

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	105.6250	105.200	2.795	1.90	
ZF	111.3594	111.115	3.126	3.95	
ZN	114.8906	114.285	3.494	5.90	
2y	100.866	100.2770	2.796	1.90	
5y	101.984	101.3150	3.187	4.46	
10y	103.109	103.0350	3.863	7.98	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAH08	96.040	3.960	69	0.188	MAR	} White Pack	
EDAM08	96.495	3.505	160	0.438	JUN		
EDAU08	96.740	3.260	251	0.687	SEP		
EDAZ08	96.855	3.145	342	0.936	DEC	} Red Pack	
EDAH09	96.875	3.125	433	1.186	MAR		
EDAM09	96.805	3.195	524	1.435	JUN		
EDAU09	96.700	3.300	615	1.684	SEP		
EDAZ09	96.565	3.435	706	1.934	DEC	} Green Pack	
EDAH10	96.415	3.585	797	2.183	MAR		
EDAM10	96.240	3.760	888	2.432	JUN		
EDAU10	96.085	3.915	979	2.682	SEP		
EDAZ10	95.940	4.060	1070	2.931	DEC	} Blue Pack	
EDAH11	95.875	4.125	1161	3.180	MAR		
EDAM11	95.770	4.230	1252	3.429	JUN		
EDAU11	95.665	4.335	1350	3.698	SEP		
EDAZ11	95.555	4.445	1441	3.947	DEC	} Gold Pack	
EDAH12	95.460	4.540	1532	4.197	MAR		
EDAM12	95.345	4.655	1623	4.446	JUN		
EDAU12	95.245	4.755	1714	4.695	SEP		
EDAU12	95.245	4.755	1714	4.695	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	3.547	-2.250	9653.250	} Pack Prices
Q.ED.Red	3.336	-3.000	9673.625	
Q.ED.Green	3.921	-2.250	9617.000	
Q.ED.Blue	-0.125	-0.125	9571.000	
Q.ED.Gold	0.000	0.000	9534.625	

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

1/8/2008 5:37

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

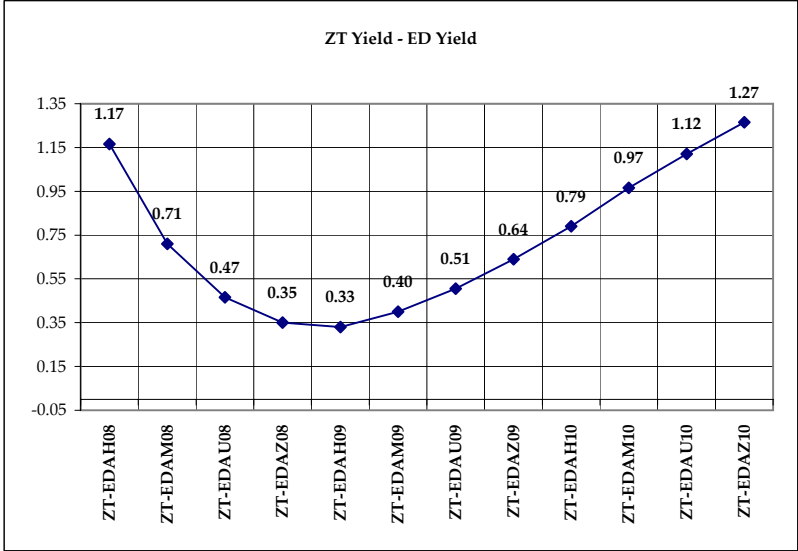
Eurodollar Color Codes for Individual Year Strips:

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

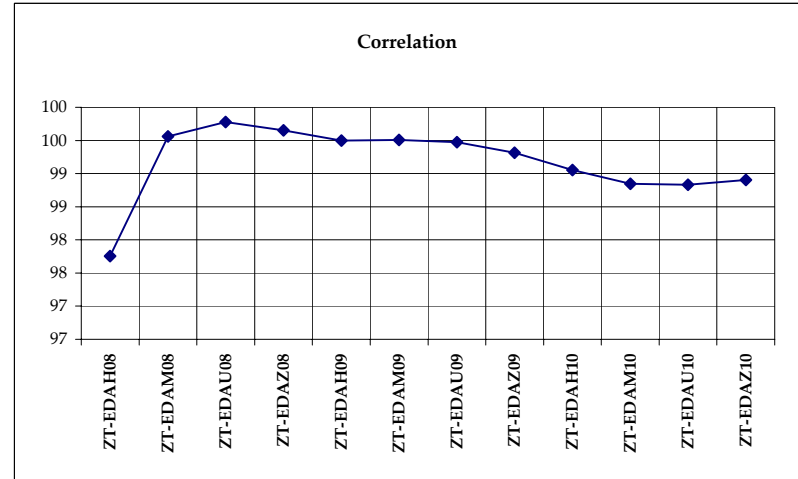
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	9.585	1.17	ZT-EDAH08	97.754
EDAM08	9.130	0.71	ZT-EDAM08	99.561
EDAU08	8.885	0.47	ZT-EDAU08	99.778
EDAZ08	8.770	0.35	ZT-EDAZ08	99.651
EDAH09	8.750	0.33	ZT-EDAH09	99.497
EDAM09	8.820	0.40	ZT-EDAM09	99.509
EDAU09	8.925	0.51	ZT-EDAU09	99.476
EDAZ09	9.060	0.64	ZT-EDAZ09	99.314
EDAH10	9.210	0.79	ZT-EDAH10	99.053
EDAM10	9.385	0.97	ZT-EDAM10	98.846
EDAU10	9.540	1.12	ZT-EDAU10	98.830
EDAZ10	9.685	1.27	ZT-EDAZ10	98.904

