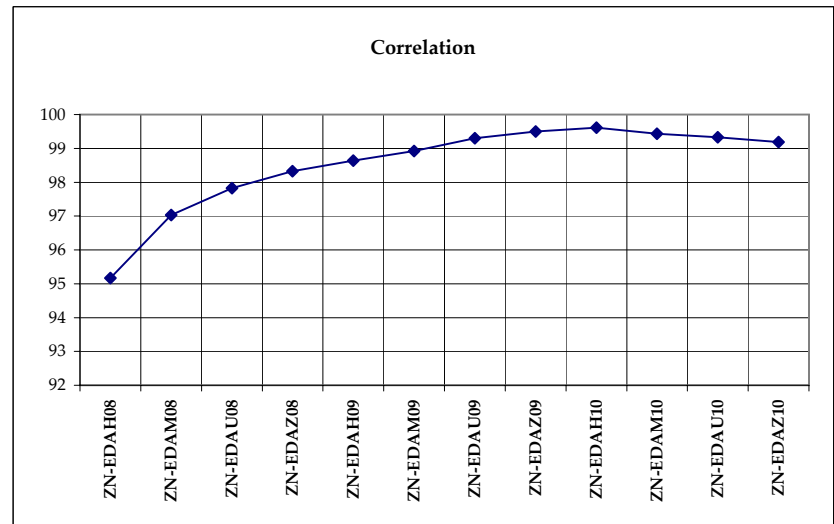
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	18.48	0.54	ZN-EDAH08	95.17
EDAM08	17.97	0.03	ZN-EDAM08	97.03
EDAU08	17.70	0.24	ZN-EDAU08	97.82
EDAZ08	17.58	0.36	ZN-EDAZ08	98.32
EDAH09	17.56	0.38	ZN-EDAH09	98.64
EDAM09	17.66	0.28	ZN-EDAM09	98.92
EDAU09	17.79	0.15	ZN-EDAU09	99.30
EDAZ09	17.95	0.01	ZN-EDAZ09	99.50
EDAH10	18.12	0.18	ZN-EDAH10	99.61
EDAM10	18.29	0.35	ZN-EDAM10	99.43
EDAU10	18.45	0.51	ZN-EDAU10	99.33
EDAZ10	18.57	0.63	ZN-EDAZ10	99.18

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	0.199	5.90	5.70	ZN-EDAH08
EDAM08	0.449	5.90	5.45	ZN-EDAM08
EDAU08	0.698	5.90	5.20	ZN-EDAU08
EDAZ08	0.947	5.90	4.95	ZN-EDAZ08
EDAH09	1.197	5.90	4.70	ZN-EDAH09
EDAM09	1.446	5.90	4.45	ZN-EDAM09
EDAU09	1.695	5.90	4.20	ZN-EDAU09
EDAZ09	1.945	5.90	3.95	ZN-EDAZ09
EDAH10	2.194	5.90	3.71	ZN-EDAH10
EDAM10	2.443	5.90	3.46	ZN-EDAM10
EDAU10	2.692	5.90	3.21	ZN-EDAU10
EDAZ10	2.942	5.90	2.96	ZN-EDAZ10

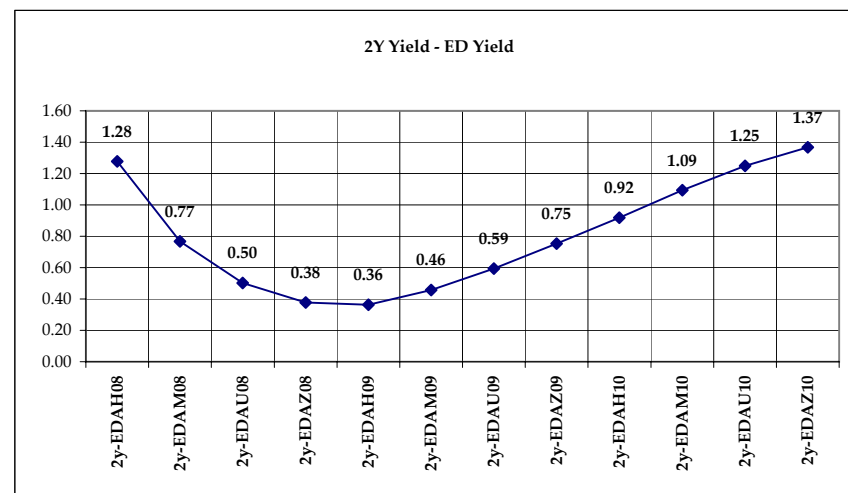
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	4.91	1.28	2y-EDAH08	-98.727
EDAM08	4.40	0.77	2y-EDAM08	-99.232
EDAU08	4.14	0.50	2y-EDAU08	-98.872
EDAZ08	4.01	0.38	2y-EDAZ08	-99.232
EDAH09	4.00	0.36	2y-EDAH09	-98.644
EDAM09	4.09	0.46	2y-EDAM09	-98.837
EDAU09	4.23	0.59	2y-EDAU09	-99.078
EDAZ09	4.39	0.75	2y-EDAZ09	-99.044
EDAH10	4.55	0.92	2y-EDAH10	-98.582
EDAM10	4.73	1.09	2y-EDAM10	-98.023
EDAU10	4.88	1.25	2y-EDAU10	-97.451
EDAZ10	5.00	1.37	2y-EDAZ10	-97.037

