

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	106.3125	106.100	2.424	1.87	
ZF	112.7188	112.230	2.817	3.93	
ZN	116.3750	116.120	3.265	5.88	
2y	101.553	101.1770	2.425	1.87	
5y	103.266	103.0850	2.909	4.44	
10y	104.797	104.2550	3.661	7.97	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAH08	96.480	3.520	59	0.161	MAR	White Pack	
EDAM08	97.005	2.995	150	0.410	JUN		
EDAU08	97.210	2.790	241	0.660	SEP		
EDAZ08	97.270	2.730	332	0.909	DEC	Red Pack	
EDAH09	97.255	2.745	423	1.158	MAR		
EDAM09	97.160	2.840	514	1.408	JUN		
EDAU09	97.020	2.980	605	1.657	SEP	Green Pack	
EDAZ09	96.860	3.140	696	1.906	DEC		
EDAH10	96.695	3.305	787	2.156	MAR		
EDAM10	96.530	3.470	878	2.405	JUN	Blue Pack	
EDAU10	96.395	3.605	969	2.654	SEP		
EDAZ10	96.230	3.770	1060	2.903	DEC		
EDAH11	96.130	3.870	1151	3.153	MAR	Gold Pack	
EDAM11	95.990	4.010	1242	3.402	JUN		
EDAU11	95.885	4.115	1340	3.671	SEP		
EDAZ11	95.765	4.235	1431	3.920	DEC		
EDAH12	95.710	4.290	1522	4.169	MAR		
EDAM12	95.595	4.405	1613	4.419	JUN		
EDAU12	95.335	4.665	1704	4.668	SEP		
EDAU12	95.335	4.665	1704	4.668	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	3.074	0.750	9699.125	Pack Prices
Q.ED.Red	2.989	-2.500	9707.375	
Q.ED.Green	3.619	-2.625	9646.250	
Q.ED.Blue	4.156	-0.625	9594.250	
Q.ED.Gold		0.000	9552.875	

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

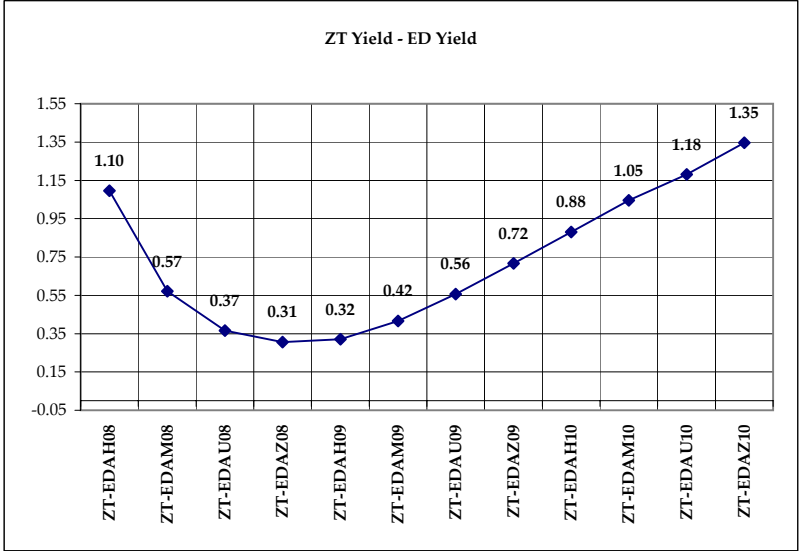
Eurodollar Color Codes for Individual Year Strips:

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

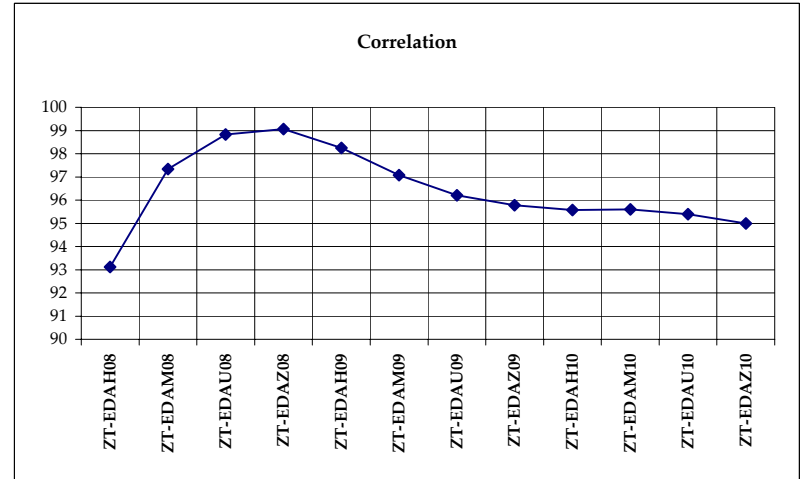
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	9.833	1.10	ZT-EDAH08	93.116
EDAM08	9.308	0.57	ZT-EDAM08	97.333
EDAU08	9.103	0.37	ZT-EDAU08	98.822
EDAZ08	9.043	0.31	ZT-EDAZ08	99.058
EDAH09	9.058	0.32	ZT-EDAH09	98.244
EDAM09	9.153	0.42	ZT-EDAM09	97.079
EDAU09	9.293	0.56	ZT-EDAU09	96.202
EDAZ09	9.453	0.72	ZT-EDAZ09	95.773
EDAH10	9.618	0.88	ZT-EDAH10	95.576
EDAM10	9.783	1.05	ZT-EDAM10	95.607
EDAU10	9.918	1.18	ZT-EDAU10	95.394
EDAZ10	10.083	1.35	ZT-EDAZ10	94.993