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	0.188	1.90	1.71	ZT-EDAH08
EDAM08	0.438	1.90	1.46	ZT-EDAM08
EDAU08	0.687	1.90	1.21	ZT-EDAU08
EDAZ08	0.936	1.90	0.97	ZT-EDAZ08
EDAH09	1.186	1.90	0.72	ZT-EDAH09
EDAM09	1.435	1.90	0.47	ZT-EDAM09
EDAU09	1.684	1.90	0.22	ZT-EDAU09
EDAZ09	1.934	1.90	(0.03)	ZT-EDAZ09
EDAH10	2.183	1.90	(0.28)	ZT-EDAH10
EDAM10	2.432	1.90	(0.53)	ZT-EDAM10
EDAU10	2.682	1.90	(0.78)	ZT-EDAU10
EDAZ10	2.931	1.90	(1.03)	ZT-EDAZ10

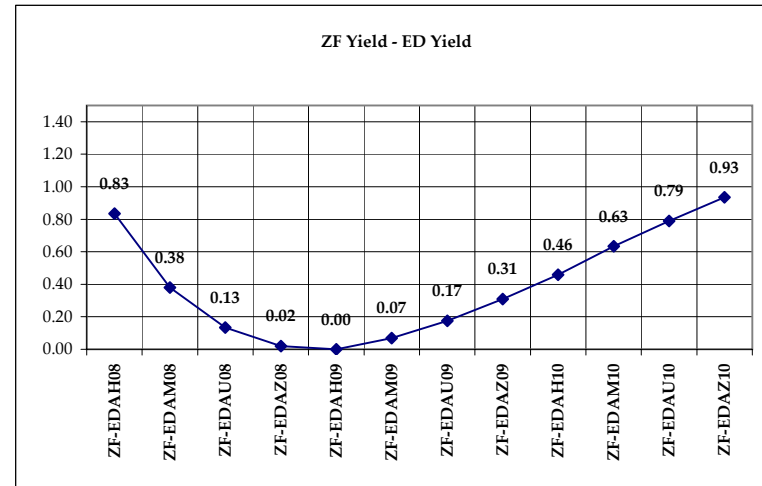
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	15.32	0.83	ZF-EDAH08	98.178
EDAM08	14.86	0.38	ZF-EDAM08	99.575
EDAU08	14.62	0.13	ZF-EDAU08	99.759
EDAZ08	14.50	0.02	ZF-EDAZ08	99.754
EDAH09	14.48	0.00	ZF-EDAH09	99.771
EDAM09	14.55	0.07	ZF-EDAM09	99.872
EDAU09	14.66	0.17	ZF-EDAU09	99.867
EDAZ09	14.79	0.31	ZF-EDAZ09	99.698
EDAH10	14.94	0.46	ZF-EDAH10	99.468
EDAM10	15.12	0.63	ZF-EDAM10	99.375
EDAU10	15.27	0.79	ZF-EDAU10	99.447
EDAZ10	15.42	0.93	ZF-EDAZ10	99.584

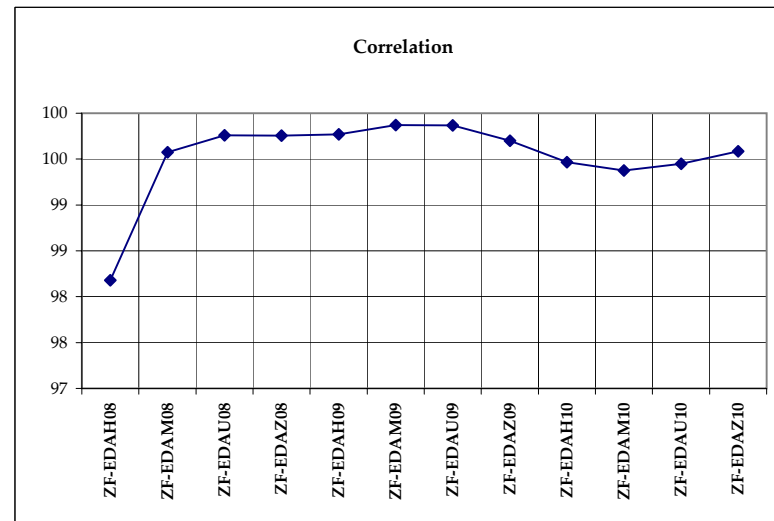
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAH08	0.188	3.95	3.76	ZF-EDAH08
EDAM08	0.438	3.95	3.51	ZF-EDAM08
EDAU08	0.687	3.95	3.26	ZF-EDAU08
EDAZ08	0.936	3.95	3.01	ZF-EDAZ08
EDAH09	1.186	3.95	2.76	ZF-EDAH09
EDAM09	1.435	3.95	2.51	ZF-EDAM09
EDAU09	1.684	3.95	2.26	ZF-EDAU09
EDAZ09	1.934	3.95	2.01	ZF-EDAZ09
EDAH10	2.183	3.95	1.77	ZF-EDAH10
EDAM10	2.432	3.95	1.52	ZF-EDAM10
EDAU10	2.682	3.95	1.27	ZF-EDAU10
EDAZ10	2.931	3.95	1.02	ZF-EDAZ10

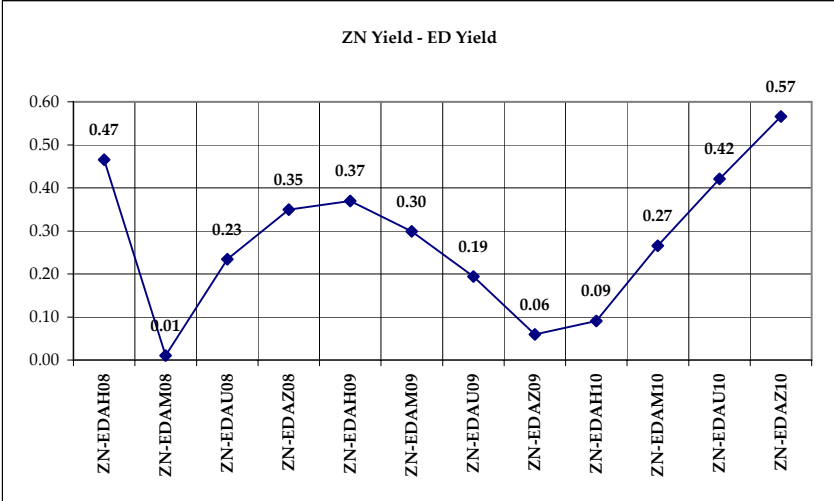
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