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.

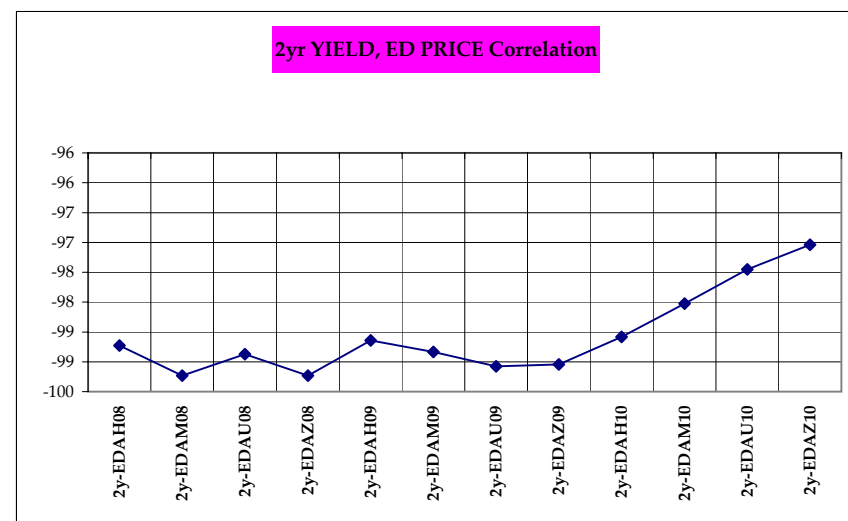


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAH08	0.199	1.91	2y-EDAH08
EDAM08	0.449	1.91	2y-EDAM08
EDAU08	0.698	1.91	2y-EDAU08
EDAZ08	0.947	1.91	2y-EDAZ08
EDAH09	1.197	1.91	2y-EDAH09
EDAM09	1.446	1.91	2y-EDAM09
EDAU09	1.695	1.91	2y-EDAU09
EDAZ09	1.945	1.91	2y-EDAZ09
EDAH10	2.194	1.91	2y-EDAH10
EDAM10	2.443	1.91	2y-EDAM10
EDAU10	2.692	1.91	2y-EDAU10
EDAZ10	2.942	1.91	2y-EDAZ10

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

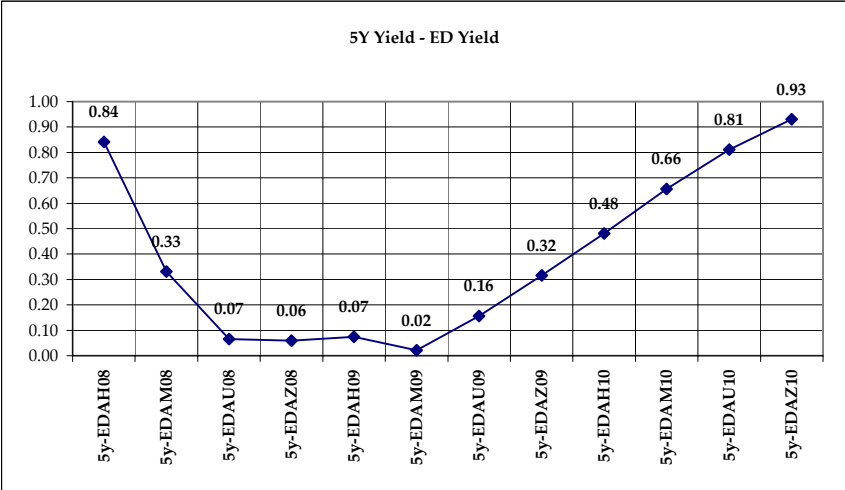
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