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	0.161	1.87	1.71	ZT-EDAH08
EDAM08	0.410	1.87	1.46	ZT-EDAM08
EDAU08	0.660	1.87	1.21	ZT-EDAU08
EDAZ08	0.909	1.87	0.96	ZT-EDAZ08
EDAH09	1.158	1.87	0.71	ZT-EDAH09
EDAM09	1.408	1.87	0.47	ZT-EDAM09
EDAU09	1.657	1.87	0.22	ZT-EDAU09
EDAZ09	1.906	1.87	(0.03)	ZT-EDAZ09
EDAH10	2.156	1.87	(0.28)	ZT-EDAH10
EDAM10	2.405	1.87	(0.53)	ZT-EDAM10
EDAU10	2.654	1.87	(0.78)	ZT-EDAU10
EDAZ10	2.903	1.87	(1.03)	ZT-EDAZ10

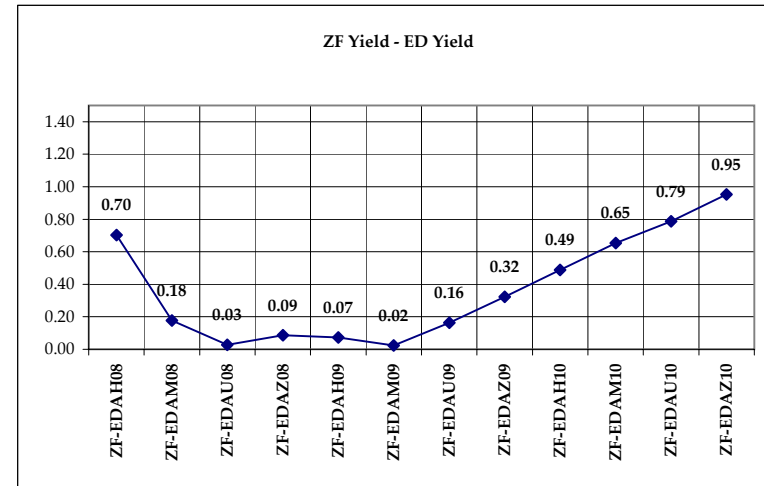
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	16.24	0.70	ZF-EDAH08	81.490
EDAM08	15.71	0.18	ZF-EDAM08	89.243
EDAU08	15.51	0.03	ZF-EDAU08	93.277
EDAZ08	15.45	0.09	ZF-EDAZ08	95.981
EDAH09	15.46	0.07	ZF-EDAH09	97.532
EDAM09	15.56	0.02	ZF-EDAM09	98.303
EDAU09	15.70	0.16	ZF-EDAU09	98.641
EDAZ09	15.86	0.32	ZF-EDAZ09	99.095
EDAH10	16.02	0.49	ZF-EDAH10	99.124
EDAM10	16.19	0.65	ZF-EDAM10	99.278
EDAU10	16.32	0.79	ZF-EDAU10	99.422
EDAZ10	16.49	0.95	ZF-EDAZ10	98.993

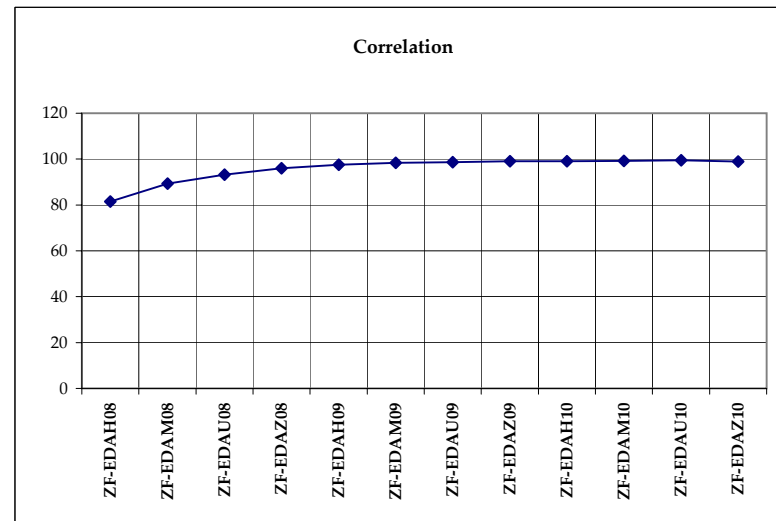
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAH08	0.161	3.93	ZF-EDAH08
EDAM08	0.410	3.93	ZF-EDAM08
EDAU08	0.660	3.93	ZF-EDAU08
EDAZ08	0.909	3.93	ZF-EDAZ08
EDAH09	1.158	3.93	ZF-EDAH09
EDAM09	1.408	3.93	ZF-EDAM09
EDAU09	1.657	3.93	ZF-EDAU09
EDAZ09	1.906	3.93	ZF-EDAZ09
EDAH10	2.156	3.93	ZF-EDAH10
EDAM10	2.405	3.93	ZF-EDAM10
EDAU10	2.654	3.93	ZF-EDAU10
EDAZ10	2.903	3.93	ZF-EDAZ10

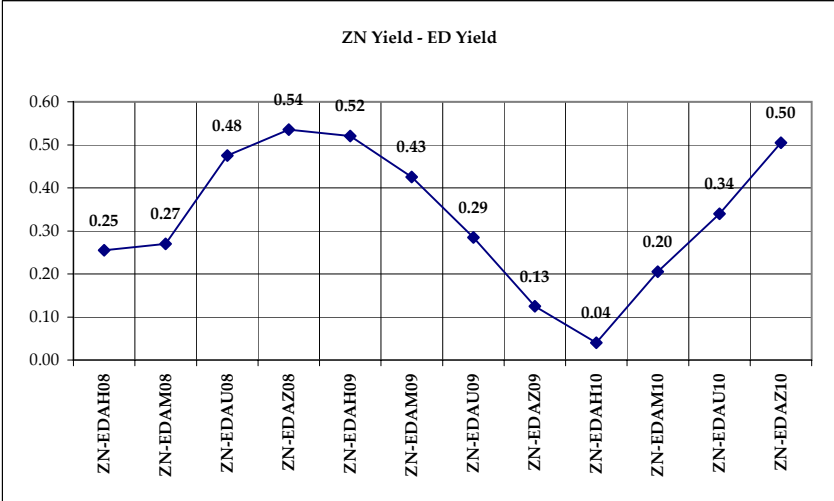
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