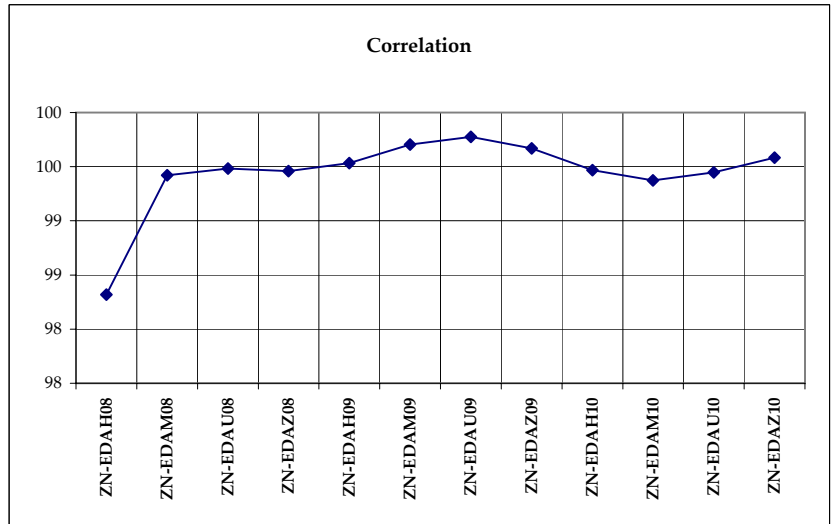
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	18.85	0.47	ZN-EDAH08	98.32
EDAM08	18.40	0.01	ZN-EDAM08	99.42
EDAU08	18.15	0.23	ZN-EDAU08	99.48
EDAZ08	18.04	0.35	ZN-EDAZ08	99.46
EDAH09	18.02	0.37	ZN-EDAH09	99.53
EDAM09	18.09	0.30	ZN-EDAM09	99.70
EDAU09	18.19	0.19	ZN-EDAU09	99.78
EDAZ09	18.33	0.06	ZN-EDAZ09	99.67
EDAH10	18.48	0.09	ZN-EDAH10	99.47
EDAM10	18.65	0.27	ZN-EDAM10	99.37
EDAU10	18.81	0.42	ZN-EDAU10	99.45
EDAZ10	18.95	0.57	ZN-EDAZ10	99.58

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	0.188	5.90	5.71	ZN-EDAH08
EDAM08	0.438	5.90	5.46	ZN-EDAM08
EDAU08	0.687	5.90	5.21	ZN-EDAU08
EDAZ08	0.936	5.90	4.96	ZN-EDAZ08
EDAH09	1.186	5.90	4.71	ZN-EDAH09
EDAM09	1.435	5.90	4.46	ZN-EDAM09
EDAU09	1.684	5.90	4.21	ZN-EDAU09
EDAZ09	1.934	5.90	3.96	ZN-EDAZ09
EDAH10	2.183	5.90	3.71	ZN-EDAH10
EDAM10	2.432	5.90	3.47	ZN-EDAM10
EDAU10	2.682	5.90	3.22	ZN-EDAU10
EDAZ10	2.931	5.90	2.97	ZN-EDAZ10

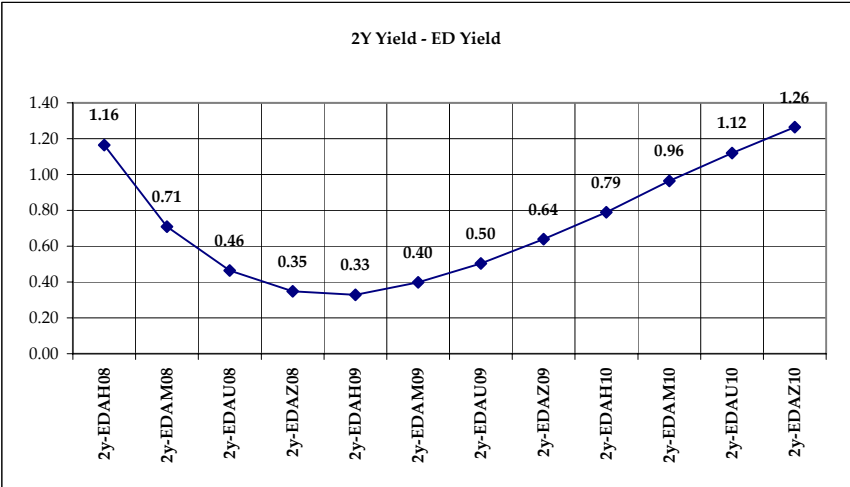
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	4.83	1.16	2y-EDAH08	-97.794
EDAM08	4.37	0.71	2y-EDAM08	-99.481
EDAU08	4.13	0.46	2y-EDAU08	-99.613
EDAZ08	4.01	0.35	2y-EDAZ08	-99.481
EDAH09	3.99	0.33	2y-EDAH09	-99.511
EDAM09	4.06	0.40	2y-EDAM09	-99.610
EDAU09	4.17	0.50	2y-EDAU09	-99.596
EDAZ09	4.30	0.64	2y-EDAZ09	-99.462
EDAH10	4.45	0.79	2y-EDAH10	-99.217
EDAM10	4.63	0.96	2y-EDAM10	-99.019
EDAU10	4.78	1.12	2y-EDAU10	-98.991
EDAZ10	4.93	1.26	2y-EDAZ10	-99.080

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.

