

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	106.7563	106.242	1.713	1.90	
ZF	113.2969	113.095	2.538	4.04	
ZN	118.1406	118.045	3.245	6.64	
2y	100.381	100.1220	1.798	1.88	
5y	100.616	100.1970	2.612	4.58	
10y	99.781	99.2500	3.522	8.27	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAM08	97.630	2.370	83	0.227	JUN	} White Pack	
EDAU08	97.720	2.280	174	0.476	SEP		
EDAZ08	97.640	2.360	265	0.725	DEC		
EDAH09	97.605	2.395	356	0.975	MAR	} Red Pack	
EDAM09	97.380	2.620	447	1.224	JUN		
EDAU09	97.130	2.870	538	1.473	SEP		
EDAZ09	96.875	3.125	629	1.723	DEC	} Green Pack	
EDAH10	96.685	3.315	720	1.972	MAR		
EDAM10	96.500	3.500	811	2.221	JUN		
EDAU10	96.320	3.680	902	2.471	SEP	} Blue Pack	
EDAZ10	96.210	3.790	993	2.720	DEC		
EDAH11	96.060	3.940	1084	2.969	MAR		
EDAM11	95.935	4.065	1175	3.219	JUN	} Gold Pack	
EDAU11	95.775	4.225	1273	3.487	SEP		
EDAZ11	95.625	4.375	1364	3.736	DEC		
EDAH12	95.610	4.390	1455	3.986	MAR	} Gold Pack	
EDAM12	95.595	4.405	1546	4.235	JUN		
EDAU12	95.395	4.605	1637	4.484	SEP		
EDAZ12	95.300	4.700	1728	4.734	DEC		
EDAH13	95.280	4.720	1819	4.983	MAR		

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	2.398	-0.500	9764.875	} Pack Prices
Q.ED.Red	3.047	-0.375	9701.750	
Q.ED.Green	3.815	0.000	9627.250	
Q.ED.Blue		0.500	9574.750	
Q.ED.Gold		0.000	9536.000	

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

3/25/2008 5:46

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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

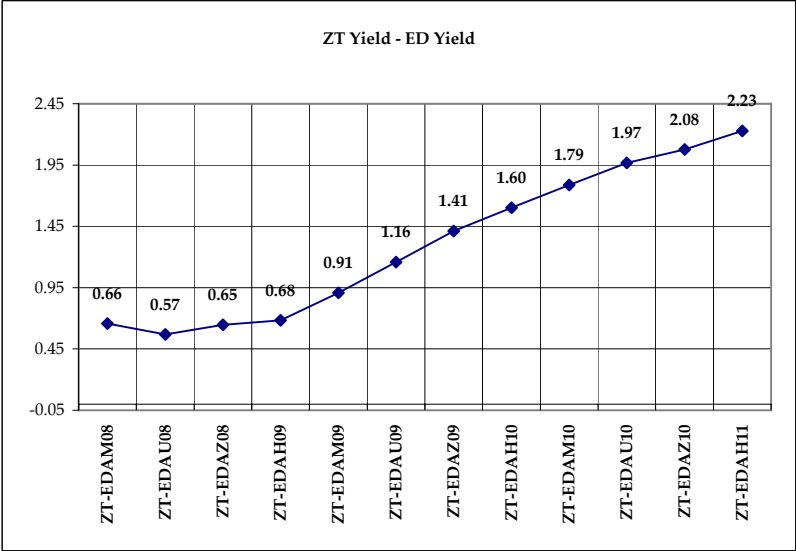
Eurodollar Color Codes for Individual Year Strips:

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

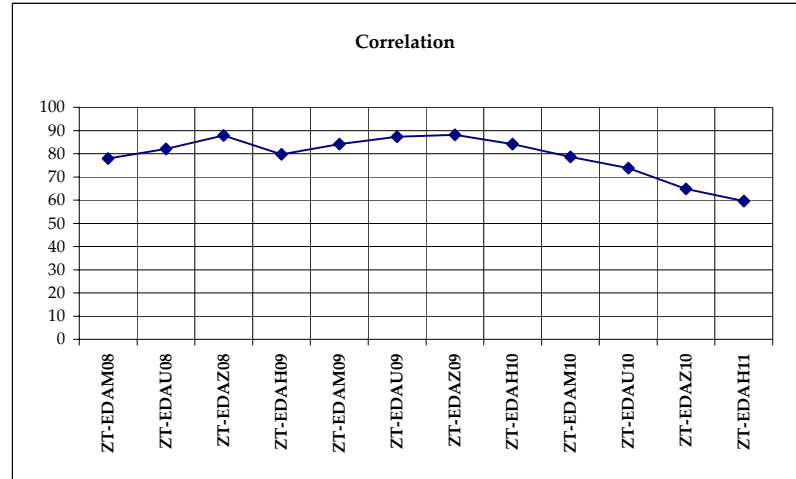
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	9.126	0.66	ZT-EDAM08	77.902
EDAU08	9.036	0.57	ZT-EDAU08	82.116
EDAZ08	9.116	0.65	ZT-EDAZ08	87.799
EDAH09	9.151	0.68	ZT-EDAH09	79.706
EDAM09	9.376	0.91	ZT-EDAM09	84.201
EDAU09	9.626	1.16	ZT-EDAU09	87.360
EDAZ09	9.881	1.41	ZT-EDAZ09	88.080
EDAH10	10.071	1.60	ZT-EDAH10	84.169
EDAM10	10.256	1.79	ZT-EDAM10	78.619
EDAU10	10.436	1.97	ZT-EDAU10	73.847
EDAZ10	10.546	2.08	ZT-EDAZ10	64.881
EDAH11	10.696	2.23	ZT-EDAH11	59.591