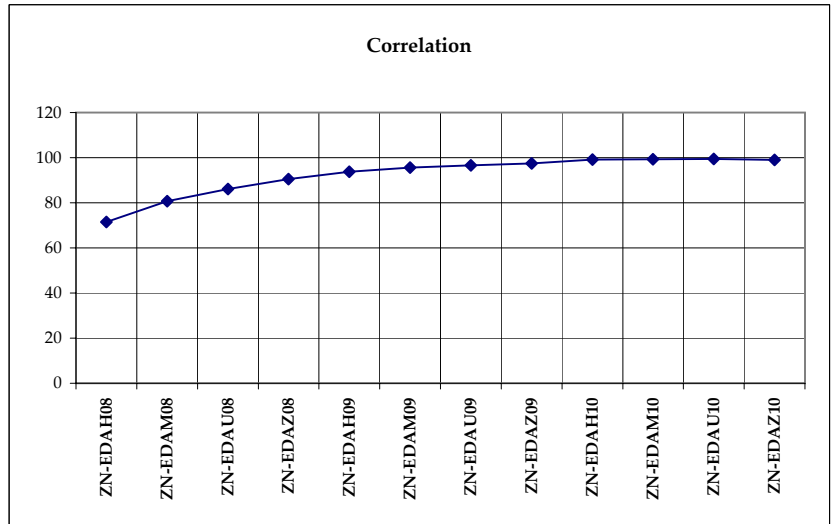
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	19.90	0.25	ZN-EDAH08	71.42
EDAM08	19.37	0.27	ZN-EDAM08	80.68
EDAU08	19.17	0.48	ZN-EDAU08	86.14
EDAZ08	19.11	0.54	ZN-EDAZ08	90.51
EDAH09	19.12	0.52	ZN-EDAH09	93.69
EDAM09	19.22	0.43	ZN-EDAM09	95.65
EDAU09	19.36	0.29	ZN-EDAU09	96.66
EDAZ09	19.52	0.13	ZN-EDAZ09	97.48
EDAH10	19.68	0.04	ZN-EDAH10	99.12
EDAM10	19.85	0.20	ZN-EDAM10	99.28
EDAU10	19.98	0.34	ZN-EDAU10	99.42
EDAZ10	20.15	0.50	ZN-EDAZ10	98.99

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	0.161	5.88	5.72	ZN-EDAH08
EDAM08	0.410	5.88	5.47	ZN-EDAM08
EDAU08	0.660	5.88	5.22	ZN-EDAU08
EDAZ08	0.909	5.88	4.97	ZN-EDAZ08
EDAH09	1.158	5.88	4.72	ZN-EDAH09
EDAM09	1.408	5.88	4.47	ZN-EDAM09
EDAU09	1.657	5.88	4.22	ZN-EDAU09
EDAZ09	1.906	5.88	3.97	ZN-EDAZ09
EDAH10	2.156	5.88	3.72	ZN-EDAH10
EDAM10	2.405	5.88	3.47	ZN-EDAM10
EDAU10	2.654	5.88	3.22	ZN-EDAU10
EDAZ10	2.903	5.88	2.98	ZN-EDAZ10

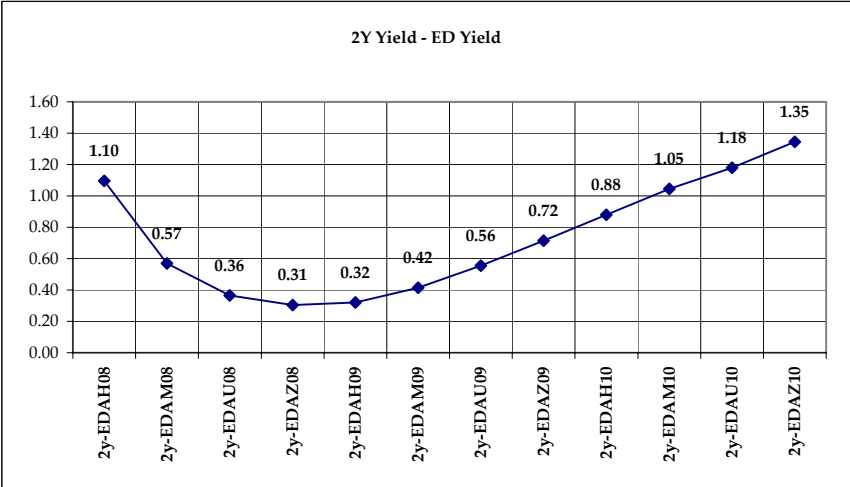
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	5.07	1.10	2y-EDAH08	-89.706
EDAM08	4.55	0.57	2y-EDAM08	-94.822
EDAU08	4.34	0.36	2y-EDAU08	-96.794
EDAZ08	4.28	0.31	2y-EDAZ08	-94.822
EDAH09	4.30	0.32	2y-EDAH09	-97.593
EDAM09	4.39	0.42	2y-EDAM09	-96.727
EDAU09	4.53	0.56	2y-EDAU09	-95.784
EDAZ09	4.69	0.72	2y-EDAZ09	-95.078
EDAH10	4.86	0.88	2y-EDAH10	-94.636
EDAM10	5.02	1.05	2y-EDAM10	-94.599
EDAU10	5.16	1.18	2y-EDAU10	-94.179
EDAZ10	5.32	1.35	2y-EDAZ10	-94.414

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.