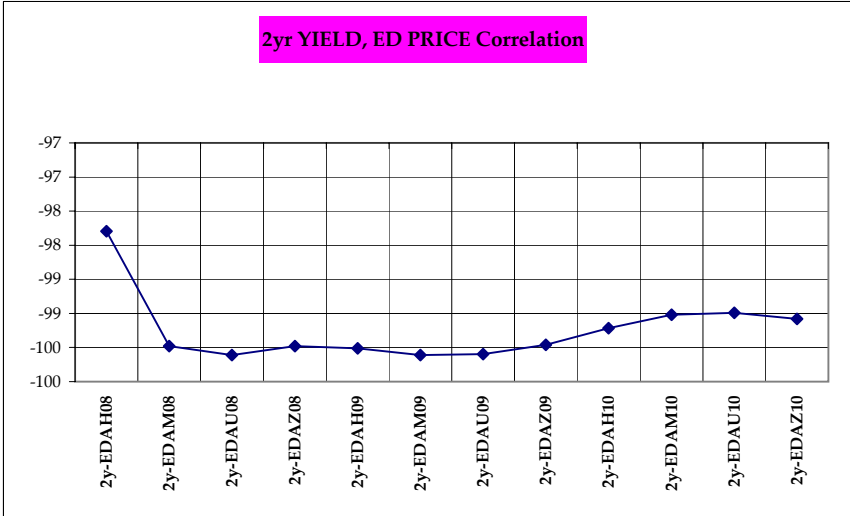


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAH08	0.188	1.90	2y-EDAH08
EDAM08	0.438	1.90	2y-EDAM08
EDAU08	0.687	1.90	2y-EDAU08
EDAZ08	0.936	1.90	2y-EDAZ08
EDAH09	1.186	1.90	2y-EDAH09
EDAM09	1.435	1.90	2y-EDAM09
EDAU09	1.684	1.90	2y-EDAU09
EDAZ09	1.934	1.90	2y-EDAZ09
EDAH10	2.183	1.90	2y-EDAH10
EDAM10	2.432	1.90	2y-EDAM10
EDAU10	2.682	1.90	2y-EDAU10
EDAZ10	2.931	1.90	2y-EDAZ10

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

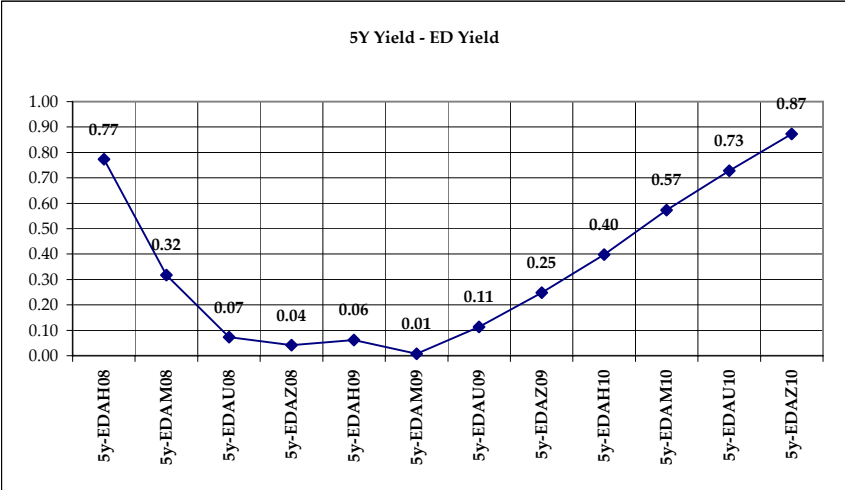
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	5.94	0.77	5y-EDAH08	-98.306
EDAM08	5.49	0.32	5y-EDAM08	-99.566
EDAU08	5.24	0.07	5y-EDAU08	-99.645
EDAZ08	5.13	0.04	5y-EDAZ08	-99.566
EDAH09	5.11	0.06	5y-EDAH09	-99.635
EDAM09	5.18	0.01	5y-EDAM09	-99.797
EDAU09	5.28	0.11	5y-EDAU09	-99.854
EDAZ09	5.42	0.25	5y-EDAZ09	-99.747
EDAH10	5.57	0.40	5y-EDAH10	-99.552
EDAM10	5.74	0.57	5y-EDAM10	-99.456
EDAU10	5.90	0.73	5y-EDAU10	-99.510
EDAZ10	6.04	0.87	5y-EDAZ10	-99.633

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.

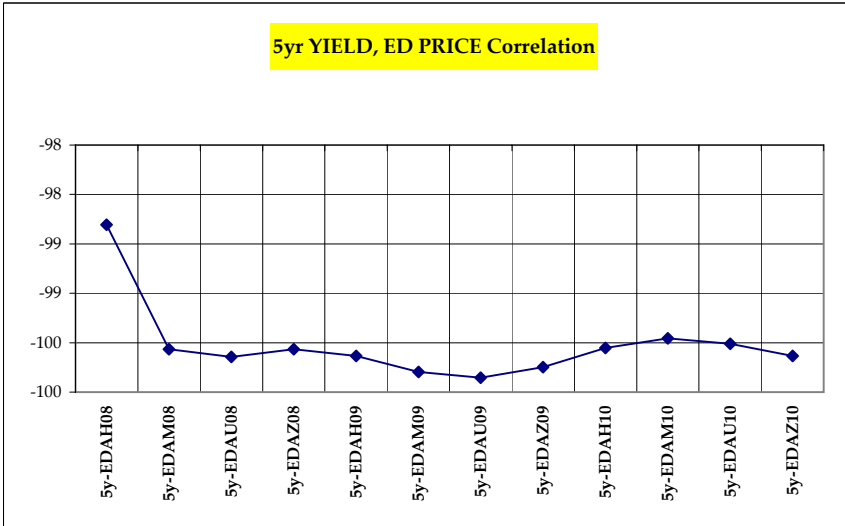


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAH08	0.188	4.46	4.28 5y-EDAH08
EDAM08	0.438	4.46	4.03 5y-EDAM08
EDAU08	0.687	4.46	3.78 5y-EDAU08
EDAZ08	0.936	4.46	3.53 5y-EDAZ08
EDAH09	1.186	4.46	3.28 5y-EDAH09
EDAM09	1.435	4.46	3.03 5y-EDAM09
EDAU09	1.684	4.46	2.78 5y-EDAU09
EDAZ09	1.934	4.46	2.53 5y-EDAZ09
EDAH10	2.183	4.46	2.28 5y-EDAH10
EDAM10	2.432	4.46	2.03 5y-EDAM10
EDAU10	2.682	4.46	1.78 5y-EDAU10
EDAZ10	2.931	4.46	1.53 5y-EDAZ10

