

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	106.8281	106.265	2.122	1.87	
ZF	113.7813	113.250	2.517	3.93	
ZN	117.8281	117.265	3.128	5.88	
2y	102.125	102.0400	2.116	1.87	
5y	104.422	104.1350	2.661	4.44	
10y	106.016	106.0050	3.519	7.98	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAH08	96.815	3.185	55	0.150	MAR	White Pack	
EDAM08	97.370	2.630	146	0.399	JUN		
EDAU08	97.535	2.465	237	0.649	SEP		
EDAZ08	97.545	2.455	328	0.898	DEC	Red Pack	
EDAH09	97.485	2.515	419	1.147	MAR		
EDAM09	97.370	2.630	510	1.397	JUN		
EDAU09	97.220	2.780	601	1.646	SEP	Green Pack	
EDAZ09	97.060	2.940	692	1.895	DEC		
EDAH10	96.900	3.100	783	2.145	MAR		
EDAM10	96.715	3.285	874	2.394	JUN	Blue Pack	
EDAU10	96.540	3.460	965	2.643	SEP		
EDAZ10	96.380	3.620	1056	2.892	DEC		
EDAH11	96.250	3.750	1147	3.142	MAR	Gold Pack	
EDAM11	96.120	3.880	1238	3.391	JUN		
EDAU11	95.990	4.010	1336	3.660	SEP		
EDAZ11	95.860	4.140	1427	3.909	DEC		
EDAH12	95.695	4.305	1518	4.158	MAR		
EDAM12	#VALUE!	#VALUE!	1609	4.408	JUN		
EDAU12	#VALUE!	#VALUE!	1700	4.657	SEP		
EDAU12	#VALUE!	#VALUE!	1700	4.657	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	2.740	26.125	9731.625	Pack Prices
Q.ED.Red	2.773	14.000	9728.375	
Q.ED.Green	3.442	11.125	9663.375	
Q.ED.Blue	4.040	10.375	9605.500	
Q.ED.Gold		0.875	9551.000	

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

1/22/2008 5:53

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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

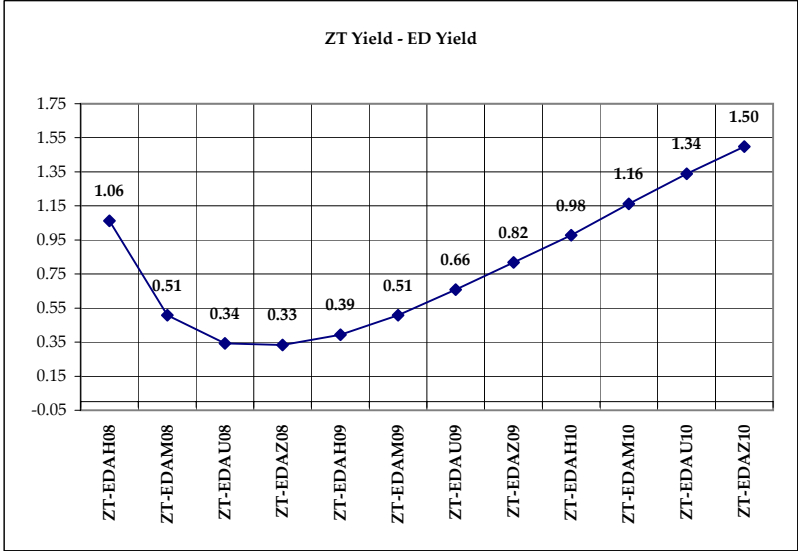
Eurodollar Color Codes for Individual Year Strips:

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

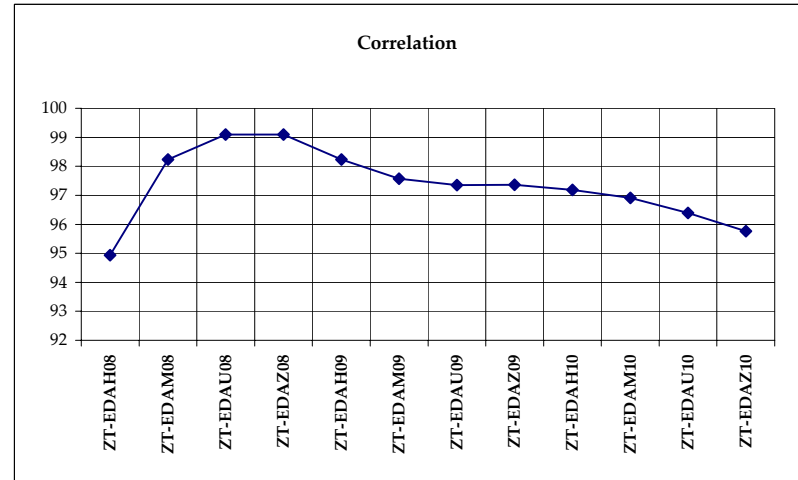
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	10.013	1.06	ZT-EDAH08	94.936
EDAM08	9.458	0.51	ZT-EDAM08	98.230
EDAU08	9.293	0.34	ZT-EDAU08	99.094
EDAZ08	9.283	0.33	ZT-EDAZ08	99.093
EDAH09	9.343	0.39	ZT-EDAH09	98.231
EDAM09	9.458	0.51	ZT-EDAM09	97.567
EDAU09	9.608	0.66	ZT-EDAU09	97.351
EDAZ09	9.768	0.82	ZT-EDAZ09	97.358
EDAH10	9.928	0.98	ZT-EDAH10	97.184
EDAM10	10.113	1.16	ZT-EDAM10	96.906
EDAU10	10.288	1.34	ZT-EDAU10	96.391
EDAZ10	10.448	1.50	ZT-EDAZ10	95.768