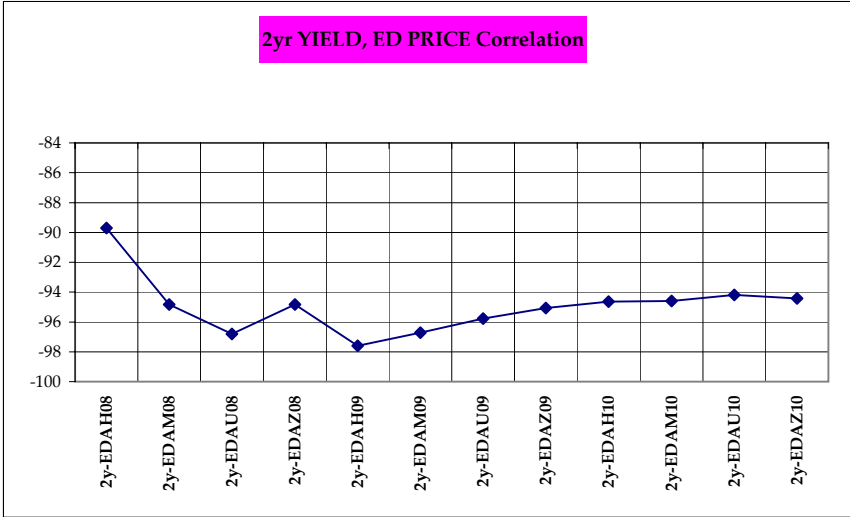


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAH08	0.161	1.87	2y-EDAH08
EDAM08	0.410	1.87	2y-EDAM08
EDAU08	0.660	1.87	2y-EDAU08
EDAZ08	0.909	1.87	2y-EDAZ08
EDAH09	1.158	1.87	2y-EDAH09
EDAM09	1.408	1.87	2y-EDAM09
EDAU09	1.657	1.87	2y-EDAU09
EDAZ09	1.906	1.87	2y-EDAZ09
EDAH10	2.156	1.87	2y-EDAH10
EDAM10	2.405	1.87	2y-EDAM10
EDAU10	2.654	1.87	2y-EDAU10
EDAZ10	2.903	1.87	2y-EDAZ10

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

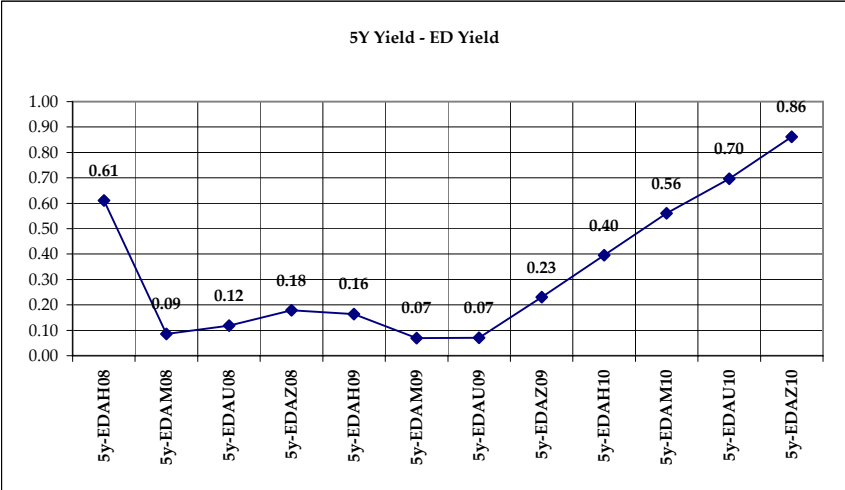
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	6.79	0.61	5y-EDAH08	-76.723
EDAM08	6.26	0.09	5y-EDAM08	-84.711
EDAU08	6.06	0.12	5y-EDAU08	-88.925
EDAZ08	6.00	0.18	5y-EDAZ08	-84.711
EDAH09	6.01	0.16	5y-EDAH09	-93.186
EDAM09	6.11	0.07	5y-EDAM09	-93.609
EDAU09	6.25	0.07	5y-EDAU09	-93.496
EDAZ09	6.41	0.23	5y-EDAZ09	-93.547
EDAH10	6.57	0.40	5y-EDAH10	-93.150
EDAM10	6.74	0.56	5y-EDAM10	-93.353
EDAU10	6.87	0.70	5y-EDAU10	-93.651
EDAZ10	7.04	0.86	5y-EDAZ10	-94.016

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.

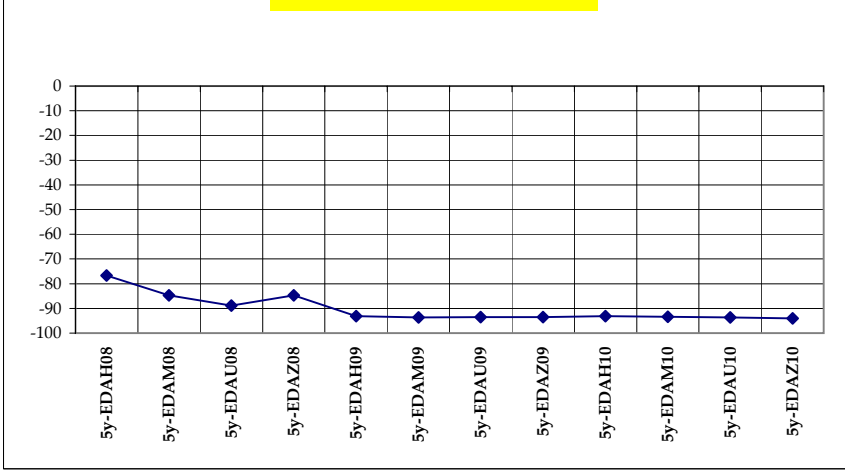


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAH08	0.161	4.44	4.28 5y-EDAH08
EDAM08	0.410	4.44	4.03 5y-EDAM08
EDAU08	0.660	4.44	3.78 5y-EDAU08
EDAZ08	0.909	4.44	3.53 5y-EDAZ08
EDAH09	1.158	4.44	3.28 5y-EDAH09
EDAM09	1.408	4.44	3.03 5y-EDAM09
EDAU09	1.657	4.44	2.78 5y-EDAU09
EDAZ09	1.906	4.44	2.53 5y-EDAZ09
EDAH10	2.156	4.44	2.28 5y-EDAH10
EDAM10	2.405	4.44	2.03 5y-EDAM10
EDAU10	2.654	4.44	1.78 5y-EDAU10
EDAZ10	2.903	4.44	1.54 5y-EDAZ10