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		
EDAM08	0.227	1.90	1.67	ZT-EDAM08
EDAU08	0.476	1.90	1.42	ZT-EDAU08
EDAZ08	0.725	1.90	1.17	ZT-EDAZ08
EDAH09	0.975	1.90	0.92	ZT-EDAH09
EDAM09	1.224	1.90	0.67	ZT-EDAM09
EDAU09	1.473	1.90	0.42	ZT-EDAU09
EDAZ09	1.723	1.90	0.17	ZT-EDAZ09
EDAH10	1.972	1.90	(0.07)	ZT-EDAH10
EDAM10	2.221	1.90	(0.32)	ZT-EDAM10
EDAU10	2.471	1.90	(0.57)	ZT-EDAU10
EDAZ10	2.720	1.90	(0.82)	ZT-EDAZ10
EDAH11	2.969	1.90	(1.07)	ZT-EDAH11

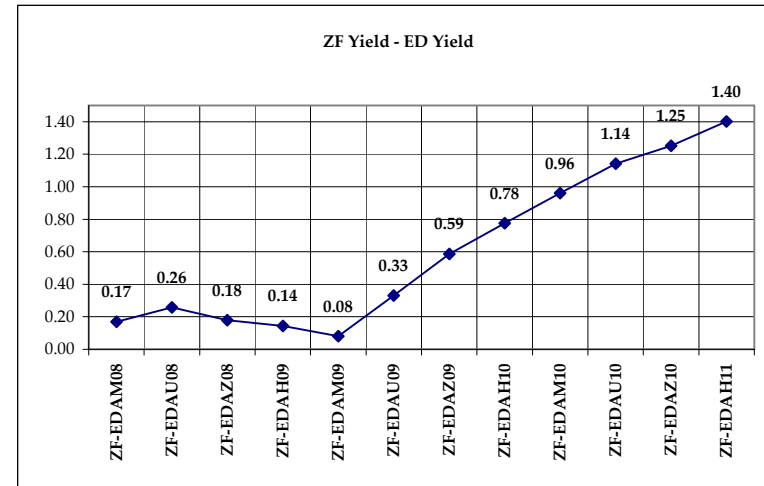
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	15.67	0.17	ZF-EDAM08	90.589
EDAU08	15.58	0.26	ZF-EDAU08	93.162
EDAZ08	15.66	0.18	ZF-EDAZ08	95.960
EDAH09	15.69	0.14	ZF-EDAH09	95.287
EDAM09	15.92	0.08	ZF-EDAM09	97.008
EDAU09	16.17	0.33	ZF-EDAU09	97.715
EDAZ09	16.42	0.59	ZF-EDAZ09	97.779
EDAH10	16.61	0.78	ZF-EDAH10	96.947
EDAM10	16.80	0.96	ZF-EDAM10	95.192
EDAU10	16.98	1.14	ZF-EDAU10	93.129
EDAZ10	17.09	1.25	ZF-EDAZ10	88.127
EDAH11	17.24	1.40	ZF-EDAH11	85.457

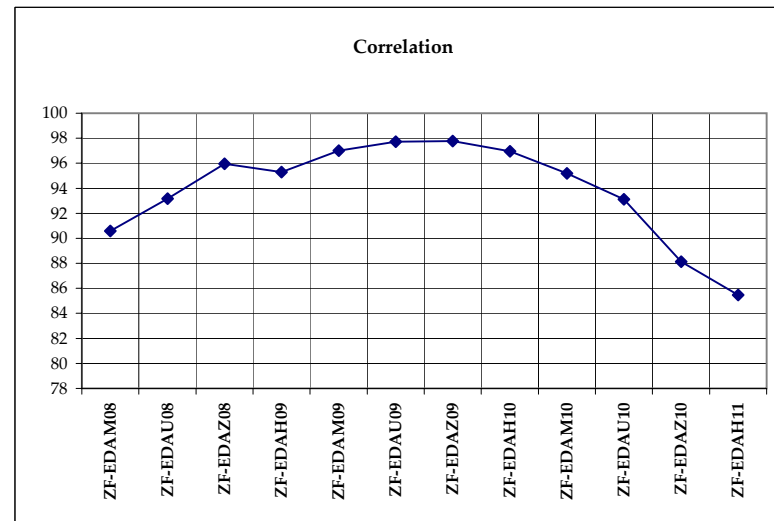
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAM08	0.227	4.04	3.82	ZF-EDAM08
EDAU08	0.476	4.04	3.57	ZF-EDAU08
EDAZ08	0.725	4.04	3.32	ZF-EDAZ08
EDAH09	0.975	4.04	3.07	ZF-EDAH09
EDAM09	1.224	4.04	2.82	ZF-EDAM09
EDAU09	1.473	4.04	2.57	ZF-EDAU09
EDAZ09	1.723	4.04	2.32	ZF-EDAZ09
EDAH10	1.972	4.04	2.07	ZF-EDAH10
EDAM10	2.221	4.04	1.82	ZF-EDAM10
EDAU10	2.471	4.04	1.57	ZF-EDAU10
EDAZ10	2.720	4.04	1.32	ZF-EDAZ10
EDAH11	2.969	4.04	1.08	ZF-EDAH11

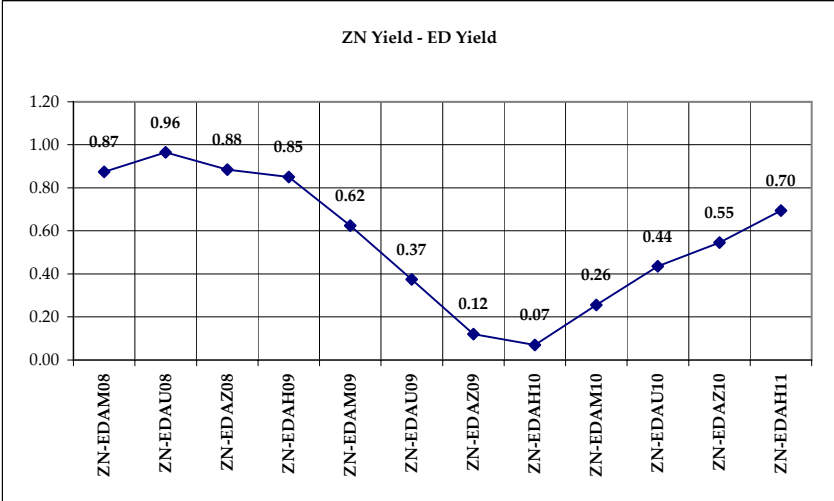
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