5y				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	5.76	0.84	5y-EDAH08	-97.657
EDAM08	5.25	0.33	5y-EDAM08	-98.761
EDAU08	4.99	0.07	5y-EDAU08	-99.038
EDAZ08	4.86	0.06	5y-EDAZ08	-98.761
EDAH09	4.85	0.07	5y-EDAH09	-99.343
EDAM09	4.94	0.02	5y-EDAM09	-99.578
EDAU09	5.08	0.16	5y-EDAU09	-99.849
EDAZ09	5.24	0.32	5y-EDAZ09	-99.868
EDAH10	5.40	0.48	5y-EDAH10	-99.609
EDAM10	5.58	0.66	5y-EDAM10	-99.324
EDAU10	5.73	0.81	5y-EDAU10	-99.092
EDAZ10	5.85	0.93	5y-EDAZ10	-98.868

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.

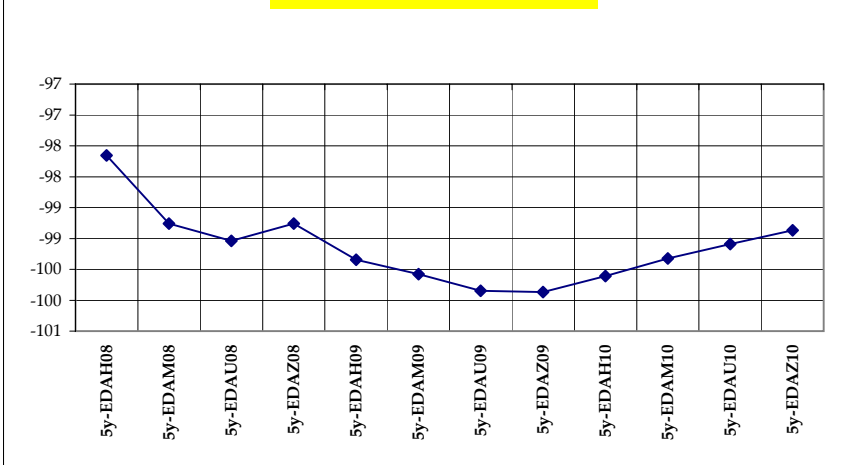


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAH08	0.199	4.47	5y-EDAH08
EDAM08	0.449	4.47	5y-EDAM08
EDAU08	0.698	4.47	5y-EDAU08
EDAZ08	0.947	4.47	5y-EDAZ08
EDAH09	1.197	4.47	5y-EDAH09
EDAM09	1.446	4.47	5y-EDAM09
EDAU09	1.695	4.47	5y-EDAU09
EDAZ09	1.945	4.47	5y-EDAZ09
EDAH10	2.194	4.47	5y-EDAH10
EDAM10	2.443	4.47	5y-EDAM10
EDAU10	2.692	4.47	5y-EDAU10
EDAZ10	2.942	4.47	5y-EDAZ10

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

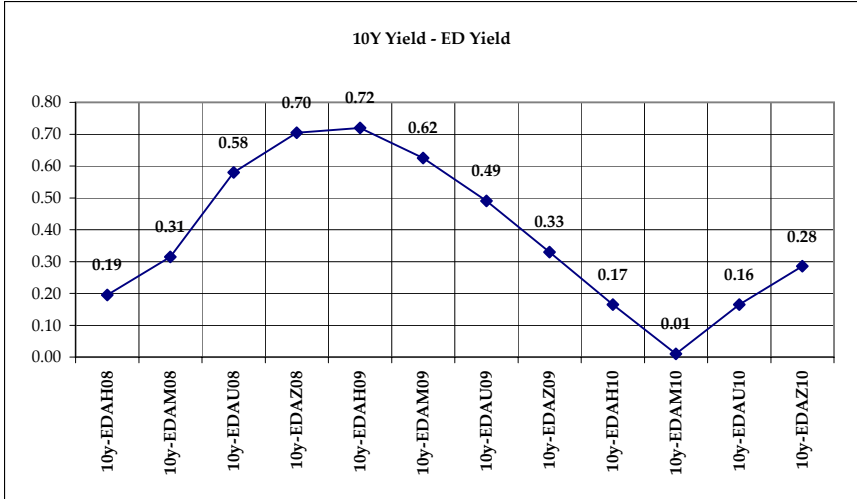
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