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	0.150	1.87	1.72	ZT-EDAH08
EDAM08	0.399	1.87	1.47	ZT-EDAM08
EDAU08	0.649	1.87	1.22	ZT-EDAU08
EDAZ08	0.898	1.87	0.97	ZT-EDAZ08
EDAH09	1.147	1.87	0.72	ZT-EDAH09
EDAM09	1.397	1.87	0.47	ZT-EDAM09
EDAU09	1.646	1.87	0.22	ZT-EDAU09
EDAZ09	1.895	1.87	(0.03)	ZT-EDAZ09
EDAH10	2.145	1.87	(0.27)	ZT-EDAH10
EDAM10	2.394	1.87	(0.52)	ZT-EDAM10
EDAU10	2.643	1.87	(0.77)	ZT-EDAU10
EDAZ10	2.892	1.87	(1.02)	ZT-EDAZ10

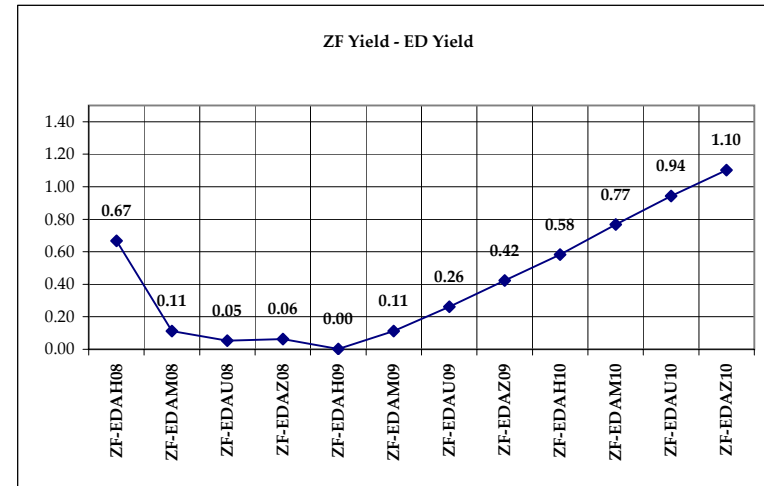
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	16.97	0.67	ZF-EDAH08	89.557
EDAM08	16.41	0.11	ZF-EDAM08	94.658
EDAU08	16.25	0.05	ZF-EDAU08	96.638
EDAZ08	16.24	0.06	ZF-EDAZ08	97.604
EDAH09	16.30	0.00	ZF-EDAH09	97.729
EDAM09	16.41	0.11	ZF-EDAM09	97.905
EDAU09	16.56	0.26	ZF-EDAU09	98.231
EDAZ09	16.72	0.42	ZF-EDAZ09	98.731
EDAH10	16.88	0.58	ZF-EDAH10	98.854
EDAM10	17.07	0.77	ZF-EDAM10	98.739
EDAU10	17.24	0.94	ZF-EDAU10	98.492
EDAZ10	17.40	1.10	ZF-EDAZ10	98.022

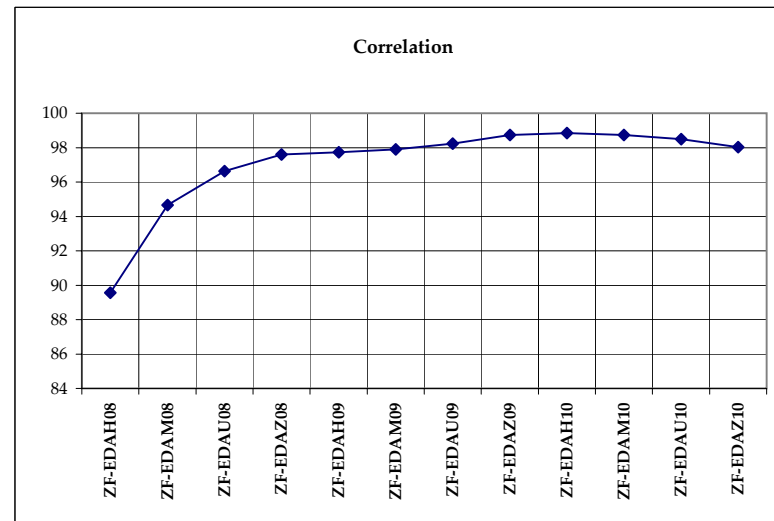
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAH08	0.150	3.93	3.78	ZF-EDAH08
EDAM08	0.399	3.93	3.53	ZF-EDAM08
EDAU08	0.649	3.93	3.28	ZF-EDAU08
EDAZ08	0.898	3.93	3.03	ZF-EDAZ08
EDAH09	1.147	3.93	2.78	ZF-EDAH09
EDAM09	1.397	3.93	2.53	ZF-EDAM09
EDAU09	1.646	3.93	2.28	ZF-EDAU09
EDAZ09	1.895	3.93	2.03	ZF-EDAZ09
EDAH10	2.145	3.93	1.78	ZF-EDAH10
EDAM10	2.394	3.93	1.53	ZF-EDAM10
EDAU10	2.643	3.93	1.29	ZF-EDAU10
EDAZ10	2.892	3.93	1.04	ZF-EDAZ10

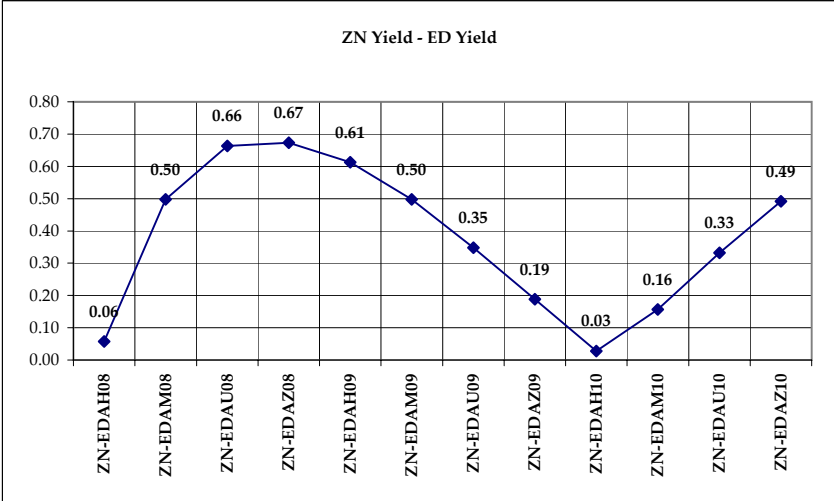
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Dirty TED: ZN vs Eurodollar Contracts