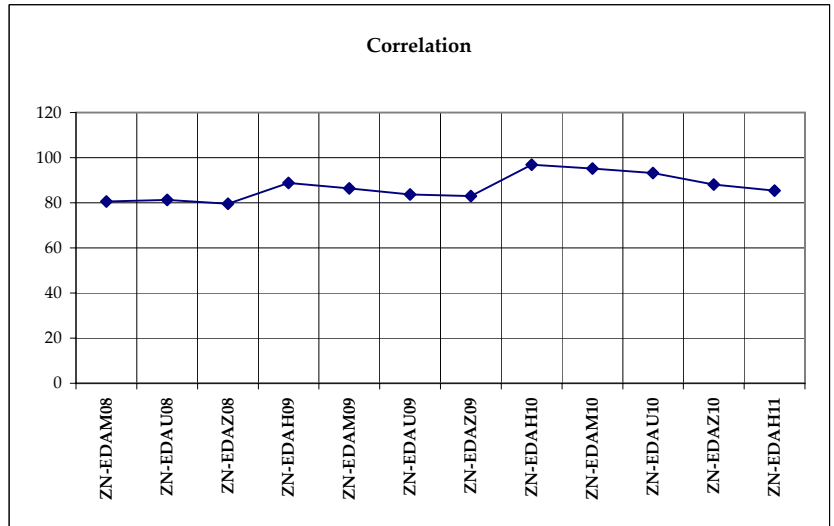
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	20.51	0.87	ZN-EDAM08	80.55
EDAU08	20.42	0.96	ZN-EDAU08	81.27
EDAZ08	20.50	0.88	ZN-EDAZ08	79.62
EDAH09	20.54	0.85	ZN-EDAH09	88.78
EDAM09	20.76	0.62	ZN-EDAM09	86.39
EDAU09	21.01	0.37	ZN-EDAU09	83.73
EDAZ09	21.27	0.12	ZN-EDAZ09	83.03
EDAH10	21.46	0.07	ZN-EDAH10	96.95
EDAM10	21.64	0.26	ZN-EDAM10	95.19
EDAU10	21.82	0.44	ZN-EDAU10	93.13
EDAZ10	21.93	0.55	ZN-EDAZ10	88.13
EDAH11	22.08	0.70	ZN-EDAH11	85.46

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	
EDAM08	0.227	6.64	6.41	ZN-EDAM08
EDAU08	0.476	6.64	6.16	ZN-EDAU08
EDAZ08	0.725	6.64	5.91	ZN-EDAZ08
EDAH09	0.975	6.64	5.66	ZN-EDAH09
EDAM09	1.224	6.64	5.41	ZN-EDAM09
EDAU09	1.473	6.64	5.16	ZN-EDAU09
EDAZ09	1.723	6.64	4.91	ZN-EDAZ09
EDAH10	1.972	6.64	4.67	ZN-EDAH10
EDAM10	2.221	6.64	4.42	ZN-EDAM10
EDAU10	2.471	6.64	4.17	ZN-EDAU10
EDAZ10	2.720	6.64	3.92	ZN-EDAZ10
EDAH11	2.969	6.64	3.67	ZN-EDAH11

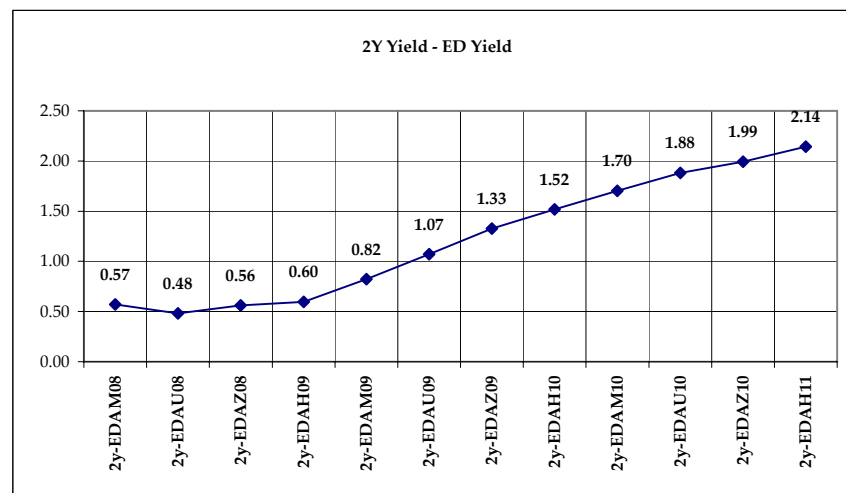
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	2.75	0.57	2y-EDAM08	-88.099
EDAU08	2.66	0.48	2y-EDAU08	-92.357
EDAZ08	2.74	0.56	2y-EDAZ08	-88.099
EDAH09	2.78	0.60	2y-EDAH09	-90.805
EDAM09	3.00	0.82	2y-EDAM09	-93.194
EDAU09	3.25	1.07	2y-EDAU09	-95.083
EDAZ09	3.51	1.33	2y-EDAZ09	-95.658
EDAH10	3.70	1.52	2y-EDAH10	-93.917
EDAM10	3.88	1.70	2y-EDAM10	-90.631
EDAU10	4.06	1.88	2y-EDAU10	-87.365
EDAZ10	4.17	1.99	2y-EDAZ10	-81.606
EDAH11	4.32	2.14	2y-EDAH11	-77.473

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.