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

5yr YIELD, ED PRICE Correlation



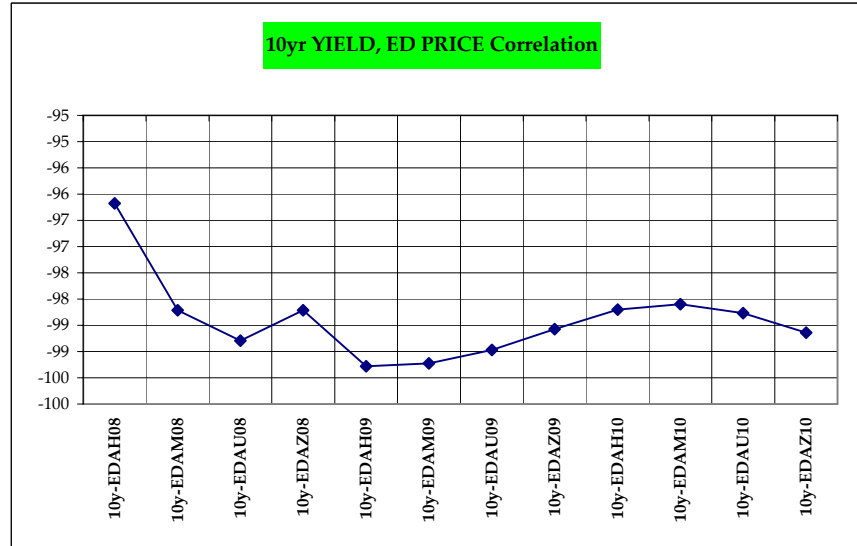
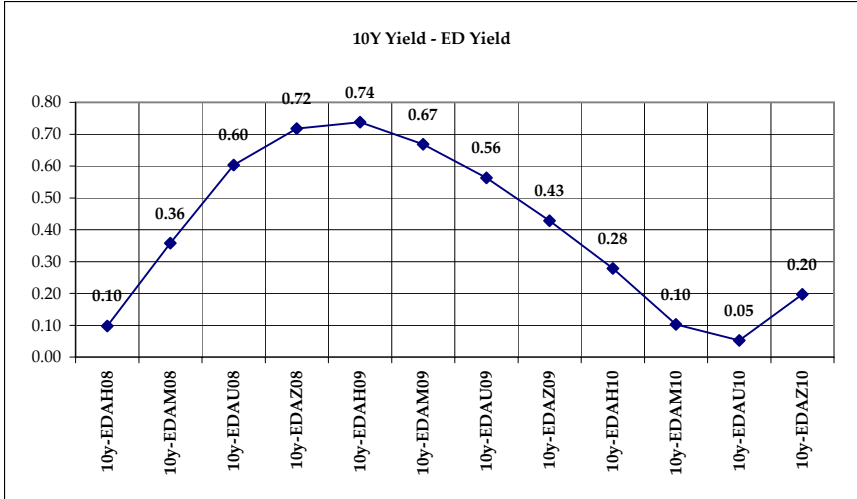
TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	5.94	0.10	10y-EDAH08	-96.175
EDAM08	5.49	0.36	10y-EDAM08	-98.216
EDAU08	5.24	0.60	10y-EDAU08	-98.796
EDAZ08	5.13	0.72	10y-EDAZ08	-98.216
EDAH09	5.11	0.74	10y-EDAH09	-99.280
EDAM09	5.18	0.67	10y-EDAM09	-99.223
EDAU09	5.28	0.56	10y-EDAU09	-98.968
EDAZ09	5.42	0.43	10y-EDAZ09	-98.574
EDAH10	5.57	0.28	10y-EDAH10	-98.200
EDAM10	5.74	0.10	10y-EDAM10	-98.096
EDAU10	5.90	0.05	10y-EDAU10	-98.271
EDAZ10	6.04	0.20	10y-EDAZ10	-98.639

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	0.188	7.98	7.79	10y-EDAH08
EDAM08	0.438	7.98	7.54	10y-EDAM08
EDAU08	0.687	7.98	7.29	10y-EDAU08
EDAZ08	0.936	7.98	7.04	10y-EDAZ08
EDAH09	1.186	7.98	6.79	10y-EDAH09
EDAM09	1.435	7.98	6.54	10y-EDAM09
EDAU09	1.684	7.98	6.29	10y-EDAU09
EDAZ09	1.934	7.98	6.04	10y-EDAZ09
EDAH10	2.183	7.98	5.79	10y-EDAH10
EDAM10	2.432	7.98	5.54	10y-EDAM10
EDAU10	2.682	7.98	5.30	10y-EDAU10
EDAZ10	2.931	7.98	5.05	10y-EDAZ10