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

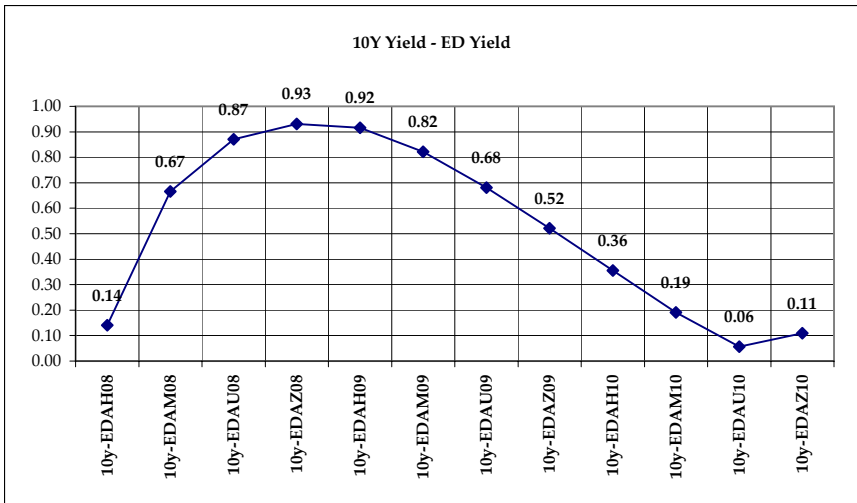
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

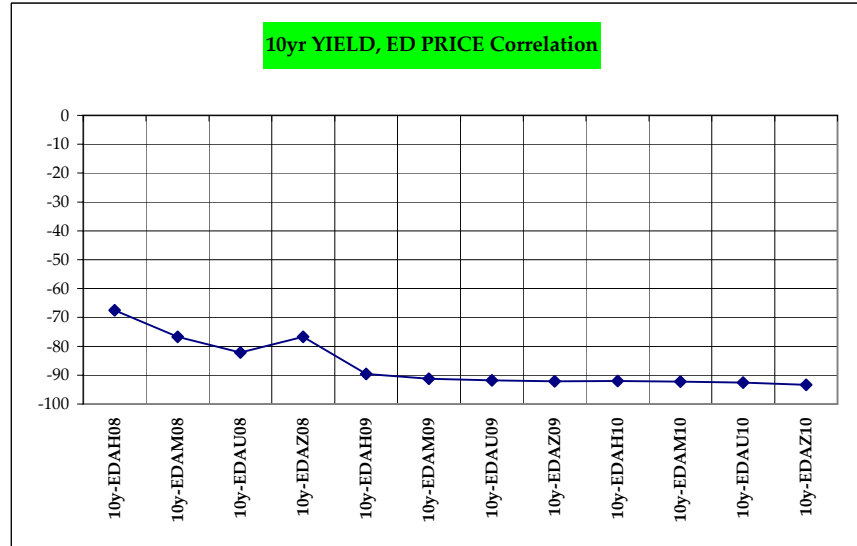
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	6.79	0.14	10y-EDAH08	-67.520
EDAM08	6.26	0.67	10y-EDAM08	-76.710
EDAU08	6.06	0.87	10y-EDAU08	-82.096
EDAZ08	6.00	0.93	10y-EDAZ08	-76.710
EDAH09	6.01	0.92	10y-EDAH09	-89.602
EDAM09	6.11	0.82	10y-EDAM09	-91.232
EDAU09	6.25	0.68	10y-EDAU09	-91.766
EDAZ09	6.41	0.52	10y-EDAZ09	-92.116
EDAH10	6.57	0.36	10y-EDAH10	-91.995
EDAM10	6.74	0.19	10y-EDAM10	-92.207
EDAU10	6.87	0.06	10y-EDAU10	-92.627
EDAZ10	7.04	0.11	10y-EDAZ10	-93.380

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	0.161	7.97	7.81	10y-EDAH08
EDAM08	0.410	7.97	7.56	10y-EDAM08
EDAU08	0.660	7.97	7.31	10y-EDAU08
EDAZ08	0.909	7.97	7.06	10y-EDAZ08
EDAH09	1.158	7.97	6.81	10y-EDAH09
EDAM09	1.408	7.97	6.56	10y-EDAM09
EDAU09	1.657	7.97	6.31	10y-EDAU09
EDAZ09	1.906	7.97	6.06	10y-EDAZ09
EDAH10	2.156	7.97	5.81	10y-EDAH10
EDAM10	2.405	7.97	5.56	10y-EDAM10
EDAU10	2.654	7.97	5.32	10y-EDAU10
EDAZ10	2.903	7.97	5.07	10y-EDAZ10