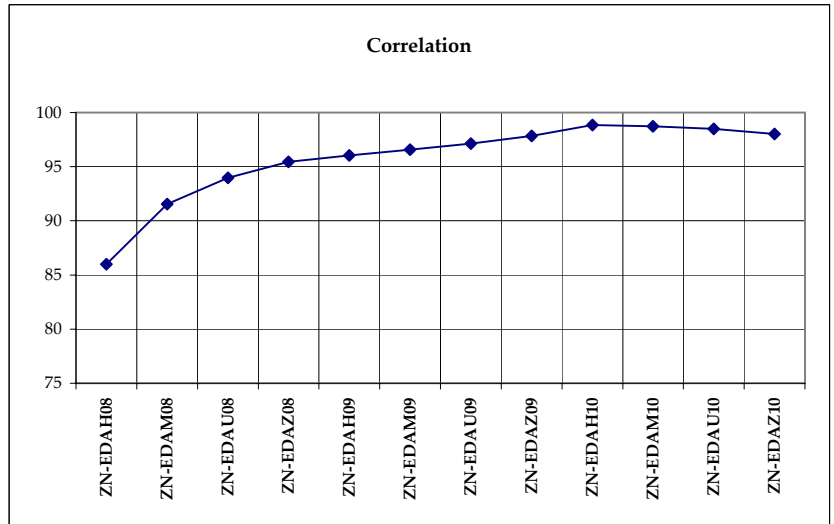
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	21.01	0.06	ZN-EDAH08	86.00
EDAM08	20.46	0.50	ZN-EDAM08	91.55
EDAU08	20.29	0.66	ZN-EDAU08	93.97
EDAZ08	20.28	0.67	ZN-EDAZ08	95.44
EDAH09	20.34	0.61	ZN-EDAH09	96.05
EDAM09	20.46	0.50	ZN-EDAM09	96.57
EDAU09	20.61	0.35	ZN-EDAU09	97.13
EDAZ09	20.77	0.19	ZN-EDAZ09	97.83
EDAH10	20.93	0.03	ZN-EDAH10	98.85
EDAM10	21.11	0.16	ZN-EDAM10	98.74
EDAU10	21.29	0.33	ZN-EDAU10	98.49
EDAZ10	21.45	0.49	ZN-EDAZ10	98.02

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	0.150	5.88	5.73	ZN-EDAH08
EDAM08	0.399	5.88	5.48	ZN-EDAM08
EDAU08	0.649	5.88	5.23	ZN-EDAU08
EDAZ08	0.898	5.88	4.98	ZN-EDAZ08
EDAH09	1.147	5.88	4.73	ZN-EDAH09
EDAM09	1.397	5.88	4.48	ZN-EDAM09
EDAU09	1.646	5.88	4.24	ZN-EDAU09
EDAZ09	1.895	5.88	3.99	ZN-EDAZ09
EDAH10	2.145	5.88	3.74	ZN-EDAH10
EDAM10	2.394	5.88	3.49	ZN-EDAM10
EDAU10	2.643	5.88	3.24	ZN-EDAU10
EDAZ10	2.892	5.88	2.99	ZN-EDAZ10

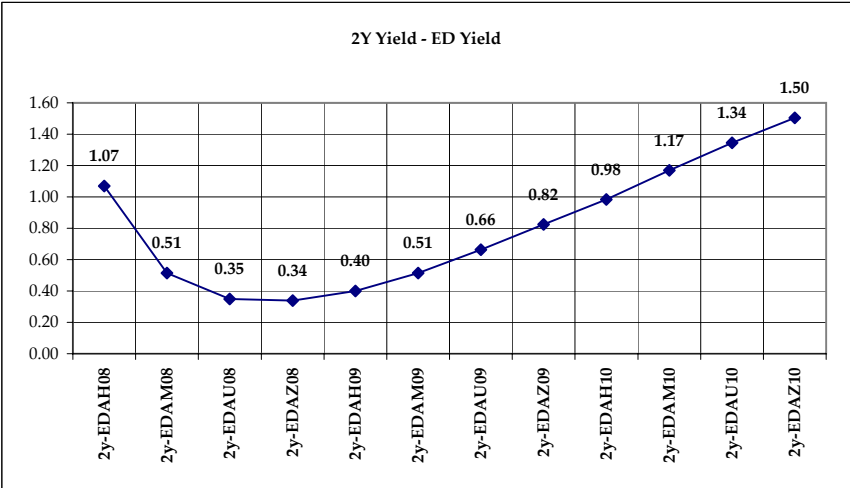
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	5.31	1.07	2y-EDAH08	-93.057
EDAM08	4.76	0.51	2y-EDAM08	-96.853
EDAU08	4.59	0.35	2y-EDAU08	-98.008
EDAZ08	4.58	0.34	2y-EDAZ08	-96.853
EDAH09	4.64	0.40	2y-EDAH09	-97.836
EDAM09	4.76	0.51	2y-EDAM09	-97.309
EDAU09	4.91	0.66	2y-EDAU09	-97.065
EDAZ09	5.07	0.82	2y-EDAZ09	-96.915
EDAH10	5.23	0.98	2y-EDAH10	-96.548
EDAM10	5.41	1.17	2y-EDAM10	-96.260
EDAU10	5.59	1.34	2y-EDAU10	-95.733
EDAZ10	5.75	1.50	2y-EDAZ10	-95.335

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.