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

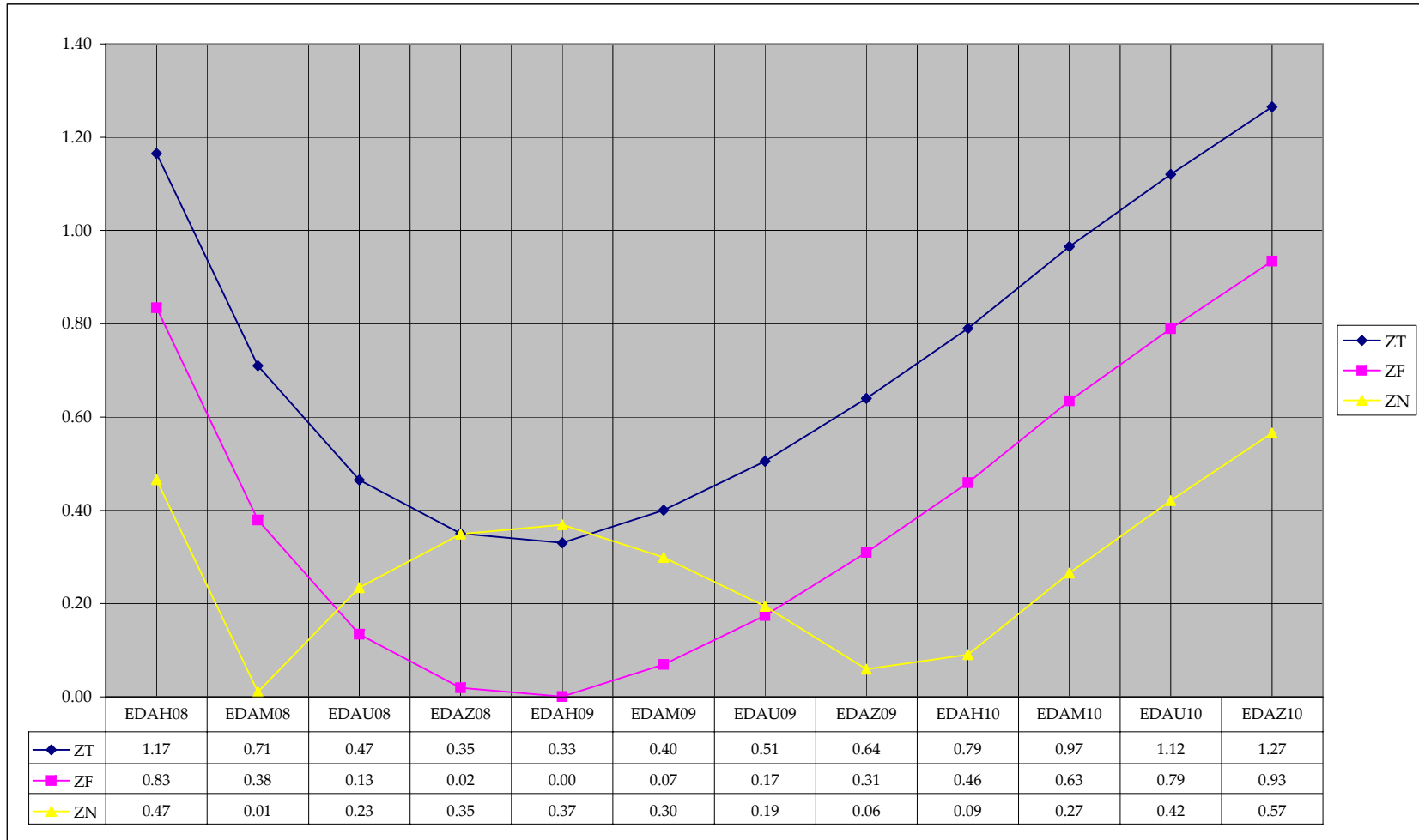


Dirty TED Curve

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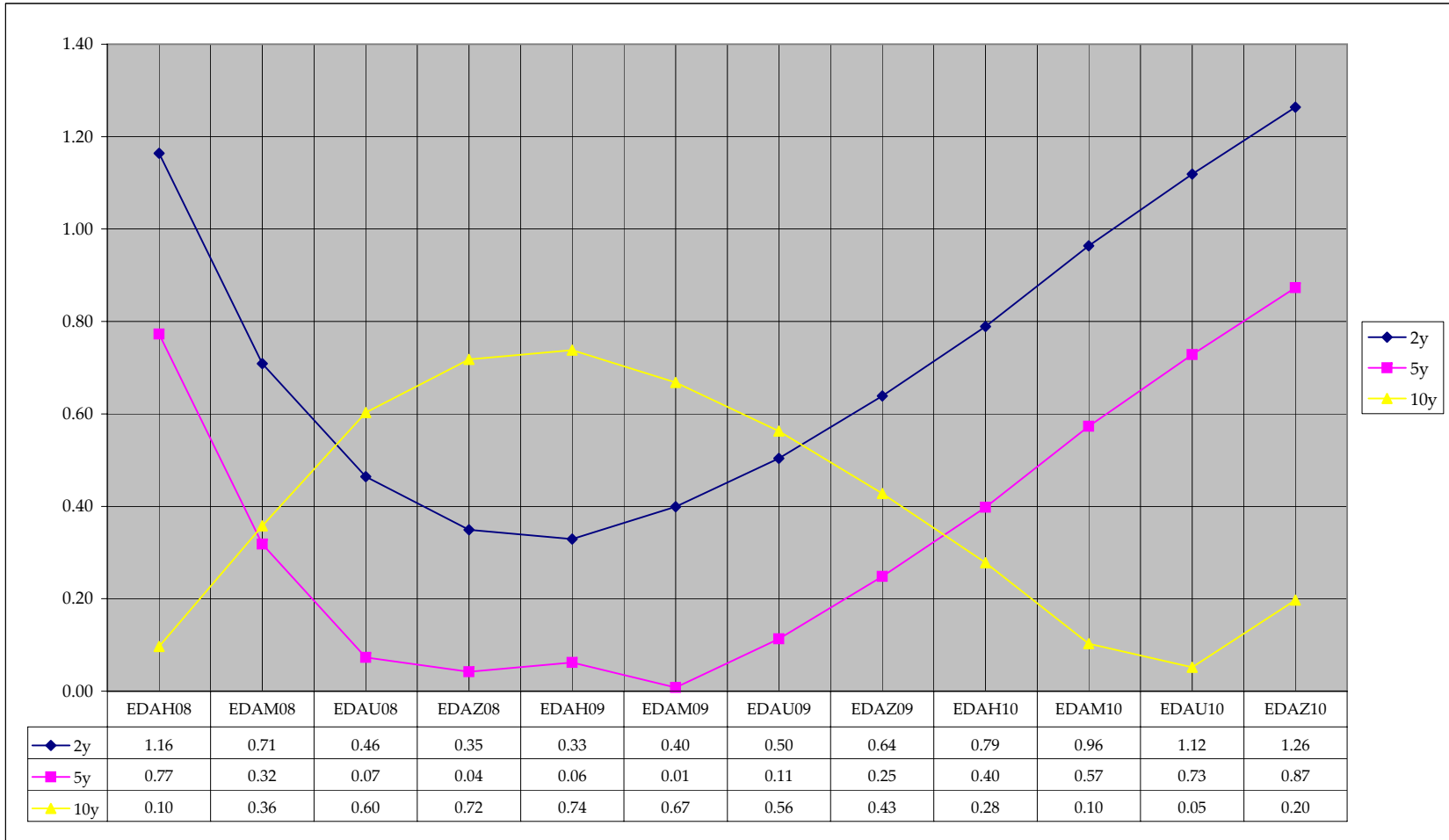
Page 7

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.