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

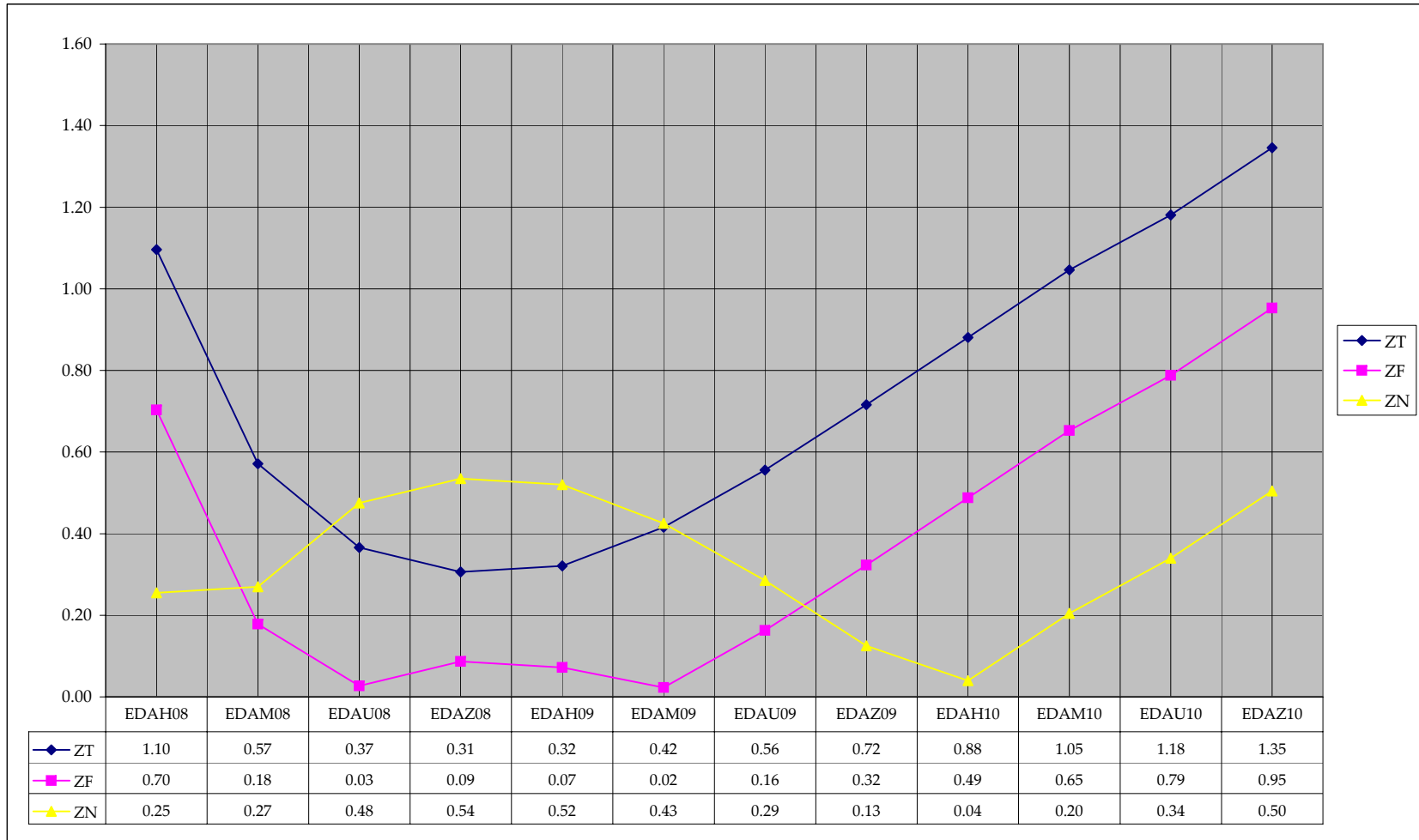


Dirty TED Curve

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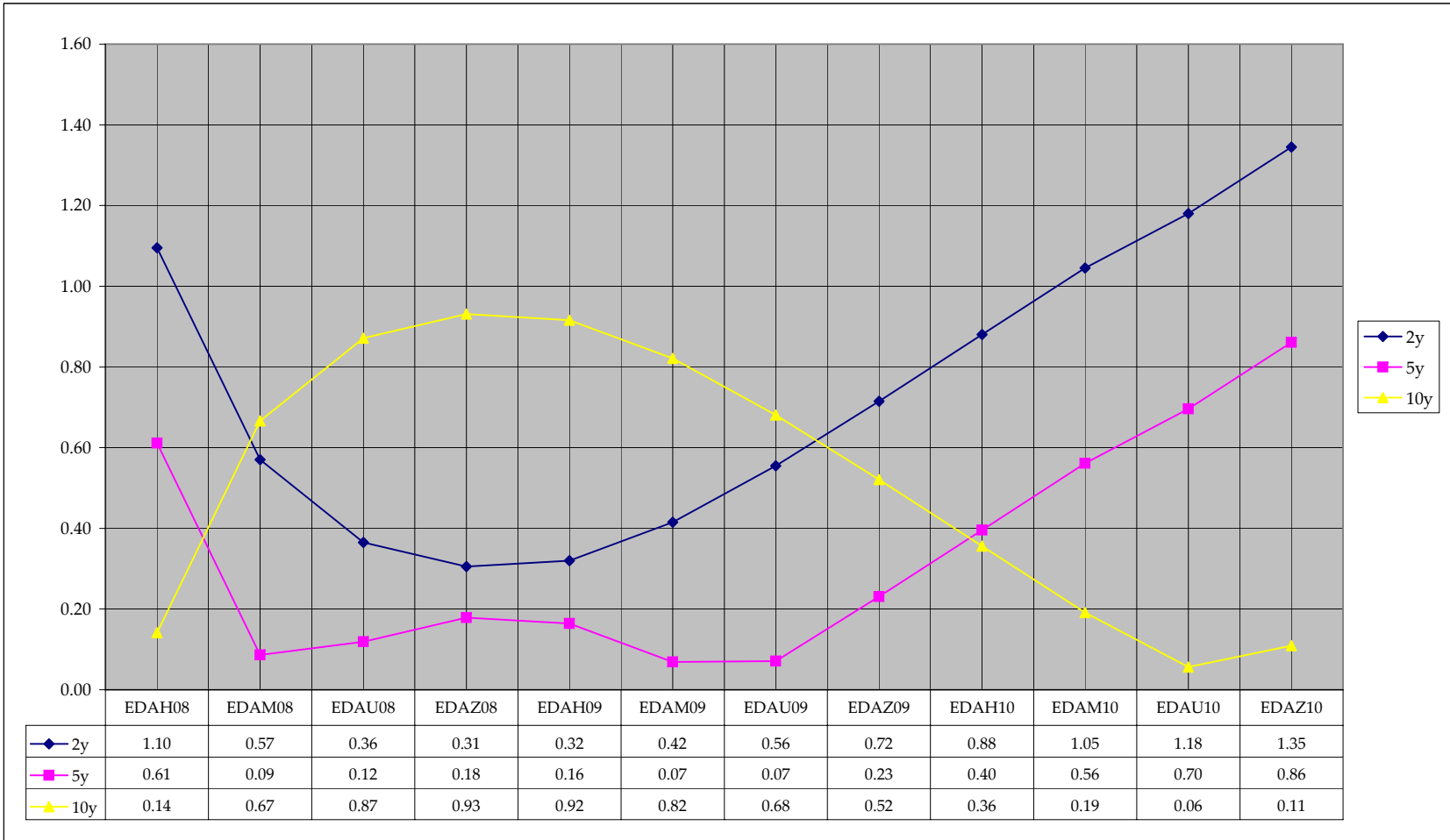
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