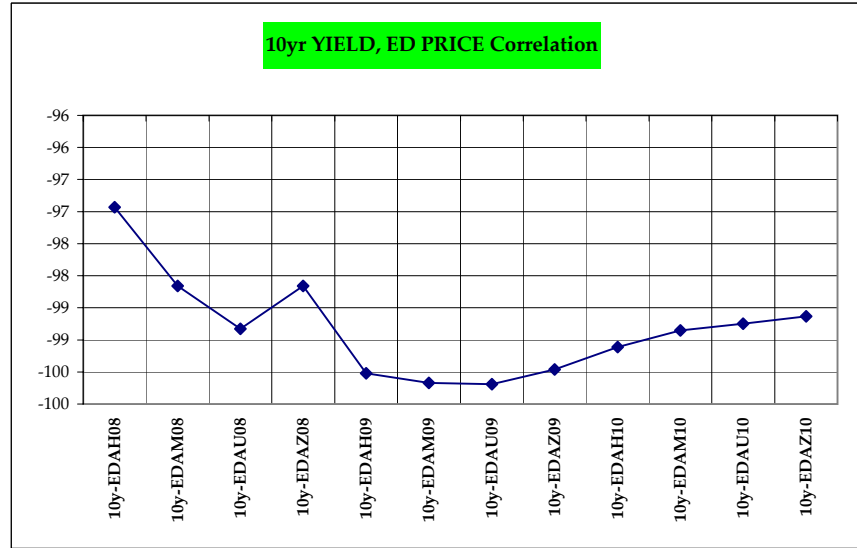
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	5.76	0.19	10y-EDAH08	-96.931
EDAM08	5.25	0.31	10y-EDAM08	-98.160
EDAU08	4.99	0.58	10y-EDAU08	-98.827
EDAZ08	4.86	0.70	10y-EDAZ08	-98.160
EDAH09	4.85	0.72	10y-EDAH09	-99.519
EDAM09	4.94	0.62	10y-EDAM09	-99.670
EDAU09	5.08	0.49	10y-EDAU09	-99.691
EDAZ09	5.24	0.33	10y-EDAZ09	-99.463
EDAH10	5.40	0.17	10y-EDAH10	-99.111
EDAM10	5.58	0.01	10y-EDAM10	-98.854
EDAU10	5.73	0.16	10y-EDAU10	-98.749
EDAZ10	5.85	0.28	10y-EDAZ10	-98.633

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	0.199	7.98	7.78	10y-EDAH08
EDAM08	0.449	7.98	7.53	10y-EDAM08
EDAU08	0.698	7.98	7.28	10y-EDAU08
EDAZ08	0.947	7.98	7.03	10y-EDAZ08
EDAH09	1.197	7.98	6.78	10y-EDAH09
EDAM09	1.446	7.98	6.53	10y-EDAM09
EDAU09	1.695	7.98	6.28	10y-EDAU09
EDAZ09	1.945	7.98	6.03	10y-EDAZ09
EDAH10	2.194	7.98	5.78	10y-EDAH10
EDAM10	2.443	7.98	5.53	10y-EDAM10
EDAU10	2.692	7.98	5.28	10y-EDAU10
EDAZ10	2.942	7.98	5.04	10y-EDAZ10