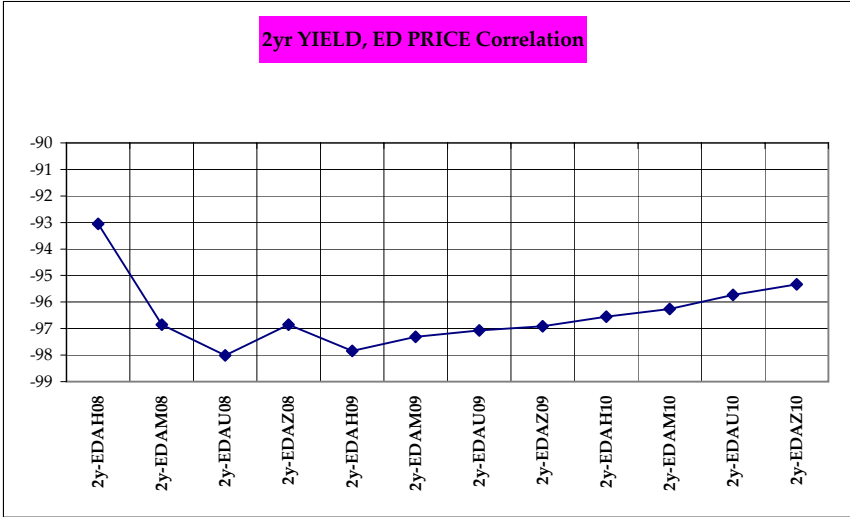


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAH08	0.150	1.87	2y-EDAH08
EDAM08	0.399	1.87	2y-EDAM08
EDAU08	0.649	1.87	2y-EDAU08
EDAZ08	0.898	1.87	2y-EDAZ08
EDAH09	1.147	1.87	2y-EDAH09
EDAM09	1.397	1.87	2y-EDAM09
EDAU09	1.646	1.87	2y-EDAU09
EDAZ09	1.895	1.87	2y-EDAZ09
EDAH10	2.145	1.87	2y-EDAH10
EDAM10	2.394	1.87	2y-EDAM10
EDAU10	2.643	1.87	2y-EDAU10
EDAZ10	2.892	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

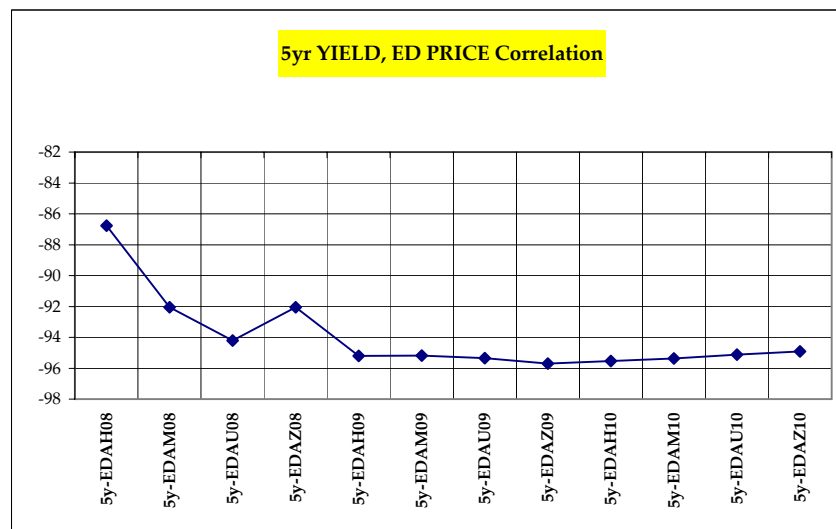
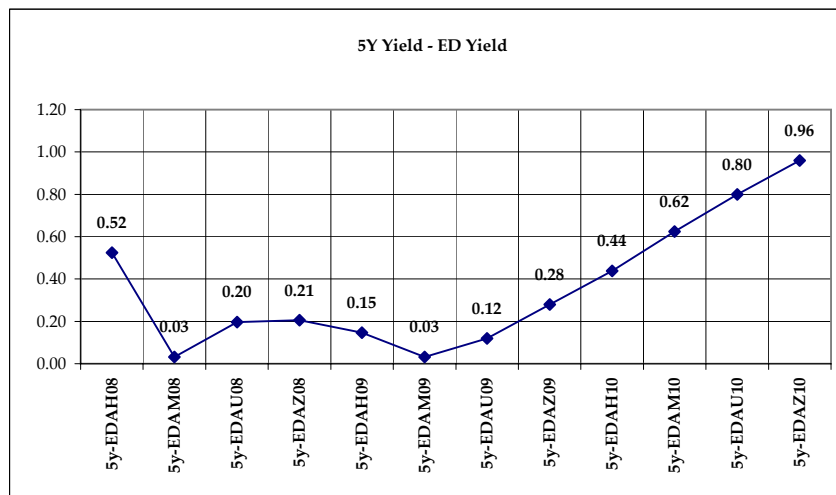
	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	7.61	0.52	5y-EDAH08	-86.757
EDAM08	7.05	0.03	5y-EDAM08	-92.051
EDAU08	6.89	0.20	5y-EDAU08	-94.213
EDAZ08	6.88	0.21	5y-EDAZ08	-92.051
EDAH09	6.94	0.15	5y-EDAH09	-95.200
EDAM09	7.05	0.03	5y-EDAM09	-95.188
EDAU09	7.20	0.12	5y-EDAU09	-95.350
EDAZ09	7.36	0.28	5y-EDAZ09	-95.699
EDAH10	7.52	0.44	5y-EDAH10	-95.536
EDAM10	7.71	0.62	5y-EDAM10	-95.373
EDAU10	7.88	0.80	5y-EDAU10	-95.126
EDAZ10	8.04	0.96	5y-EDAZ10	-94.912

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	0.150	4.44	4.29 5y-EDAH08
EDAM08	0.399	4.44	4.04 5y-EDAM08
EDAU08	0.649	4.44	3.79 5y-EDAU08
EDAZ08	0.898	4.44	3.55 5y-EDAZ08
EDAH09	1.147	4.44	3.30 5y-EDAH09
EDAM09	1.397	4.44	3.05 5y-EDAM09
EDAU09	1.646	4.44	2.80 5y-EDAU09
EDAZ09	1.895	4.44	2.55 5y-EDAZ09
EDAH10	2.145	4.44	2.30 5y-EDAH10
EDAM10	2.394	4.44	2.05 5y-EDAM10
EDAU10	2.643	4.44	1.80 5y-EDAU10
EDAZ10	2.892	4.44	1.55 5y-EDAZ10