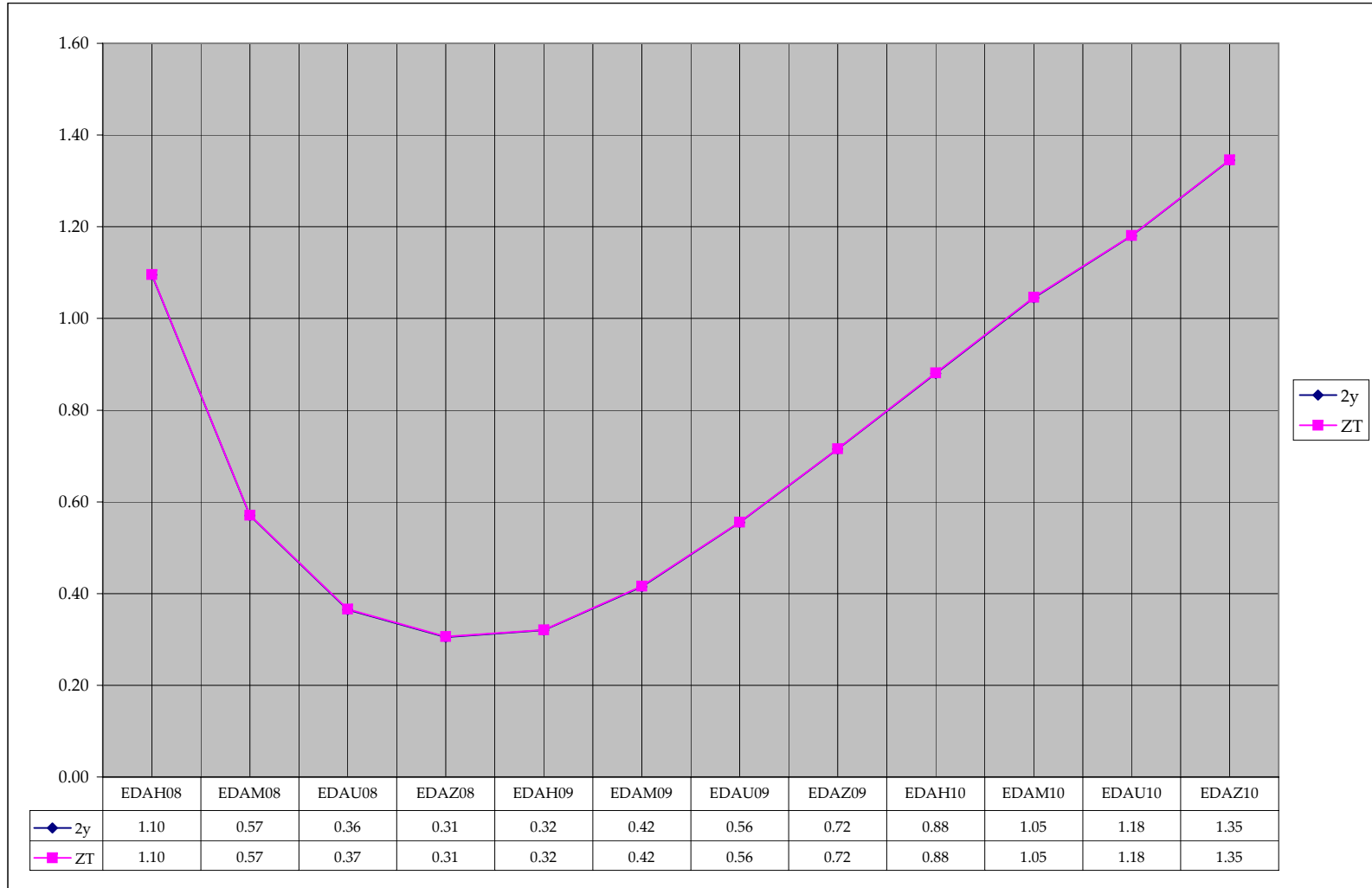


TED Curve

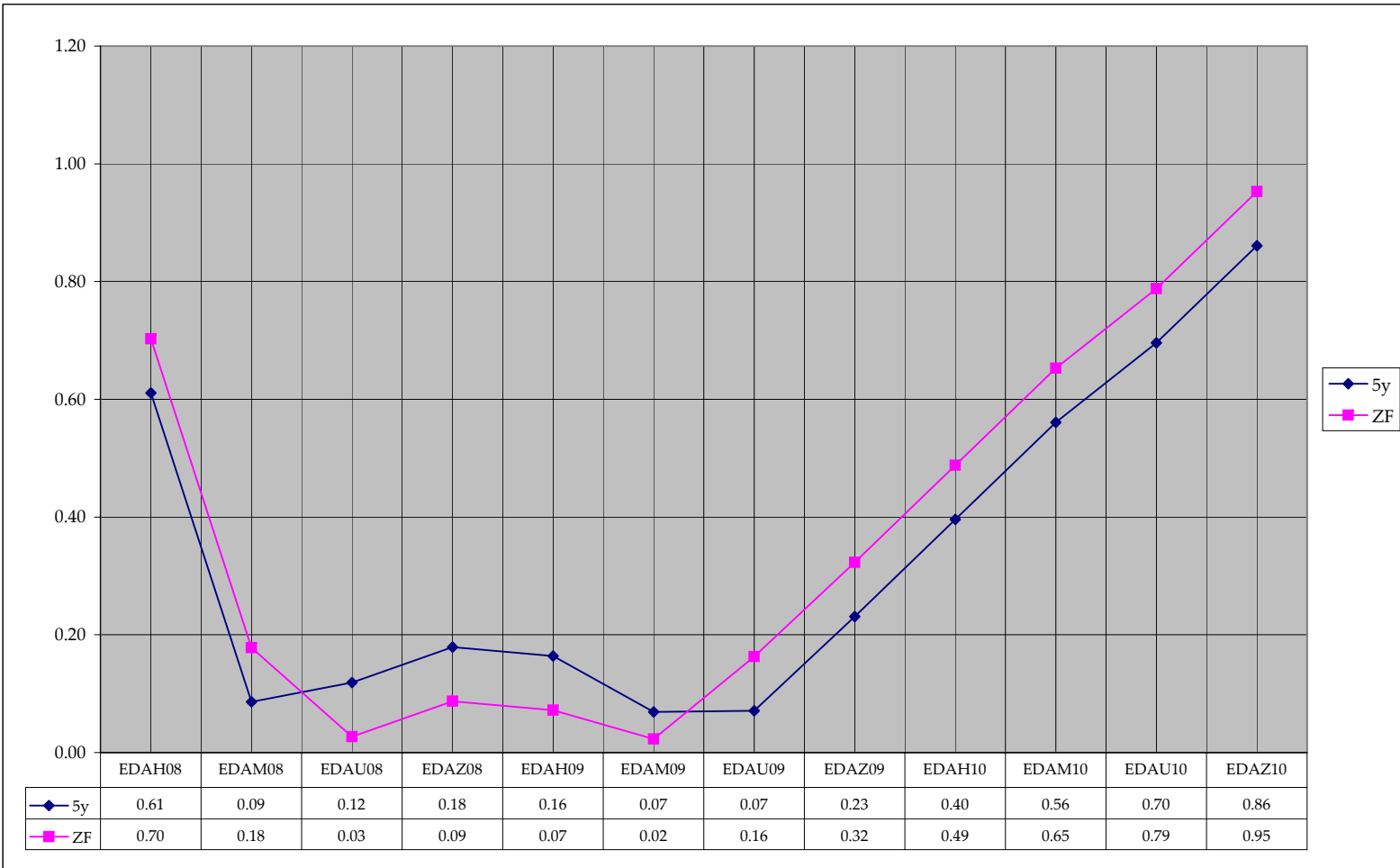
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