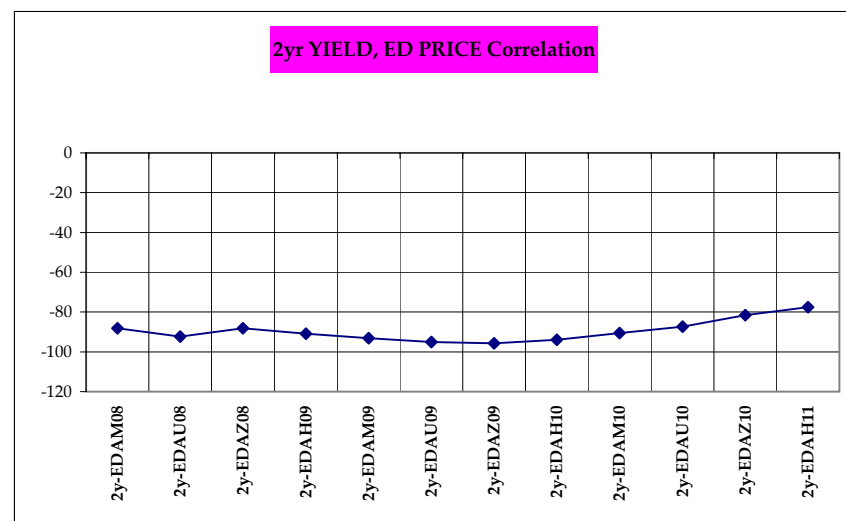


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAM08	0.227	1.66	2y-EDAM08
EDAU08	0.476	1.41	2y-EDAU08
EDAZ08	0.725	1.16	2y-EDAZ08
EDAH09	0.975	0.91	2y-EDAH09
EDAM09	1.224	0.66	2y-EDAM09
EDAU09	1.473	0.41	2y-EDAU09
EDAZ09	1.723	0.16	2y-EDAZ09
EDAH10	1.972	(0.09)	2y-EDAH10
EDAM10	2.221	(0.34)	2y-EDAM10
EDAU10	2.471	(0.59)	2y-EDAU10
EDAZ10	2.720	(0.84)	2y-EDAZ10
EDAH11	2.969	(1.09)	2y-EDAH11

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

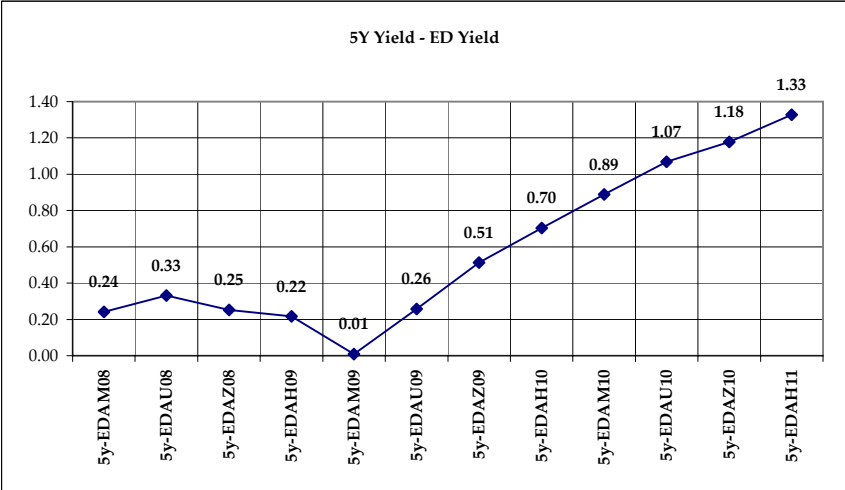
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	2.99	0.24	5y-EDAM08	-85.319
EDAU08	2.90	0.33	5y-EDAU08	-89.691
EDAZ08	2.98	0.25	5y-EDAZ08	-85.319
EDAH09	3.01	0.22	5y-EDAH09	-91.865
EDAM09	3.24	0.01	5y-EDAM09	-93.556
EDAU09	3.49	0.26	5y-EDAU09	-94.650
EDAZ09	3.74	0.51	5y-EDAZ09	-95.172
EDAH10	3.93	0.70	5y-EDAH10	-95.289
EDAM10	4.12	0.89	5y-EDAM10	-94.478
EDAU10	4.30	1.07	5y-EDAU10	-93.287
EDAZ10	4.41	1.18	5y-EDAZ10	-90.229
EDAH11	4.56	1.33	5y-EDAH11	-88.080

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.

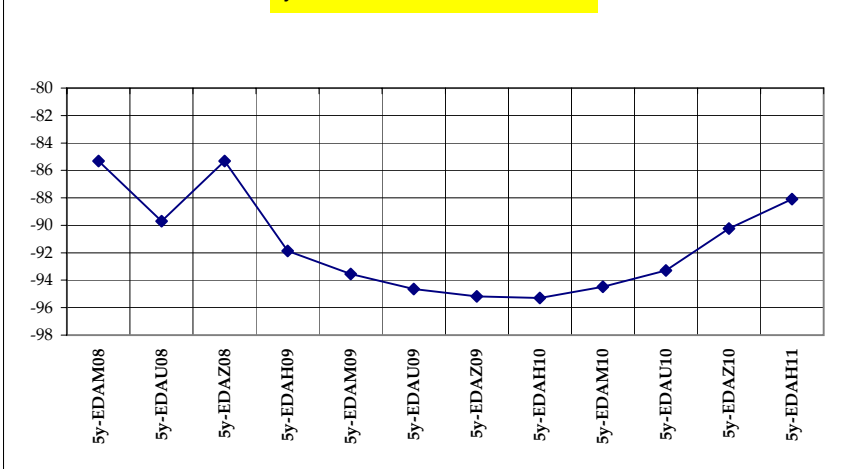


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAM08	0.227	4.58	4.35 5y-EDAM08
EDAU08	0.476	4.58	4.10 5y-EDAU08
EDAZ08	0.725	4.58	3.85 5y-EDAZ08
EDAH09	0.975	4.58	3.60 5y-EDAH09
EDAM09	1.224	4.58	3.35 5y-EDAM09
EDAU09	1.473	4.58	3.10 5y-EDAU09
EDAZ09	1.723	4.58	2.85 5y-EDAZ09
EDAH10	1.972	4.58	2.60 5y-EDAH10
EDAM10	2.221	4.58	2.36 5y-EDAM10
EDAU10	2.471	4.58	2.11 5y-EDAU10
EDAZ10	2.720	4.58	1.86 5y-EDAZ10
EDAH11	2.969	4.58	1.61 5y-EDAH11