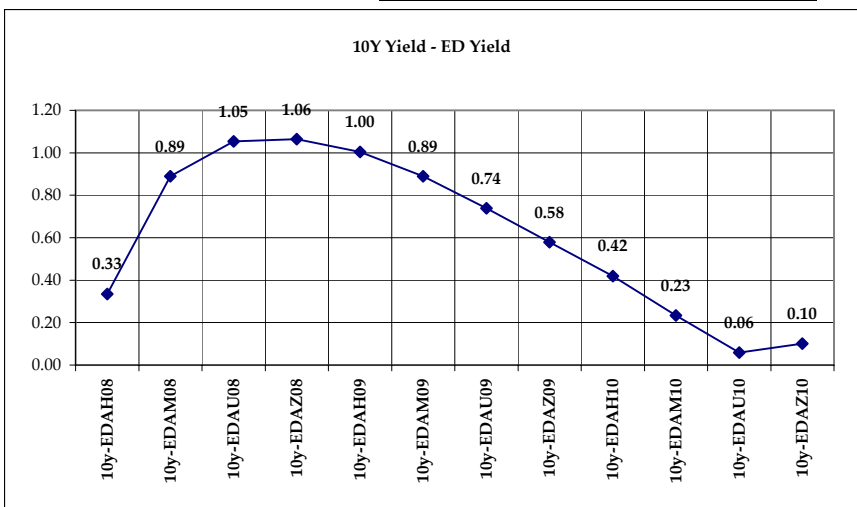
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 10y vs Eurodollar Contracts

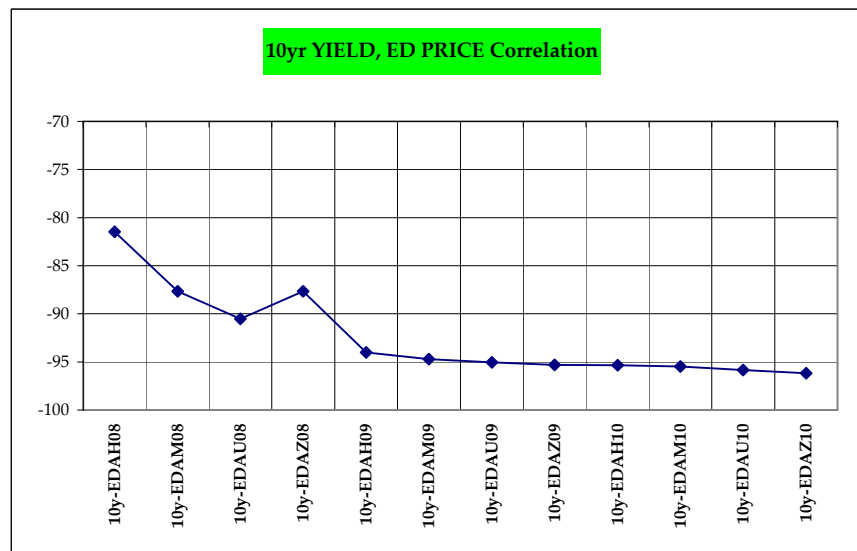
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	7.61	0.33	10y-EDAH08	-81.476
EDAM08	7.05	0.89	10y-EDAM08	-87.647
EDAU08	6.89	1.05	10y-EDAU08	-90.514
EDAZ08	6.88	1.06	10y-EDAZ08	-87.647
EDAH09	6.94	1.00	10y-EDAH09	-94.010
EDAM09	7.05	0.89	10y-EDAM09	-94.717
EDAU09	7.20	0.74	10y-EDAU09	-95.031
EDAZ09	7.36	0.58	10y-EDAZ09	-95.303
EDAH10	7.52	0.42	10y-EDAH10	-95.331
EDAM10	7.71	0.23	10y-EDAM10	-95.472
EDAU10	7.88	0.06	10y-EDAU10	-95.826
EDAZ10	8.04	0.10	10y-EDAZ10	-96.163

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.