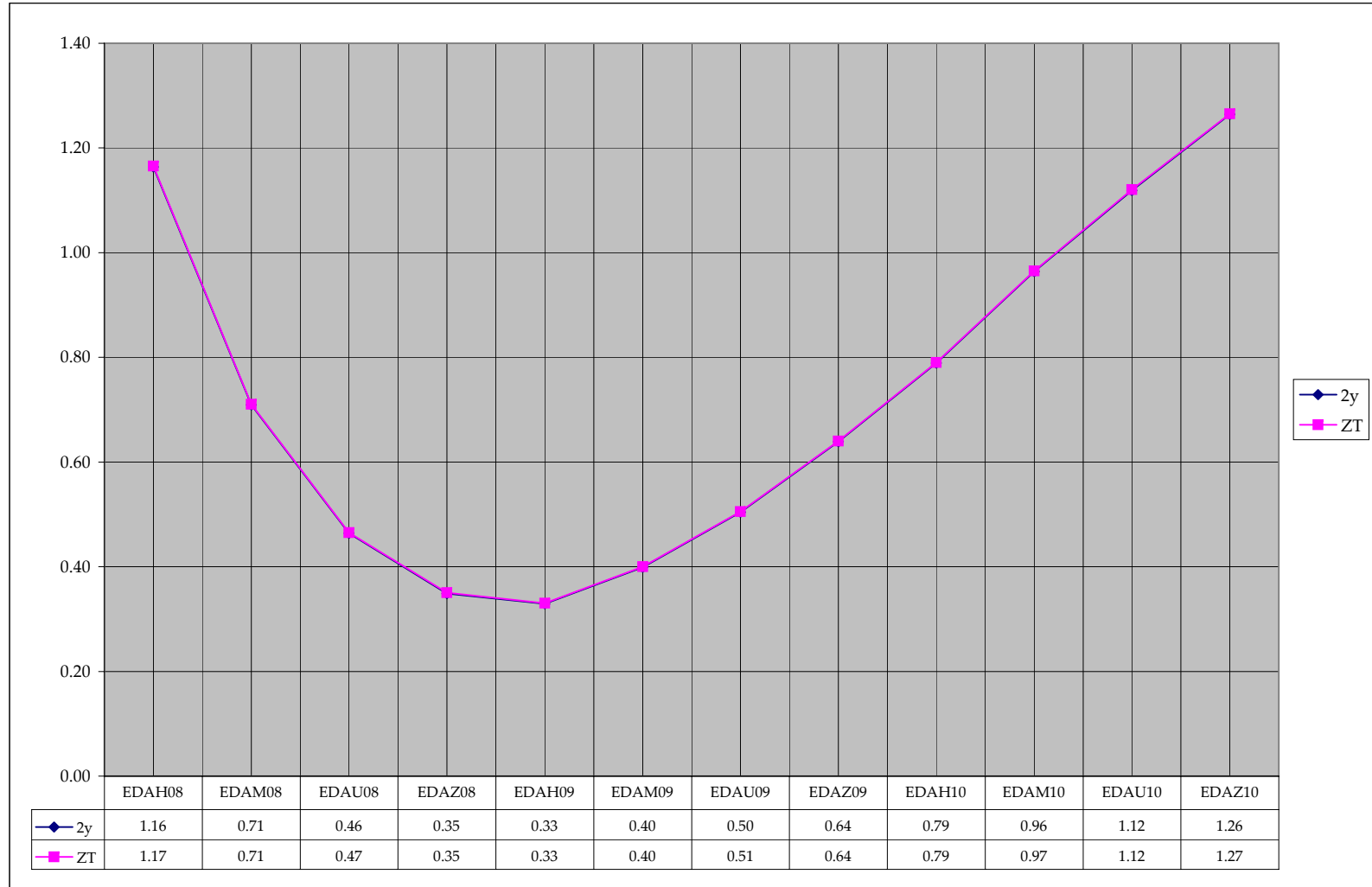


TED Curve

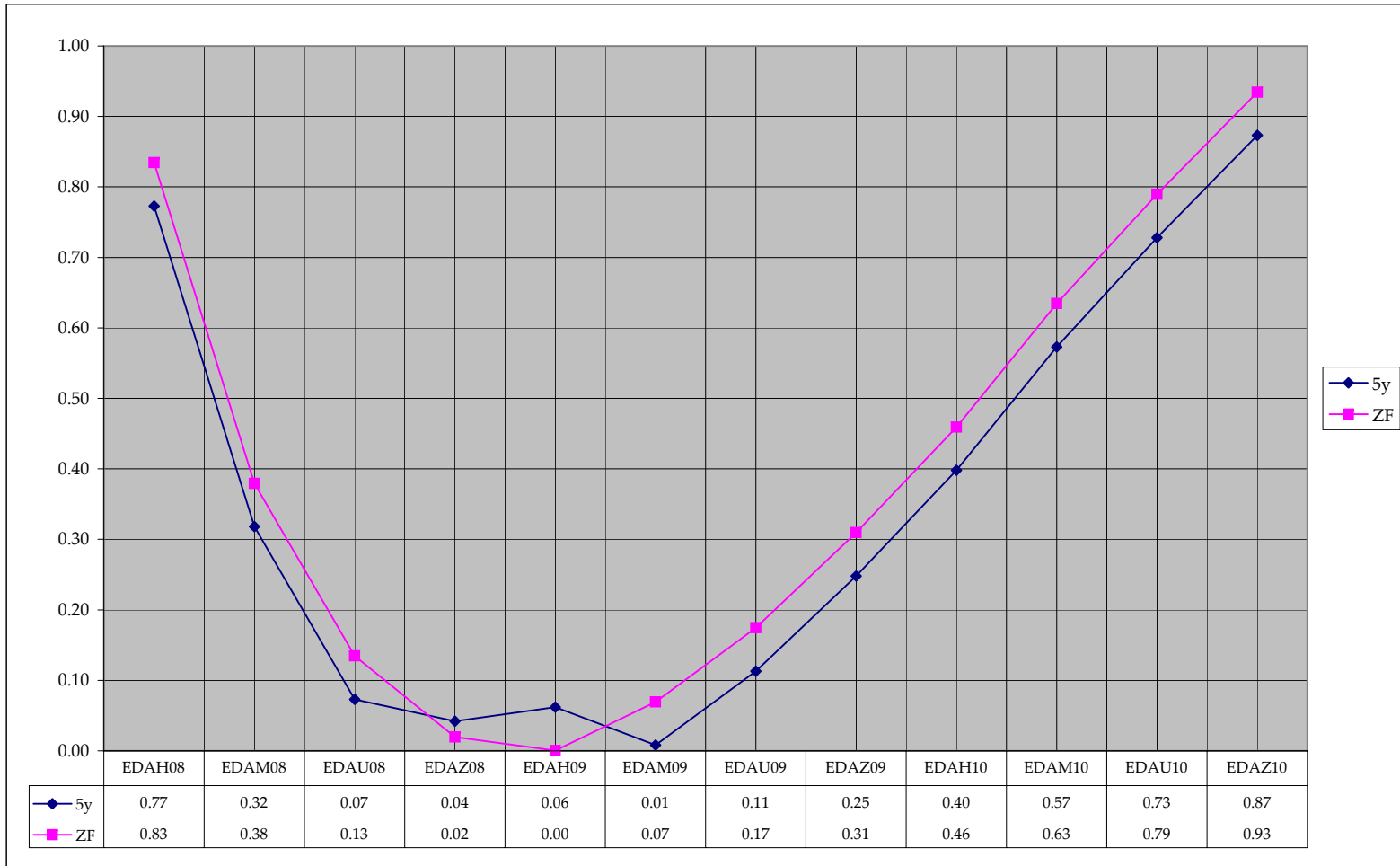
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