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

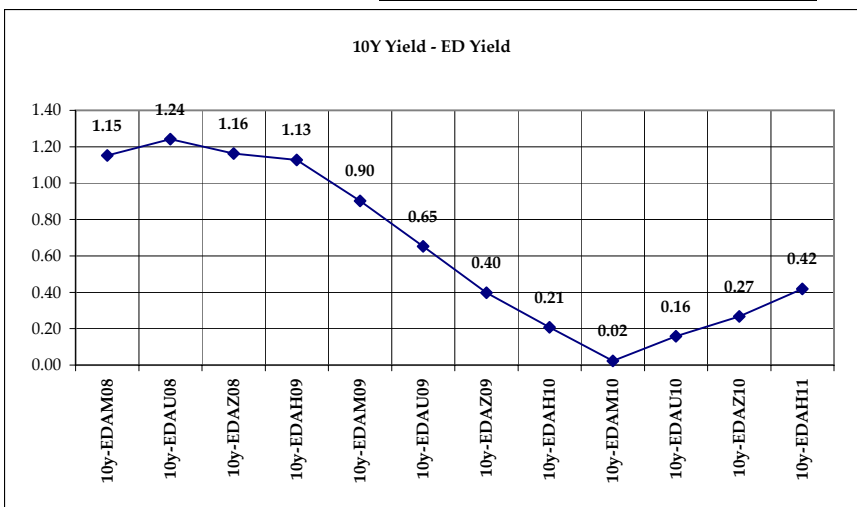
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

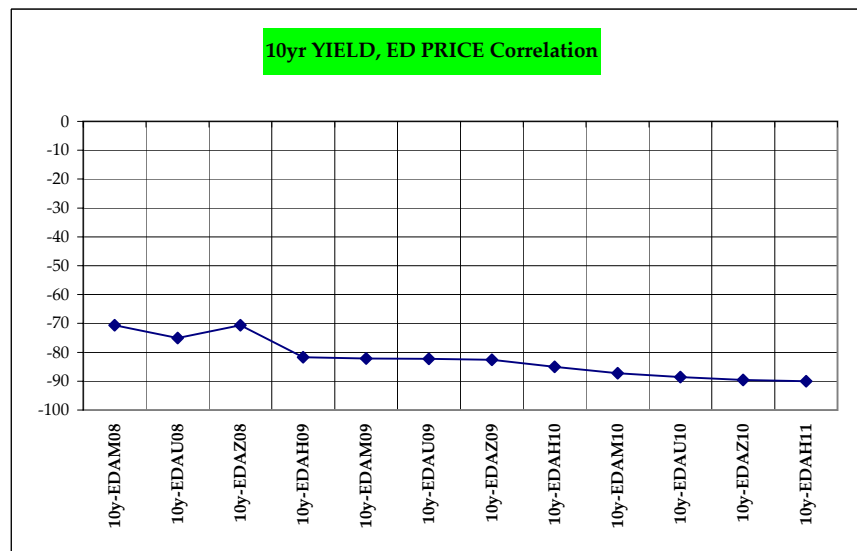
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	2.99	1.15	10y-EDAM08	-70.586
EDAU08	2.90	1.24	10y-EDAU08	-75.015
EDAZ08	2.98	1.16	10y-EDAZ08	-70.586
EDAH09	3.01	1.13	10y-EDAH09	-81.653
EDAM09	3.24	0.90	10y-EDAM09	-82.171
EDAU09	3.49	0.65	10y-EDAU09	-82.226
EDAZ09	3.74	0.40	10y-EDAZ09	-82.637
EDAH10	3.93	0.21	10y-EDAH10	-85.015
EDAM10	4.12	0.02	10y-EDAM10	-87.238
EDAU10	4.30	0.16	10y-EDAU10	-88.563
EDAZ10	4.41	0.27	10y-EDAZ10	-89.623
EDAH11	4.56	0.42	10y-EDAH11	-90.060

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.