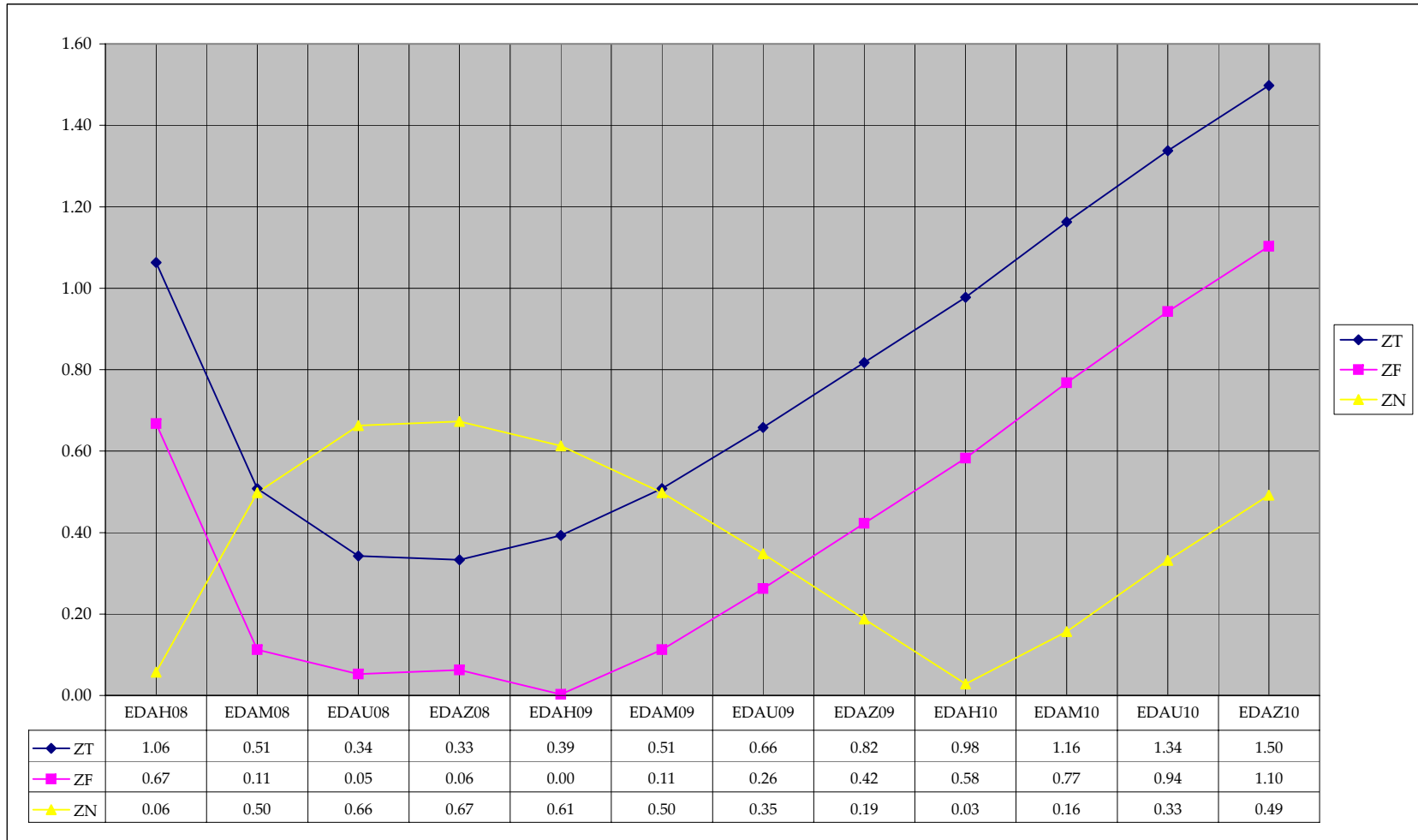
	GE Duration as Fraction of year	10Y Duration	Spread Duration	
EDAH08	0.150	7.98	7.83	10y-EDAH08
EDAM08	0.399	7.98	7.58	10y-EDAM08
EDAU08	0.649	7.98	7.33	10y-EDAU08
EDAZ08	0.898	7.98	7.08	10y-EDAZ08
EDAH09	1.147	7.98	6.83	10y-EDAH09
EDAM09	1.397	7.98	6.58	10y-EDAM09
EDAU09	1.646	7.98	6.33	10y-EDAU09
EDAZ09	1.895	7.98	6.09	10y-EDAZ09
EDAH10	2.145	7.98	5.84	10y-EDAH10
EDAM10	2.394	7.98	5.59	10y-EDAM10
EDAU10	2.643	7.98	5.34	10y-EDAU10
EDAZ10	2.892	7.98	5.09	10y-EDAZ10

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



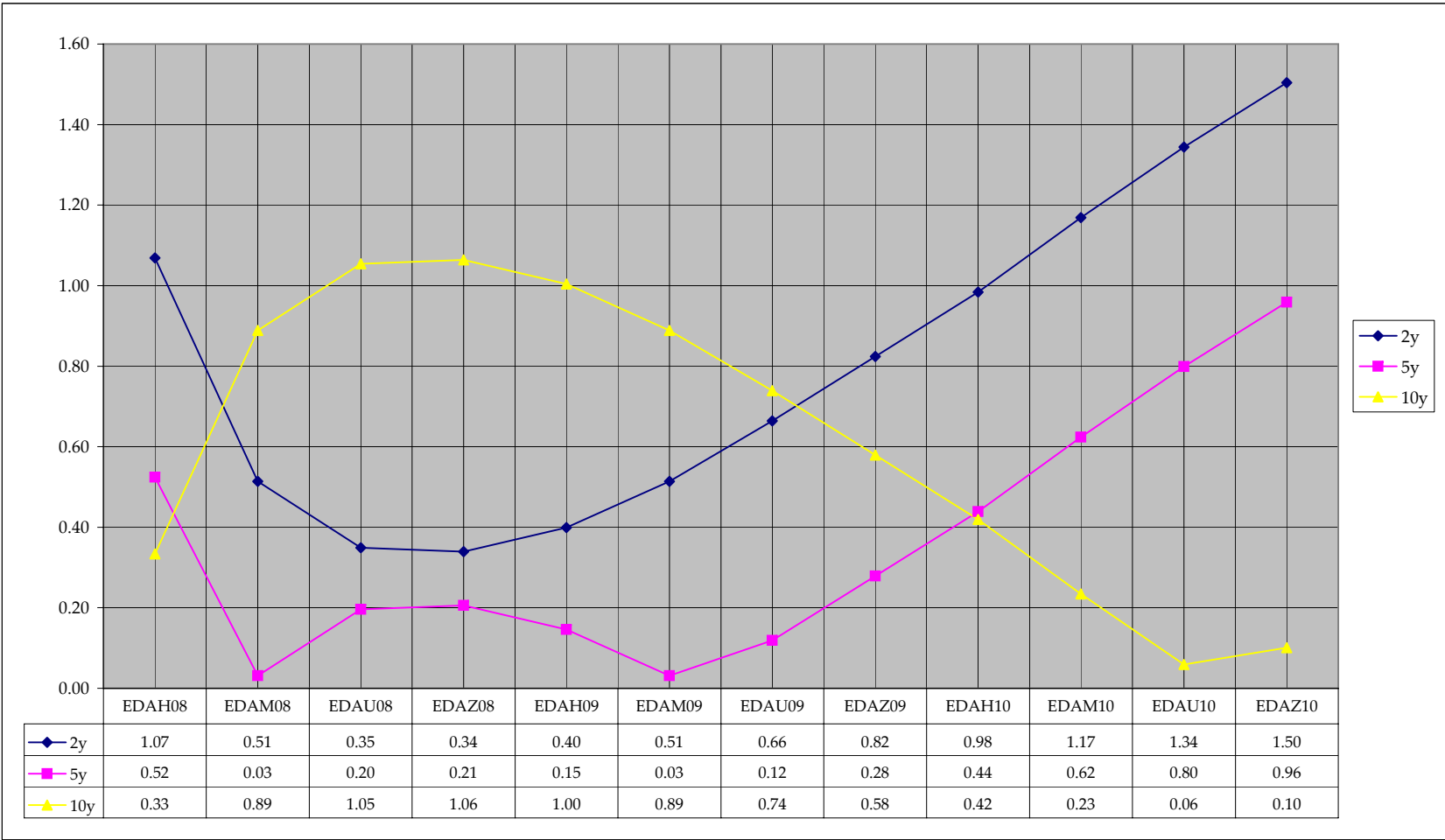
Dirty TED Curve

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.