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

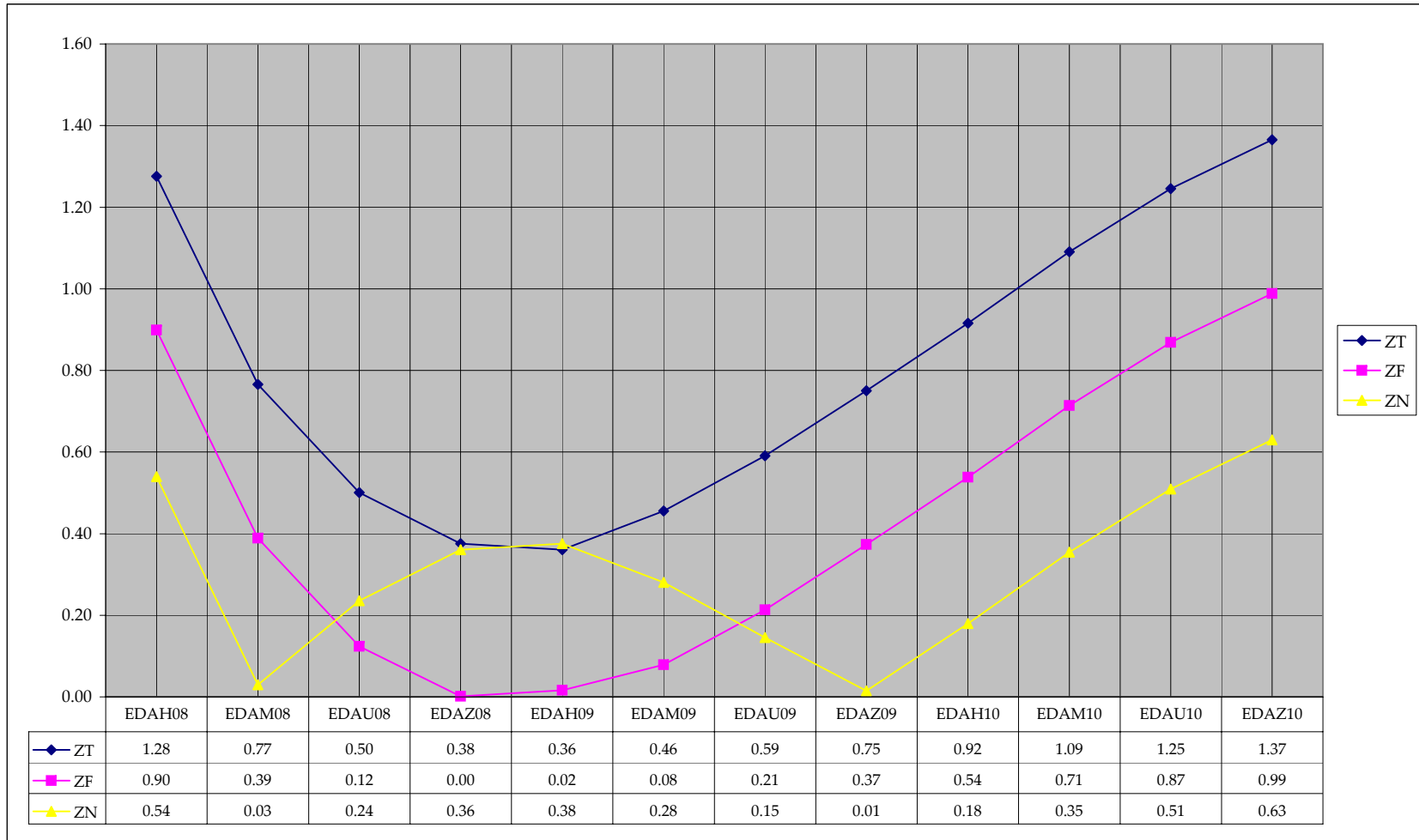


Dirty TED Curve

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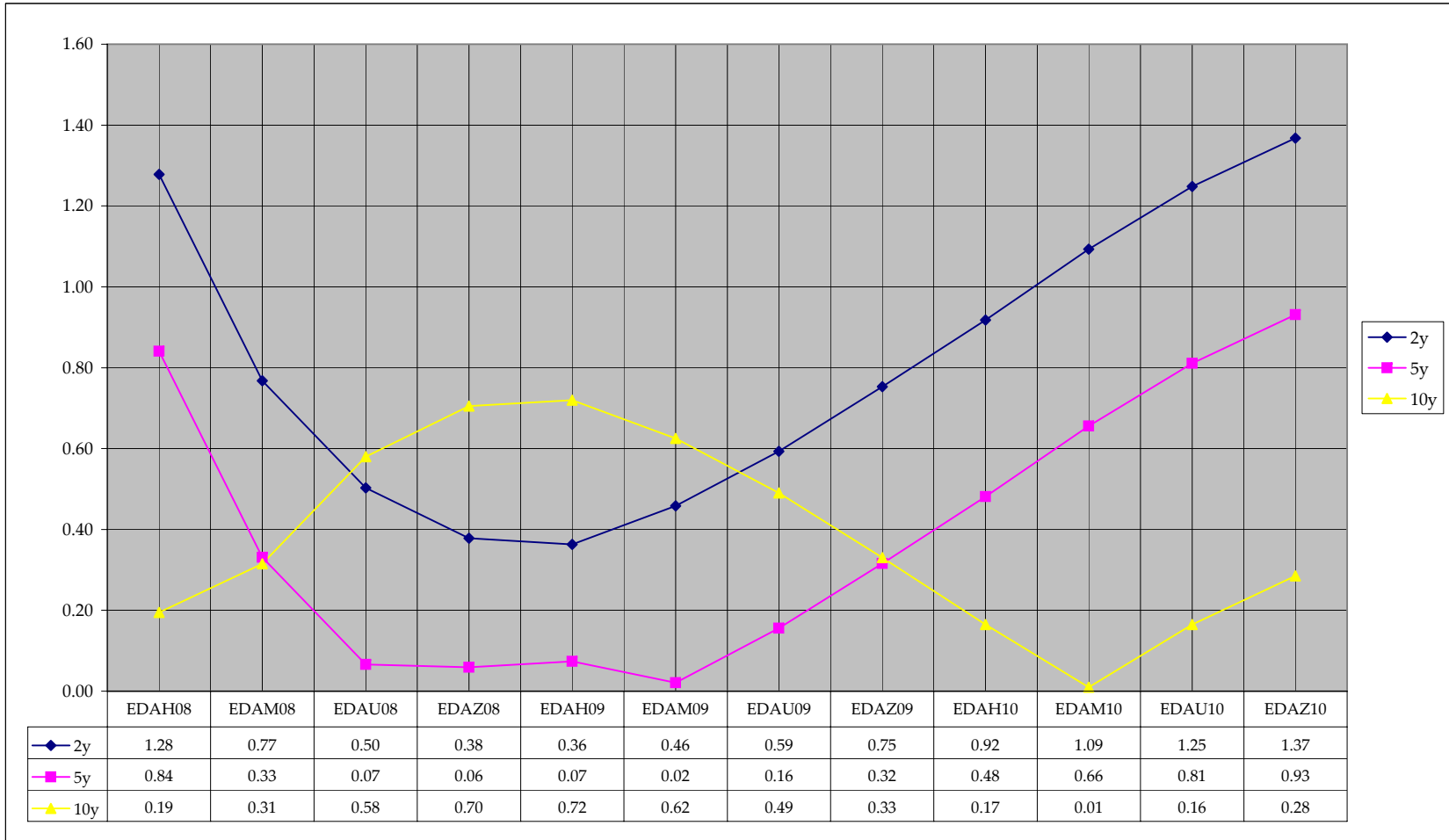
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