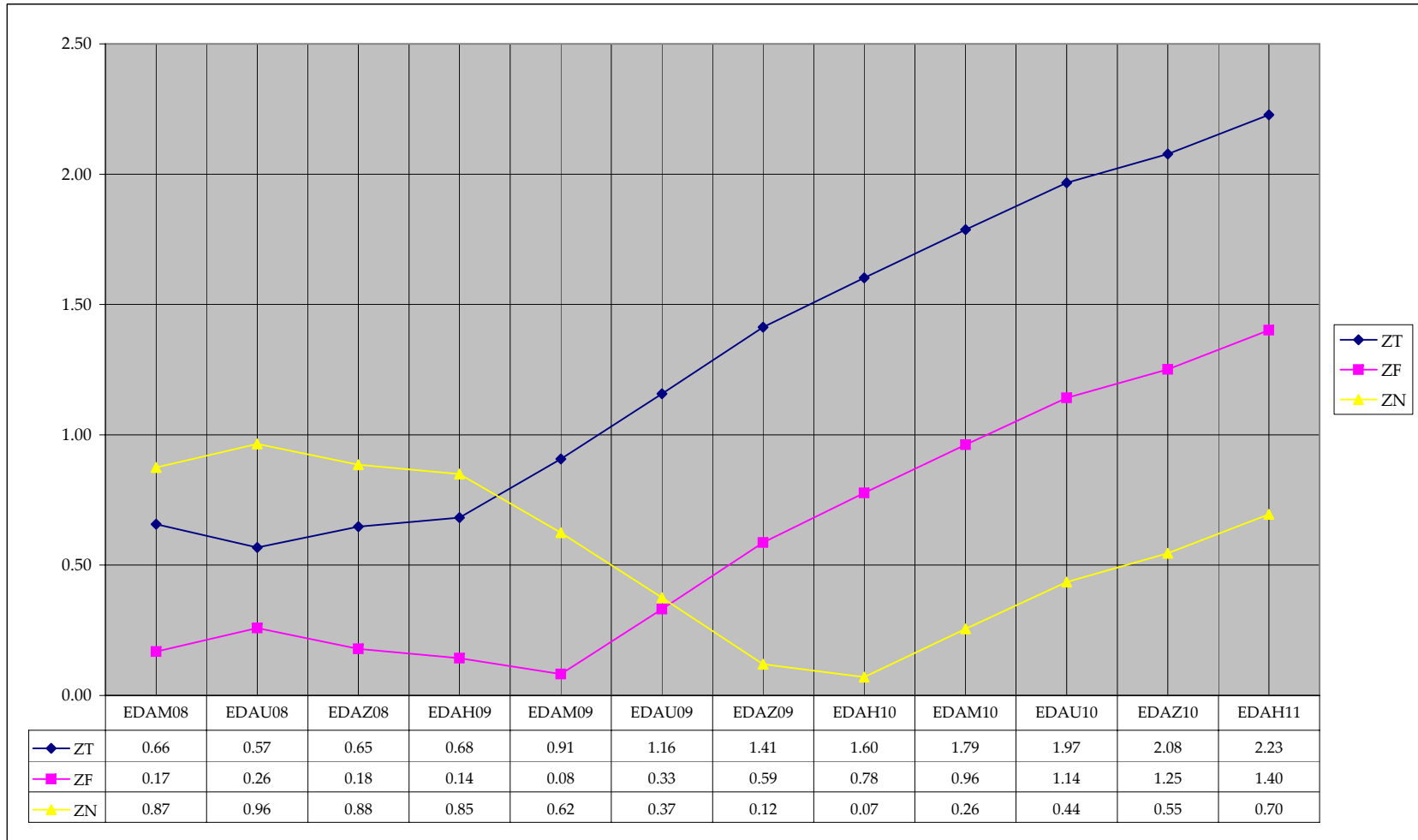
	GE Duration as Fraction of year		10Y Duration	Spread Duration	
EDAM08	0.227	8.27	8.04	10y-EDAM08	
EDAU08	0.476	8.27	7.79	10y-EDAU08	
EDAZ08	0.725	8.27	7.54	10y-EDAZ08	
EDAH09	0.975	8.27	7.29	10y-EDAH09	
EDAM09	1.224	8.27	7.04	10y-EDAM09	
EDAU09	1.473	8.27	6.79	10y-EDAU09	
EDAZ09	1.723	8.27	6.54	10y-EDAZ09	
EDAH10	1.972	8.27	6.29	10y-EDAH10	
EDAM10	2.221	8.27	6.04	10y-EDAM10	
EDAU10	2.471	8.27	5.79	10y-EDAU10	
EDAZ10	2.720	8.27	5.55	10y-EDAZ10	
EDAH11	2.969	8.27	5.30	10y-EDAH11	

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



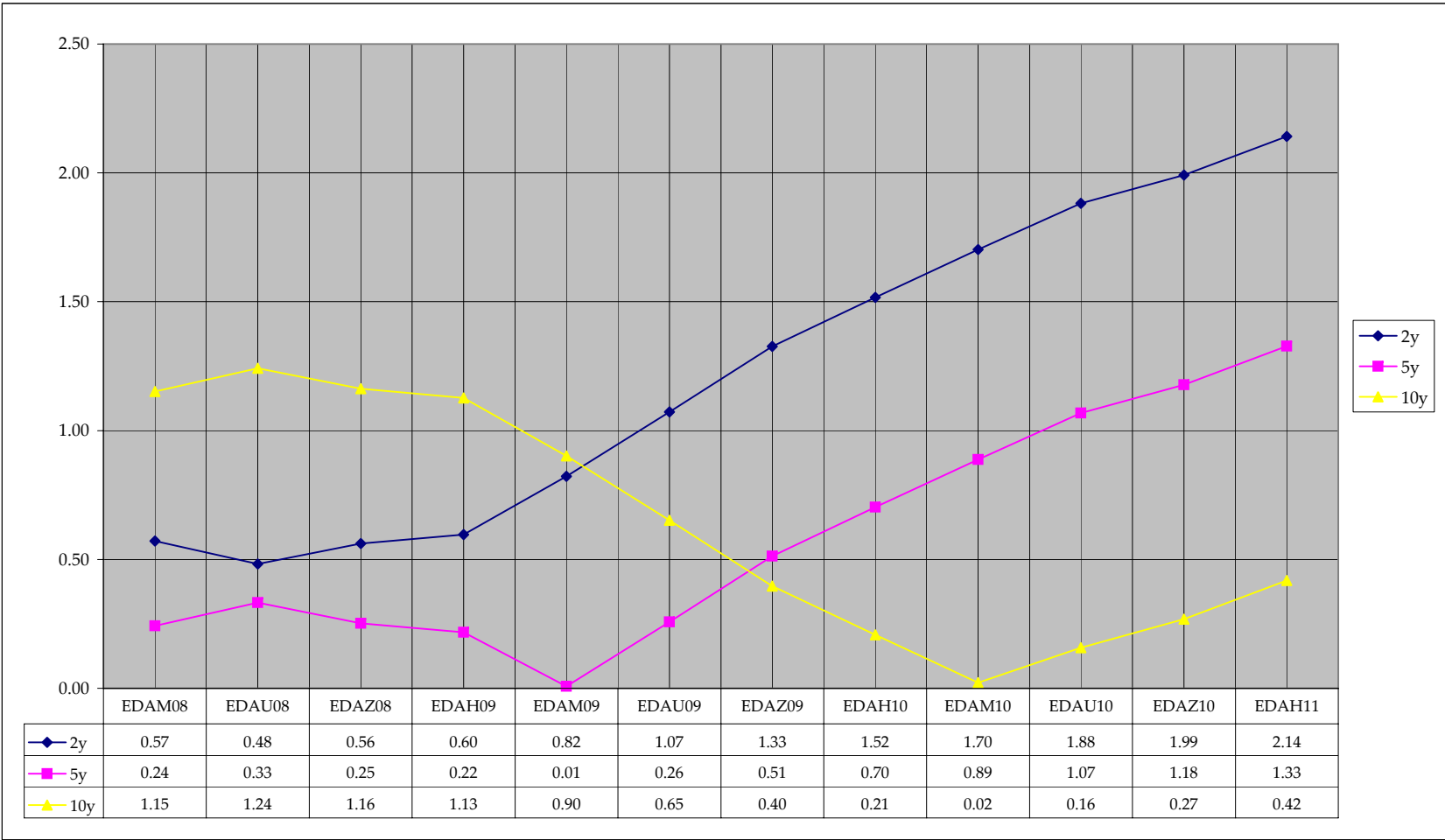
Dirty TED Curve

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.