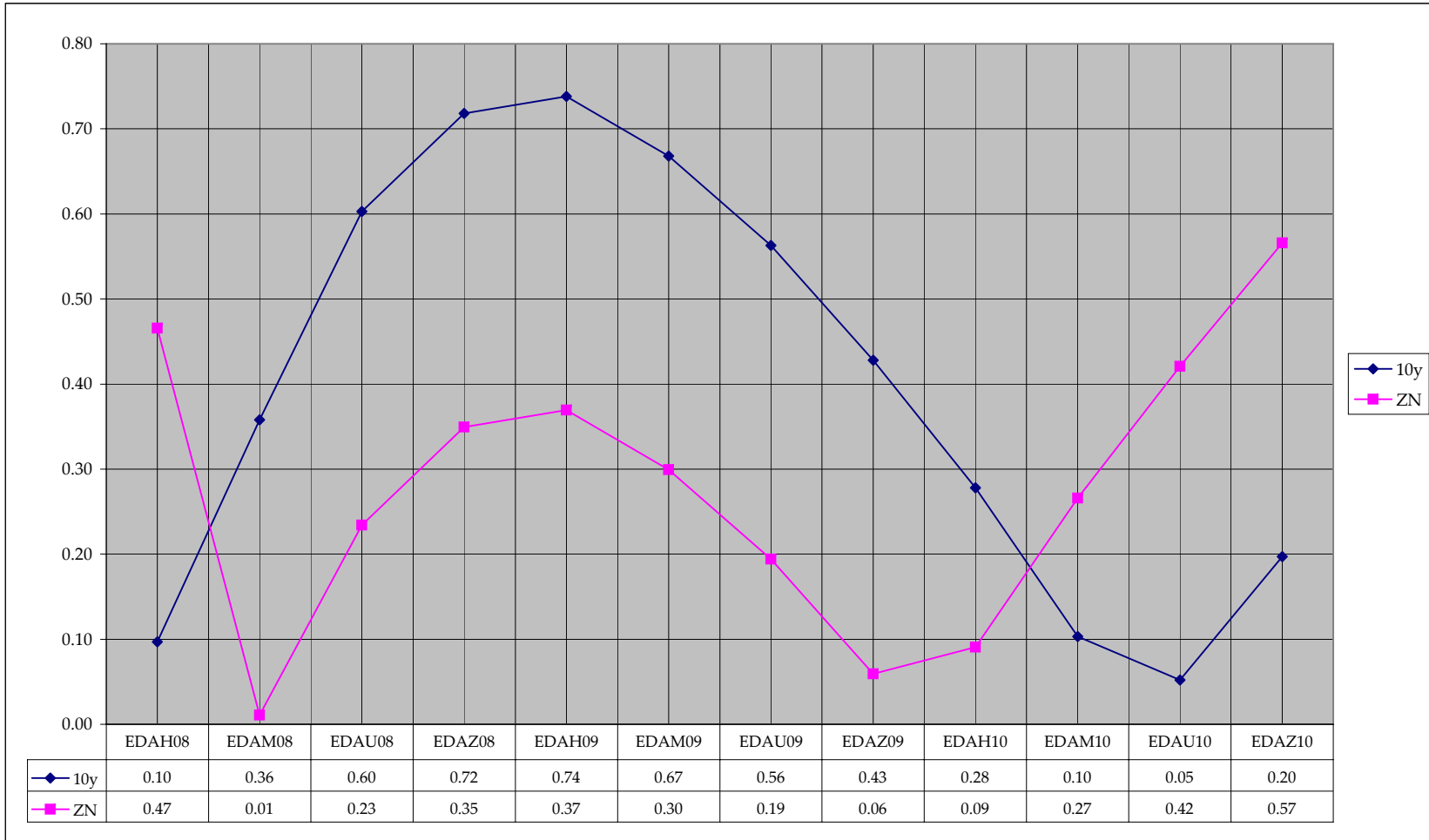
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	3.547	-2.250	9653.250
Q.ED.Red	3.336	-3.000	9673.625
Q.ED.Green	3.921	-2.250	9617.000
Q.ED.Blue		-0.125	9571.000
Q.ED.Gold		0.000	9534.625