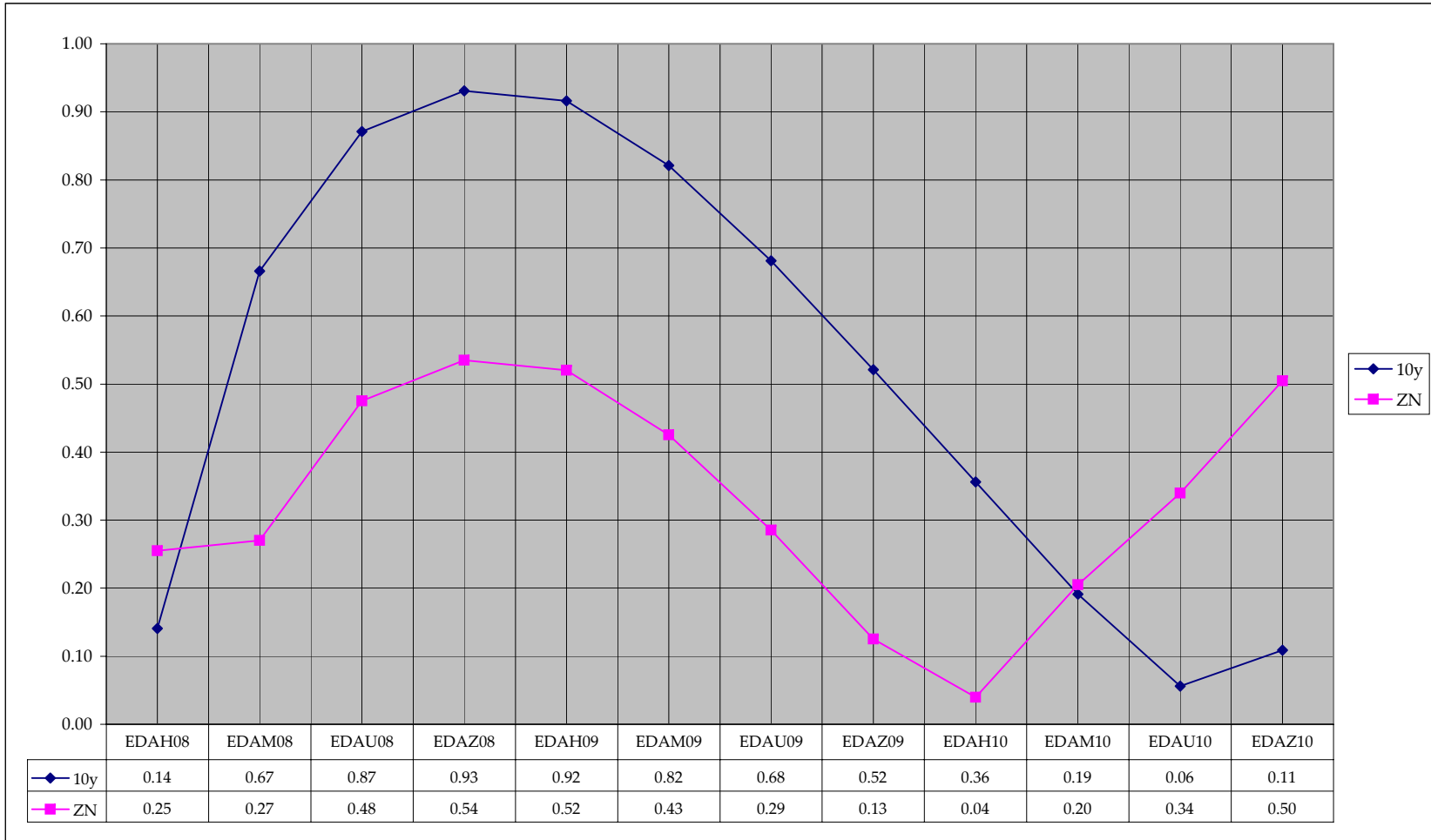
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	3.074	0.750	9699.125
Q.ED.Red	2.989	-2.500	9707.375
Q.ED.Green	3.619	-2.625	9646.250
Q.ED.Blue	4.156	-0.625	9594.250
Q.ED.Gold		0.000	9552.875