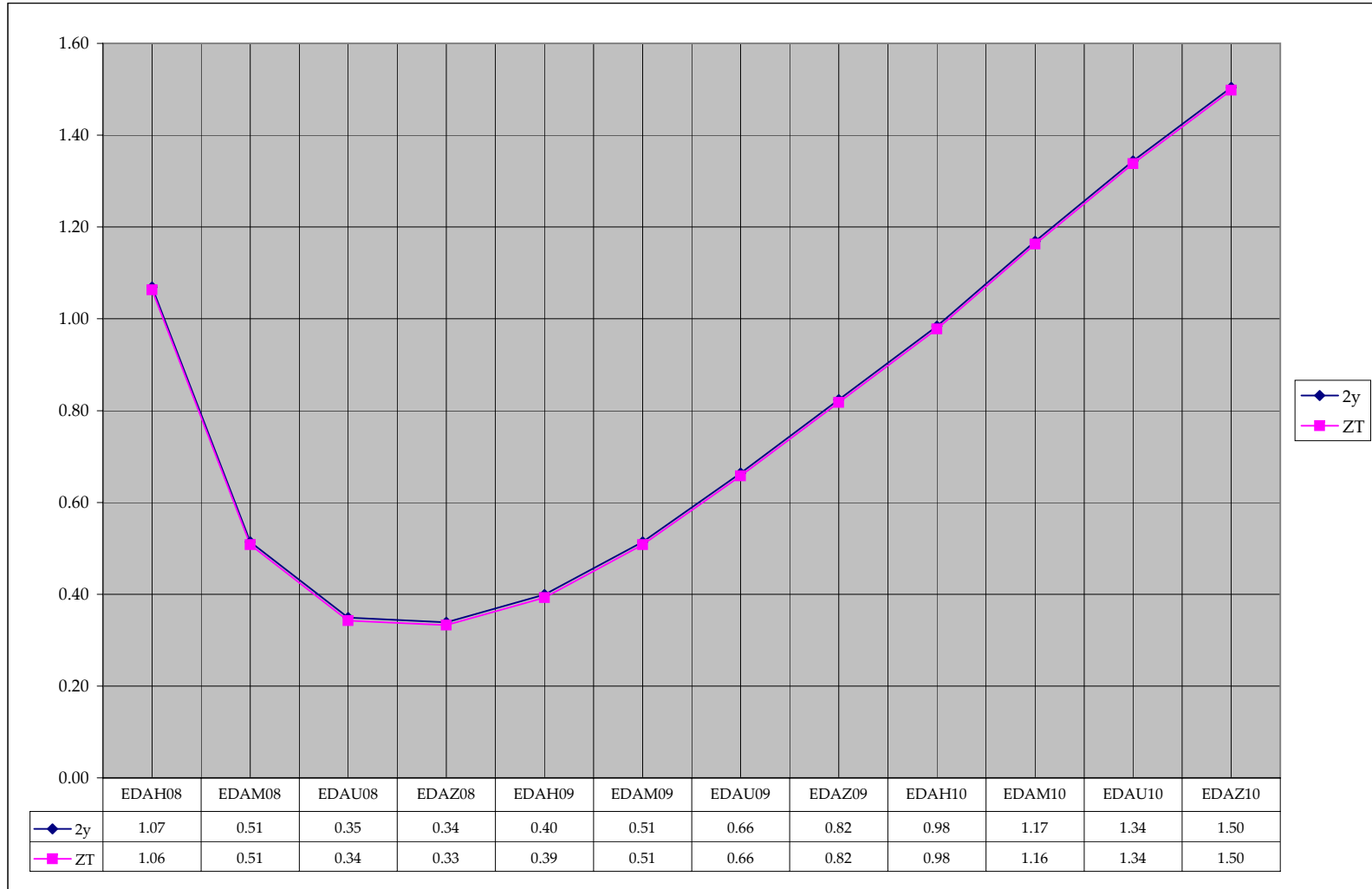


TED Curve

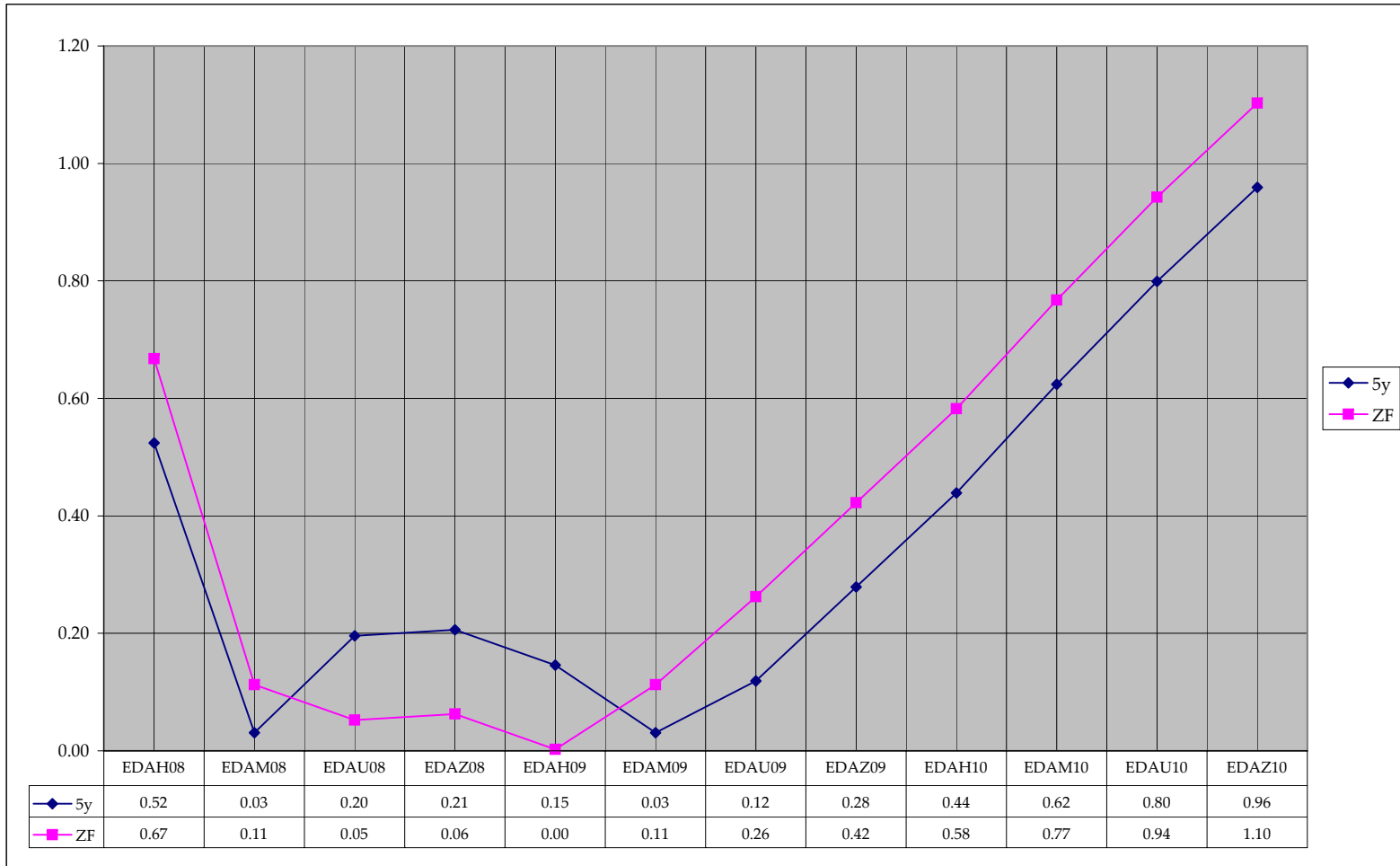
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



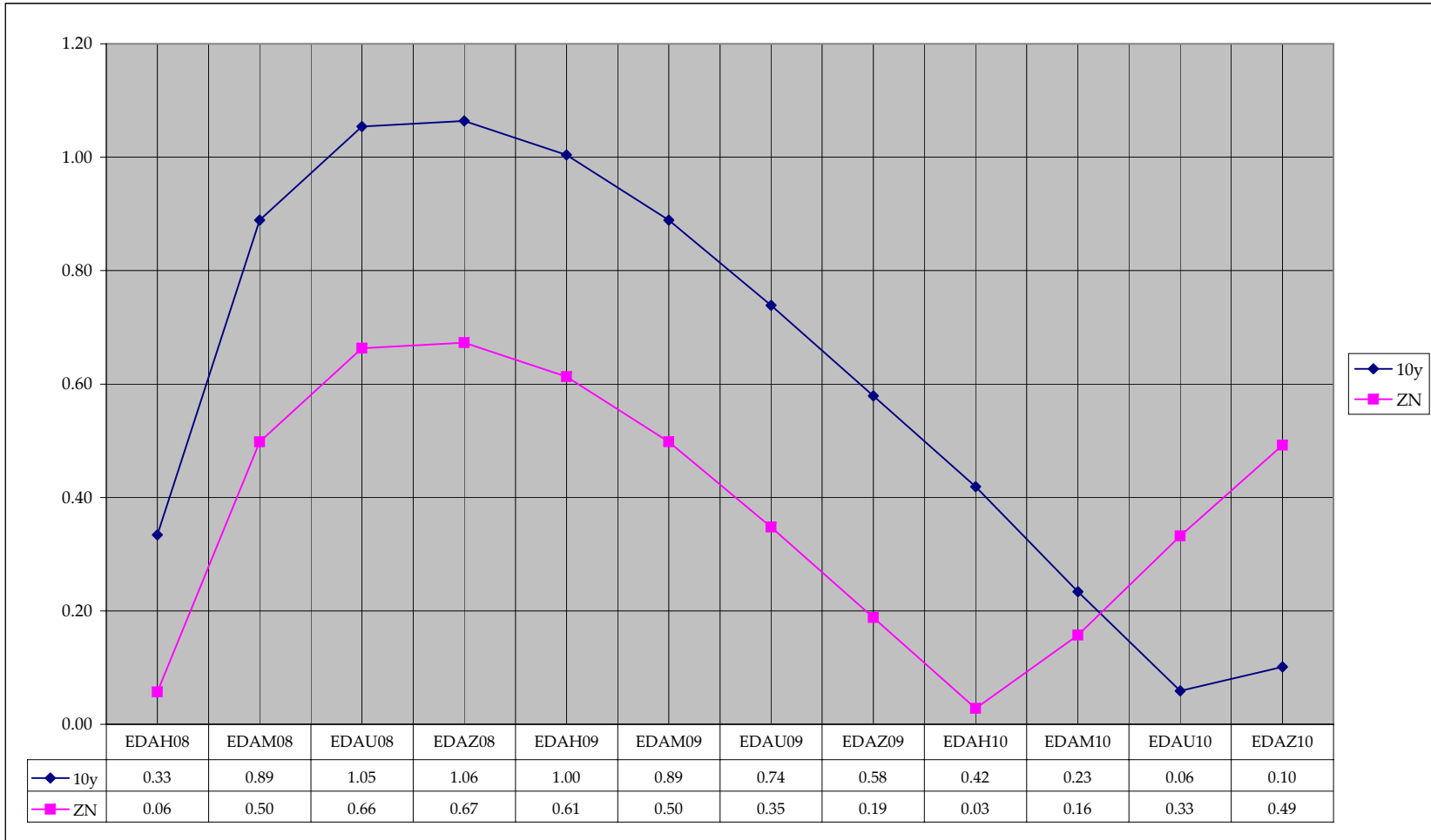
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	2.740	26.125	9731.625
Q.ED.Red	2.773	14.000	9728.375
Q.ED.Green	3.442	11.125	9663.375
Q.ED.Blue	4.040	10.375	9605.500
Q.ED.Gold		0.875	9551.000