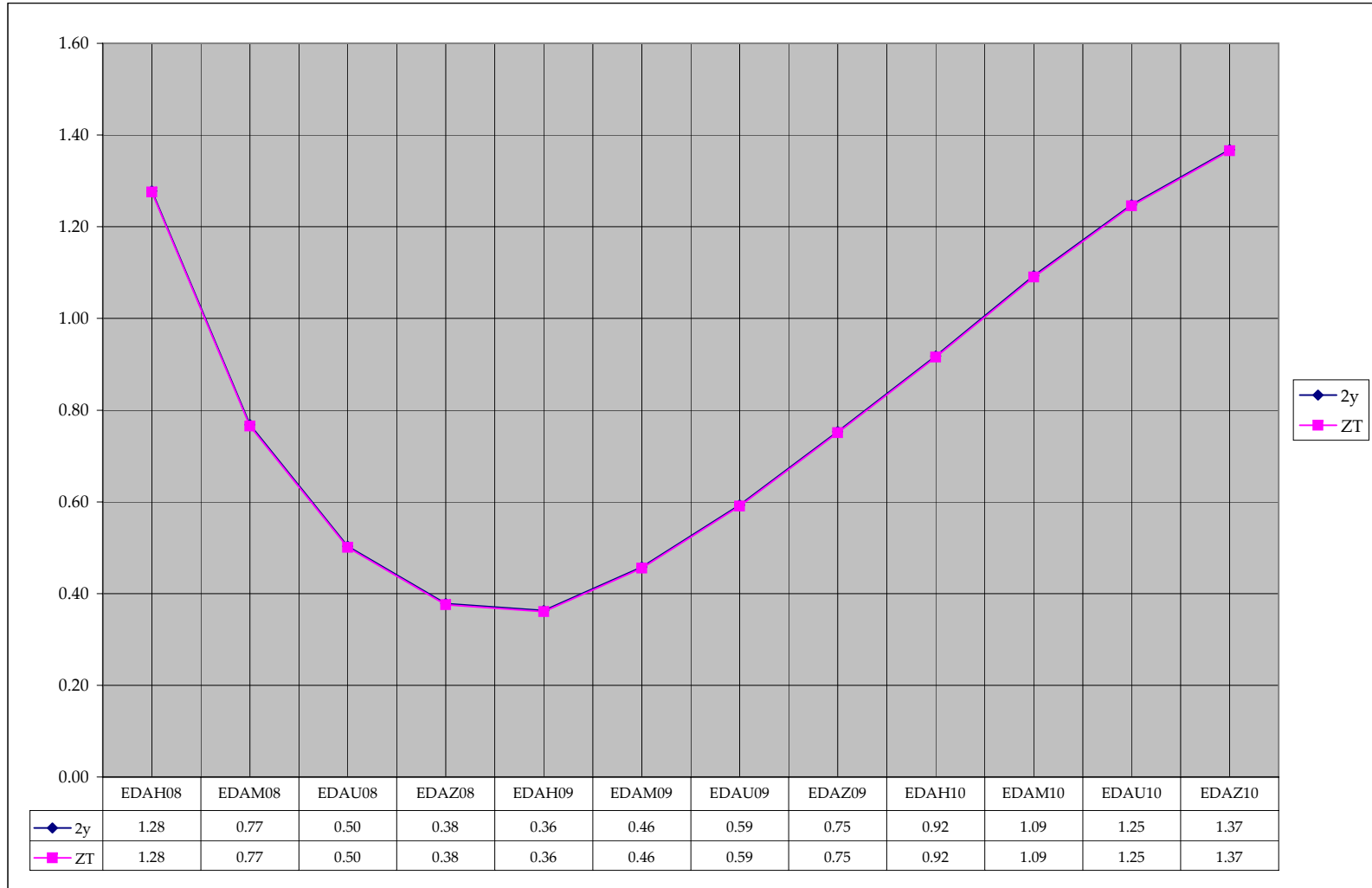


TED Curve

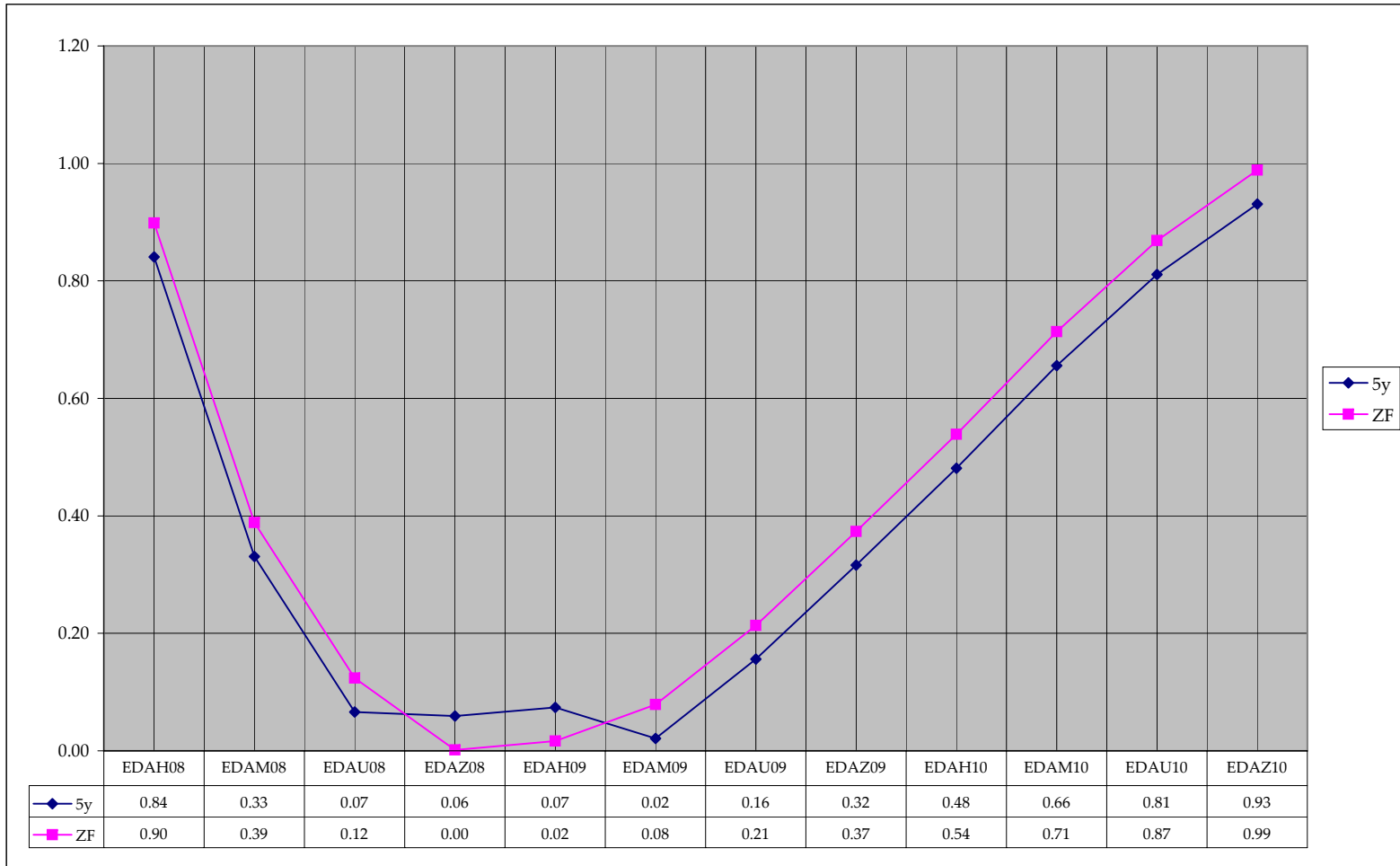
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