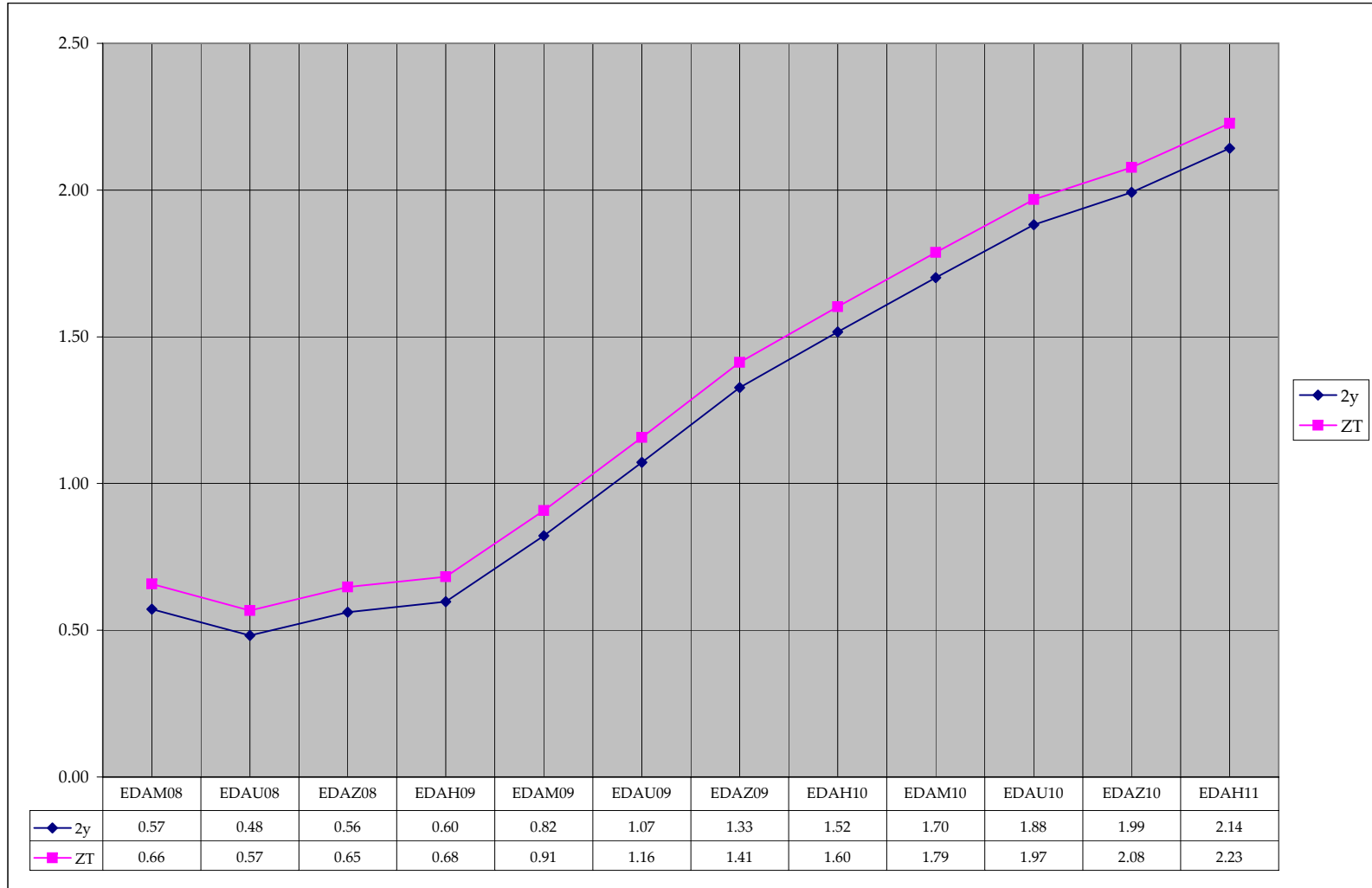


TED Curve

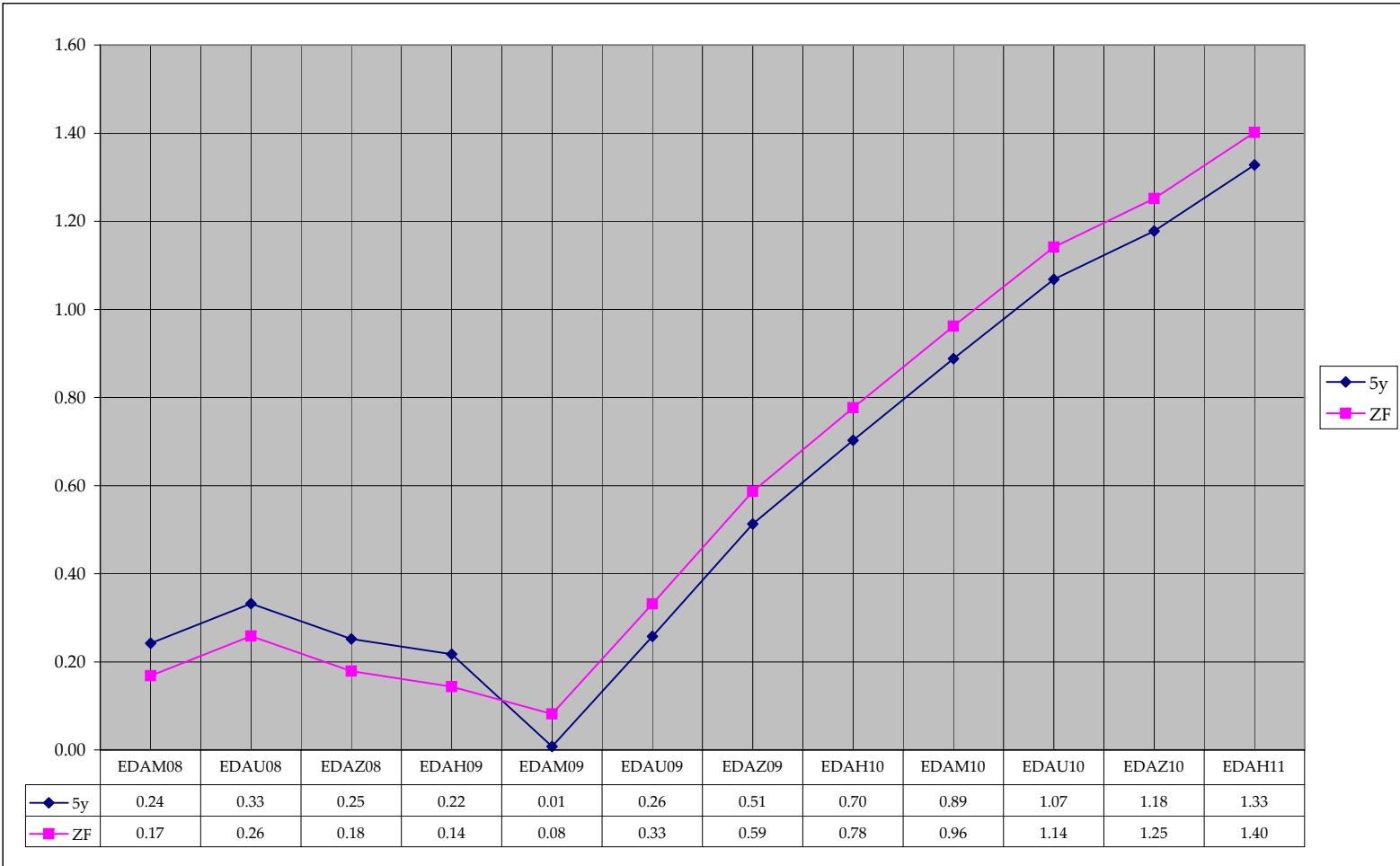
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



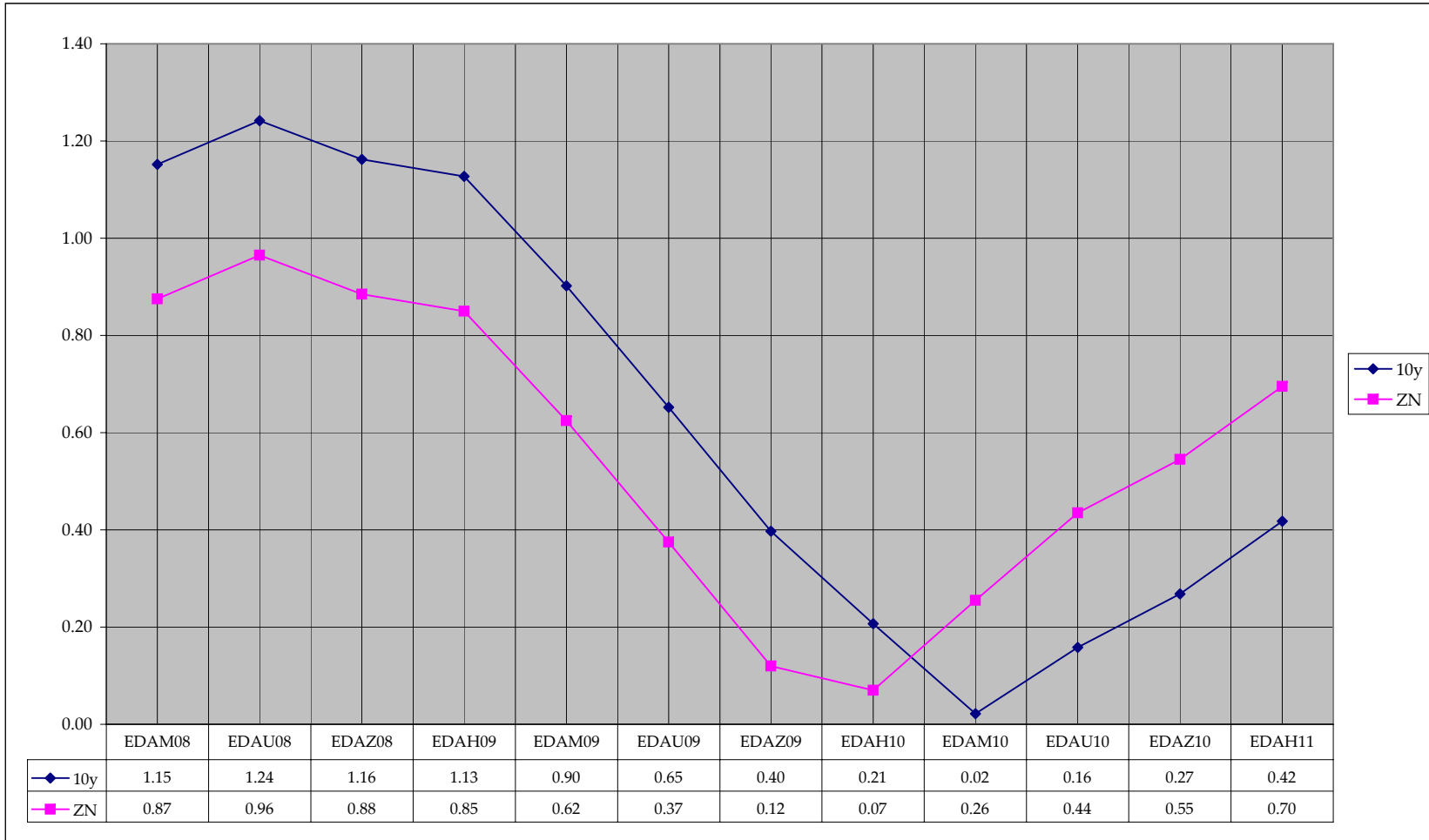
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	2.398	-0.500	9764.875
Q.ED.Red	3.047	-0.375	9701.750
Q.ED.Green	3.815	0.000	9627.250
Q.ED.Blue		0.500	9574.750
Q.ED.Gold		0.000	9536.000