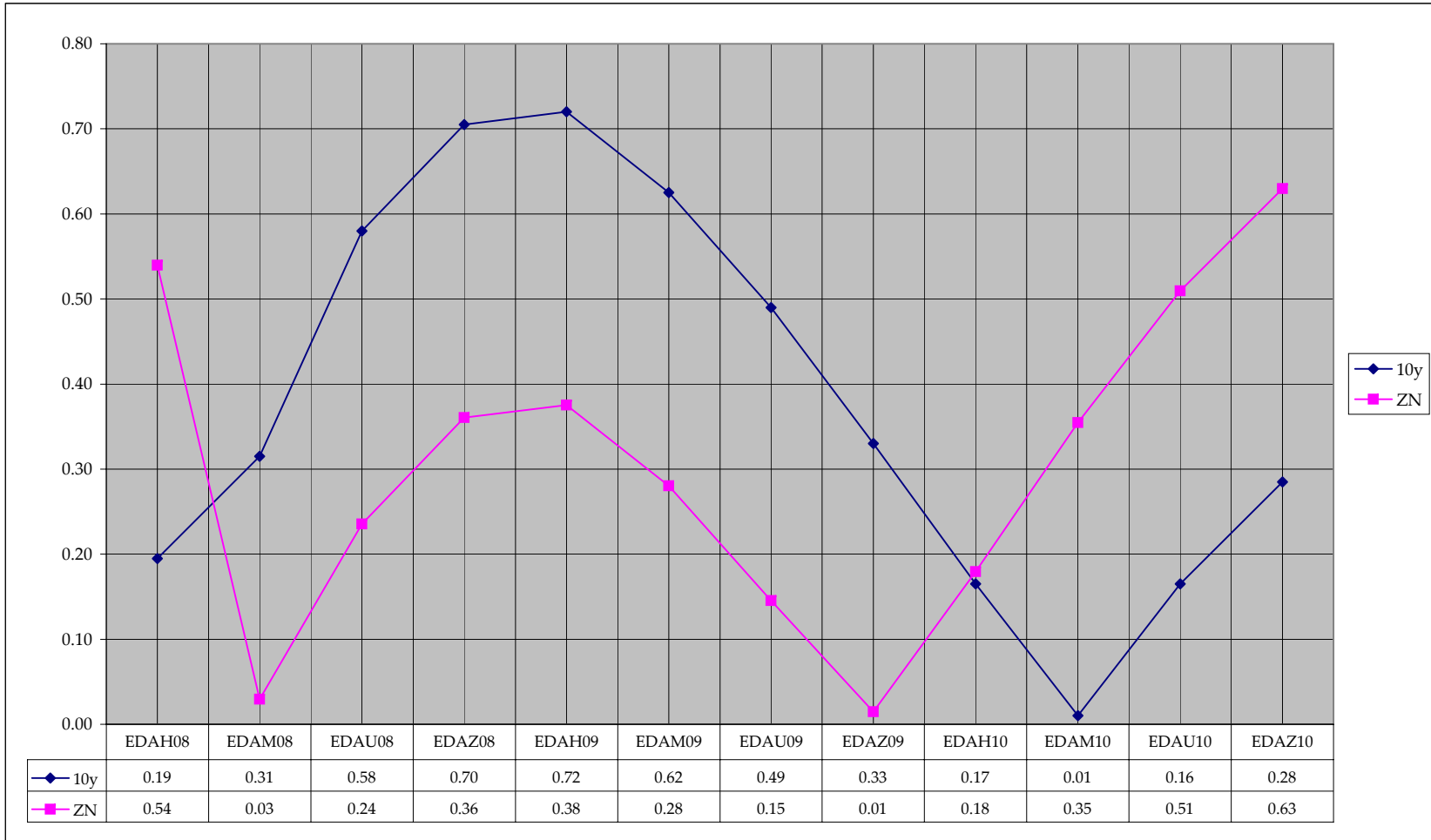
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	3.636	-1.375	9644.625
Q.ED.Red	3.439	-0.750	9663.625
Q.ED.Green	4.075	-0.250	9602.125
Q.ED.Blue		-0.250	9557.625
Q.ED.Gold		0.000	9525.625

